FOCUS COLORADO:
ECONOMIC AND REVENUE FORECAST

COLORADO LEGISLATIVE COUNCIL STAFF
ECONOMICS SECTION

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TABLE OF CONTENTS PAGE

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Photo captures Molas Lake in Silverton, courtesy of Suzanne Keim.

HIGHLIGHTS

The **economy** is expected to continue to grow at a moderate pace in 2017 and into 2018. Demographic change and a tight labor market will make it more difficult for businesses to fill jobs, leading to increased wages and pressure on corporate profits in some industries. After a slowdown during the summer of 2016, business investments and new orders for goods and services have rebounded in the first part of 2017 in tandem with an improving global economy. The strength of the economy is expected to allow the Federal Reserve to slowly raise interest rates and taper the money supply without triggering a recession. However, because the economy is operating at or close to its capacity in most markets, risks to the economic outlook lean more to the downside.

Expectations for **General Fund revenue** were reduced by $135.2 million relative to expectations in March for FY 2016-17 after individual income tax collections in April and May came in lower than anticipated. Revenue is expected to be $22.7 million higher in FY 2017-18 as a stronger sales tax forecast, in part resulting from the changes under SB17-267, more than offset lower expectations for individual income taxes.

General Fund revenue is expected to be $136.6 million short of the amount needed to fully fund the budget and a 6.0 percent reserve in **FY 2016-17**. Revenue will fall short of the Referendum C cap by $281.4 million.

In **FY 2017-18**, the General Fund is expected to end the year with a 4.8 percent reserve, $171.9 million lower than the budgeted 6.5 percent reserve. Revenue subject to TABOR is expected to fall short of the Referendum C cap by $430.1 million.

Assuming the FY 2017-18 shortfall is addressed by reducing the reserve and therefore carrying this shortfall forward into FY 2018-19, the General Assembly will have $531.3 million, or 4.8 percent, more to spend or save in the General Fund in **FY 2018-19** than what is budgeted for FY 2017-18.

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EXECUTIVE SUMMARY

This report presents the budget outlook based on current law and the June 2017 General Fund revenue, cash fund revenue, and TABOR forecasts. It also includes summaries of expectations for the U.S. and Colorado economies and summaries of current economic conditions in nine regions of the state.

General Fund Budget Outlook

FY 2016-17. The General Fund is anticipated to end FY 2016-17 with a reserve equal to 4.6 percent of appropriations, $136.6 million lower than the budgeted 6.0 percent reserve. The shortfall is the result of lower expectations for individual income taxes, after revenue collections during the April tax season disappointed. Revenue subject to TABOR is expected to fall short of the Referendum C cap by $281.4 million.

FY 2017-18. The General Fund is expected to end FY 2017-18 with a reserve equal to 4.8 percent of appropriations, $171.9 million lower than the budgeted 6.5 percent reserve. The majority of the shortfall is the result of carrying the FY 2016-17 shortfall forward into FY 2017-18. Expectations for individual income taxes were also reduced for FY 2017-18. Revenue subject to TABOR will fall short of the Referendum C cap by $430.1 million.

*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 15 and is summarized in Table 9 on page 18.*

*The **General Fund revenue** forecast begins on page 19 and is summarized in Table 11 on page 23.*

Cash Fund Revenue

Cash fund revenue subject to TABOR is expected to fall 4.1 percent to $2.81 billion in FY 2016-17. A large decline in Hospital Provider Fee revenue and a smaller decline in the "other cash fund" category will be mostly offset by increases in transportation-related, severance tax, and marijuana tax revenue. Cash fund revenue subject to TABOR will decrease further to $2.34 billion in FY 2017-18, as the Hospital Provider Fee is repealed and replaced by the Healthcare Affordability and Sustainability Fee, administered by a TABOR-exempt enterprise. Cash Fund revenue subject to TABOR is expected to rebound to $2.44 billion in FY 2018-19, as most revenue sources are projected to continue to rise.

*The **cash fund revenue forecasts** begin on page 25. Forecasts for state revenue subject to TABOR are summarized in Table 12 on page 26.*

Economic Outlook

*More information about the **state and national economic outlook** begins on page 33.*

*Summaries of economic conditions in nine **regions** around the state begin on page 61.*

The economic expansion will continue to mature in 2017 and into 2018. In most urban areas of the country, low unemployment rates and other indicators are signaling that labor markets are at full employment. Colorado's unemployment rate was a record low of 2.3 percent in May and the lowest statewide rate in the country. A tight labor market will make it more difficult for businesses to fill jobs, leading to increased wages and pressure on corporate profits in some industries. After a slowdown during the summer of 2016, business investments and new orders for goods and services have rebounded in the first part of 2017 in tandem with an improving global economy. The strength of the economy is expected to allow the Federal Reserve to slowly raise interest rates and taper the money supply without triggering a recession.

Risks that the forecast will be inaccurate lean more towards the downside than the upside. The economy is at or close to its capacity in most markets and is at risk of overheating. Once the economy begins to operate beyond its productive capacity, the potential that an economic shock will trigger a recession increases. Structural changes — such as the aging population, new shadow markets, and automation — make it difficult to discern both where the economy's productive capacity is and how the economy is performing relative to it. If the economy is operating further beyond its capacity than assumed in this forecast, a recession is possible within or soon after the forecast period.

General Fund Budget Overview

Table 1 on page 6 presents the General Fund overview based on current law. Tables 5, 6, and 7 on pages 11, 12 and 13 provide estimates for General Fund rebates and expenditures (line 8 of Table 1) and detail for cash fund transfers to and from the General Fund (lines 3 and 9 of Table 1). This section also presents expectations for revenue to the State Education Fund, lists statutory transfers to transportation and capital construction funds, and presents expectations for the availability of tax policies contingent on the collection of sufficient General Fund revenue.

FY 2016-17. The General Fund is expected to end the year with a 4.6 percent reserve, $136.6 million lower than the budgeted 6.0 percent reserve. This shortfall incorporates the impact of an estimated $53.3 million diversion of income taxes from the General Fund to cover the costs of severance tax refunds pursuant to Senate Bill 16-218. Revenue subject to TABOR is expected to fall short of the Referendum C cap by $281.4 million.

FY 2017-18. The General Fund is expected to end the year with a 4.8 percent reserve, $171.9 million lower than the budgeted 6.5 percent reserve. Of this amount, $136.6 million is the result of the FY 2016-17 shortfall, which reduces the beginning reserve for FY 2017-18. Revenue subject to TABOR is expected to fall short of the Referendum C cap by $430.1 million.

Change relative to the March forecast. Table 2 details changes in the General Fund budget situation for FY 2016-17 and FY 2017-18 relative to the March forecast. For each year, changes resulting from legislation (i.e., “Legislative Impact”) and revised expectations for revenue due to the economy (i.e., “Forecast Revision”) are delineated. The March forecast anticipated a $169.1 million shortfall relative to the required reserve in FY 2016-17, and $254.2 million available for spending in FY 2017-18 above budgeted amounts for this year.

For each year, the “Legislative Impact” column shows that legislation balanced the budget during both years. Without forecast revisions in revenue, the General Fund would have ended FY 2016-17 and FY 2017-18 with $7.2 million and $13.3 million, respectively, above the required reserve.

The columns labeled “Forecast Revision” show how changes in expectations for revenue unrelated to legislation are affecting expectations for the budget situation. Forecast revisions decreased the amount of money available in the General Fund by a total of $143.8 million in FY 2016-17 and $185.3 million in FY 2017-18. The $185.3 million figure for FY 2017-18 is cumulative, and includes the reduced forecast for FY 2016-17.

The columns labeled “Total Change” show the sum of the projected legislative impact and forecast revisions, with the budget situation anticipated by this forecast included in line 10.

FY 2018-19 — Unbudgeted. Table 1 shows new revenue in FY 2018-19 relative to anticipated changes in statutory and constitutional obligations between FY 2017-18 and FY 2018-19. Because a budget has not yet been enacted for FY 2018-19, lines 21 and 22 show the amount of revenue available in FY 2018-19 relative to the amount budgeted to be spent or saved in FY 2017-18.

Assuming the FY 2017-18 shortfall is addressed by reducing the reserve and therefore carried forward into FY 2018-19, the General Assembly will have $531.3 million, or 4.8 percent, more to spend or save in the General Fund than what is budgeted to be spent in FY 2017-18. This amount assumes a fully funded 6.5 percent reserve in FY 2018-19.

Table 1
General Fund Overview
Dollars in Millions

		FY 2015-16 Actual	FY 2016-17 Estimate	FY 2017-18 Estimate	FY 2018-19 Estimate
Funds Available					
1	Beginning Reserve	$689.6	$512.7	$447.7	$503.4
2	General Fund Revenue	$9,971.4	$10,316.6	$11,087.5	$11,659.5
3	Transfers from Other Funds *(Table 6)*	25.0	44.8	89.2	18.2
4	**Total Funds Available**	**$10,686.0**	**$10,874.1**	**$11,624.3**	**$12,181.1**
5	Percent Change	3.7%	1.8%	6.9%	4.8%
Expenditures		Actual	Budgeted	Budgeted	Estimate
6	General Fund Appropriations Subject to Limit	$9,335.6	$9,784.5	$10,438.1	*
7	Release of TABOR Refund Obligation Under Art. X, §20, (3)(c)[1]	(58.0)	NA	NA	NA
8	Rebates and Expenditures *(Table 5)*	281.3	288.2	290.2	301.2
9	Transfers to Other Funds *(Table 7)*[2]	176.2	164.9	179.1	150.5
10	Transfers to the State Education Fund Pursuant to SB 13-234	25.3	25.3	25.3	25.0
11	Transfers to Highway Users Tax Fund	199.2	79.0	79.0	0.0
12	Transfers to the Capital Construction Fund	271.1	84.5	109.2	60.0
13	**Total Expenditures**	**$10,230.7**	**$10,426.4**	**$11,120.9**	*
14	Percent Change	6.0%	1.9%	6.7%	*
15	Accounting Adjustments	57.4	*	*	*
Reserve		Actual	Budgeted	Budgeted	Estimate
16	Year-End General Fund Reserve	$512.7	$447.7	$503.4	*
17	Year-End Reserve as a Percent of Appropriations	5.5%	4.6%	4.8%	*
18	Statutorily Required Reserve[3]	463.9	584.3	675.4	*
19	**Amount in Excess or (Deficit) of Statutory Reserve**	**$48.8**	**($136.6)**	**($171.9)**	*
20	Excess Reserve as a Percent of Expenditures	0.5%	-1.3%	-1.5%	*
Perspective on FY 2017-18 (Unbudgeted Year)					Estimate
	Amount Available in FY 2018-19 in Relative to FY 2017-18 Expenditures[4]				
21	Amount in Excess of (Deficit) of Statutory Reserve				531.3
22	As a Percent of Prior-Year Expenditures				4.8%
Addendum		Preliminary	Estimate	Estimate	Estimate
23	Percent Change in General Fund Appropriations	5.3%	4.8%	6.7%	*
24	5% of Colorado Personal Income Appropriations Limit	$12,332.4	$13,326.7	$13,886.6	$14,381.0
25	Transfers to State Education Fund Per Amendment 23	$522.6	$540.0	$581.4	$610.2

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

[1]$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.

[2]Includes diversions from the General Fund to cover severance tax refunds pursuant to Senate Bill 16-218, which totaled $56.8 million in FY 2015-16 and are estimated at $53.3 million for FY 2016-17.

[3]The required reserve is calculated as a percent of operating appropriations, and is required to equal to 5.6 percent less $56.8 million in FY 2015-16, 6.0 percent in FY 2016-17, and 6.5 percent in FY 2017-18 and FY 2018-19. Appropriations to fulfill the state's obligations of certain certificates of participation are excluded for purposes of calculating the statutory reserve requirement.

[4]This holds appropriations in FY 2018-19 equal to appropriations in FY 2017-18 (line 6) to determine the total amount of money available relative to FY 2017-18 expenditures, net of the obligations in lines 8 through 12 and the required reserve.

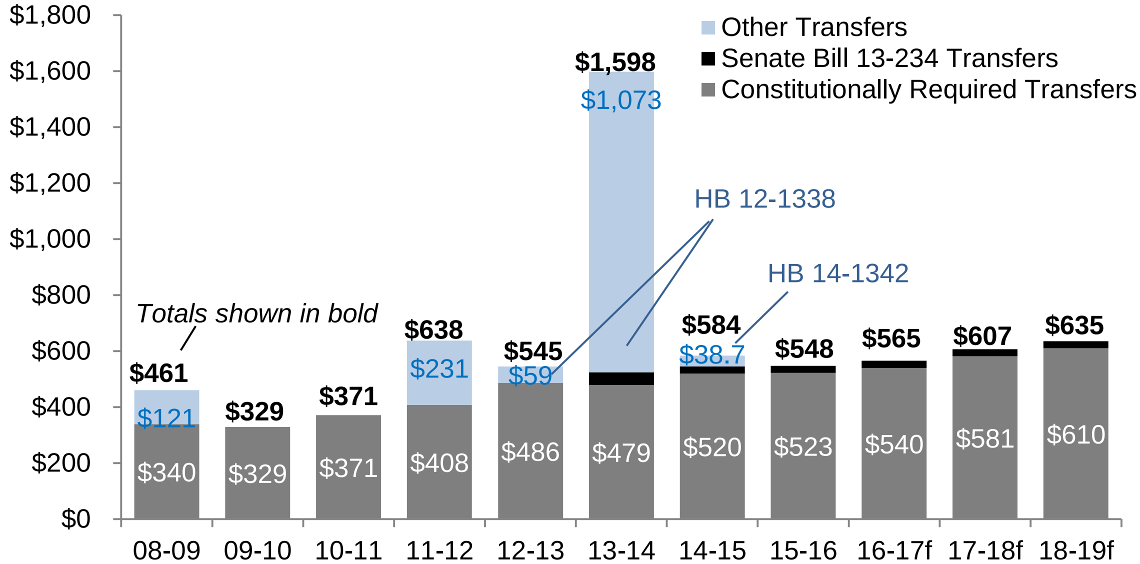
Table 2
Components of Change in the General Fund Budget Situation Relative to the March Forecast

		FY 2016-17			FY 2017-18			
		Legislative Impact	Forecast Revision	Total Change	Legislative Impact	Forecast Revision	Total Change	Note
1	March 2017 Shortfall or Surplus Relative to Required Reserve							
		($169.1)	$0.0	($169.1)	$254.2	$0.0	$254.2	March 2017 *Focus Colorado*, page 6.
	Plus Change in Funds Available							
2	Beginning Reserve	0.0	0.0	0.0	124.7	(143.8)	(19.0)	This carries the FY 2016-17 shortfall into FY 2017-18.
3	General Fund Revenue[1]	2.9	(138.1)	(135.2)	62.3	(39.6)	22.7	Reduced expectations for individual income taxes were partially offset by legislative increases in marijuana sales tax revenue.
4	Transfers to/from Other Funds	0.1	(4.5)	(4.4)	(15.6)	(2.4)	(18.0)	Net. See Tables 6 and 7.
	Less Change in Expenditures							
5	Operating Appropriations	(42.8)	NA	(42.8)	610.8	NA	610.8	Primarily due to the Long Appropriations Bill.
6	TABOR Refund Set Aside	0.0	0.0	0.0	(264.1)	0.0	(264.1)	See TABOR Outlook on page 15.
7	Rebates and Expenditures	0.0	1.2	1.2	3.5	(0.5)	3.0	See Table 5. SB 17-267 changed distributions of marijuana taxes to local governments.
8	Infrastructure Transfers	(79.0)	NA	(79.0)	22.3	NA	22.3	Net. See Table 3.
9	Required Reserve	(51.5)	NA	(51.5)	39.8	NA	39.8	SB 17-266 reduced the required reserve from 6.5 percent to 6.0 percent for FY 2016-17.
10	*Equals* June 2017 Shortfall or Surplus Relative to Required Reserve							
		$7.2	($143.8)	($136.6)	$13.3	($185.3)	($171.9)	

Totals may not sum due to rounding. NA = Not applicable.
[1]The forecast for individual income tax revenue was adjusted upward by $2.9 million in FY 2016-17 and $3.1 million in FY 2017-18 to account for a temporary lapse in the availability for the child care expenses income tax credit during tax year 2017. House Bill 17-1002 extends this credit for tax years 2018 through 2020.

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 25). In addition, the General Assembly has at different times 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 revenue sources to the State Education Fund 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 2015-16 and Legislative Council Staff from FY 2016-17 through FY 2018-19. "f" indicates forecast.

General Fund Transfers to Transportation and Capital Construction

Table 3 shows statutory transfers from the General Fund to the Highway Users Tax Fund and capital construction funds. Senate Bill 17-267, which authorized up to $1.2 billion in certificates of participation for transportation projects, repealed transfers from the General Fund to the Highway Users Tax Fund in FY 2018-19 and FY 2019-20 previously specified by Senate Bill 17-262. Transfers in Table 3 are also shown in lines 11 and 12 of Table 1.

Table 3
Transfers from the General Fund for Infrastructure

Fiscal Year	Highway Users Tax Fund		Capital Construction Fund	
FY 2015-16	HB 16-1416	$199.2 million	HB 16-1416	$49.8 million
			SB 15-250	$221.3 million
			Total	*$271.1 million*
FY 2016-17	SB 17-262	$79.0 million	HB 16-1416	$52.7 million
			HB 16-1417	$31.8 million
			Total	*$84.5 million*
FY 2017-18	SB 17-262	$79.0 million	SB 17-263	$109.2 million[1]
FY 2018-19			SB 17-262	$60.0 million
FY 2019-20			SB 17-262	$60.0 million

[1]Of this amount, $20.0 million will be transferred to the Controlled Maintenance Trust Fund.

Tax Policies Dependent on Sufficient General Fund Revenue

The availability of three tax policies is dependent on the amount of money available in the General Fund during the forecast period. Of these, two 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. Revenue did not meet this requirement in FY 2015-16 and is not expected to meet it through at least FY 2018-19, the end of the forecast period. As a result, the sales tax refund for cleanrooms was not available from July 2016 through June 2017 and is repealed thereafter. In addition, the historic property preservation tax credit will not be available in tax years 2016 and 2017 and is not expected to be available in tax year 2018. Table 4 lists and describes the availability of these tax policies.

Table 4
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 years 2016 and 2017. Not expected to be available in tax year 2018. Repealed tax year 2020.
Cleanroom Machinery Sales and Use Tax Exemption (Section 39-26-722, C.R.S.) *Revenue reduction of $1.1 million per year.*	If the June forecast indicates sufficient revenue for the fiscal year that is about to begin, the exemption will become available in July.	Not available through June 2017 and repealed thereafter.

The child care expenses tax credit will not be available for tax year 2017. The child care expenses income tax credit was extended for three years by House Bill 17-1002. The bill requires the three-year period during which the tax credit is extended to shift forward in time from tax years 2017 through 2019 to tax years 2018 through 2020 if this forecast predicts that the General Fund will have less than $2.9 million available in the General Fund in excess of the required 6.0 percent reserve at the end of FY 2016-17. Because a shortfall is predicted by this forecast, the credit will be available for tax years 2018 through 2020.

Table 5
General Fund Rebates and Expenditures
Dollars in Millions

Category	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	Estimate FY 2018-19
Senior and Veterans Property Tax Exemptions	$127.1	$136.1	$146.8	$159.3
Percent Change	8.8	7.1	7.8	8.5
Cigarette Rebate	10.5	10.7	10.5	10.4
Percent Change	-14.2	1.2	-1.4	-0.8
Old-Age Pension Fund	108.3	96.4	91.2	88.0
Percent Change	8.9	-11.1	-5.3	-3.5
Aged Property Tax and Heating Credit	9.3	5.8	5.5	5.3
Percent Change	64.9	-38.0	-5.7	-3.8
Older Coloradans Fund	10.0	16.4	10.0	10.0
Percent Change	-0.1	0.6	-39.0	0.0
Interest Payments for School Loans	1.2	3.4	4.5	4.7
Percent Change	84.1	171.6	34.1	3.7
Firefighter Pensions	3.7	4.2	4.2	4.3
Percent Change	-11.9	14.3	0.3	1.0
Amendment 35 Distributions	0.9	0.9	0.9	0.9
Percent Change	1.7	-1.0	-0.4	0.0
Marijuana Sales Tax Transfer to Local Governments	10.1	14.4	16.6	18.3
Percent Change	70.9	42.6	15.0	10.8
TOTAL REBATES & EXPENDITURES	**$281.3**	**$288.2**	**$290.2**	**$301.2**

Totals may not sum due to rounding.

Table 6
Cash Fund Transfers to the General Fund
Dollars in Millions

Transfers to the General Fund		2015-16	2016-17	2017-18	2018-19
HB 05-1262	Amendment 35 Tobacco Tax	$0.9	$0.9	$0.9	$0.9
HB 10-1325	Natural Resource Damage Recovery Fund	0.2	0.2		
HB 11-1281	Nursing Teacher Loan Forgiveness Pilot Program	0.1			
SB 13-133	Limited Gaming Fund	15.5	15.1	16.3	17.3
HB 15-1379	Marijuana Tax Cash Fund	0.1			
SB 15-168, SB 16-196, & HB 16-1398	Intellectual and Developmental Disability Fund	0.3	1.2		
SB 15-249 & HB 16-1418	Marijuana Tax Cash Fund		26.3		
36-1-148 (2), C.R.S.	Land and Water Management Fund	0.03			
HB 16-1409	Unclaimed Property Trust Fund	8.0			
HB 16-1413	Water Quality Improvement Fund		1.2		
HB 17-1369	County Jail Assistance Fund		0.1		
SB 17-260	Severance Tax Funds			45.7	
SB 17-265	State Employee Reserve Fund			26.3	
Total Transfers to the General Fund		**$25.0**	**$44.8**	**$89.2**	**$18.2**

Table 7
Transfers from the General Fund to Cash Funds
Dollars in Millions

Transfers from the General Fund		2015-16	2016-17	2017-18	2018-19
SB 11-047	Bioscience Income Tax Transfer to OEDIT	$7.3	$7.60	$8.12	$8.57
HB 12-1315	Clean Renewable Energy Fund	1.6	1.6		
HB 13-1193	Advanced Industries Export Acceleration Fund	0.3	0.3	0.3	
SB 14-215 & SB 17-267	Marijuana Tax Cash Fund	57.2	81.6	107.1	118.6
HB 14-1016 [1]	Procurement Technical Assistance Cash Fund	0.2	0.2	0.2	0.2
SB 14-011	Energy Research Cash Fund	1.0			
HB 15-1178	CWCB Emergency Dewatering Grant Account	0.2	0.3		
SB 15-112	Building Regulation Fund		0.2		
SB 15-244 & SB 17-267	State Public School Fund	7.8	7.8	37.8	20.8
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			
HB 16-1161[2]	Veterans Grant Program Fund *(conditional)*		0.3		
HB 16-1288	Industry Infrastructure Fund		0.3	0.3	0.3
HB 16-1453	Cybersecurity Cash Fund		7.9		
SB 16-003	Wildfire Risk Reduction Fund		1.0		
SB 16-218	State Severance Tax Refunds	56.8	53.3		
HB 17-1282	Veterinary Loan Education Repayment Fund			0.14	
SB 17-021[3]	Housing Assistance Persons Transitioning from Incarceration Fund				
SB 17 255	Technology Advancement and Emergency Fund			2.0	2.0
SB 17-259	Severance Tax Tier-2 Natural Resource Funds			10.0	
SB 17-261	2013 Flood Recovery Account			12.5	
Total Transfers from the General Fund		**$176.2**	**$164.9**	**$179.1**	**$150.5**

[1] *This transfer is dependent on the receipt of at least $200,000 in gifts, grants, and donations by the relevant contractor.*
[2] *This transfer is conditional, dependent on budgeted expenditures for the senior and veterans property tax exemption exceeding actual expenditures. This bill transfers 5 percent of the difference to the Veterans Grant Program Fund.*
[3] *Senate Bill 17-021 transfers the unspent balance of the General Fund appropriation to community corrections contracts in the Department of Public Safety to the fund at the end of FY 2016-17. This transfer is not shown in this table because it has already been accounted for as an appropriation in Table 1 (line 6).*

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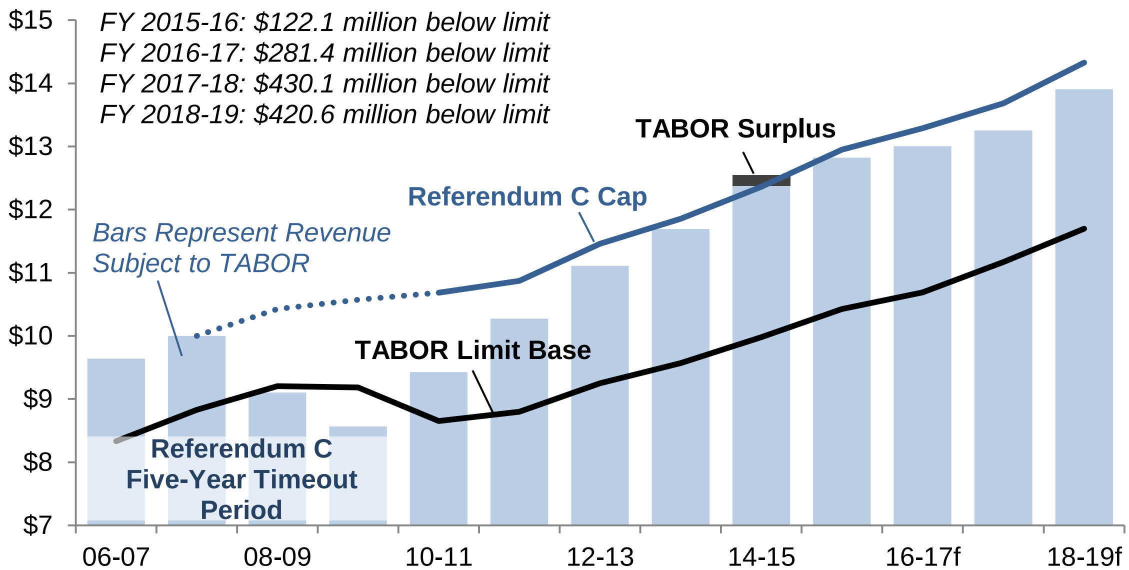
TABOR OUTLOOK

This section presents the outlook for the state's TABOR situation through FY 2018-19. Forecasts for TABOR revenue are summarized in Table 9 on page 18 and illustrated in Figure 2, which also provides a ten-year history of the TABOR limit base and the Referendum C cap.

State revenue fell short of the Referendum C cap by $122.1 million in FY 2015-16, and is expected to remain below the Referendum C cap through the forecast period. Specifically, state revenue is estimated to fall short of the cap by $281.4 million in FY 2016-17, $430.1 million in FY 2017-18, and $420.6 million in FY 2018-19. Based on these projections, **the state will not issue TABOR refunds** through at least tax year 2019.

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



Source: Office of the State Controller and Legislative Council Staff.

Expectations for the state's TABOR outlook have shifted significantly since the March forecast; these changes are summarized in Table 8. The most significant change is attributable to **Senate Bill 17-267**, which will repeal the state's existing hospital provider fee at the end of FY 2016-17 and create a similar fee in a TABOR-exempt enterprise. This portion of the bill is expected to reduce state revenue subject to TABOR by $584.9 million in FY 2017-18 and by $844.1 million in FY 2018-19 relative to what otherwise would have been collected. The bill offsets a portion of this reduction by applying a $200.0 million downward adjustment to the Referendum C cap in FY 2017-18; this amount is effectively increased by inflation and population growth in subsequent fiscal years.

Table 8
Change in TABOR Estimates, March 2017 Forecast to June 2017 Forecast
Dollars in Millions

FY 2017-18

	June	March	Change
TABOR Revenue			
General Fund [1]	10,913.1	10,972.5	(59.3)
Cash Funds [1]	2,341.4	3,176.2	(834.9)
Total TABOR Revenue	$13,254.5	$14,148.7	($894.2)
Referendum C Cap	$13,684.6	$13,884.6	($200.0)
Revenue Above (Below) Ref C Cap	**($430.1)**	**$264.1**	**($694.2)**

FY 2018-19

	June	March	Change
TABOR Revenue			
General Fund [1]	11,467.3	11,588.8	(121.5)
Cash Funds [1]	2,439.9	3,237.0	(797.1)
Total TABOR Revenue	$13,907.2	$14,825.8	($918.6)
Referendum C Cap	$14,327.8	$14,537.2	($209.4)
Revenue Above (Below) Ref C Cap	**($420.6)**	**$288.6**	**($709.2)**

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

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

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period covering FY 2005-06 through FY 2009-10. Beginning in FY 2010-11, Referendum C allows the state to retain revenue collected above the TABOR limit base up to a capped amount. The cap is based on the amount of state revenue collected in FY 2007-08, adjusted annually for inflation and population growth. It is always grown from the prior year's cap, regardless of the level of revenue collected. However, Senate Bill 17-267 applies a $200.0 million one-time downward adjustment to the Referendum C cap in FY 2017-18 and requires that the cap for FY 2018-19 and subsequent years be grown from this reduced level.

When revenue exceeds the cap, TABOR requires the surplus to be refunded during the following fiscal year. Additionally, state law requires adjustments to the refund amount based on over-refunds or under-refunds of previous TABOR surpluses. Most recently, revenue exceeded the Referendum C cap in FY 2014-15, prompting TABOR refunds on returns for tax year 2015. The amount of the FY 2014-15 refund obligation is now estimated to have been $159.4 million, adjusting for accounting errors discovered after refunds were issued. To date, the state has refunded $137.3 million of this obligation. For this reason, the amount of the next TABOR refund is expected to differ from the next TABOR surplus by $22.1 million as described below.

Refunds issued for tax year 2015. At the time when tax forms were printed, the refund obligation for FY 2014-15 was estimated at $153.7 million. The amounts of refunds available to individual taxpayers were chosen to refund this amount. As of May 31, 2017, the Department of Revenue reports that refunds issued for tax year 2015 total $137.3 million, or $16.4 million less than the administered surplus.

Adjustments to the FY 2014-15 TABOR schedule. The Office of the State Controller discovered adjustments to the FY 2014-15 TABOR schedule after tax forms were printed. These include:

- $19.6 million subject to TABOR in the Department of Health Care Policy and Financing originally accounted as exempt;
- $4.1 million subject to TABOR in the Department of Agriculture and the State Fair Authority originally accounted as exempt;
- $0.3 million subject to TABOR in the Department of Natural Resources originally accounted as exempt;
- $18.3 million exempt funds in the Department of Public Safety originally accounted as fiscal year spending; and
- $0.1 million exempt funds in the Department of the Treasury originally accounted as fiscal year spending.

These adjustments will add a net of $5.7 million to the TABOR refund obligation when the state next refunds a surplus. Combined with the under-refund of the administered surplus, the total under-refund for the FY 2014-15 surplus is estimated at $22.1 million. This amount will be refunded with the next administered TABOR surplus, which is not expected during the current forecast period.

Amount encumbered for FY 2014-15 refunds. The General Assembly encumbered $169.7 million in the General Fund for payment of the refund obligation generated by the FY 2014-15 surplus. This amount is reflected in the comprehensive annual financial report for FY 2015-16. State fiscal year spending for FY 2014-15 exceeded the Referendum C cap by $155.8 million, less than the amount originally projected. The $13.9 million difference represents an over-encumbrance of revenue.

TABOR refund mechanisms. Senate Bill 17-267 altered the mechanisms that will be used to issue TABOR refunds in future years. Beginning in FY 2017-18, the bill declares that disbursements made to local governments for their revenue loss associated with two property tax exemptions, the senior homestead exemption and the disabled veterans property tax exemption, may constitute TABOR refunds. Thus, in future years, any administered TABOR refund less than the amount disbursed to offset these exemptions will not trigger the six-tier sales tax refund mechanism or the temporary income tax rate reduction. In years when the amount to be refunded exceeds local property tax losses attributable to the two exemptions, one or both of the other mechanisms will be used in addition to the property tax backfill.

Table 9
TABOR Limit and Retained Revenue
Dollars in Millions

		Actual FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	Estimate FY 2018-19
	TABOR Revenue				
1	General Fund[1]	$9,897.3	$10,197.3	$10,913.1	$11,467.3
2	Cash Funds[1]	$2,927.1	$2,808.0	$2,341.4	$2,439.9
3	**Total TABOR Revenue**	**$12,824.4**	**$13,005.3**	**$13,254.5**	**$13,907.2**
	Revenue Limit	4.4%	3.1%	4.5%	4.7%
4	Allowable TABOR Growth Rate	2.8%	1.2%	2.8%	3.0%
5	Inflation (*from Prior Calendar Year*)	1.6%	1.9%	1.7%	1.7%
6	Population Growth (*from Prior Calendar Year*)	$10,427.6	$10,689.7	$11,170.8	$11,695.8
7	TABOR Limit Base	$2,396.8	$2,315.6	$2,083.7	$2,211.4
8	Voter Approved Revenue Change (Referendum C)	$12,946.5	$13,286.7	$13,684.6	$14,327.8
9	Total TABOR Limit / Referendum C Cap	**($122.1)**	**($281.4)**	**($430.1)**	**($420.6)**
10	**TABOR Revenue Above (Below) Referendum C Cap**	4.4%	3.1%	4.5%	4.7%
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[2]	$2,396.8	$2,315.6	$2,083.7	$2,211.4
12	Fiscal Year Spending *(revenue available to be spent or saved)*	$12,824.4	$13,005.3	$13,254.5	$13,907.2
13	**Revenue Refunded to Taxpayers[3]**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
14	TABOR Reserve Requirement	$384.7	$390.2	$397.6	$417.2

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

[1]These figures may differ from the revenues 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, any excess revenue collected in FY 2017-18 would be set aside in FY 2017-18 and refunded in FY 2018-19 on income tax returns for tax year 2018.

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 11 on page 23 summarizes General Fund revenue collections for FY 2015-16 and projections for FY 2016-17 through FY 2018-19.

Following modest growth in FY 2015-16, growth in General Fund collections accelerated in FY 2016-17, albeit at a more modest pace than expected in March. General Fund collections are expected to grow 3.5 percent in FY 2016-17 before accelerating further in FY 2017-18, boosted by marijuana special tax revenue increases under Senate Bill 17-267, rising wage pressures, and further improvements in consumer spending and business activity. Growth in General Fund revenue is expected to outpace statewide inflation and population growth in FY 2017-18 and FY 2018-19, though uncertainty over federal tax policy remains a risk to the forecast. The late stage of the economic expansion also poses significant risks to the revenue outlook; growing scarcity of and rising wage pressure for high-skilled labor may mute business growth.

The outlook for General Fund revenue in FY 2016-17 was reduced relative to the March forecast by $135.2 million (1.3 percent), on lower expectations for individual income tax revenue. Revenue is expected to be $22.7 million (0.2 percent) higher in FY 2017-18 as a stronger sales tax forecast, in part resulting from the marijuana tax changes under SB17-267, more than offset lower expectations for individual income taxes. Additional information regarding the main sources of revenue to the General Fund is provided below.

Legislative impacts. Table 10 summarizes the estimated General Fund impacts of legislation passed in 2017. This legislation is expected to increase revenue slightly in FY 2017-18 and reduce revenue by a negligible amount in FY 2018-19. Senate Bill 17-267 will increase revenue from the marijuana special sales tax to the General Fund. However, the bill also requires transfers from the General Fund, resulting in a net impact of $12.0 million in FY 2017-18 and $25.7 million in FY 2018-19, as shown in Table 11.

Beginning with this June forecast, Legislative Council Staff revenue forecasts will assume that expiring tax credits (tax credits with an upcoming repeal date) will continue. This change in practice is consistent with budgeting assumptions used for programs with a repeal (or "sunset") date and will allow greater consistency in the revenue and expenditure impacts reported in fiscal notes. In the future, fiscal notes for bills extending expiring tax credits will report a "continuing" revenue impact and these bills will not require budget balancing. In addition, actual adjustments to the revenue forecast may not match estimates reported in Table 10.

Triggered tax expenditure impacts. Table 10 also summarizes triggered tax expenditure impacts, all of which are expected to be triggered off through the remainder of the forecast period due to insufficient General Fund revenue or the absence of a TABOR surplus.

Table 10
Legislation Affecting General Fund Revenue
Dollars in Millions

Major Legislation Passed in 2017	2016-17	2017-18	2018-19
Individual Income Tax			
HB17-1090: Advanced Industry Investment Tax Credit Extension		-$0.3	-$0.6
HB17-1002: Child Care Expenses Income Tax Credit Extension[1]		-2.9	-6.1
Total Individual Income Tax Impact		-3.2	-6.7
Corporate Income Tax			
HB17-1356: Treat Economic Development Income Tax Credits Differently			-5.6
SB17-299: Apportionment of Income of Enterprise Data Centers			-2.4
SB17-267: Increase in Business Personal Property Tax Credit			-9.8
Total Corporate Income Tax Impact			-17.8
Sales and Excise Taxes			
SB17-267: Increase in Marijuana Special Sales Tax Rate[2]		12.0	25.7
HB17-1077: Exemption for Historic Aircraft on Loan for Public Display		*Potential decrease*	
Total Impact on Sales and Excise Taxes		12.0	25.7
Insurance Premium Tax			
SB17-198: Public Participate Review Acquire Control Insurer		-0.01	-0.01
Total Insurance Premium Tax Impact		-0.01	-0.01
Other Miscellaneous Revenue			
SB17-180: PUC Streamlined Enforcement of Motor Carriers		-0.25	-0.25
HB17-1077: Useful Public Service Cash Fund Diversion		-0.03	-0.03
HB17-1119: Payment of Workers' Compensation Benefits			-0.60
HB17-1092: Retail Establishment & Performing Rights		0.01	0.01
HB17-1263: Limited Lines Self-storage Insurance License			0.01
HB17-1224: Misbranded Adulterated Counterfeit Drugs Penalty		0.01	0.01
Other Miscellaneous Revenue Impact		-0.26	-0.86
Revenue Impact of 2017 Legislation		**$8.53**	**-$0.33**

Triggered Legislation	2016-17	2017-18	2018-19
Income Tax			
OFF: Gross Conservation Easement Partial Refundability[3]	-2.5*	-4.9*	-5.2*
OFF: Historical Preservation Income Tax Credit[4]		< -1.0*	< -1.0*
Revenue Impact of Triggered Legislation	**$0**	**$0**	**$0**

**General Fund impacts if otherwise triggered on.*

[1]Available tax years 2018, 2019, and 2020. Not available tax year 2017.

[2]Amounts reflect the net increase in revenue to the General Fund from the marijuana special sales tax, reflecting General Fund revenue increases of $77.3 million in FY 2017-18 and $85.6 million in FY 2018-19, as well as transfers out of the General Fund.

[3]Triggered on by the FY 2014-15 TABOR surplus. Available in tax year 2015, but not in 2016, 2017, or 2018 (Section 39-22-522 (5) (b), C.R.S.).

[4]Triggered off by the December 2016 forecast of insufficient revenue to grow General Fund appropriations by 6 percent (Section 39-22-514, C.R.S.).

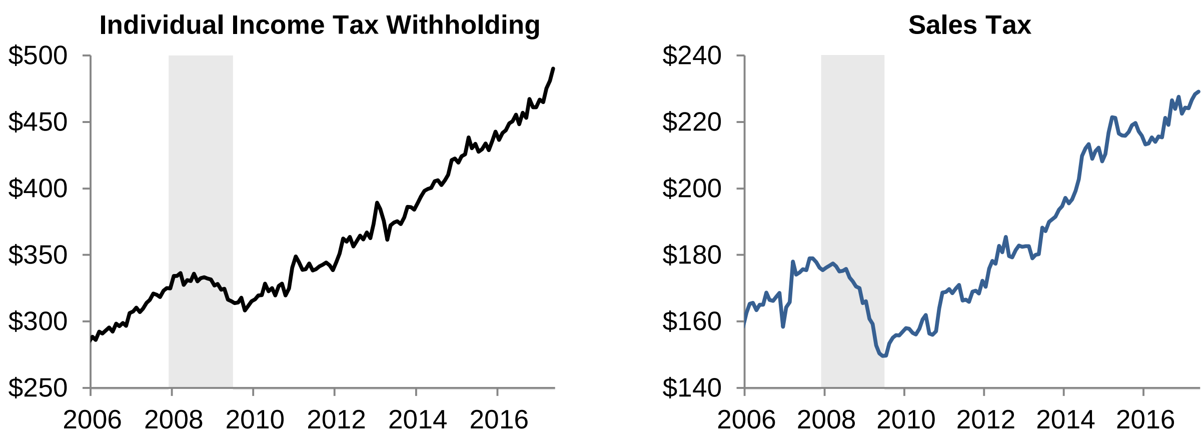
Note: Because the forecast assumes continuation of expiring tax expenditures, actual adjustments to the revenue forecast may not match the estimates reported here.

Individual income taxes. Individual income taxes are the state's largest source of tax revenue, representing nearly two-thirds of gross General Fund revenue. Uncertainty over federal tax policy changes dampened revenue in FY 2016-17, as some taxpayers held off selling assets and claiming certain sources of income on anticipation of federal tax cuts. This dampened tax collections from estimated payments (quarterly payments made by self-owned businesses and taxpayers with large income tax liabilities) and cash with returns (payments made when taxpayers file income tax returns), and boosted income tax refunds. FY 2016-17 also saw a jump in tax credits claimed—in particular, the nonrefundable credit for taxes paid to other states.

Wage withholding (income taxes withheld from employee paychecks) is the largest component of individual income taxes (Figure 3, left). Tax revenue from withholding accelerated in 2017 with rising wage pressure and job growth. Withholding is expected to continue to outpace inflation and population growth slightly over the remainder of the forecast period, offsetting drags from the other three components.

In FY 2017-18 and FY 2018-19, individual income tax collections are expected to grow 6.8 percent and 5.6 percent, respectively. Relative to the March forecast, expectations for individual income tax collections were revised downward by $144.6 million in FY 2016-17, $67.0 million in FY 2017-18, and $105.7 million in FY 2018-19. Revisions primarily reflect lower expectations for capital gains and higher expectations for income tax refunds.

Figure 3
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 May 2017.

Sales taxes. The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a relatively small collection of services. Revenue from the tax accounts for slightly more than a quarter of gross General Fund revenue. Monthly revenue collections through May 2017 are shown in Figure 3 (right). Revenue is projected to exceed $2.8 billion for the current fiscal year, up 6.2 percent from last year. This estimate includes the TABOR-exempt special sales tax on retail marijuana; subtracting this revenue, sales tax collections are projected to grow 5.3 percent to $2.7 billion.

Netting out marijuana taxes, sales tax revenue is expected to increase 5.0 percent in both FY 2017-18 and FY 2018-19. This moderate pace of growth reflects strength in consumer sentiment and rising wage pressure, balanced against a shift toward the consumption of untaxed services and weak pricing power among retailers. Nationally, demographic changes are transforming the makeup of consumer spending, with purveyors of housing, health care, and education services capturing an increasing share of consumption. At the same time, competition from low-cost online retailers is suppressing inflation in prices for many taxable goods.

Use taxes. The 2.9 percent state use tax is due when sales tax is owed but is not collected at the point of sale. Use tax revenue is largely driven by capital investment among manufacturing, energy, and mining firms. Use tax collections dropped considerably during 2015 and 2016, reflecting a contraction in energy industry capital investment that has since reversed. Use tax revenues are projected to grow 6.2 percent and 8.4 percent in FY 2016-17 and FY 2017-18, respectively.

Expectations for FY 2017-18 assume the implementation of House Bill 10-1193, which requires out-of-state retailers, including online retailers, not collecting sales taxes to notify customers and the Department of Revenue of customers' state use tax obligations. Implementation of the bill had been stayed pending resolution of an ongoing legal dispute and will affect sales made by out-of-state retailers for the first time during 2017. This forecast assumes that retailers will choose to comply with the law by notifying consumers of their use tax obligation rather than collecting sales taxes. Notifications are required to be issued by January 31st for purchases made during the prior calendar year, and consumers are required to remit use taxes by April 15th for the prior year's purchases. The fiscal impacts of this policy change are uncertain at this time. This forecast assumes a $6.6 million increase in use tax compliance during FY 2017-18, which will boost the use tax collections base modestly for subsequent fiscal years.

Corporate income taxes. In FY 2016-17, corporate income tax collections are expected to decline 19.9 percent to $522.7 million. Corporate earnings were weak in the first half of the fiscal year but have rebounded in the second half as energy markets have stabilized. Collections are expected to reach $632.8 million in FY 2017-18, a 21.1 percent increase as rising economic activity continues to boost corporate profits. Despite expectations for a strong economy in FY 2018-19, collections are expected to decline 1.1 percent as rising wage pressure slows growth in corporate profits and legislation passed during the 2017 session reduces revenue. This legislation includes the following tax policy changes: SB17-299 which reduced the apportionment factor for companies with a datacenter in Colorado; HB17-1356, which allows some economic development tax credits to be transferred; and SB17-267, which increased the tax credit for property taxes paid on business personal property.

Compared to the March forecast, corporate income tax collections were revised upward by $4.9 million in FY 2016-17, and $11.7 million in FY 2017-18 on higher than expected collections to date through May 2017.

Table 11
General Fund Revenue Estimates
Dollars in Millions

	Category	Actual FY 2015-16	Percent Change	Estimate FY 2016-17	Percent Change	Estimate FY 2017-18	Percent Change	Estimate FY 2018-19	Percent Change
	Excise Taxes								
1	Sales	$2,652.6	1.3	$2,817.4	6.2	$3,022.3	7.3	$3,183.9	5.3
2	Use	241.2	-7.3	256.1	6.2	277.5	8.4	295.5	6.5
3	Cigarette	37.2	-1.8	36.5	-2.0	36.0	-1.4	35.7	-0.8
4	Tobacco Products	21.1	18.5	22.3	5.9	22.5	0.8	23.3	3.6
5	Liquor	43.6	5.0	45.0	3.3	46.7	3.9	48.7	4.1
6	Total Excise	2,995.7	0.6	3,177.3	6.1	3,405.0	7.2	3,587.1	5.3
	Income Taxes								
7	Net Individual Income	6,526.5	2.8	6,810.8	4.4	7,275.7	6.8	7,682.8	5.6
8	Net Corporate Income	652.3	-5.8	522.7	-19.9	632.8	21.1	626.0	-1.1
9	Total Income Taxes	7,178.8	1.9	7,333.5	2.2	7,908.5	7.8	8,308.9	5.1
10	Less: Portion Diverted to the SEF	-522.6	0.5	-540.0	3.3	-581.4	7.7	-610.2	5.0
11	Income Taxes to the General Fund	6,656.2	2.0	6,793.5	2.1	7,327.2	7.9	7,698.7	5.1
	Other Sources								
12	Insurance	280.3	9.2	294.4	5.0	309.7	5.2	323.0	4.3
13	Pari-Mutuel	0.6	0.5	0.6	-4.4	0.6	-1.4	0.6	-1.8
14	Investment Income	12.4	40.3	13.0	4.7	17.5	34.1	21.6	23.9
15	Court Receipts	3.5	34.5	4.1	17.9	4.4	7.3	4.6	5.8
16	Other Income	22.6	-33.6	33.6	49.1	23.2	-31.2	23.8	2.7
17	**Total Other**	319.4	5.5	345.7	8.2	355.3	2.8	373.7	5.2
18	**Gross General Fund Revenue**	**$9,971.4**	**1.7**	**$10,316.6**	**3.5**	**$11,087.5**	**7.5**	**$11,659.5**	**5.2**

Totals may not sum due to rounding. SEF = State Education Fund.

CASH FUND REVENUE

Table 12 summarizes the forecast for cash fund revenue subject to TABOR. The largest sources 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 totaled \$2.93 billion in FY 2015-16. This revenue is expected to fall 4.1 percent to \$2.81 billion in FY 2016-17. The large decline in Hospital Provider Fee revenue and a smaller decline in the other cash fund category will be mostly offset by increases in transportation-related, severance tax, and marijuana sales tax. Year-over-year changes in other cash fund categories are minimal.

Total cash fund revenue subject to TABOR will decrease further by 16.6 percent to \$2.34 billion in FY 2017-18, as the Hospital Provider Fee is repealed and replaced by the Healthcare Affordability and Sustainability Fee that is administered by a TABOR-exempt enterprise. Cash fund revenue subject to TABOR is projected to rebound 4.2 percent from this lower level to \$2.44 billion in FY 2018-19, as most revenue sources are projected to continue to rise.

Transportation-related revenue subject to TABOR is expected to increase 2.7 percent between FY 2015-16 and FY 2016-17 to \$1.217 billion and increase 2.1 percent to \$1.243 billion in FY 2017-18. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 13 on page 27.

The largest source of revenue into the *Highway Users Tax Fund* (HUTF) is motor fuel excise tax (22¢ per gallon of gasoline and 20.5¢ per gallon of diesel fuel). Fuel excise tax is expected to increase 2.8 percent in FY 2016-17 to \$627.0 million. In FY 2017-18, fuel tax collections are expected to grow 1.5 percent and reach \$636.3 million. The HUTF also receives revenue from other sources, including registration fees, which are expected to generate \$369.1 million in FY 2016-17 and \$377.0 million in FY 2017-18. Total HUTF revenue is expected to increase 3.3 percent to \$1,064.1 million in FY 2016-17 and 1.8 percent to \$1,082.8 million in FY 2017-18.

The State Highway Fund (SHF) is the primary fund for the state Department of Transportation to meet state transportation needs. The SHF receives money from HUTF transfers, local government grants, and interest earnings. The largest amount of SHF money comes from HUTF transfers, while the two largest sources of TABOR revenue into the fund are local government grants and interest earnings. Local government revenue into the SHF fluctuates based on local budgeting decisions and large annual fluctuations are common. The HUTF revenue is subject to TABOR when it is originally collected by the state but the transfers are not. SHF revenue subject to TABOR is expected to decrease 25.7 percent to \$38.8 million in FY 2016-17 and increase 10.2 percent to \$42.7 million in FY 2017-18.

Other transportation cash fund revenue subject to TABOR is expected to be \$114.4 million in FY 2016-17, an 11.8 percent increase from the previous year, and grow slowly through the forecast period. Other transportation revenue is collected from the sale of aviation and jet fuel, certain registration fees, and driving fines.

Table 12
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Actual FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	Estimate FY 2018-19	CAAGR*
Transportation-Related	$1,184.7	$1,217.3	$1,242.7	$1,269.6	
Percent Change	1.7%	2.7%	2.1%	2.2%	2.3%
Hospital Provider Fee	$804.0	$656.8	$0.0	$0.0	
Percent Change	52.0%	-18.3%	-100.0%	0.0%	-100.0%
Severance Tax	$18.9	$49.8	$153.0	$170.3	
Percent Change	-93.2%	163.1%	207.4%	11.3%	108.0%
Gaming Revenue[1]	$102.7	$102.7	$104.8	$106.9	
Percent Change	3.4%	0.0%	2.0%	2.0%	1.3%
Insurance-Related	$11.4	$10.2	$15.8	$16.8	
Percent Change	-42.7%	-10.6%	55.2%	2.0%	13.7%
Regulatory Agencies	$68.8	$72.2	$73.7	$75.5	
Percent Change	4.8%	5.0%	2.0%	2.5%	3.2%
Capital Construction Related - Interest[2]	$5.2	$4.9	$5.2	$5.2	
Percent Change	-6.6%	-6.8%	5.4%	0.6%	-0.4%
2.9% Sales Tax on Marijuana[3]	$31.8	$40.3	$12.6	$12.5	
Percent Change	23461.1%	26.9%	-68.8%	-1.1%	-26.8%
Other Cash Funds	$699.5	$653.8	$733.6	$783.2	
Percent Change	15.7%	-6.5%	12.2%	6.8%	3.8%
Total Cash Fund Revenue	$2,927.1	$2,808.0	$2,341.4	$2,439.9	
Subject to the TABOR Limit	5.7%	-4.1%	-16.6%	4.2%	-5.9%

Totals may not sum due to rounding.

** CAAGR: Compound average annual growth rate for FY 2015-16 to FY 2018-19.*

[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 13
Transportation Revenue by Source
Dollars in Millions

	Actual FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	Estimate FY 2018-19	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	$609.7	$627.0	$636.3	$645.5	1.9%
Percent Change	1.7%	2.8%	1.5%	1.4%	
Total Registrations	$356.0	$369.1	$377.0	$384.9	2.6%
Percent Change	1.2%	3.7%	2.1%	2.1%	
Registrations	*$210.3*	*$218.4*	*$222.9*	*$227.3*	
Road Safety Surcharge	*$127.2*	*$131.5*	*$134.2*	*$136.9*	
Late Registration Fees	*$18.5*	*$19.2*	*$19.9*	*$20.7*	
Other HUTF Receipts[1]	$64.5	$68.0	$69.5	$71.2	3.3%
Percent Change	1.7%	5.3%	2.3%	2.5%	
Total HUTF	$1,030.2	$1,064.1	$1,082.8	$1,101.5	2.3%
Percent Change	1.5%	3.3%	1.8%	1.7%	
State Highway Fund (SHF)[2]	$52.2	$38.8	$42.7	$47.1	-3.3%
Percent Change	23.1%	-25.7%	10.2%	10.3%	
Other Transportation Funds	$102.3	$114.4	$117.2	$120.9	5.7%
Percent Change	-4.8%	11.8%	2.4%	3.2%	
Aviation Fund[3]	*$15.2*	*$23.1*	*$25.0*	*$26.6*	
Law-Enforcement-Related[4]	*$9.3*	*$8.7*	*$8.4*	*$8.5*	
Registration-Related[5]	*$77.9*	*$82.6*	*$83.8*	*$85.8*	
Total Transportation Funds	**$1,184.7**	**$1,217.3**	**$1,242.7**	**$1,269.6**	2.3%
Percent Change	1.7%	2.7%	2.1%	2.2%	

Totals may not sum due to rounding.

**CAAGR: Compound average annual growth rate for FY 2015-16 to FY 2018-19.*

[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

	Actual FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	Estimate FY 2018-19	CAAGR*
Bridge Safety Surcharge	$106.6	$110.2	$112.6	$115.1	**2.6%**
Percent Change	3.4%	3.3%	2.2%	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 13. Revenue to this enterprise is expected to grow 3.3 percent to $110.2 million in FY 2016-17 and 2.2 percent to $112.6 million in FY 2017-18. The bridge safety surcharge fee collections typically grow at the same rate as vehicle registrations.

Hospital Provider Fee collections for FY 2016-17 are constrained by an appropriation in the 2016 Long Bill. Fee and interest earnings subject to TABOR are expected to total $656.8 million. Expectations for interest earnings were revised upward to reflect a slight uptick in interest rates.

Senate Bill 17-267 repeals the Hospital Provider Fee at the end of FY 2016-17 and creates a similar Healthcare Affordability and Sustainability Fee to be administered by a TABOR-exempt enterprise. Fee and interest earnings are expected to total $865.3 million in FY 2017-18 and $859.8 million in FY 2018-19; however, these amounts are omitted from Table 12 because they are enterprise funds exempt from TABOR. Beginning in FY 2017-18, the "other cash funds" line item in Table 12 includes $15.7 million in fee revenue that is expected to be spent for nonexempt programs and thus is counted as TABOR revenue. For the impacts of SB 17-267 on the state's TABOR situation, see the TABOR Outlook section beginning on page 15.

Severance tax revenue, including interest earnings, is expected to be $49.8 million in FY 2016-17 before increasing to $153.0 million in FY 2017-18. The forecast reflects additional refund claims by oil and gas producers following the Colorado Supreme Court ruling allowing energy companies to deduct additional costs from revenue when calculating their severance tax liability. The Department of Revenue has already processed refunds claimed for previous tax years, which reduced collections in FY 2015-16 and FY 2016-17. Table 14 presents information on projected severance tax collections from various mineral sources.

In FY 2016-17, oil and gas severance tax collections are projected to total $37.1 million, which is net of $53.3 million of severance tax refunds paid out of the General Fund pursuant to Senate Bill 16-218. A total of $90.5 million is expected to be collected and available for distribution. Oil and gas severance tax collections are expected to increase to $142.8 million in FY 2017-18 as the industry rebounds from the 2016 slump.

Oil prices have remained in the range of $45 to $50 a barrel through the first half of 2017. Prices are expected to increase slowly throughout the forecast period to $52 per barrel in 2019. Oil production in Colorado declined 8.2 percent in 2016 and is expected to decline 6.8 percent in 2017 in response to lower oil prices. Increasing oil prices will help to boost oil production starting in 2018.

Demand for natural gas was hurt by mild winter weather which kept prices below $3.00 per thousand cubic feet (Mcf) since February. New technologies and existing infrastructure allow producers to quickly place natural gas on the market, which will keep natural gas prices below $4.00 per Mcf throughout the forecast period. Prices are expected to average $3.20 per Mcf in 2017 and rise to $3.81 per Mcf by the end of 2019.

Table 14
Severance Tax Revenue Forecast by Source

	Actual FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	Estimate FY 2018-19	CAAGR*
Oil and Gas	$5.2	$37.1	$142.8	$160.4	114.2%
Percent Change	-98.0%	611.6%	284.5%	12.3%	
Coal	$3.6	$3.3	$2.9	$2.6	-10.8%
Percent Change	-33.3%	-7.2%	-12.7%	-10.7%	
Molybdenum and Metallics	$1.5	$3.0	$1.5	$1.5	0.1%
Percent Change	1.6%	102.4%	-50.5%	0.1%	
Total Severance Tax Revenue	$10.3	$43.4	$147.1	$164.4	92.4%
Percent Change	-96.2%	322.7%	238.8%	11.8%	
Interest Earnings	$8.6	$6.4	$5.9	$5.9	-12.8%
Percent Change	-0.2%	-26.5%	-7.5%	0.2%	
Total Severance Tax Fund Revenue	$18.9	$49.8	$153.0	$170.3	73.3%
Percent Change	-93.2%	163.1%	207.4%	11.3%	

** CAAGR: Compound average annual growth rate for FY 2015-16 to FY 2018-19.*

Coal, which has historically been the second largest mineral source of severance taxes in Colorado after oil and natural gas, is expected to generate $3.3 million in severance taxes in FY 2016-17 and $2.9 million in FY 2017-18. Coal production has declined as electric utilities have been shifting production to natural gas. The U.S. Energy Information Administration expects electricity from natural gas fired power plants to exceed electricity from coal fired power plants by the summer of 2017. The latest sign of the realignment in the energy sector in Colorado is the closure of the New Horizon Mine in June.

Finally, interest earnings are expected to fall 26.5 percent to $6.4 million in FY 2016-17 and 7.5 percent in FY 2017-18 to $5.9 million.

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. Limited gaming tax and fee revenue subject to TABOR is expected to end FY 2016-17 at $102.7 million, roughly unchanged from FY 2015-16. In FY 2017-18, revenue is expected to grow 2.0 percent to $104.8 million.

The state limited gaming tax is a graduated tax assessed on casino *adjusted gross proceeds*, the amount of wagers collected less the amount paid to players in winnings, in the three state-sanctioned gaming municipalities: Black Hawk, Central City, and Cripple Creek. Casinos on tribal lands in southwestern Colorado are not subject to the state tax. Through April, gaming tax revenue totaled $92.2 million, up from $91.9 million during the same period in FY 2015-16. Gaming tax revenue is growing in part because of higher "hold" percentages, the percentages of wagers retained by casinos and not paid to payers in winnings. Through April, Division of Gaming statistics indicate that hold percentages had increased at casino slot machines, blackjack and poker tables, and roulette wheels.

Growth in gaming tax revenue subject to TABOR is statutorily capped at 3.0 percent. Years when total gaming tax revenue grows by more than 3.0 percent therefore result in growth rates of greater than 3.0 percent for gaming taxes exempt from TABOR. TABOR-exempt Amendment 50 revenues grew 26.9 percent to $15.3 million in FY 2015-16, but are expected to grow in line with broader gaming tax revenue through the forecast period. These revenues primarily support the state community college system.

Table 15
Tax Revenue from the Marijuana Industry
Dollars in Millions

	Actual FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	CAAGR*
Proposition AA Taxes					
Special Sales Tax	$67.3	$96.0	$165.6	$183.5	33.4%
State Share of Sales Tax	57.2	81.6	149.0	165.1	
Local Share of Sales Tax	10.1	14.4	16.6	18.3	
15% Excise Tax	42.7	67.3	77.4	85.8	23.3%
Total Proposition AA Taxes	**110.0**	**163.3**	**243.0**	**269.2**	**29.8%**
2.9% Sales Tax (Subject to TABOR)					
2.9% Sales Tax on Medical Marijuana	12.2	12.4	12.3	12.2	0.1%
2.9% Sales Tax on Retail Marijuana	19.4	27.7	0.0	0.0	
TABOR Interest	0.2	0.2	0.3	0.3	
Total 2.9% Sales Tax	**31.8**	**40.3**	**12.6**	**12.5**	-31.2%
Total Taxes on Marijuana	**$141.8**	**$203.7**	**$255.6**	**$281.7**	**22.9%**

The marijuana market is beginning to mature: this is expected to result in slower annual growth rates in consumption during FY 2017-18 and FY 2018-19. Total ***marijuana tax revenue*** is expected to reach $203.7 million in FY 2016-17 and $255.6 million in FY 2017-18. Table 15 presents the forecast for marijuana tax revenue.

Senate Bill 17-267 significantly changed marijuana revenues and distributions. The bill increased the special sales tax rate on retail marijuana to 15 percent starting July 1, 2017; previously it had been set to be reduced to 8 percent. The rate change increased special sales tax revenue by $77.3 million in FY 2017-18 and $85.6 million in FY 2018-19. In addition, the bill eliminated the state's 2.9 percent sales tax on retail marijuana, reducing TABOR revenue by $31.8 million in FY 2017-18 and $35.8 million in FY 2018-19.

Beginning in FY 2017-18, Senate Bill 17-267 increased the state share of the retail marijuana special sales tax from 85 percent to 90 percent, and decreased the local share of the tax from 15 percent to 10 percent. In FY 2017-18 only, 71.85 percent of the state share is transferred to the Marijuana Tax Cash Fund and $30 million is transferred to the State Public School Fund for disbursement to rural school districts, with the excess remaining in the General Fund. In FY 2018-19 and subsequent fiscal years, the state share is allocated as follows:

- 71.85 percent to the Marijuana Tax Cash Fund, to be spent as directed by the General Assembly;
- 12.59 percent to the State Public School Fund, to be spent for the state share of school finance; and

- 15.56 percent remains in the General Fund, to be spent as directed by the General Assembly.

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 $27.3 million in FY 2016-17 and $37.4 million in FY 2017-18; these amounts will be deposited into the permanent school fund.

Marijuana tax revenue subject to TABOR is estimated at $40.3 million in FY 2016-17 and $12.6 million in FY 2017-18. The large decrease in marijuana TABOR revenue results from the 2.9 percent state sales tax exemption on retail marijuana beginning in FY 2017-18 that was included in Senate Bill 17-267.

Federal Mineral Lease (FML) revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production. Since FML revenue is not deposited into the General Fund and is exempt from TABOR, the forecast is presented separately from other sources of state revenue.

For FY 2016-17, FML revenue is projected to fall to $90.0 million, a 3.2 percent decrease from the previous year. In April, the new administration announced that they were repealing a rule for setting the price of coal exported to Asia and other international markets. The rule was aimed at preventing companies from artificially lowering the value of coal when calculating FML payments. Nearly 90 percent of coal produced in Colorado is used domestically, limiting the impact of the change on the state's FML payments. The broader trend of lower coal production will be the primary driver of trends in coal-related FML revenue over the forecast period.

FML revenue is expected to rebound to $94.4 million in FY 2017-18 and $97.1 million in FY 2018-19.

Forecasts for ***Unemployment Insurance (UI) Trust Fund revenue***, benefit payments, and year-end balance are shown in Table 16. Revenue to the UI Trust is excluded from Table 16 on page 32 because it is not subject to TABOR. 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 12.

The ending balance for the UI trust fund is expected to close at around $625 million in FY 2016-17, down 8 percent from the previous year. The decline is due to a robust labor market in recent years that shifted many employers' experience ratings (which reflects the employer's layoff history) to a lower tier beginning in 2017, which reduced their contribution amount to the UI fund. Employer contributions are also expected to decline slightly in FY 2017-18 before picking up in FY 2018-19 as wages improve.

The amount of benefits paid from the fund is expected to decline through the forecast period, boosting the ending balance of the fund in FY 2017-18 and FY 2018-19. A low number of new benefit applications and low unemployment continue to reduce the amount of the amount of benefits paid from the fund. UI benefit payments are expected to decline by 6.9 percent in FY 2016-17 and continue to fall through the forecast period.

Table 16
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Actual FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	Estimate FY 2018-19	CAAGR*
Beginning Balance	$680.1	$679.8	$624.7	$714.0	
Plus Income Received					
UI Premium	$622.3	$534.9	$530.2	$538.3	-5.20%
Interest	$15.5	$15.3	$15.6	$15.9	
Total Revenues	$637.8	$550.2	$545.8	$554.2	-5.06%
Percent Change	-7.1%	-13.7%	-0.8%	1.5%	
Less Benefits Paid	($516.2)	($480.3)	($456.5)	($427.7)	-4.01%
Percent Change	7.0%	-6.9%	-5.0%	-6.3%	
UI Bonds Principal Repayment	($125.0)	($125.0)	$0.0	$0.0	
Accounting Adjustment	$3.0	$0.0	$0.0	$0.0	
Ending Balance	$679.8	$624.7	$714.0	$840.5	7.33%
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.62%	0.56%	0.61%	0.68%	

Totals may not sum due to rounding.

**CAAGR: Compound average annual growth rate for FY 2015-16 to FY 2018-19.*

Economic Outlook

The economic expansion will continue to mature in 2017 and into 2018. Most economic indicators continue to show a growing economy. Low unemployment rates are signaling that labor markets are at full employment in most areas of the country, and job growth is slowing as firms struggle to find enough employees to fill open positions. Structural changes in the labor force make it unlikely that the pool of high-skilled workers will increase fast enough, which will lead to increased wages in some, but not all industries. Industries dominated by lower-skilled positions, however, are likely to see less wage pressure, as automation continues to impact labor demand.

After a slowdown during the summer of 2016, business investments and new orders for goods and services have rebounded in the first part of 2017 in tandem with an improving global economy. The stock market continues to show robust investor confidence on the expectation of a favorable regulatory environment. The strength of the economy is expected to allow the Federal Reserve to slowly raise interest rates and taper the money supply without triggering a recession.

Although the Colorado economy is growing at rates similar to the nation as a whole, it had the tightest labor market in the nation in May with an unemployment rate of 2.3 percent. Urban areas in Colorado are growing faster than rural areas. The agriculture industry continues to struggle with low prices and rising debt, while persistent low natural gas and coal prices are constraining the western slope's economy.

Structural changes in the economy, including the aging population, new shadow markets, and automation, are making it difficult for economists to determine where the economy's productive capacity is and how the economy is performing relative to it. By many traditional measures, the economy is at or close to its capacity in most markets and at risk of overheating. If the economy is close to capacity, the risks to this forecast lean more to the downside, with a recession possible within or soon after the forecast period.

Table 17 and 18 on pages 58 and 59 present histories and expectations for economic indicators in the U.S. and Colorado, respectively.

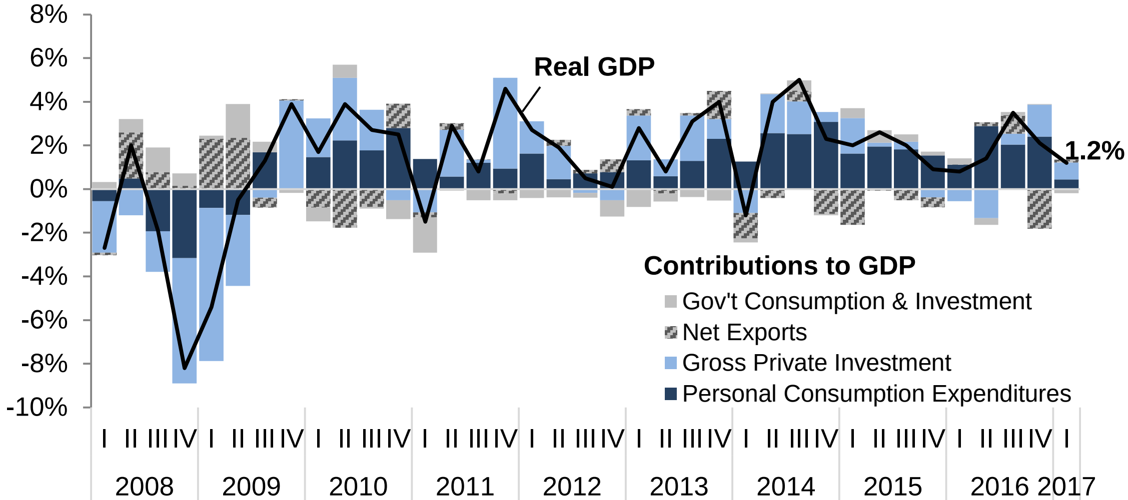
Gross Domestic Product

The U.S. economy expanded at a modest pace in the first quarter of 2017. Quarterly growth slowed from the fourth quarter of 2016 as household spending was flat and businesses reduced their inventories. After outpacing national economic growth following the recession, the Colorado economy continues to improve and is growing at a pace similar to the nation. The mining industry has reversed its drag on economic output, which is helping to boost growth in Colorado and other oil and gas-rich states.

Real gross domestic product (GDP), an estimate of the inflation-adjusted value of final U.S. goods and services, increased 1.6 percent in 2016. U.S. consumers, the main drivers for the U.S. economy, increased spending by 2.7 percent. Spending on big ticket items increased 5.8 percent in 2016, while spending on non-durable goods and services grew at more modest rates of 2.5 percent and 2.3 percent, respectively. Business investment declined in 2016, with less investment in buildings and equipment and a 73.8 percent decrease in private inventories. Meanwhile, government expenditures increased 0.8 percent, buoyed by increases in federal nondefense spending and state and local government investments, which offset decreases in defense spending.

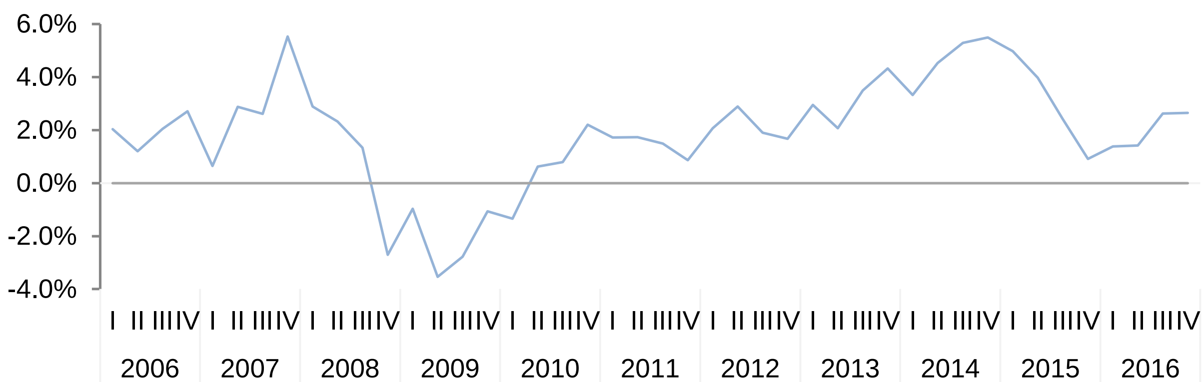
Figure 4 shows the annualized quarterly percent change in and contributions to U.S. real GDP since 2008. In the first quarter of 2017, real GDP grew 1.2 percent based on consumer expenditures and private investment. Consumer expenditures accounted for about one third of the growth, driven by spending on nondurable goods and services. Business investments, primarily investments in equipment and new construction, accounted for most of the remainder of the growth. With a constrained labor supply, businesses may modestly increase capital investments to maintain productivity in lieu of finding qualified employees. Net exports had a small positive contribution to GDP growth, which was offset by a decrease in government spending.

Figure 4
U.S. Real Gross Domestic Product
Annual Percent Change and Contributions



Source: U.S. Bureau of Economic Analysis.

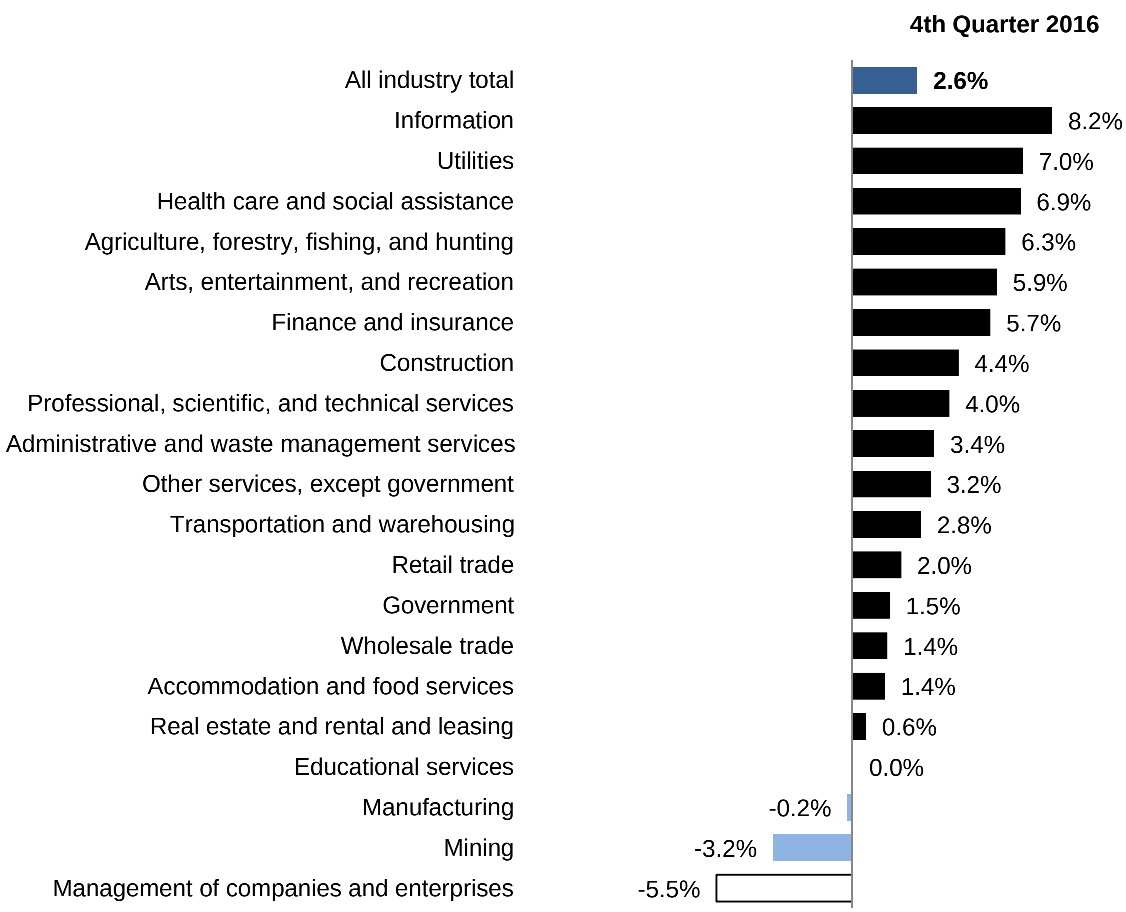
Figure 5
Colorado Real Gross Domestic Product
Percent Change, Year-over-Year



Source: U.S. Bureau of Economic Analysis.

Colorado economic activity continues to expand at a moderate pace. In the fourth quarter of 2016, real GDP increased 2.6 percent over the same quarter one year ago (Figure 5). Between the fourth quarter of 2014 and the fourth quarter of 2015, state GDP growth decelerated from a rate of 5.5 percent to a rate of 0.9 percent as the oil and natural gas sector contracted in response to the fall in oil prices. Economic activity began accelerating once again in late 2016 as the oil and natural gas sector began to recover. Recent economic growth has been broad-based across industries, with 17 of 20 industries expanding between the fourth quarter of 2015 and the fourth quarter of 2016. Figure 6 shows growth in real Colorado GDP by industry.

Figure 6
Colorado Real Gross Domestic Product, Fourth Quarter 2016
Percent change, Year-over-Year



Source: U.S. Bureau of Economic Analysis.

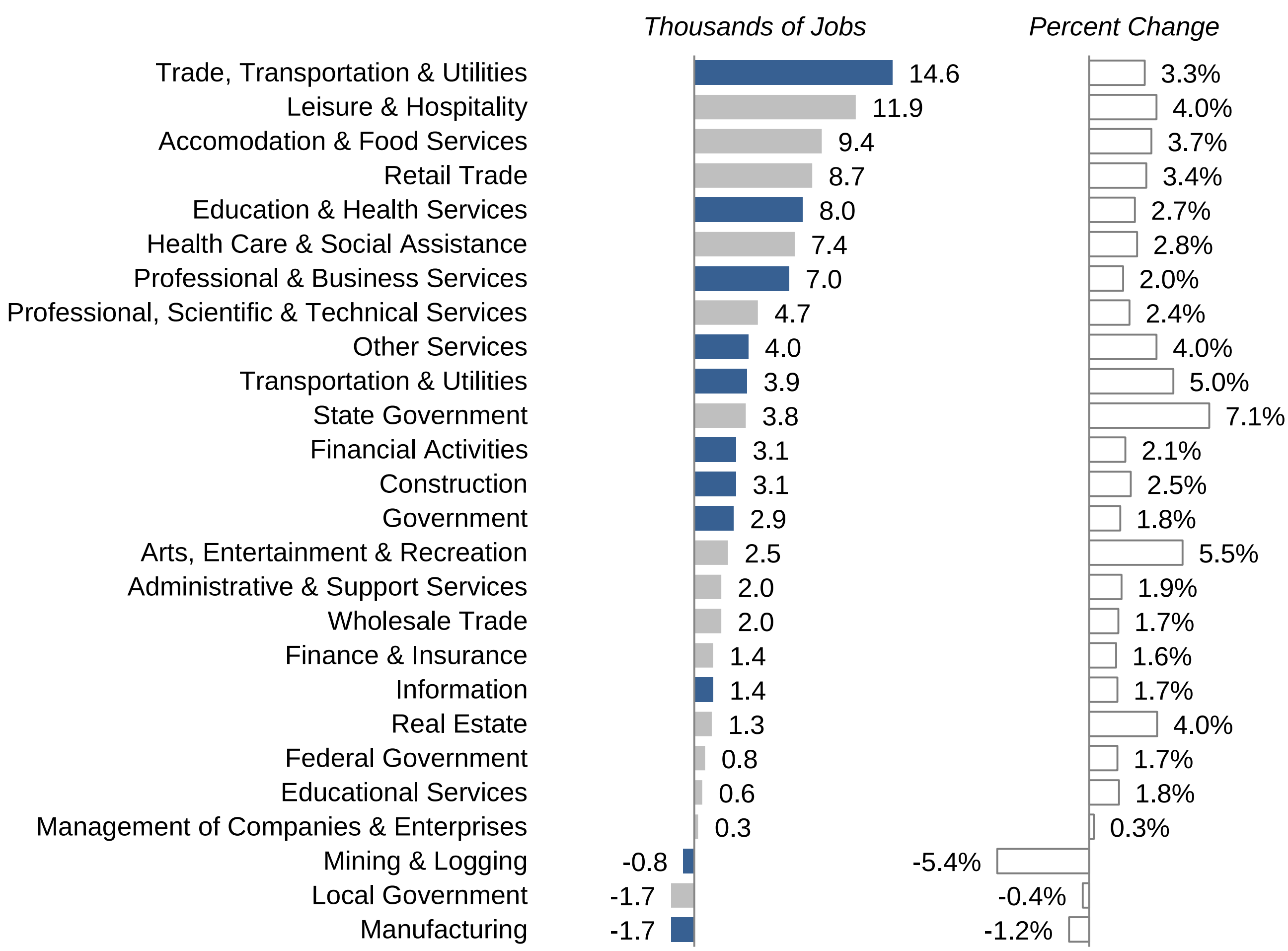
- Real U.S. GDP is expected to increase 2.1 percent in 2017 and 2.2 percent in 2018. Consumer spending will continue to drive growth, with business investment expected to accelerate due to the tight labor market and increased industrial production.

Labor Market

The U.S. labor market continued to add jobs in 2016, giving the nation seven consecutive years of job growth and falling unemployment rates. The tightening labor market is expected to limit the number of new jobs that can be filled and increase wage and inflation pressure in the economy through the forecast period. Wage pressures are expected to continue to be uneven across high- and low-skilled workers in large part due to ongoing structural shifts toward automation.

Employment growth has been solid nationally over the past two years, increasing 1.8 percent in 2016 and 1.6 percent in the first five months of 2017 compared with the same period in 2016. Monthly employment growth has averaged 162,000 jobs year-to-date. Figure 7 shows employment growth by industry between May 2016 and May 2017.

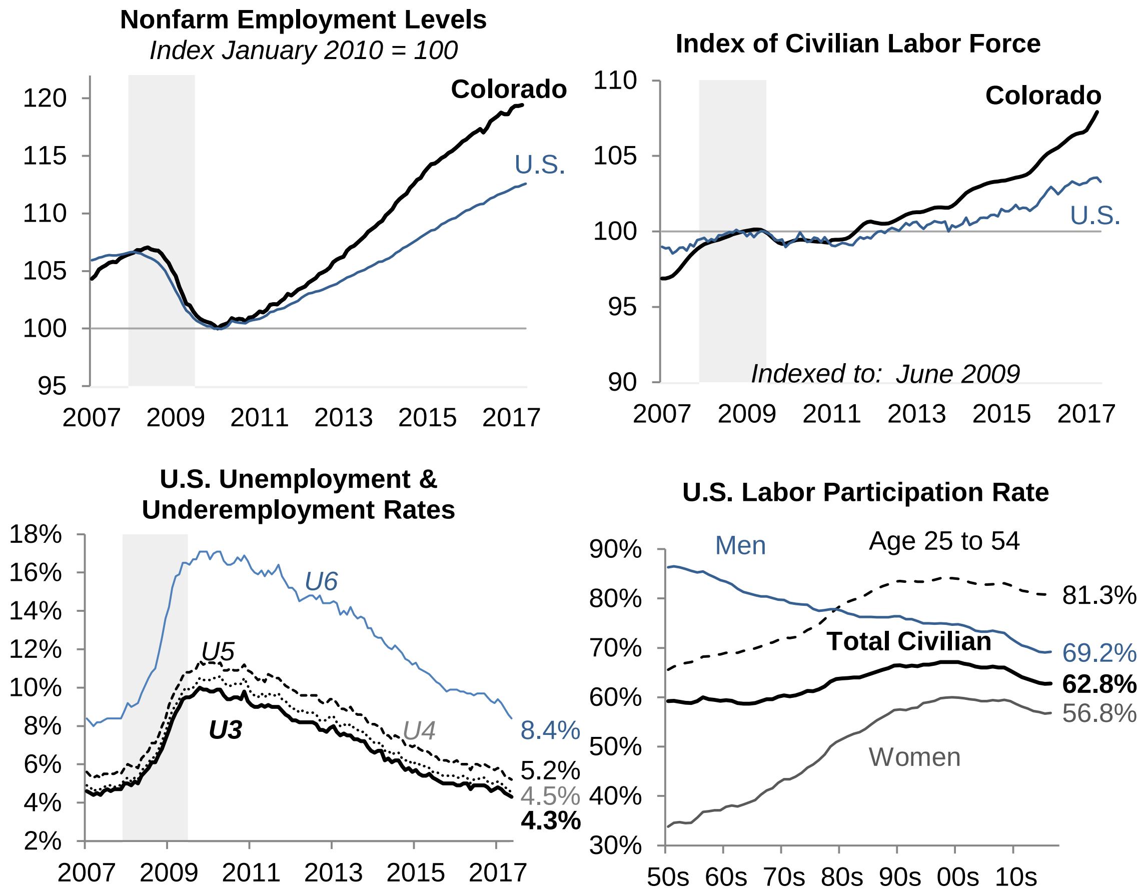
Figure 7
U.S. Jobs Gains and Losses by Industry
Year-over-year Change



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Blue shading indicates a supersector, while grey shading indicates a subsector.

Figure 8 shows several labor market indicators, including nonfarm employment (top left) and trends in the labor force (top right). Employment growth has exceeded the number of people entering the labor force, contributing to a tightening labor market and declining unemployment rates (bottom left). The total labor force participation rate (bottom right) peaked at 67.1 percent in 2000 before gradually declining to 62.8 percent in 2016. The labor force participation rate has continued to fall through the last two business cycles, suggesting that it is tied to structural changes in the population and economy, which are unlikely to reverse quickly. The labor market is expected to continue to tighten as long as the economy continues to grow through the forecast period.

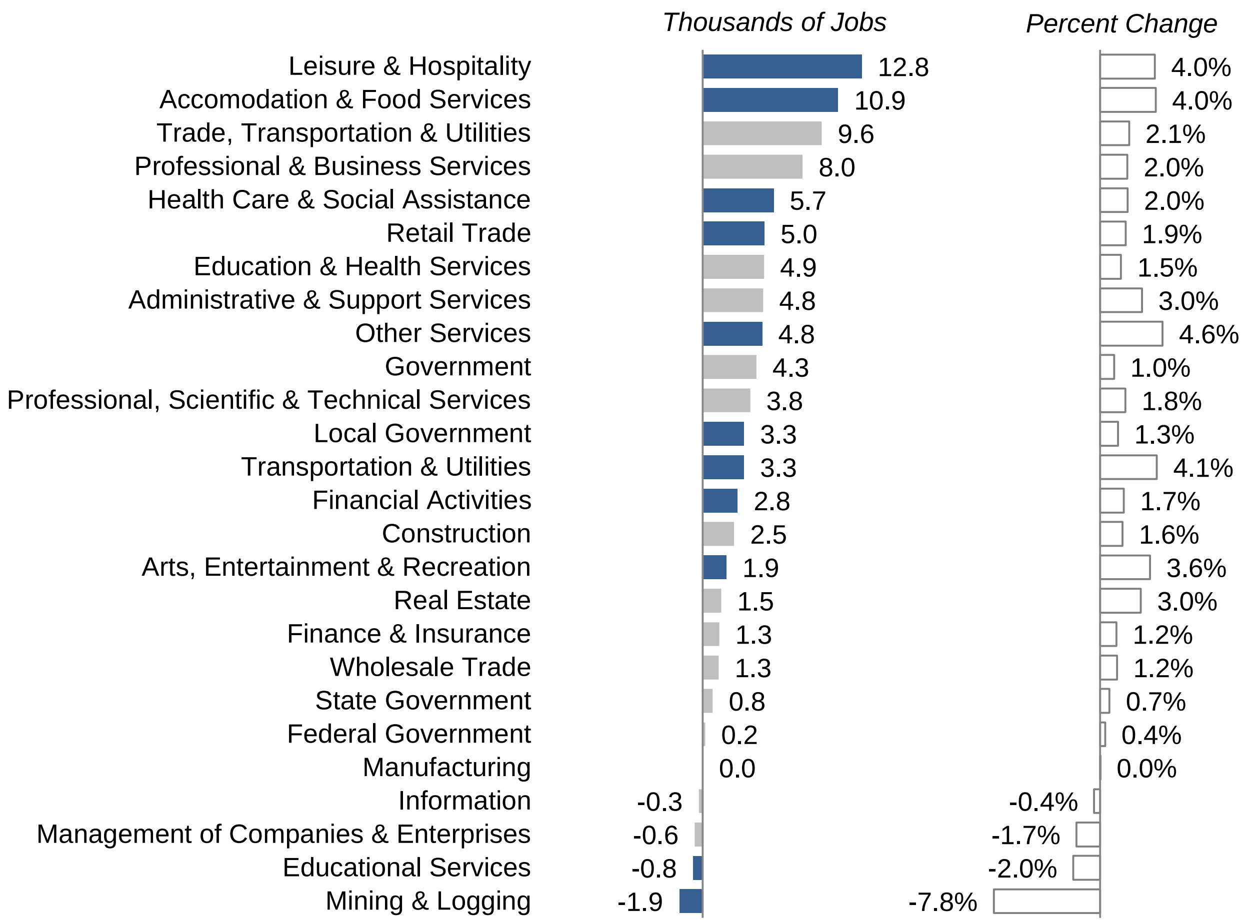
Figure 8
Selected U.S. Labor Market Indicators



Source: U.S. Bureau of Labor Statistics. Monthly data are seasonally adjusted.

Colorado added 47,500 jobs between April 2016 and April 2017. After growing 2.3 percent in 2016, the pace of employment growth moderated to 1.8 percent year-to-date through April. As shown in Figure 9, the majority of industries in the state reported positive job gains. A growing population, improving economy, and shifting consumption patterns increased the demand for jobs in the leisure and hospitality, and accommodation and food services sectors. Similar to the nation, employment in Colorado's mining sector remains lower than year-ago levels following a contraction in the sector during 2016 in response to lower global energy prices.

Figure 9
Colorado Job Gains and Losses by Industry
Year-over-Year Change, April 2017 over April 2016



Source: U.S. Bureau of Labor Statistics. Darker bars represent employment supersectors.

Colorado's unemployment rate in April and May 2017 was 2.3 percent. This is the lowest rate in the nation and the lowest rate for Colorado since the series began in January 1976. Since May 2016, the labor force increased by 78,500, while the total employed population in the survey increased by 108,200. In order for Colorado business to continue filling jobs, the labor force will need to grow. This may come from aging workers choosing to stay in the labor force, in-migration, or a higher labor force participation rate. A tight labor market will lead to increased wage pressure for employees, and foregone productivity for businesses with open positions.

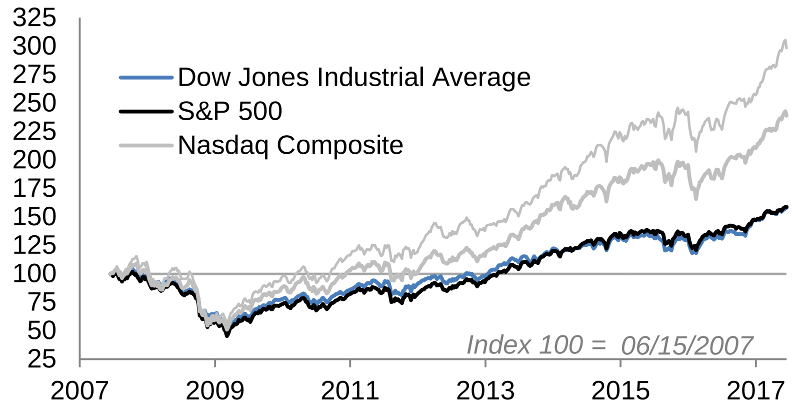
- Colorado will continue to add jobs through the forecast period, although at a slower pace than recent years as labor market shortages constrain growth. Nonfarm employment in the state will increase 1.8 percent in 2017 and 1.7 percent in 2018. Colorado's employment will grow as in-migrants fill open positions.

- As the nation maintains full employment, U.S. nonfarm employment will increase 1.6 percent in 2017 and 1.3 percent in 2018.

Financial Markets

Investor sentiment has helped to extend the stock market rally despite a temporary dip in 2016. In the first quarter of 2017, companies in the S&P 500 reported 14.9 percent annual growth in profits. The Dow Jones Industrial Average increased 4.9 percent through May since the end of 2016, while the broader S&P index increased 5.8 percent. Although they have turned down somewhat in recent weeks, and technology stocks have increased in value even more than other firms as measured by the Nasdaq Composite Index and the Nasdaq 100. Figure 10 shows the growth of the four indices since June 2007.

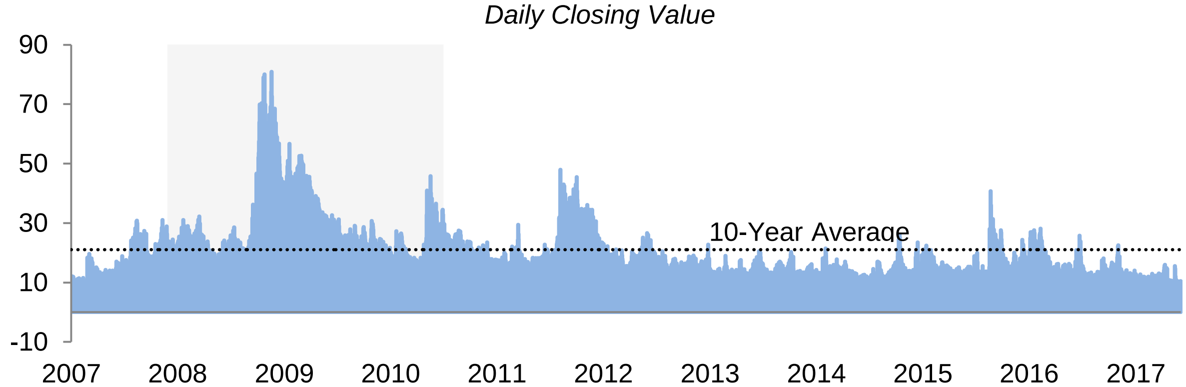
Figure 10
Stock Market Growth Comparisons



Source: S&P Dow Jones Indices LLC and NASDAQ OMX Group.

Despite the sustained increase in stock prices, investors appear to be unconcerned about a fall in equity markets in the near term. The VIX index, a popular gauge of the level of fear in the financial markets, has been lingering near historical lows. The index is based on future and option prices over the next 30 days. When the VIX is low, it implies traders are expecting rising stock prices in the coming month, while a high VIX suggests traders are expecting falling prices. The VIX's average since 2007 has been near 21; since the beginning of 2017 it has hovered around 12. Figure 11 shows the daily closing price for the VIX index since January 2007.

Figure 11
CBOE Volatility Index (VIX)
Daily Closing Value

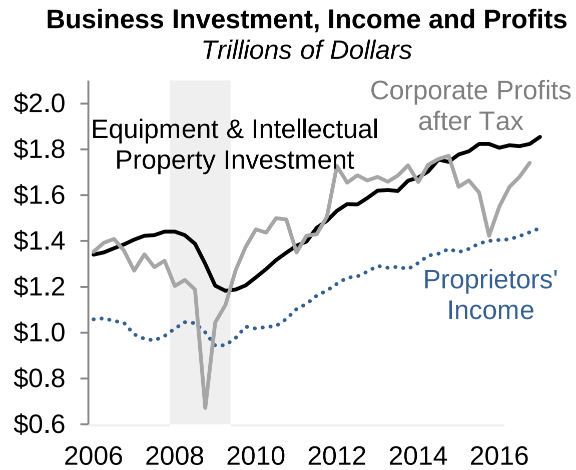


Source: Chicago Board Options Exchange (CBOE).

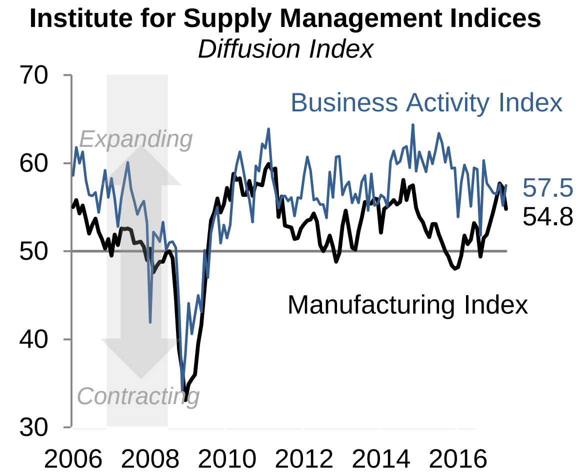
Business Income and Activity

During the second half of 2016 and the first quarter of 2017, demand for business goods and services increased. Many of the business indicators lagged in the first half of 2016 based on the fall in oil prices, associated decline in the value of refined petroleum products, a weak global economy, and the strong dollar. As uncertainty about the U.S. and global economies faded in the second half of the year, business investment increased and the oil and natural gas sector ceased being a drag on business activity.

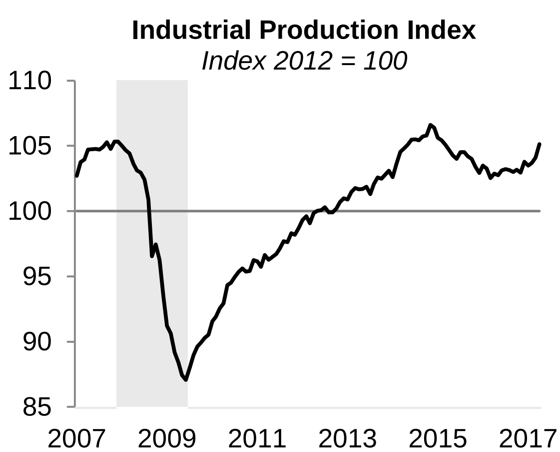
Figure 12
Select Indicators of Business Activity



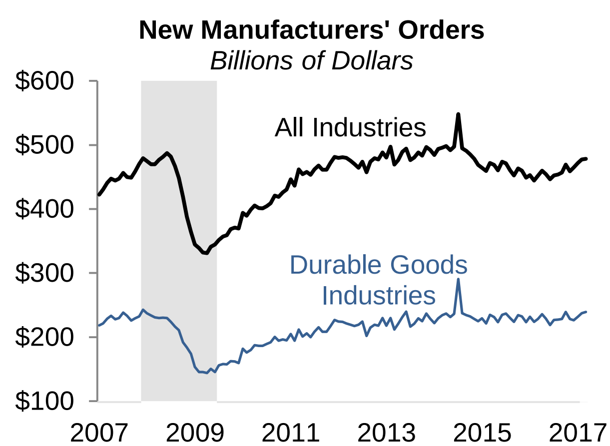
Source: Bureau of Economic Analysis. Data are not adjusted for inflation.



Source: Institute for Supply Management.



Source: Federal Reserve Board of Governors.



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

Figure 12 shows selected measures of business activity for the U.S. Business investment, proprietors' income, and corporate profits after tax (top left) rebounded in the second half of 2016 and have continued to increase through the first quarter of 2017. Investment in equipment and intellectual property increased 0.6 percent in 2016 and 2.7 percent in the first quarter of

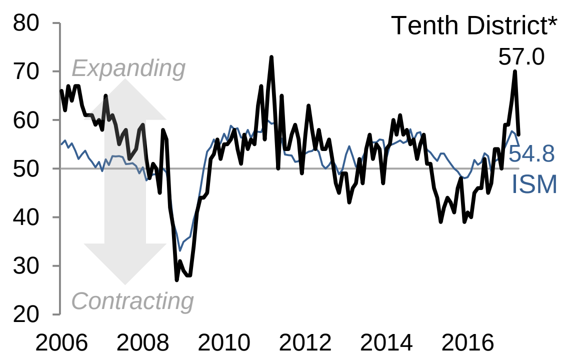
2017 compared with year-ago levels. Corporate profits after tax increased between each quarter of 2016, growing 4.3 percent for the year. Proprietors' income, which is a good proxy of income to small- and medium-sized businesses, increased 3.0 percent in 2016 before accelerating to 3.7 percent growth in the first quarter of 2017 compared with the first quarter of 2016.

The Institute for Supply Management (ISM) non-manufacturing business activity index and the manufacturing index both show expanding business activity (top right of Figure 12). Values above 50 represent expansion. The manufacturing index has shown expanded business activity since September 2016, and was 54.8 in April 2017. The non-manufacturing business activity index has consistently shown more expansion than the manufacturing index; this trend persisted through the first four months of 2017. In April 2017, the non-manufacturing business activity index was 57.5.

Industrial production (bottom left) as measured by the Federal Reserve Board of Governors. increased 1.0 percent through the first four months of 2017, after declining 1.2 percent in 2016. Manufacturing and industrial production orders (bottom right) have begun to increase once again in 2017 amidst a gradual improvement in global economic activity despite continued strength in the U.S. dollar. Total new manufacturing orders increased 5.8 percent in the first three months of 2017 compared with the same period in 2016. Nondurable goods outpaced orders for durable goods, which increased 3.5 percent.

Kansas City Fed District. The Federal Reserve Bank of Kansas City produces a manufacturing index for businesses within its region (including Colorado) similar to the ISM index for the nation. The index for businesses in the region was 57.0 in March 2017, as shown in Figure 13. Regional manufacturing activity experienced rapid growth in February and March and moderated somewhat in April 2017. Expectations for factory orders were historically high on increased demand from the oil and gas industry and continued strong demand from other sectors of the economy. New orders for exports posted their highest readings in over five years.

Figure 13
Selected Manufacturing Indices

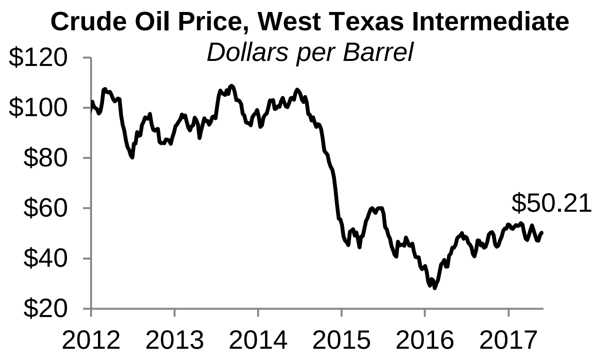


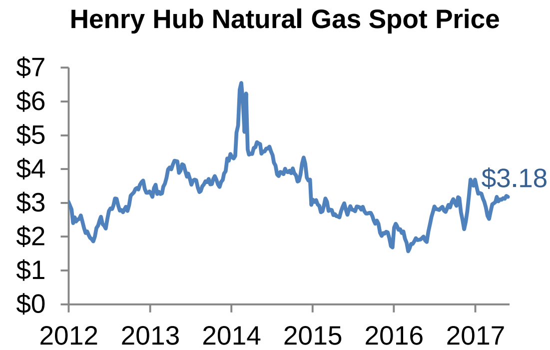
Source: Institute for Supply Management and Federal Reserve Bank of Kansas City.

Energy Markets

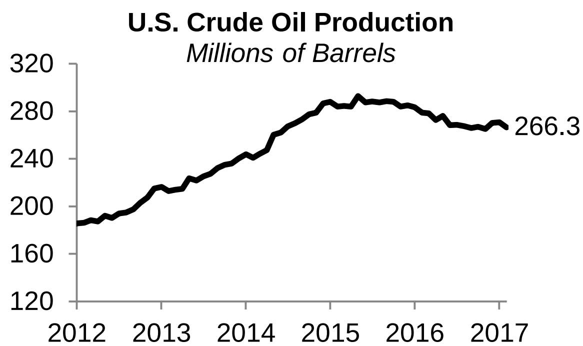
Oil and natural gas prices have increased from low levels in the first part of 2016, despite continued increases in oil reserves. Oil and natural gas production has been constant year-to-date. However, drilling activity has increased in Colorado and the nation. New technology and existing infrastructure allows oil and gas producers to increase production in response to any price fluctuations, which will keep prices near current levels throughout the forecast period. A ready supply and low prices for natural gas have allowed more energy to be produced in natural gas-fired power plants, replacing some electricity produced by coal. The U.S. Energy Information Administration expects electricity produced from natural gas to exceed electricity produced by coal in the summer of 2017 for the first time.

Figure 14
Selected Indicators of Oil and Gas Industry Activity

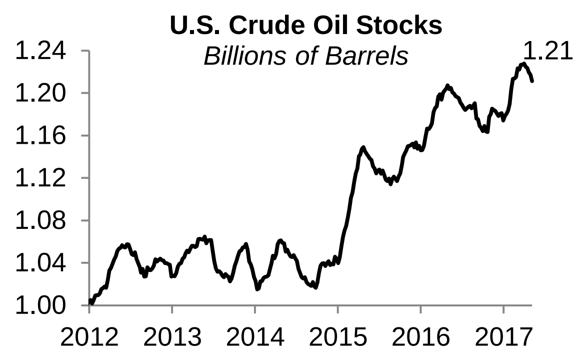




Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted.

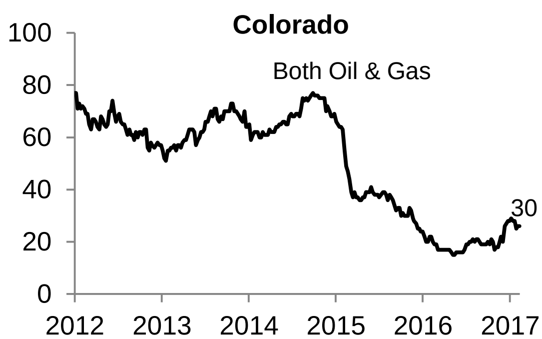


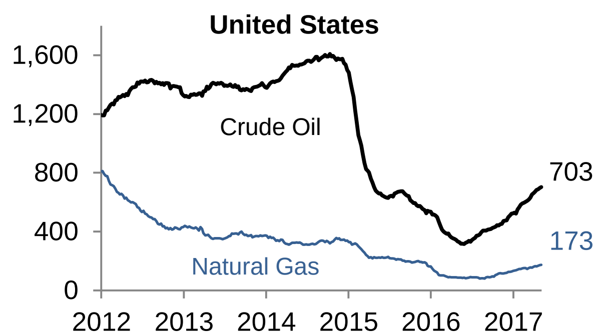
Source: U.S. Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted.



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

Active Rig Counts





Source: Baker Hughes.

Attempting to boost global oil prices, the Organization of Petroleum Exporting Countries (OPEC) and several other oil producing countries implemented production limits in January. In May, OPEC extended their production limits through May 2018. These production targets did not result in a significant increase in the price of oil. While OPEC is limiting production, technological developments, including hydraulic fracturing and horizontal drilling, have reduced U.S. production costs and made access to previously unrecoverable deposits possible. This in turn has allowed U.S. producers to respond to price changes, which will continue to limit the price of oil into the future. Because of recent developments in the domestic oil and natural gas industry, 2016 marked the fifth consecutive year during which the U.S. was the world's top producer of petroleum and natural gas hydrocarbons.

The top two panels of Figure 14 show oil and natural gas prices. After bottoming out at $29.20 per barrel in January 2016, the price of oil slowly increased to $50.21 by May 2017. In the past six months, oil has hovered around $50 per barrel, reaching as high as $54 and dropping as low as $45. Oil prices are expected to increase modestly throughout the forecast period to $58 per barrel in 2019 as new technologies allow oil producers to quickly increase production in response to prices. Natural gas prices are expected to follow a similar pattern. Prices will increase from a low of $2.54 per thousand cubic feet in 2016 to approximately $3.95 in 2019.

While new drilling has been rising, crude oil production continues to fall, reflecting shifts made by producers to curb production in areas that are more costly to drill (Figure 14, middle left). The increased production over the past several years has added to ballooning oil stocks, limiting the demand for new oil and gas to be pulled from the ground. New drilling activity, as measured by active drilling rigs (Figure 14, bottom right), increased in the second half of 2016 and the first half of 2017 as oil prices have stabilized and trended modestly upward.

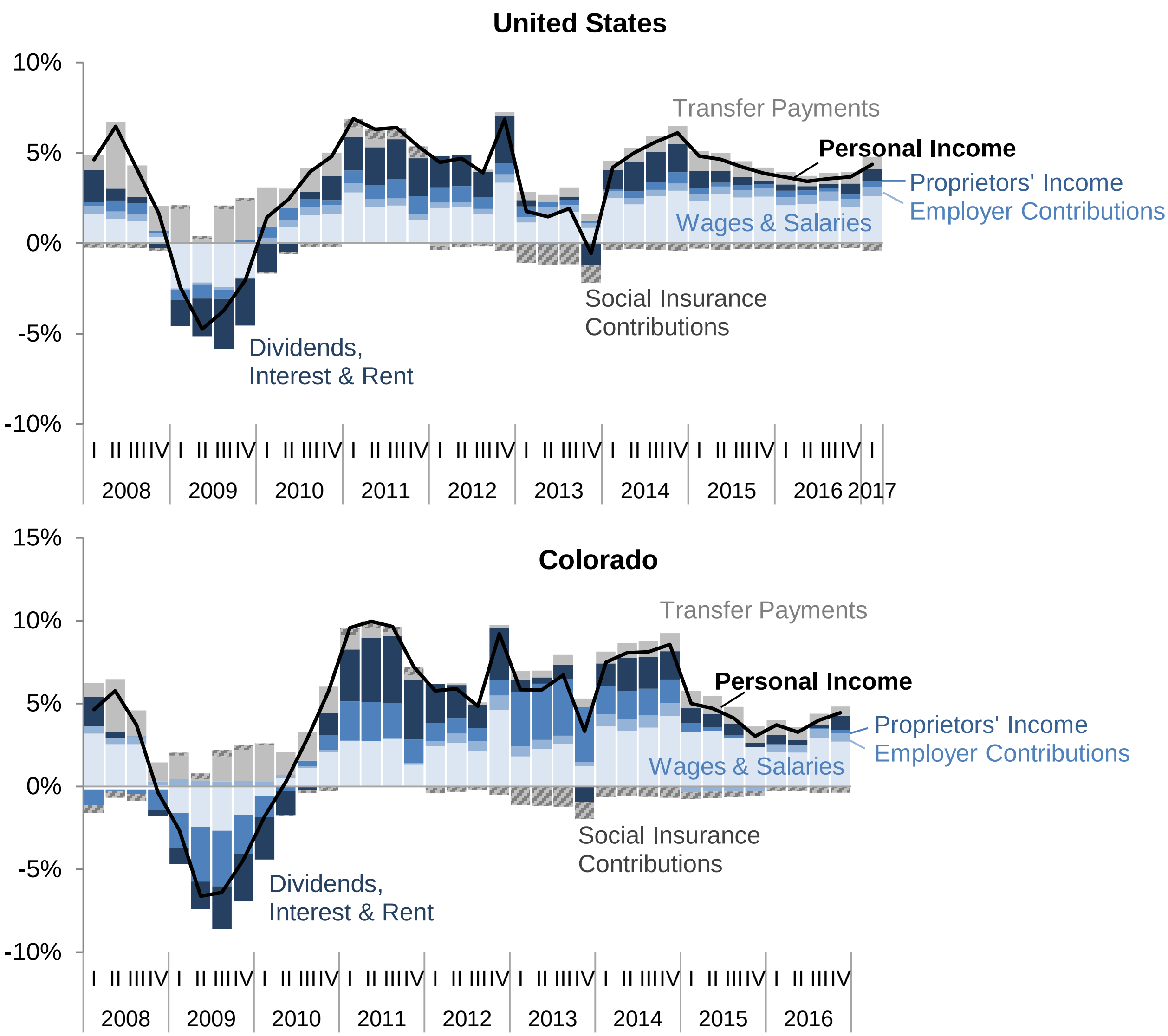
In Colorado, energy industry investment has also picked up modestly and is expected to rise further with the recent increase in oil prices. The Denver-Julesburg Basin, located primarily in Weld County, is expected to experience the greatest increase in activity due to lower production costs relative to other areas in the U.S.

Household and Consumers

Personal income continues to rise across Colorado and the U.S. at rates slightly above regional inflation plus population growth. While Colorado has outpaced the nation in personal income growth since 2012, underlying components of personal income have shared similar growth patterns for the state and nation (Figure 15). In the first quarter of the year, U.S. personal income rose 4.4 percent over year-ago levels. Colorado data, which are only available through the fourth quarter of 2016, rose 4.4 percent compared with the last quarter of 2015. Comparatively, fourth quarter growth for the U.S. was 3.7 percent. Colorado wages and salaries, the largest component of personal income, rose 5.1 percent over year-ago levels in the fourth quarter, while wages and salaries nationally rose 3.9 over the same period.

Growth in wages and salaries has been the dominant factor in total personal income growth in both the U.S. and Colorado in recent years, consistent with historical trends during a maturing expansion. Contributing to recent acceleration in headline growth, dividends, interest, and rents have seen strong improvements, reflecting equities and real estate gains, as well as rising interest rates. Proprietors' income, which reflects non-corporate business income, played a sizable role in Colorado personal income growth between 2011 and 2014. While Colorado's small business economy expanded at a strong pace during this time, growth may in part reflect a recent change in the U.S. Bureau of Economic Analysis methodology for calculating state-level income. Since 2014, proprietors' income growth has been relatively subdued, consistent with nationwide trends.

Figure 15
Components of Personal Income
Contributions to Percent Change, Year-over-Year



Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations. Data are not adjusted for inflation.

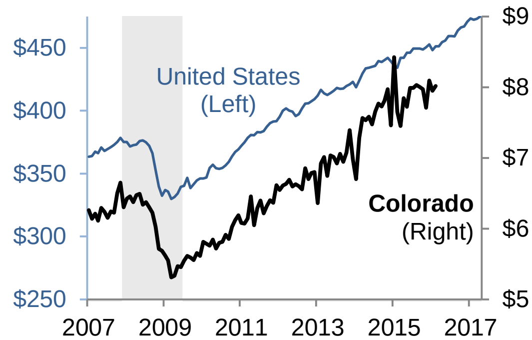
Consumer spending has increased for 29 consecutive quarters. However, there were signs of weakness in the advance estimate for the first quarter of 2017. Following revisions, personal consumption expenditures contributed 2.1 percent to real U.S. GDP last year, representing moderate acceleration from 2015's 1.7 percentage point contribution. The advance estimate for the first quarter of 2017 indicates only a modest 0.2 percent contribution, with weakness across both goods and services.

The personal consumption expenditure measure used to calculate GDP includes household spending on both goods and services. A narrower consumer spending measure is the volume of retail sales made each month, which excludes most services. Retail sales have shown less strength than the consumption measure used in the GDP calculation.

Indicators for consumer spending at retail establishments in 2016 were muddied by price effects. U.S. retail sales increased 3.0 percent in 2016 on a nominal basis, outpacing headline inflation by just 1.7 percentage points. However, inflation includes the price of housing, health care, and education, which are not sold in stores. Increasing prices in those components of inflation will not be captured in the retail sales measure. Additionally, sagging energy and transport prices disproportionately impacted retail goods, depressing the amount of retail sales.

Weak pricing power across many retail sectors is becoming a problem for the industry, as well as for state and local governments that rely on sales tax collections. Competition from low-overhead online retailers has served to suppress prices for some goods while actually deflating prices for others. Thus, poor retail sales growth is more indicative of stagnant prices than weak consumer activity, though the impacts on retailers, and especially brick-and-mortar stores, are still weighted on the downside.

Figure 16
U.S. and Colorado Retail Trade Sales
Billions of Dollars, Seasonally Adjusted Nominal Data



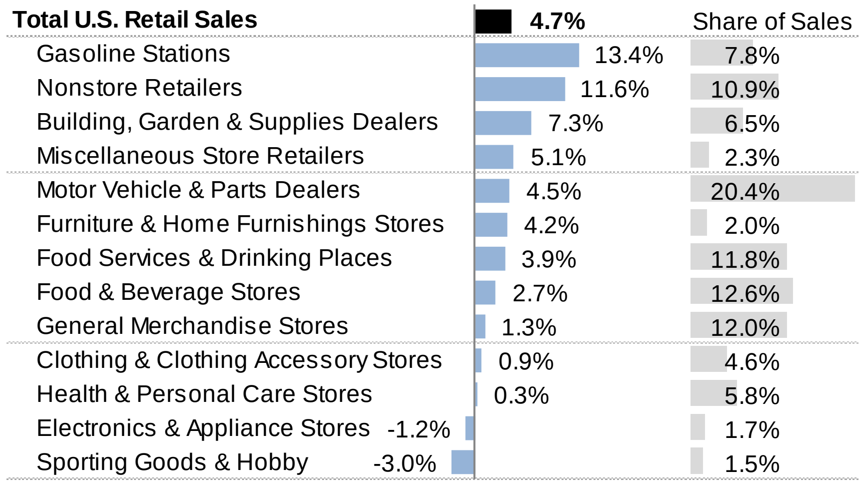
Sources: U.S. Census Bureau and Colorado Department of Revenue. U.S. through April, Colorado through February 2016.

U.S. retail sales through May 2017 increased 3.9 percent relative to the same period last year. This is faster than growth in 2016, however there was a monthly decline in retail sales between April and May. Part of the year-over-year increase is attributable to faster inflation in fuel prices than other components of the CPI. Retail sales at gas stations increased 12.3 percent in the first five months of the year, outpacing all other retailer types.

Trends in U.S. and Colorado retail trade sales are shown in Figures 16 and 17.

- The tight labor market in Colorado will boost wages, contributing to personal income growth of 5.3 percent in 2017 and 6.3 percent in 2018.
- Nationally, personal income will increase 4.5 percent in 2017 and 5.9 percent in 2018.
- Colorado retail sales will increase 5.0 percent in 2017 and 4.7 percent in 2018 as an increasing population and rising personal income support expanding sales.

Figure 17
Change in U.S. Retail Sales, Year-to-Date through May



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

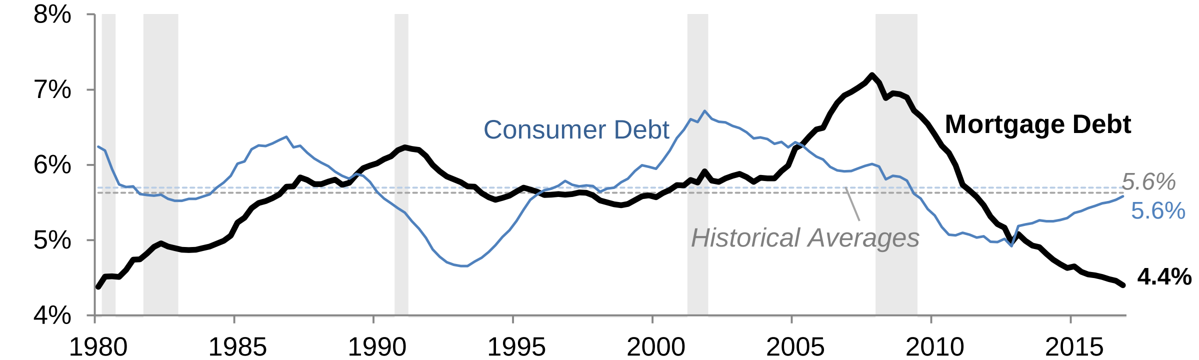
Household Saving and Debt

Household balance sheets are evolving, with less mortgage debt and higher student loan, car loan, and credit card balances. The Federal Reserve Board of Governors' quarterly report on household debt and credit shows total household debt grew to $12.68 trillion in the first quarter of 2017, surpassing the pre-recessionary peak reached in the third quarter of 2008. As a percentage of GDP, debt is near 2002 levels. Consumer debt service ratios remain below the historical average dating back to the 1980s (Figure 18). The savings rate for all U.S households continues to hover just below its historical average of 6.6 percent.

While the overall number of loans that are over 90 days delinquent has declined, several types of debt currently have rising delinquency rates. Figure 19 shows the percent of accounts that are over 90 days delinquent by loan type. Nearly 11.0 percent of student loan accounts are over 90 days delinquent and have remained above 10.0 percent since the third quarter of 2012. While auto loans have lower overall delinquency rates than other types of credit, the number of auto loans that are over 90 days delinquent increased 8.5 percent between the first quarter of 2016 and the first quarter of 2017.

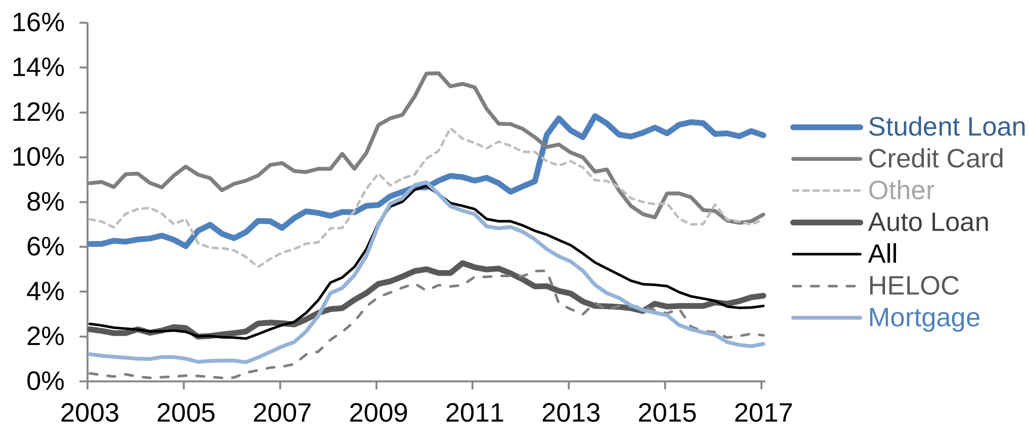
Figure 18
U.S. Household Savings and Debt

Source: Bureau of Economic Analysis.
**The 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: Federal Reserve Board of Governors.
**Debt service ratios are calculated as the ratio of household mortgage and consumer credit (e.g., credit card) debt payments to disposable personal income. Historical averages are calculated from 1980 to the most recent quarter of data. Data are shown as seasonally adjusted annual rates.*

Figure 19
Percent of Balance 90+ Days Delinquent by Loan Type



Source: Federal Reserve Bank of New York / Equifax.

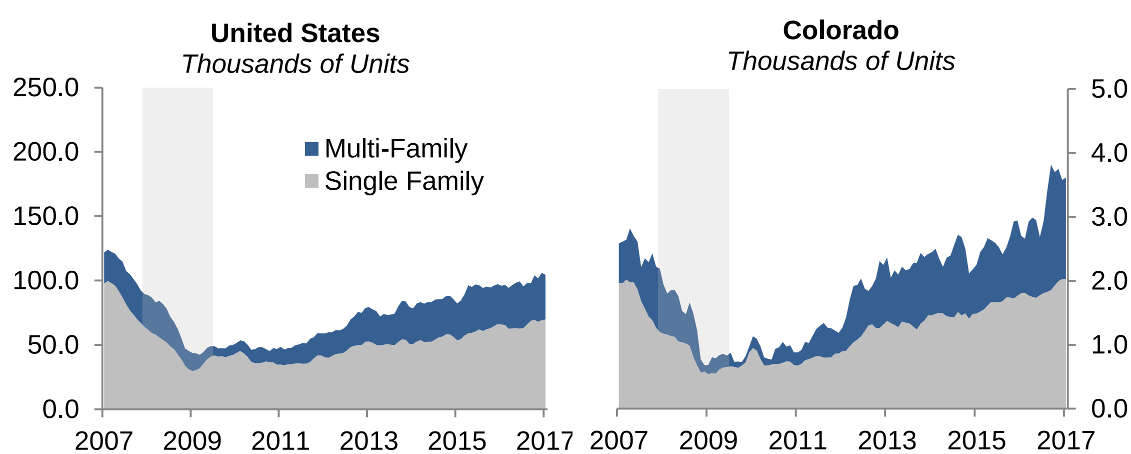
Residential Real Estate

A mature economic expansion, coupled with low vacancy rates, is driving home price appreciation throughout the U.S. and especially in Colorado. Developers are responding to a warming national market and scorching Front Range market with more residential units. Leading indicators for residential construction indicate that state and national housing stocks will grow through 2017 and early 2018, partially offsetting anticipated appreciation.

National housing construction starts increased 6.1 percent in 2016. Growth was disproportionately attributable to single family construction, up 10.0 percent, representing a shift away from permit growth dominated by the relatively inexpensive multi-family sector during earlier years of the expansion. Through March of this year, housing starts increased by 8.8 percent relative to the same period in 2016, indicating optimism among developers looking forward to additional demand for real estate at the national level.

Permitted residential construction in Colorado continues to outpace national housing starts to a significant extent. The number of permitted residential units grew 21.6 percent in 2016 and has increased 33.8 percent through March relative to the same period last year. The rates of growth in permitted construction are at their highest since 2012, when the real estate market began to recover from the trough of the Great Recession. While the number of permits issued in Colorado remains well below prerecession peak levels, construction is no longer historically low. The number of permits issued in 2016 most closely resembles the number of residential projects permitted in 1994 and 2006. Leading indicators of residential construction for the state and nation are tracked in Figure 20.

Figure 20
Building Permits Issued for New Residential Construction

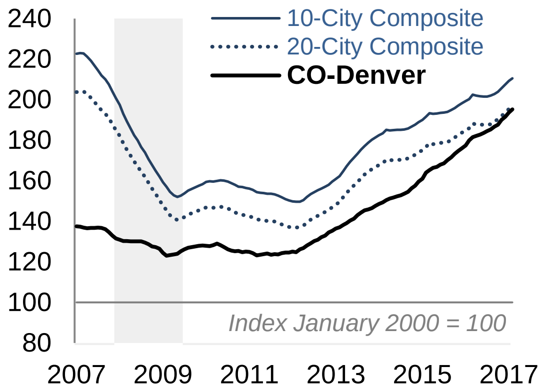


Source: U.S. Census Bureau. Seasonally adjusted three-month moving averages through March 2017.

Even in the face of healthy increases in the housing stock, home prices continue to appreciate at a brisk pace in the U.S. and at a breakneck pace in Colorado. In 2016, the Case-Shiller 20-city composite home price index increased by 5.2 percent. The index aggregates price data from 20 major metropolitan real estate markets across the country, including the Denver metropolitan market. Denver's index by itself registered home price appreciation of 9.2 percent, representing only slight deceleration from 2015. Because the Front

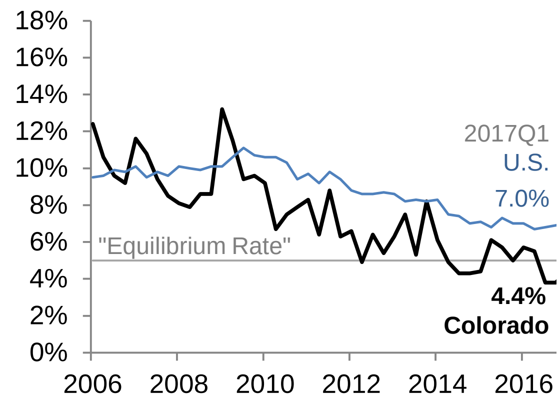
Range economy has outperformed the rest of the country, and because purchasers include large numbers of new arrivals and millennial homebuyers, real estate values along the Front Range continue to increase even as the supply of housing increases. Figure 21 shows two national home price indices as well as the index for the Denver metropolitan market.

Figure 21
Case-Shiller Home Price Indices



Source: S&P Dow Jones Indices LLC. Seasonally adjusted. Data through February 2017.

Figure 22
Rental Vacancy Rate



Source: U.S. Census Bureau. Data through 2017 Q1.

The U.S. Federal Housing Finance Agency (FHFA) publishes transaction data for seven Colorado housing markets: Denver, Colorado Springs, Pueblo, Fort Collins, Boulder, Greeley, and Grand Junction. In the six markets east of the Continental Divide, home prices have exceeded pre-recession peak levels and continue to appreciate. The pace of appreciation differs across markets, with prices along the northern Front Range continuing to outpace those to the south of Denver. For information about regional economies in less populous areas of the state, see the regional sections of this document beginning on page 61.

High home prices, coupled with household formation among low-wealth millennials, have stoked demand for rental properties. In Colorado, the rental vacancy rate continues the downward trajectory it has followed since the beginning of the current expansion and now sits below 5 percent (Figure 22).

- Demand for housing will remain strong throughout the forecast period, leading to more home construction. In Colorado, residential construction permits will increase 14.9 percent in 2017 based on brisk multi-family construction in the first part of the year. As the new multi-family housing is completed, permits will slow down, growing 2.8 percent in 2018.

Nonresidential Construction

Colorado's nonresidential real estate market remains robust. Demand for warehouses and office space continues to drive nonresidential activity in Colorado. Persistently low vacancy rates and demand for regional distribution facilities from firms like Amazon and Walmart are buoying the industrial real estate market. The Denver office market also continues to see strong growth, with several new projects planned outside the central business district. The hotel industry continues to add new rooms in downtown Denver, but at a slower rate than previous years.

The total value of U.S. construction put in place for the first quarter of 2017 is at record highs. Nonresidential construction increased 1.0 percent between March 2017 and March 2016 primarily because of construction for lodging and office space. Publicly financed construction for transportation, water, and sewage treatment plants all declined in the first quarter of 2017 compared with the same period in 2016.

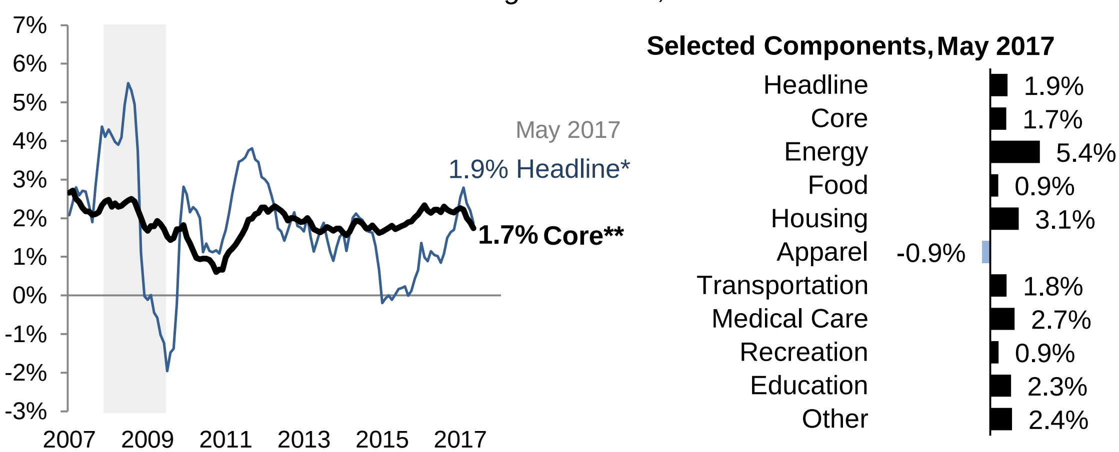
Experienced and skilled labor remains a major concern for the nonresidential construction industry. Several nonresidential construction market surveys continue to report that recruiting and retaining qualified staff is a growing issue, perhaps even preventing some developers from starting projects. Many construction workers left the industry during the Great Recession for other occupations and have not been replaced by new employees.

- After record construction activity in 2016, the value of nonresidential construction in Colorado will decline 7.4 percent in 2017. Nonresidential construction will increase in 2018 by 10.2 percent.

Monetary Policy and Inflation

Indicators for consumer price inflation have been below consensus expectations thus far in 2017. The headline consumer price index reported by the U.S. Bureau of Labor Statistics indicates inflation of 1.9 percent in May 2017 over the same period last year. Statistics indicate, however, that consumer price appreciation is disproportionately attributable to volatile energy prices. Core inflation, which excludes energy and food, was pegged at 1.7 percent in May. Headline and core inflation at the national level is presented in Figure 23.

Figure 23
U.S. Consumer Price Index (CPI) Inflation
Percent Change in Prices, Year-over-Year

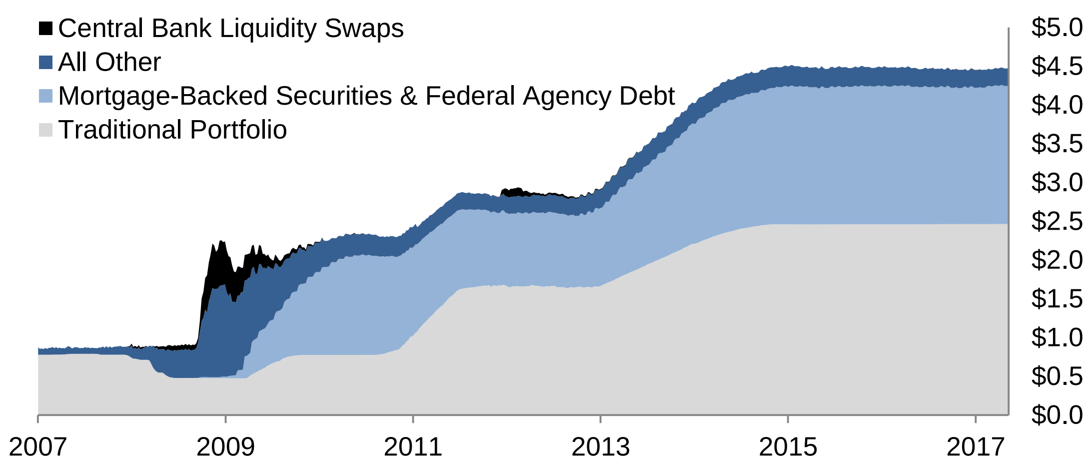


Source: U.S. Bureau of Labor Statistics.
Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.
**Headline inflation includes all products and services.*
***Core inflation excludes food and energy prices.*

Slower-than-anticipated growth in housing prices (up 3.1 percent), medical care prices (up 2.7 percent), and apparel prices (down 0.9 percent) is keeping core inflation below the 2.0 percent rate targeted by the Federal Open Market Committee (FOMC). However, observers still broadly anticipate an additional increase in the target federal funds rate during 2017. The FOMC increased the target federal funds rate to between 1.00 percent and 1.25 percent at its June meeting. While persistently low inflation could delay FOMC action to raise rates further, low unemployment is expected to act as a mitigating factor in the Fed's decision-making.

Following quantitative easing measures taken in response to the Great Recession, the Federal Reserve currently holds about $4.5 trillion in assets, principally Treasury securities, a traditional part of the balance sheet, and mortgage-backed securities. In 2014, the Fed ceased further expansion of its balance sheet and has been purchasing assets in volumes sufficient to replace those that reach maturity. A history of the Federal Reserve balance sheet, including three rounds of quantitative easing, is shown in Figure 24.

Figure 24
Federal Reserve Balance Sheet
Trillions of Dollars

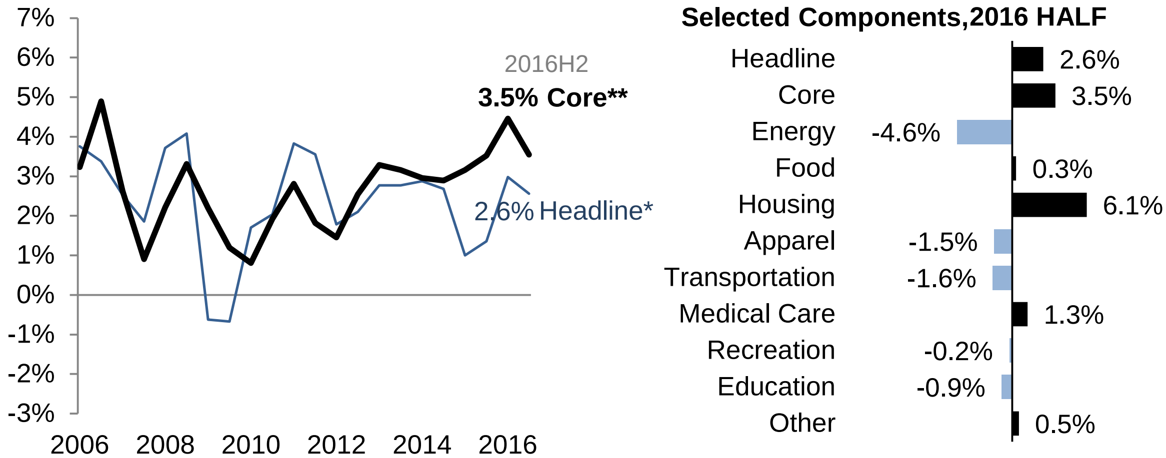


Source: Federal Reserve Board of Governors. Data through May 10, 2017.

In June, the Fed signaled intentions to cut its balance sheet by allowing at least some securities to retire upon maturity, thereby reducing the money supply. Asset normalization is expected to occur gradually, with only a subset of securities allowed to mature without replacement at first.

Colorado consumer prices, as measured by the Denver-Boulder-Greeley consumer price index (CPI), are increasing more quickly than those in other parts of the country. In 2016, the Denver-Boulder-Greeley CPI increased by 2.8 percent. Headline inflation was suppressed by relatively low energy prices, but core inflation came in at 4.0 percent, a high rate attributable in large part to soaring real estate prices and increasing rents. Shelter prices increased 5.9 percent in 2016, the only component of the measured basket of consumer goods to grow by more than 1.5 percent. Denver-Boulder-Greeley inflation indicators are presented in Figure 25.

Figure 25
Denver-Boulder-Greeley Consumer Price Index (CPI-U) Inflation
Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics.
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.*

Global Economy

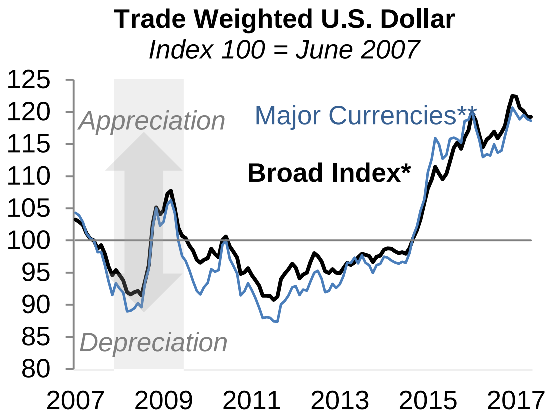
Global economic activity continued to gain momentum at the start of 2017, contributing to the rebound in manufacturing and export activity. While global economic activity is expected to strengthen further in 2017 and 2018, risks remain skewed to the downside on elevated political risk.

The value of the U.S. dollar remains elevated relative to foreign currencies, though the dollar has been trending downward over the past several months, primarily reflecting depreciation relative to the Mexican peso (Figure 26, left). The strong U.S. dollar means U.S. goods are comparatively more expensive than those of major foreign trade partners, weighing on U.S. exports and business operations abroad.

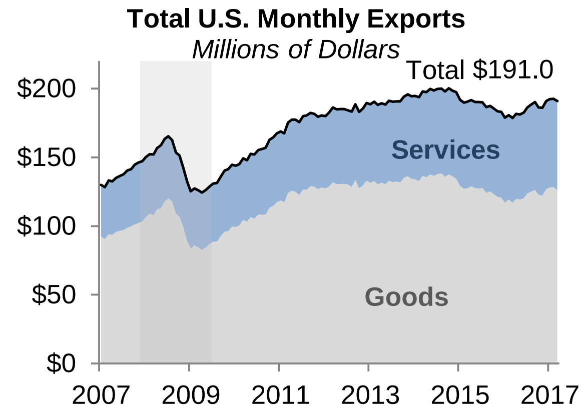
In spite of the U.S. dollar's strength, exports continue to improve, reflecting the easing of the global manufacturing slowdown and higher energy prices (Figure 26, right). Following two consecutive years of declines, the value of U.S. exports rose 7.2 percent in the first quarter of 2017 over the same period last year, according to data published by WiserTrade. Improvements remain mixed across trade partners, though exports to the largest U.S. trade partners — Canada, Mexico, China (including Hong Kong), and Japan — all contributed heavily to 2017 gains year-to-date. Over the past two years, these top trade partners have accounted for about 45 percent of all exports. More than half of the first quarter gains in exports are attributable to growth in the value of exports of mineral fuel and related products, primarily reflecting higher crude oil prices. Gains were comparatively modest and mixed across other commodities.

Colorado exports rose 10 percent in the first quarter of the year, following two consecutive years of declines. Exports to Mexico and Canada accounted for a majority of the increase in exports, reflecting strong gains in the value of meat and edible meat offal exports.

Figure 26
Selected Global Economic Indicators



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.*



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

In April, the International Monetary Fund (IMF) increased its World Economic Outlook slightly. The IMF now expects world output to grow at a pace of 3.5 in 2017, up a tenth of a percent from the January forecast. Improvements in the outlook for advanced economies, namely the United Kingdom, Japan, and Spain, accounted for the upward revision. Downward revisions in Latin American and oil-rich Middle Eastern countries were offset by upward revisions for China and Russia.

Economic activity in **Canada** continues to improve, marked by a rebound in manufacturing activity, acceleration in employment gains, and retail trade growth. Canada has also experienced a recent surge in housing starts, reflecting a robust housing market with strong home price appreciation. Future economic growth, however, may be muted by several factors. Export growth remains uncertain, on low energy prices and political risk surrounding multilateral trade agreements. Additionally, business investment continues to wane and wage growth has stagnated over the past year.

Political uncertainty continues to hang over the economy of **Mexico**, souring business investment and consumer sentiment. The economy continues to expand, though headwinds are mounting. In April, inflation rose above expectations to the fastest pace since 2009. Economic growth has slowed and inflation is expected to weigh on consumer activity in coming months. Tightening monetary policy could slow economic activity further. Elsewhere in Latin America, **Brazil** is poised to exit recession in 2017, following a painful recession in 2015 and 2016, though corruption scandals continue to threaten the outlook for the country's economy. Meanwhile, **Venezuela** is confronting economic crisis, under low energy prices, political unrest, and rapidly mounting inflationary pressures.

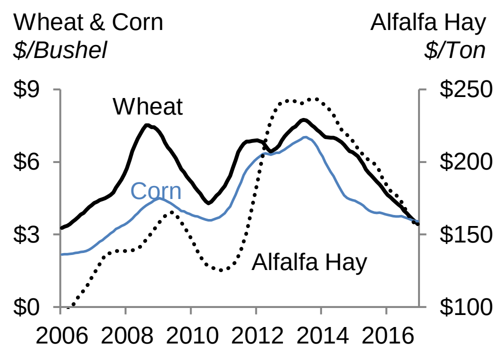
The **Eurozone** continues to face an uneven economic landscape, with Spain, Germany, and France faring relatively well, while other regional economies remain more stagnant. Italy's banking crisis and the ongoing Greek debt crisis continue to threaten the financial stability of the region. While recent elections suggest more continuity than change, political uncertainty remains elevated in the Eurozone. The **United Kingdom** continues to move closer to Brexit. Economic activity softened immediately following the Brexit vote in June of 2016, but has so far exceeded expectations in recent months. The start of 2017 was marked by stronger than expected hiring, and an uptick in construction and manufacturing activity.

Following two consecutive quarters of acceleration, **China's** economic growth is expected to slow some through the remainder of 2017. State-sponsored infrastructure spending and a booming housing market drove growth over the past two quarters. Slower growth in retail sales, investment, and industrial production are expected to dampen prospects through the end of the year. China continues to implement rebalancing efforts aimed at transforming the county's economy from an export and manufacturing orientation to a more self-sustaining, service oriented economy. The country continues to face financial risks, including capital flight, a large shadow banking industry, and mounting state-owned and private industry debt.

Agriculture

American agricultural producers continue to struggle. Elevated U.S. crop yields are flooding the market, pushing down prices (Figure 27). A strong dollar compounds the challenges faced by U.S. farmers, as international consumers turn to cheaper food supplies from other countries. The U.S. Department of Agriculture reports that U.S. wheat, corn, and alfalfa hay prices decreased 27.9 percent, 7.7 percent, and 15.5 percent, respectively, in 2016.

Figure 27
Prices Received for Colorado Crops

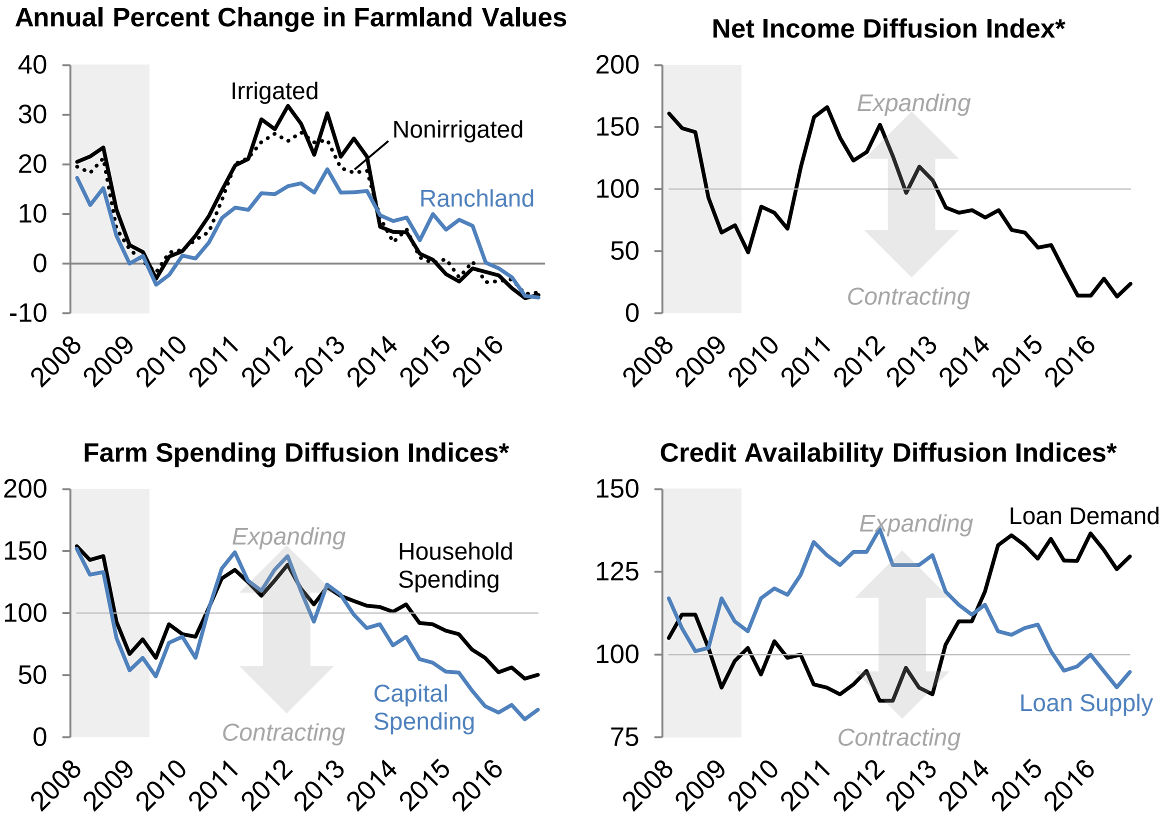


Source: National Agricultural Statistics Service. Data are shown as twelve-month moving averages and are through December 2016.

Declining income, low commodity prices, and low profit margins have hurt farm cash flow. As shown in the upper right panel of Figure 28, farm income in the Federal Reserve's Tenth District, which includes Wyoming, Oklahoma, Colorado, Kansas, eastern Missouri and northern New Mexico, decreased for 15 consecutive quarters through the end of 2016. The Kansas City Federal Reserve's Quarterly Survey of Agricultural Credit reported that 70 percent of Tenth District bankers expected farm incomes to continue to fall in the first quarter of 2017. Respondents also reported decreases in the value of farmland.

Low cash flow and reduced wealth have resulted in lower levels of household and capital spending (Figure 28, lower left) and prompted many farmers to take on short-term loans. As farmers become more reliant on credit and crop prices remain low, concerns over debt solvency are rising. The Kansas City Fed reports that producers appear to be storing commodities in the hope of better prices in the future, selling them only when necessary to make loan payments.

Figure 28
Select Indicator of Tenth District Agricultural Credit Conditions



Source: Kansas City Federal Reserve Quarterly Survey of Agricultural Credit Conditions. The 10th District is comprised of Wyoming, Oklahoma, Colorado, Kansas, eastern Missouri and northern New Mexico.
**Values above 100 indicate expansion; values below 100 indicate contraction.*

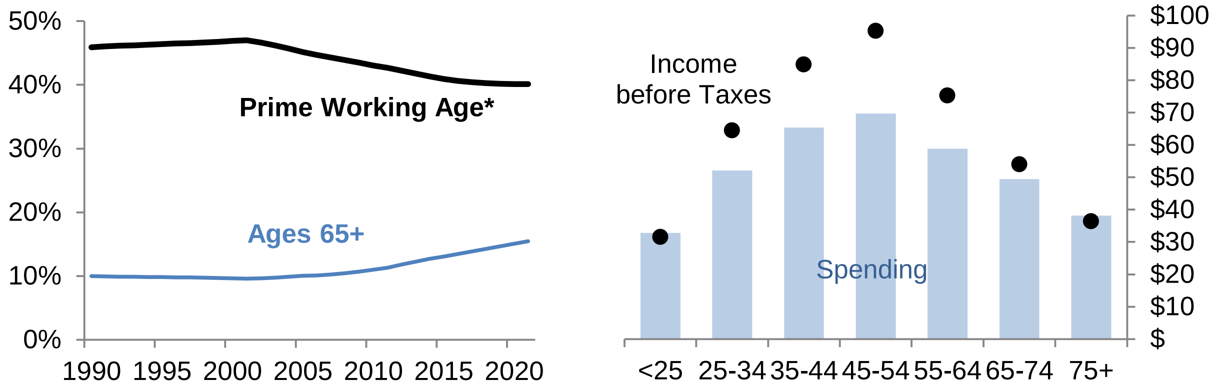
Demographics

Demographic change plays an active role in economic activity across the U.S. and in Colorado, impacting the labor supply, as well as consumption and income patterns. An increasing share of the baby-boomer generation—those born between 1946 and 1964—is retiring, causing labor force participation to decline, and with it, slowing income and consumption growth. Colorado's prime working age population, those ages 25 to 54, is projected to fall from a high of 47 percent in 2001 to 40.2 percent by 2020 (Figure 29, left). The share of those aged 65 and older, conversely, is expected to rise, from a historical average of about 10 percent to more than 15 percent by 2020.

Income and consumption rise and fall with age (Figure 29, right). As the baby-boomer generation reached their 40s and 50s, the U.S. enjoyed a "demographic dividend", marked by strong economic growth in the late 1990s and early 2000s. A demographic drag is now expected to impact the U.S. and Colorado economies for many years. The oldest baby-boomers reached age 65 in 2010. The youngest will reach retirement age in 2029.

Figure 29
Selected Demographic Indicators

Selected Populations as a Share of the Total Population | **Average U.S. Income and Spending by Age** *Thousands of Dollars*



Source: Colorado State Demography Office.
**Ages 25 to 54 as a share of the total population.*

Source: U.S. Bureau of Labor Statistics, 2015 Consumer Expenditure Survey.

Summary

Eight years after the end of the Great Recession, the expansion in both the Colorado and national economies is mature, with the nation at and Colorado beyond full employment. Employment growth will be constrained by the number of available workers through the forecast period. Employers are expected to be under considerable pressure to increase wages and provide other benefits to attract and retain their workforce.

Demand for housing is strong and continues to push up home prices even as the construction industry is adding new housing units to the market. The healthy labor market will allow consumers to continue to contribute modestly to economic growth. Their contribution will be muted by rising housing costs and interest rates.

The strength of the economy is expected to allow the Federal Reserve to gradually increase interest rates and reduce the money supply in 2017 and 2018. Modest improvements in the global economy have allowed some commodity prices, particularly oil and gas prices, to stabilize somewhat and improved global demand for U.S. exports. However, profits will be constrained by increasing wage pressure and rising input and debt management costs. Although inflationary pressure remains modest, these could build quickly if firms raise wages and pass the increased costs on to consumers and other businesses.

Risks to the Forecast

The economy is strong at the moment, but several risks, skewed toward the downside, threaten the outlook.

Downside. Economic growth could be tempered more than expected if employers are less able to fill vacant positons with qualified labor than assumed in this forecast. The Federal Reserve is entering uncharted territory in normalizing unprecedented monetary policy. The

Federal Reserve has announced plans to increase short-term interest rates while simultaneously increasing long-run rates by reducing the Federal Reserve's balance sheet. A large portion of the Treasuries securities on the balance sheet will mature in 2018 and 2019, increasing the potential for financial instability. In addition, the level of federal government spending and future fiscal policy may reduce GDP growth with proposed cuts to federal spending. Heightened geopolitical risk around the world could also result in unforeseen economic shocks.

Finally, the economy is at or near capacity in most markets and is at risk of overheating. Once the economy begins to operate beyond its productive capacity, the potential that an economic shock will trigger a recession increases. Structural changes — such as the aging population, new shadow markets, and automation — make it difficult to discern both where the economy's productive capacity is and how the economy is performing relative to it. If the economy is operating further beyond its capacity than assumed in this forecast, a recession is possible within or soon after the forecast period.

Upside. This forecast assumes that employment growth and other economic inputs will be constrained with the economy at or near capacity. Productivity growth has been sluggish so far during the recovery, but it may accelerate allowing the economy to grow faster than expected without being constrained by the labor force. In addition, increased wages may spur household consumption and drive demand over and above the expectations in the forecast.

Table 17
National Economic Indicators

Calendar Years	2012	2013	2014	2015	2016	Legislative Council Staff Forecast 2017	2018	2019
Real GDP (*Billions*)[1]	$15,355	$15,612	$15,982	$16,397	$16,662	$17,012	$17,386	$17,699
Percent Change	2.2%	1.7%	2.4%	2.6%	1.6%	2.1%	2.2%	1.8%
Nonfarm Employment (*Millions*)[2]	134.2	136.4	138.9	141.8	144.3	146.6	148.5	150.2
Percent Change	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.3%	1.1%
Unemployment Rate	8.1%	7.4%	6.2%	5.3%	4.9%	4.5%	4.2%	4.1%
Personal Income (*Billions*)[1]	$13,915.1	$14,073.7	$14,809.7	$15,458.5	$16,011.6	$16,732	$17,719	$18,729
Percent Change	5.0%	1.1%	5.2%	4.4%	3.6%	4.5%	5.9%	5.7%
Wage and Salary Income (*Billions*)[1]	$6,930.3	$7,116.7	$7,476.3	$7,854.8	$8,189.2	$8,590	$9,114	$9,634
Percent Change	4.5%	2.7%	5.1%	5.1%	4.3%	4.9%	6.1%	5.7%
Inflation[2]	2.1%	1.5%	1.6%	0.1%	1.3%	2.0%	2.3%	2.5%

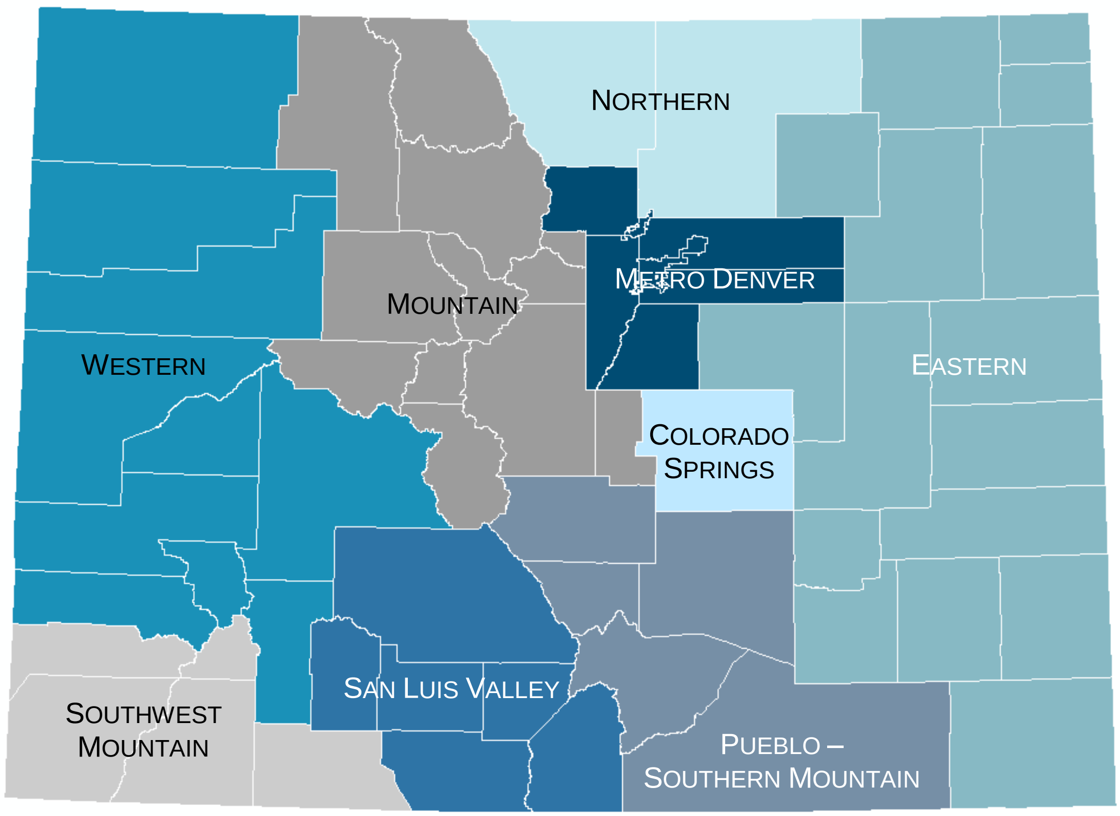
Sources
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas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

Table 18
Colorado Economic Indicators

Calendar Years	2012	2013	2014	2015	2016	*Legislative Council Staff Forecast* 2017	2018	2019
Population (*Thousands, as of July 1*)[1]	5,189.9	5,267.6	5,349.6	5,448.8	5,540.5	5,634.7	5,730.5	5,822.2
Percent Change	1.4%	1.5%	1.6%	1.9%	1.7%	1.7%	1.7%	1.6%
Nonfarm Employment (*Thousands*)[2]	2,313.1	2,382.0	2,464.8	2,541.8	2,599.6	2,646.4	2,691.4	2,737.1
Percent Change	2.4%	3.0%	3.5%	3.1%	2.3%	1.8%	1.7%	1.7%
Unemployment Rate[2]	7.8	6.7	4.9	3.8	3.3	2.6	2.6	2.5
Personal Income (*Millions*)[3]	$234,006	$246,648	$266,535	$277,732	$287,620	$302,864	$321,945	$341,583
Percent Change	6.4%	5.4%	8.1%	4.2%	3.6%	5.3%	6.3%	6.1%
Wage and Salary Income (*Millions*)[3]	$125,014	$129,597	$138,701	$146,574	$152,594	$161,444	$171,777	$182,255
Percent Change	5.4%	3.7%	7.0%	5.7%	4.1%	5.8%	6.4%	6.1%
Retail Trade Sales (*Millions*)[4]	$80,073	$83,569	$90,653	$94,920	$99,097	$104,052	$108,942	$114,171
Percent Change	6.0%	4.4%	8.5%	4.7%	4.4%	5.0%	4.7%	4.8%
Housing Permits (*Thousands*)[1]	21.3	27.2	29.2	30.4	36.9	42.5	43.6	45.7
Percent Change	59.3%	27.8%	7.1%	4.2%	21.6%	14.9%	2.8%	4.8%
Nonresidential Building (*Millions*)[5]	$3,695	$3,624	$4,321	$4,886	$5,673	$5,253	$5,789	$5,957
Percent Change	-5.8%	-1.9%	19.2%	13.1%	16.1%	-7.4%	10.2%	2.9%
Denver-Boulder-Greeley Inflation[2]	1.9%	2.8%	2.8%	1.2%	2.8%	3.0%	2.6%	2.6%

Sources
[1]*U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.*
[2]*U.S. Bureau of Labor Statistics. Nonfarm employment estimates include revisions to 2014 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process. Inflation shown as the year-over-year change in the consumer price index for Denver-Boulder-Greeley metro areas.*
[3]*U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.*
[4]*Colorado Department of Revenue. The figure for 2016 is an estimate, as actual data for the full year are not available.*
[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.

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

Economic activity slowed in the seven-county metro Denver region at the start of 2017, consistent with the late stages of an economic expansion. Employment opportunities remain strong, while population in-migration and construction activity have tapered off. Housing and rental prices continue to climb, pricing many workers out of the market, contributing to labor shortages and rising wage pressures for certain high-skilled positions. Table 19 shows economic indicators for the region.

Overall, the labor market in the metro Denver region remains healthy. The region's unemployment rate has reached historical lows and the regional economy continues to add jobs at a moderate pace (Figure 30). As shown in Figure 30 (right), job gains in the region are slowing. Year-over-year job gains peaked at 60,500 in January 2015 and since have tapered down to 34,900 as of April of this year. The slowdown reflects decelerating population in migration and an increasingly limited labor supply, which is expected to put upward pressure on wages.

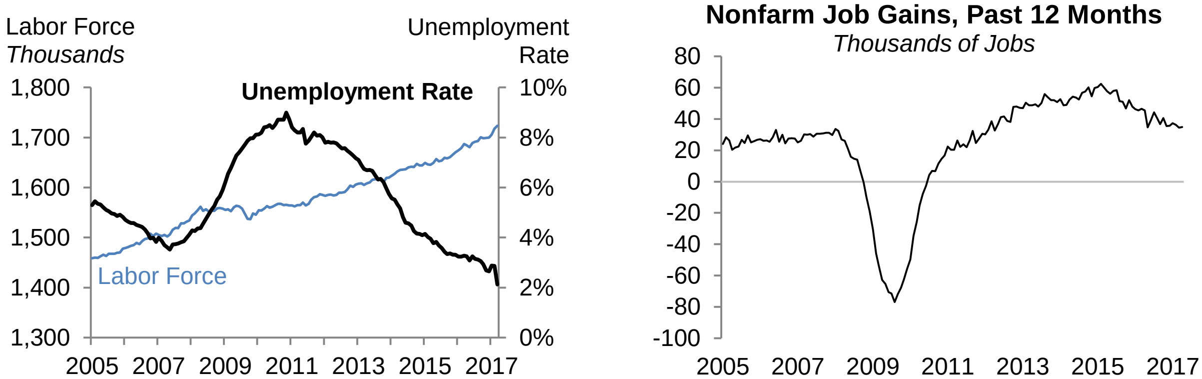
Contributing to slower population growth, rapid area home and rental price appreciation over the past five years has priced many workers out of the market and has pushed housing developments and commuters into surrounding areas. Relative to prices a year ago, both the Case-Shiller and Federal Housing Finance Agency home price indices suggest rapid price growth through the first quarter of 2017 as demand continues to outstrip supply.

Table 19
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2013	2014	2015	2016	YTD 2017
Employment Growth [1]	3.6%	3.7%	3.5%	2.9%	2.2%
Unemployment Rate [2]	6.5%	4.7%	3.6%	3.1%	2.5%
Housing Permit Growth [3]					
Denver-Aurora MSA Single-Family	18.9%	16.3%	17.8%	12.2%	-1.4%
Boulder MSA Single-Family	22.5%	17.7%	74.2%	10.2%	-1.2%
Nonresidential Construction Growth [4]					
Value of Projects	-9.1%	10.5%	24.3%	23.4%	-47.5%
Square Footage of Projects	22.2%	3.9%	43.2%	-0.1%	-31.4%
Level (*Millions*)	2,246	2,482	3,086	3,808	824
Number of Projects	22.4%	25.1%	17.1%	4.9%	-42.8%
Level	748	936	1,096	1,150	199
Retail Trade Sales Growth [5]	5.1%	8.4%	6.2%	N/A	N/A

MSA = Metropolitan statistical area. N/A = Not available.
[1]Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2017.
[2]Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through April 2017.
[3]U.S. Census. Growth in the number of residential building permits. Data through April 2017.
[4]F.W. Dodge. Data through April 2017.
[5]Colorado Department of Revenue. Data through December 2015.

Figure 30
Metro Denver Region Labor Market Activity

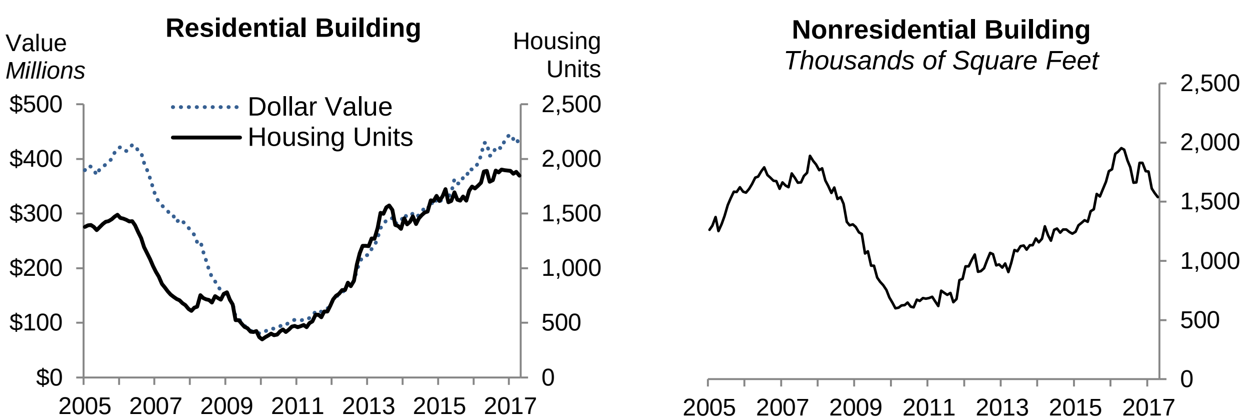


Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through April 2017.

Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through April 2017.

Following six years of strong gains, construction activity has leveled off in the metro Denver region. Residential housing permits are down slightly at the start of the year but remain at pre-recessionary highs, propped up primarily by strong multi-family building in the City and County of Denver (Figure 31, left). Nonresidential building also peaked in 2016 and since has slowed (Figure 31, right). Year-to-date through April, the number, value, and square footage of nonresidential projects are down relative to the same period a year ago. Labor shortages and a lack of readily-buildable lots continue to constrain activity and in-migration, contributing to rising housing costs.

Figure 31
Metro Denver Region Construction Activity



Source: F.W. Dodge. Data shown as three-month moving averages. Data are not seasonally adjusted and are through April 2017.

Northern Region

The economy in the northern region remains among the strongest in the state. Economic growth accelerated at the start of 2017 on a slight rebound in energy activity, strong residential construction activity, and robust labor market growth. Table 20 shows economic indicators for the northern region.

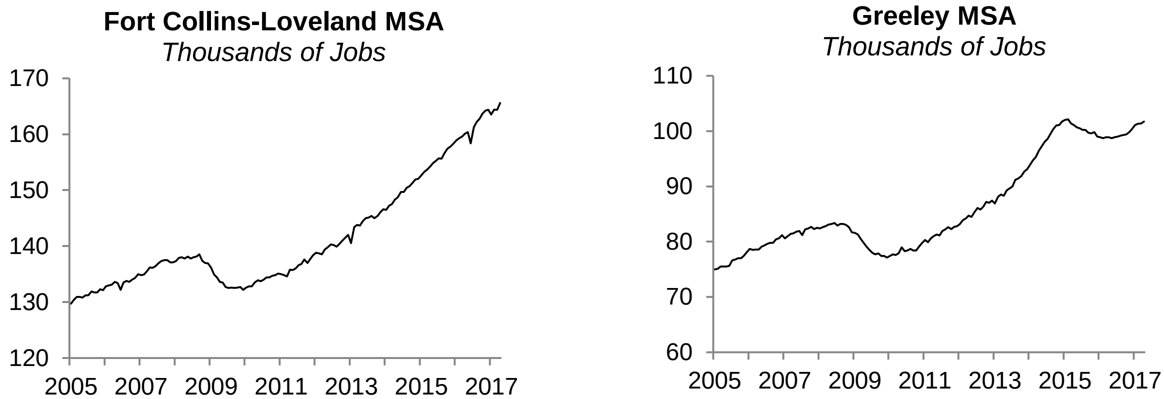
Figure 32 shows employment trends for the northern region metro areas. Job gains in the Fort Collins-Loveland MSA continued to climb steadily at the start of 2017. Data through the first four months of the year suggest a rebound in employment in the Greeley MSA as the energy and manufacturing sectors have stirred back to life on higher energy prices. Year to date, employment activity has accelerated in the northern region, reflecting broad-based gains, including strong contributions from rising energy and construction activity. Area unemployment continues to fall as employment gains outpace growth in the labor force (Figure 33).

Table 20
Northern Region Economic Indicators
Weld and Larimer Counties

	2013	2014	2015	2016	YTD 2017
Employment Growth[1]					
Fort Collins-Loveland MSA	3.2%	3.4%	3.9%	2.8%	3.1%
Greeley MSA	5.4%	8.9%	2.8%	1.4%	2.6%
Unemployment Rate[2]					
Fort Collins-Loveland MSA	5.8%	4.2%	3.3%	2.8%	2.2%
Greeley MSA	6.5%	4.4%	3.8%	3.4%	2.5%
State Cattle and Calf Inventory Growth[3]	-8.7%	-4.2%	-4.4%	1.0%	2.8%
Natural Gas Production Growth[4]	12.5%	27.0%	44.3%	14.5%	N/A
Oil Production Growth[4]	44.5%	52.4%	39.4%	-7.3%	N/A
Housing Permit Growth[5]					
Fort Collins-Loveland MSA Total	28.8%	8.7%	-8.1%	47.9%	67.2%
Fort Collins-Loveland MSA Single Family	31.3%	10.2%	1.3%	-2.9%	66.1%
Greeley MSA Total	45.6%	41.1%	-3.5%	-7.8%	12.9%
Greeley MSA Single Family	37.7%	18.5%	3.8%	-9.9%	2.0%
Nonresidential Construction Growth[6]					
Value of Projects	55.0%	31.1%	33.4%	-2.7%	-44.1%
Square Footage of Projects	40.4%	45.5%	20.7%	-22.3%	-16.1%
Level (*Thousands*)	424,437	556,538	742,182	721,802	139,121
Number of Projects	-2.5%	66.5%	-5.0%	6.1%	8.9%
Level	155	258	245	260	98
Retail Trade Sales Growth[7]					
Larimer County	6.1%	8.5%	6.7%	N/A	N/A
Weld County	6.6%	12.2%	1.0%	N/A	N/A

MSA = Metropolitan statistical area. NA = Not available.
[1]Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2017.
[2]Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through April 2017.
[3] National Agricultural Statistics Service. Cattle and calves on feed through April 2017.
[4]Colorado Oil and Gas Conservation Commission. Data through December 2016.
[5]U.S. Census Bureau. Growth in the number of residential building permits. Data through April 2017.
[6]F.W. Dodge. Data through April 2017.
[7]Colorado Department of Revenue. Data through December 2015.

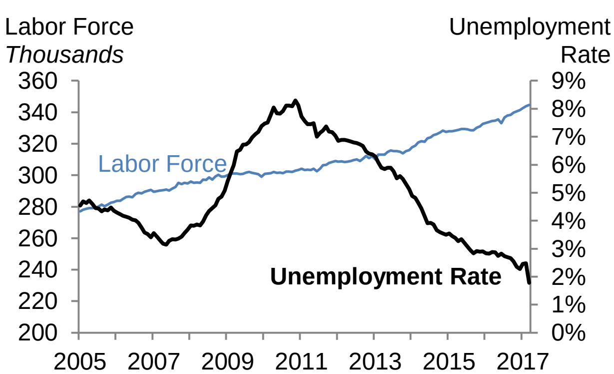
Figure 32
Northern Region Nonfarm Employment



Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through April 2017.

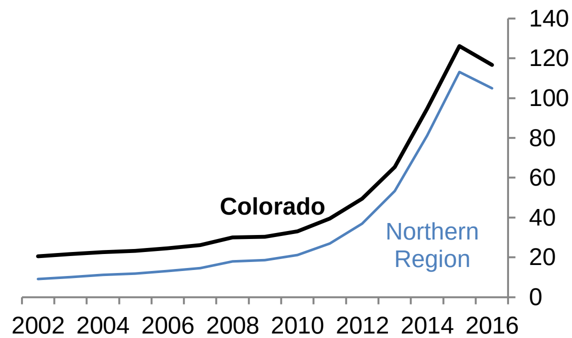
Oil production in the northern region, particularly in Weld County, has dominated statewide production for over a decade (Figure 34). In 2016, regional oil production fell 7.3 percent over the prior year as new drilling activity collapsed with the drop in crude oil prices. New drilling activity bottomed and resumed growth in mid-2016. However, new drilling activity remains relatively weak as crude oil prices remain at or below breakeven prices. Natural gas production in the northern region continued to increase through 2016, growing 14.5 percent above 2015 levels.

Figure 33
Selected Labor Market Indicators



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through April 2017.

Figure 34
Crude Oil Production
Millions of Barrels

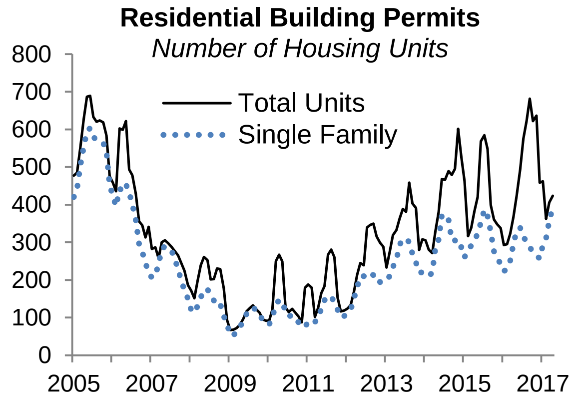


Source: Colorado Oil and Gas Conservation Commission. Data through 2016.

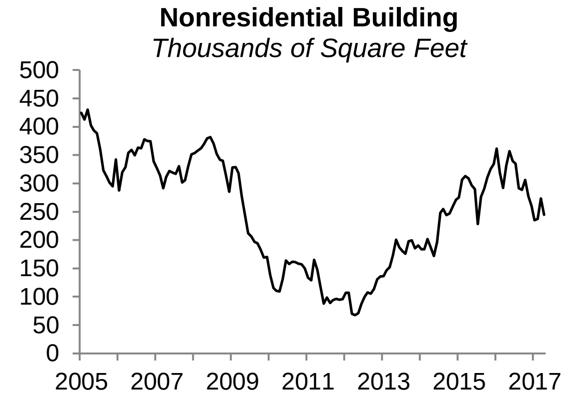
Fort Collins and Greeley metro areas continued to see double-digit home price appreciation through the first quarter of the year, according to the Federal Housing Finance Agency all transaction home price index. In spite of higher housing costs, the northern region remains more affordable than the metro Denver region, attracting commuters as well as new residents seeking work in the area. Robust economic and population growth and the availability of land for development in the region have supported strong growth in residential construction (Figure 35, left). Residential housing permit data for the first four months of the year suggest acceleration in residential construction activity in Larimer County, particularly for multi-family housing. Residential construction in Weld County leveled off with the slowdown in energy activity in 2015 and 2016. Residential building permits are up, however, in the first four months of 2017 relative to year-ago levels.

Nonresidential construction activity in the region has slowed over the past twelve months after peaking in 2016 (Figure 35, right). The completion of several large health care centers and hotels largely explains lower levels of activity in more recent months.

Figure 35
Northern Region Construction Activity

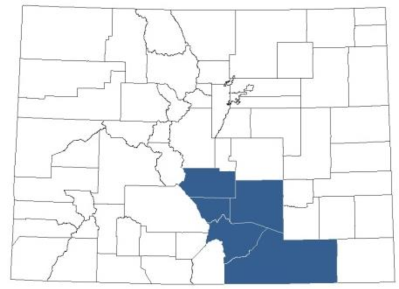


Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through April 2017.



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2017.

Pueblo – Southern Mountains Region



The Pueblo – Southern Mountains region includes five southern Front Range counties centered around the City of Pueblo. The region was one of the state's hardest hit during the Great Recession but in 2016 exhibited its strongest year of recovery yet. Momentum is expected to continue in 2017. Strengthening labor market conditions and improving regional housing and nonresidential construction markets are expected to drive growth. Nevertheless, economic activity in the region remains low by historical standards. Indicators for the regional economy are presented in Table 21.

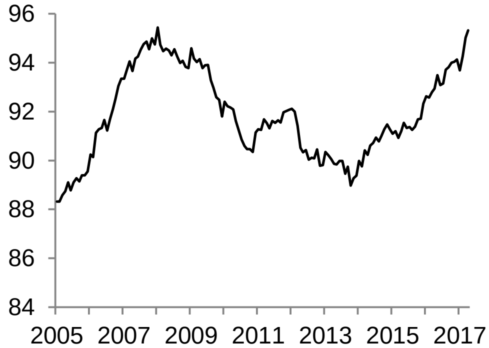
Table 21
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2013	2014	2015	2016	YTD 2017
Employment Growth					
Pueblo Region[1]	-0.9%	1.0%	0.8%	2.1%	2.0%
Pueblo MSA[2]	0.8%	1.5%	2.2%	2.1%	1.8%
Unemployment Rate[1]	10.1%	7.4%	5.7%	4.9%	4.0%
Housing Permit Growth[3]					
Pueblo MSA Total	-40.6%	-0.6%	69.4%	6.0%	50.7%
Pueblo MSA Single-Family	-8.1%	-0.6%	29.9%	29.9%	62.7%
Nonresidential Construction Growth[4]					
Value of Projects	-72.2%	197.9%	2.3%	-32.8%	0.9%
Square Footage of Projects	-75.3%	192.7%	14.6%	-5.4%	529.5%
Level (*Thousands*)	30,389	90,527	92,620	62,280	5,850
Number of Projects	7.1%	96.7%	-22.0%	47.8%	-58.3%
Level	30	59	46	68	5
Retail Trade Sales Growth[5]	1.5%	4.9%	2.9%	N/A	N/A

MSA = Metropolitan statistical area. NA = Not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2017.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through April 2017.
[3]U.S. Census. Growth in the number of residential building permits. Data through April 2017.
[4]F.W. Dodge. Data through April 2017.
[5]Colorado Department of Revenue. Data through December 2015.

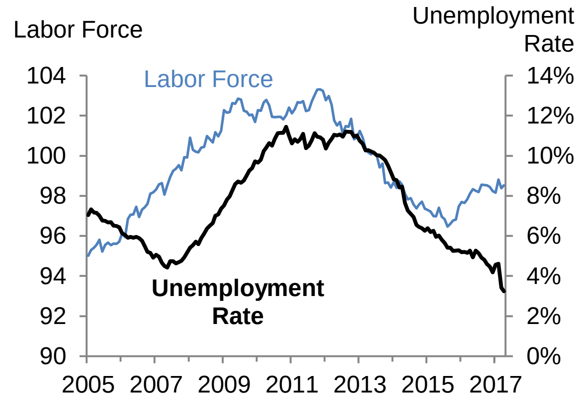
The region closed out 2016 with the fastest employment growth rate since 2007. Through April 2017, the labor market in the Pueblo region continued to show signs of improvement. Employment growth in the region is up 2.0 percent and the unemployment rate continues to tick down, averaging 4.0 percent through April 2017. Significantly, the unemployment rate dropped even as workers continued their return to the labor force. Diverse employment opportunities are available in health care, construction, transportation, tourism, and local government, suggesting continual improvement in 2017. Regional employment is tracked in Figure 36, while the regional unemployment rate and labor force population are charted in Figure 37.

Figure 36
Pueblo Region Employment
Thousands of Jobs



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through April 2017.

Figure 37
Pueblo Region Labor Market Trends



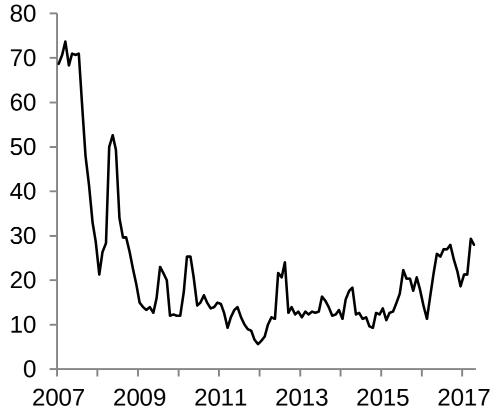
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through April 2017.

Regional residential construction volumes plummeted during the Great Recession and have recovered only fractionally in the years since. However, recent data suggest that the real estate market is picking up momentum, as shown in Figure 38. In 2016, total housing permits were up 6.0 percent from the prior year. For the current year, builders have pulled permits for 122 homes in the Pueblo Metropolitan Statistical Area, up 50.7 percent from the same period in 2016. The pace of construction is the fastest since 2008, when there were 379 home starts for the full year. While the housing market is tightening, construction remains far below pre-recession levels. Permits for 1,179 residential units were pulled in 2006 versus just 265 last year.

Similar to the residential market, nonresidential construction indicators continue to show encouraging signs. Through April 2017, the value and amount of square footage for new commercial structures are up from the same period one year prior. Key projects underway include The Center at Park West, an $18 million nursing home that broke ground in 2015 and will be completed in March, and the Colorado Department of Transportation's $28 million administrative and mechanics complex, which is set for completion at a north Pueblo site in 2018. Sportsman's Warehouse, Tractor Supply, and Dick's have also announced plans to expand into Pueblo. However, nonresidential construction activity also remains far below pre-recession levels.

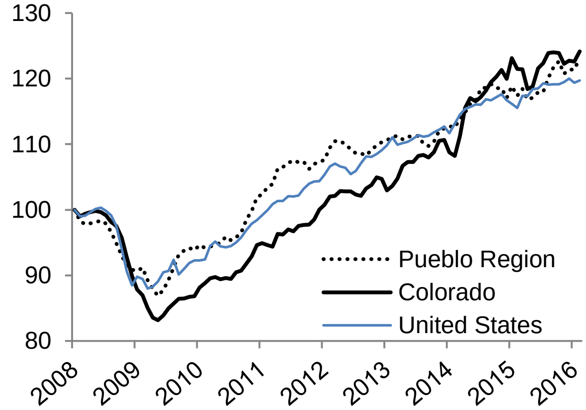
The Colorado River Outfitters Association reports that the number of rafters on the Arkansas River grew 14 percent between 2015 and 2016, potentially increasing tourism revenue. This, in turn, could boost retail trade figures for Fremont County, for which data are not yet available. Retail trade data for the region, state, and nation are indexed in Figure 39.

Figure 38
Single Family Residential Building Permits
Number of Housing Units



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through April 2017.

Figure 39
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 February 2016.

Colorado Springs Region

The Colorado Springs economy is expanding at a moderate pace, with population growth and tourism boosting employment and construction activity. Although employment in the region is dominated by the public sector, the region's private tourism, advanced technology manufacturing, and information technology industries are vibrant. Major employers include two hospitals, four institutions of higher education, four military installations, and several federally funded defense contractors specializing in aerospace, information technology, and cybersecurity. Employers in eastern El Paso County also include dairy farmers and ranchers. Indicators for the regional economy are presented in Table 22.

Table 22
Colorado Springs Region Economic Indicators
El Paso County

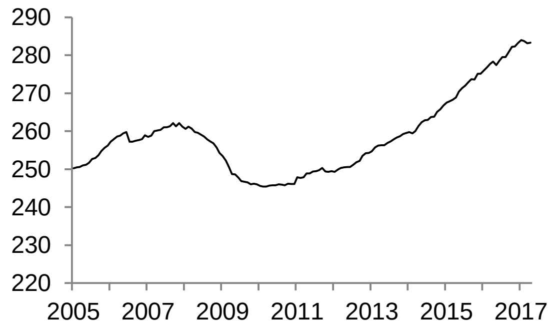
	2013	2014	2015	2016	YTD 2017
Employment Growth[1]					
Colorado Springs MSA	2.3%	2.2%	3.2%	2.0%	2.3%
Unemployment Rate[2]	7.9%	6.0%	4.6%	3.8%	3.0%
Housing Permit Growth[3]					
Total	17.2%	3.8%	-0.4%	41.3%	6.7%
Single-Family	19.2%	-7.7%	13.3%	19.7%	0.7%
Nonresidential Construction Growth[4]					
Value of Projects	6.5%	-4.2%	-1.0%	43.4%	2.8%
Square Footage of Projects	25.2%	-12.0%	-0.2%	24.0%	-13.8%
Level (*Thousands*)	510,809	489,589	484,547	694,910	169,454
Number of Projects	-1.7%	-5.9%	12.6%	9.8%	27.3%
Level	355	334	376	413	154
Retail Trade Sales Growth[5]	4.9%	4.1%	5.8%	N/A	N/A

MSA = Metropolitan statistical area. NA = Not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2017.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through April 2017.
[3]U.S. Census. Growth in the number of residential building permits. Data through April 2017.
[4]F.W. Dodge. Data through April 2017.
[5]Colorado Department of Revenue. Data through December 2015.

Employment in the Colorado Springs MSA increased 2.3 percent year-to-date through April compared with year-ago levels after increasing 2.0 percent in 2016. While job growth has been broad-based across most industries, population growth in the region has supported demand for housing, goods, and basic services — boosting employment in the construction, retail trade, transportation, and health care sectors. Figure 40 shows employment trends in the region. As shown in Figure 41, the region's unemployment rate continued to fall from an average of 3.8 percent in 2016 to an average of 3.2 percent over the first four months of 2017.

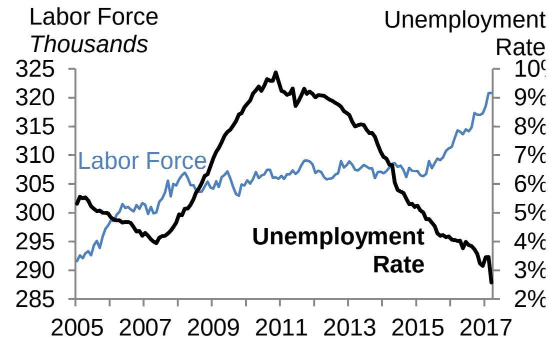
The improving labor market, population growth, and strong tourism growth are aiding retail sales in the region. According to the City of Colorado Springs, revenue from the city's general sales and use tax increased 9.9 percent year-to-date through March over year-ago levels after increasing 9.0 percent in 2016. Industries with the largest sales tax increases in March included building materials and grocery stores. Meanwhile, tax statistics also indicate a healthy tourism sector: the city's lodger's tax and auto rental tax increased 7.4 percent and 5.0 percent year-to-date through March over year-ago levels, respectively.

Figure 40
Colorado Springs Employment
Thousands of Jobs



Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through April 2017.

Figure 41
Colorado Springs Labor Market Trends

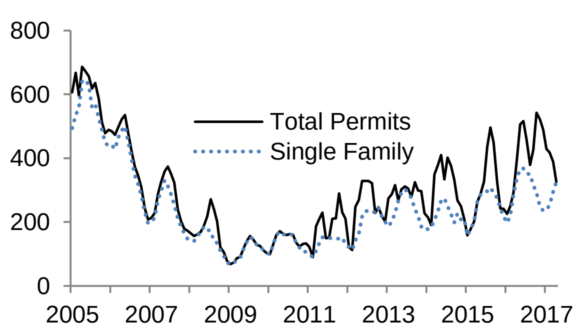


Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through April 2017.

The number of permits issued for residential construction increased 6.7 percent year-to-date through April after a 41.3 percent increase in 2016. Figure 42 shows that the fastest growth occurred for multi-family construction, although permits for single-family homes also increased. Job gains, a declining inventory of existing homes, and rising property values are supporting growth in the market. In addition, relatively affordable homes relative to the Denver metro and northern Colorado real estate markets have contributed to demand for homes in the Colorado Springs region.

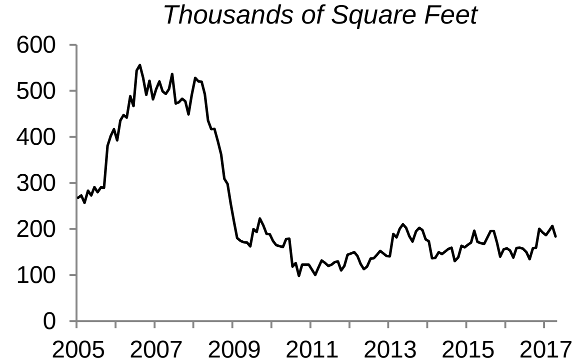
The value of nonresidential permits increased 2.8 percent year-to-date through April after a 43.4 percent increase in 2016. The value continued to increase at rates faster than the total square footage of permitted projects, indicating that more expensive projects are being built. While growth in the value of permits appears to indicate a boom in nonresidential construction, the level of square footage being built remains subdued relative to pre-recessionary levels (Figure 43).

Figure 42
Colorado Springs Residential Building Permits
Number of Units



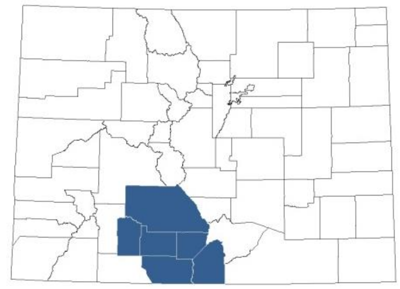
Source: U.S. Census Bureau. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through April 2017.

Figure 43
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 April 2017.

San Luis Valley Region



The six San Luis Valley counties comprise the smallest economic region in the state. The regional economy is centered on agricultural production, producing barley, potatoes, and vegetable crops, while also providing regional services and welcoming tourists. Economic data for the San Luis Valley are sparse and frequently arrive after a significant lag. However, available economic indicators for 2017 suggest the region will continue to improve from 2016. Available data are summarized in Table 23.

Table 23
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

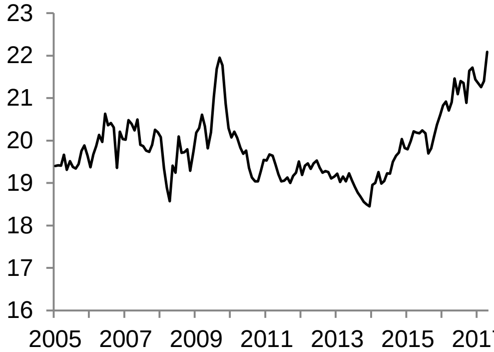
	2013	2014	2015	2016	YTD 2017
Employment Growth [1]	-2.2%	2.6%	3.8%	5.4%	3.3%
Unemployment Rate [1]	10.5%	8.0%	5.7%	4.6%	3.8%
San Luis Valley Agriculture District [2]					
Barley					
Acres Harvested	46,600	42,900	52,100	N/A	N/A
Crop Value ($/Acre)	$ 824.4	$ 730.1	$ 878.5	N/A	N/A
Potatoes					
Acres Harvested	49,600	53,900	51,800	N/A	N/A
Crop Value ($/Acre)	$ 3,614	$ 3,218	$ 3,234	N/A	N/A
Housing Permit Growth [3]	15.0%	-25.0%	21.5%	-1.1%	9.3%
Retail Trade Sales Growth [4]	0.6%	3.7%	11.5%	N/A	N/A

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through April 2017.
[2]National Agricultural Statistics Service. Data through December 2015.
[3]F.W. Dodge. Data through April 2017.
[4]Colorado Department of Revenue. Data through December 2015.

Labor market conditions continue to improve in the San Luis Valley region after adding jobs at the fastest rate in the state in 2016. Employment in the San Luis Valley region increased 3.3 percent year-to-date through April compared with year-ago levels. The region's unemployment rate continues to improve, averaging 3.3 percent through April, down from 5.4 percent in 2016. The San Luis Valley Medical Center and Adams State University are the major nonfarm employers in the region. The region's labor market trends are shown in Figures 44 and 45.

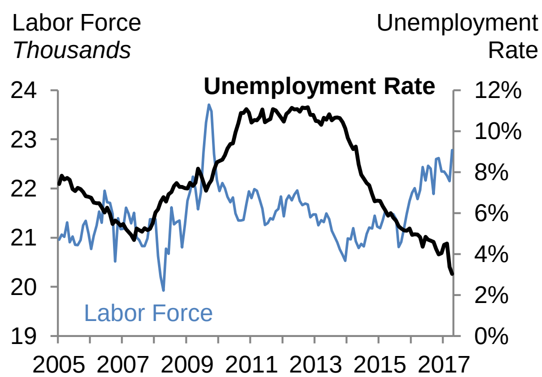
Agriculture is the most important industry in the San Luis Valley. The valley produces barley, alfalfa hay, vegetables, and quinoa, while also furnishing grazing land to livestock producers, and is the center of the potato industry in Colorado. Figure 46 shows that prices received by potato farmers in Colorado ticked up in 2016 after falling throughout 2015. According to the Colorado Potato Committee, the number of potato shipments originating in the San Luis Valley decreased 2.2 percent year-to-date through February compared with the first two months of 2016. Production data for 2016 are not yet available.

Figure 44
San Luis Valley Employment
Thousands of Jobs



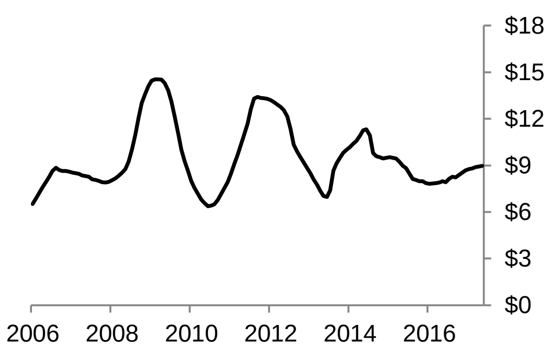
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through April 2017.

Figure 45
San Luis Valley Labor Market Indicators



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through April 2017.

Figure 46
Prices Received for Colorado Potatoes
$/Cwt

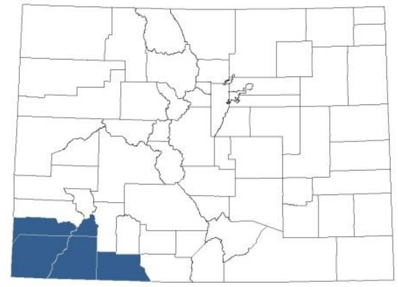


Source: National Agricultural Statistics Service. Data shown as twelve-month moving averages. Data through December 2016.

Retail sales growth in the San Luis valley increased 11.5 percent in 2015. Part of the increase in retail sales was due to a spike in sales in the first half of 2015, which could result in a negative retail figure in 2016.

New residential construction in the region is small and has relatively few housing permits; annual average growth is volatile. For the current year, builders have pulled permits for 59 homes in the San Luis Valley region, up 9.3 percent from the same period in 2016.

Southwest Mountain Region



The five counties of the southwest mountain region comprise mountain peaks, fertile valleys, and open deserts. Like its land, the region's economy is healthily diverse, with significant contributions from natural resource extraction, agriculture, and tourism. Most areas of the regional economy performed well during 2016. Growth in regional nonfarm employment absorbed slack and dropped the unemployment rate, while a robust increase in residential construction permits portends some relief for Durango's very tight housing market. While summer tourism is expected once again to be strong, low commodity prices are depressing agriculture and energy industry activity. Economic indicators for the region are summarized in Table 24.

Table 24
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2013	2014	2015	2016	YTD 2017
Employment Growth [1]	0.7%	3.2%	0.6%	2.7%	2.8%
Unemployment Rate[1]	6.6%	4.9%	4.1%	3.5%	2.8%
Housing Permit Growth [2]	44.7%	14.2%	-6.1%	19.5%	-5.7%
Retail Trade Sales Growth [3]	5.0%	3.0%	1.7%	N/A	N/A
National Park Recreation Visits[4]	-5.9%	8.9%	10.2%	7.5%	3.7%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2017.
[2]F.W. Dodge. Data through April 2017.
[3]Colorado Department of Revenue. Data through December 2015.
[4]National Park Service. Data through April 2017. Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

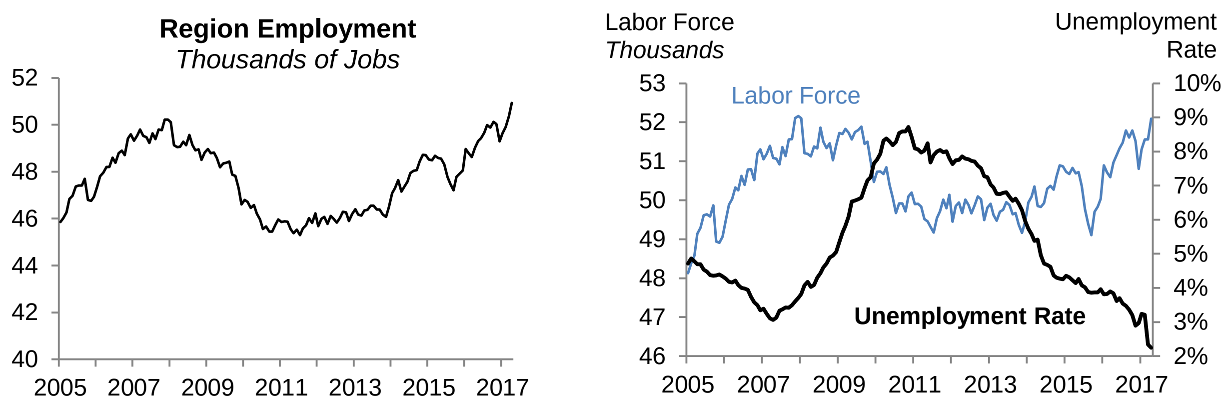
Regional nonfarm employers added roughly 1,300 jobs in 2016, representing gains of about 2.7 percent. Employers have kept pace thus far this year, with additional 2.8 percent growth through April compared with the same period last year, as shown in Figure 47. About 1,400 people remain unemployed, and a recent uptick in the regional labor force population suggests that slack persists despite the region's 2.8 percent unemployment rate. Jobs are available in an array of fields, including health care, human services, local government, retail, food service, and tourism.

The housing market in Durango, the region's largest city, remains very tight. An increase of nearly 20 percent in residential building permits suggests that growth in the regional housing stock will accelerate, but even this increase may be insufficient to accommodate high demand in La Plata County. The Wells Group, a local real estate broker, reports inventory challenges for homes under $500,000 in the City of Durango. While supply in Durango remains constrained, *The Durango Herald* reports that developers are expected to target the comparatively affordable areas of eastern La Plata County, including Bayfield and the Forest Lakes area.

Tourism in the area remains strong in the high seasons: winter ski season and summer camping and boating season. As shown in Figure 48, Mesa Verde National Park in Montezuma County and Hovenweep National Monument in southeast Utah each reported additional visitors in 2016 relative to 2015 and through April 2017 relative to the same period last year. Lower-than-expected sales tax collections during the shoulder seasons, spring and fall, suggest that local residents may have less to spend, particularly as a result of doldrums in the high compensation natural gas industry.

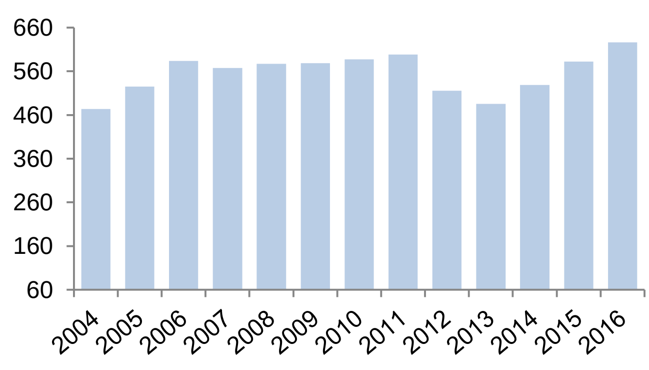
Low crop and natural gas prices continue to depress both agricultural and energy industry activity in the region. Supply continues to outpace demand for agricultural goods, maintaining downward pressure on prices. Natural gas prices trended upward throughout 2016 from lows at the start of the year. Higher prices offer rising optimism for energy industry employment in the area.

Figure 47
Selected Indicators of Southwest Mountain Region Labor Market Activity



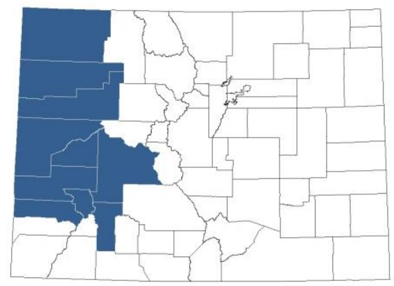
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through April 2017.

Figure 48
Recreation Visits for Mesa Verde National Park and Hovenweep National Monument



Source: National Park Service. Data through December 2016.

Western Region



The economy in the western region slowed in early 2017 after growing at a moderate pace in 2016. Although the region's unemployment rate continued to fall through the first quarter of 2017, construction activity and employment gains lost momentum relative to year-ago levels. Energy, agriculture, and tourism are important to the area's economy. Garfield, Rio Blanco, Delta, and Gunnison counties have been significantly affected by persistently low natural gas prices and a struggling coal industry. Economic indicators for the region are summarized in Table 25.

Table 25
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2013	2014	2015	2016	YTD 2017
Employment Growth					
Western Region[1]	-0.7%	2.1%	-0.4%	1.4%	0.9%
Grand Junction MSA[2]	0.6%	2.5%	0.0%	0.4%	-0.7%
Unemployment Rate[1]	8.2%	5.9%	5.0%	4.5%	3.5%
Natural Gas Production Growth[3]	-8.8%	-5.3%	-12.8%	-13.6%	N/A
Housing Permit Growth [4]	-1.0%	7.9%	24.7%	6.7%	-10.2%
Nonresidential Construction Growth [4]					
Value of Projects	-24.7%	221.9%	-37.9%	8.0%	-23.9%
Square Footage of Projects	-42.0%	157.9%	-41.0%	-24.3%	-83.8%
Level (*Thousands*)	396	1,021	602	456	16
Number of Projects	-28.6%	21.8%	-17.9%	18.2%	-66.7%
Level	55	67	55	65	6
Retail Trade Sales Growth [5]	2.4%	4.7%	7.4%	N/A	N/A

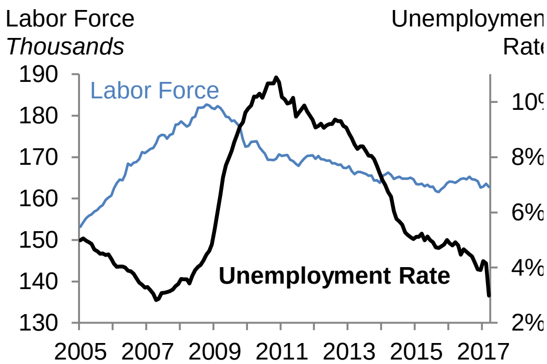
MSA = Metropolitan statistical area. NA = Not available.
[1] U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through April 2017.
[2] U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2017.
[3] Colorado Oil and Gas Conservation Commission. Data through December 2016.
[4] F.W. Dodge. Data through April 2017.
[5] Colorado Department of Revenue. Seasonally adjusted. Data through December 2015.

Figure 49 shows labor market trends in the western region. Employment growth across the region slowed from 1.4 percent in 2017 to 0.6 percent during the first quarter of 2017 over year-ago levels. In Grand Junction, the largest city in the region, employment growth decreased 0.7 percent in the first quarter of 2017 relative to year-ago levels after increasing only 0.4 percent in 2016. Although the unemployment rate continued to fall through the first quarter of 2017, some of the decrease was the result of a drop in the labor force, or the number of people available for work. A precipitous decrease in the unemployment rate in March 2017 (see Figure 49) will likely be revised upward when new information becomes available.

Construction activity in both the residential and nonresidential sectors decreased in the first quarter of 2017 relative to the first quarter of 2016, after increasing in 2016. The number of housing permits decreased 10.2 percent, while the value of nonresidential construction permits fell 23.9 percent.

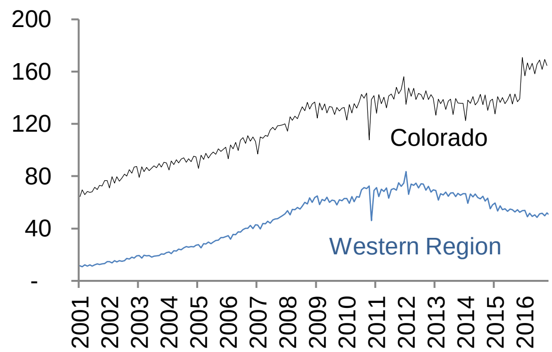
Natural gas production decreased 13.6 percent in 2016 after falling each year since 2012 (Figure 50). The region's natural gas production is concentrated in the Piceance Basin, primarily in Garfield County. Low gas prices have been depressing regional production; however, the U.S. Geological Survey increased its estimate of the amount of natural gas reserves in the region by 40 times in 2016. The new estimates make the Piceance Basin the second largest source in the country of potential gas resources that can be developed if natural gas prices increase.

Figure 49
Western Region Labor Market Trends



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through April 2017.

Figure 50
Natural Gas Production
Millions of BCF

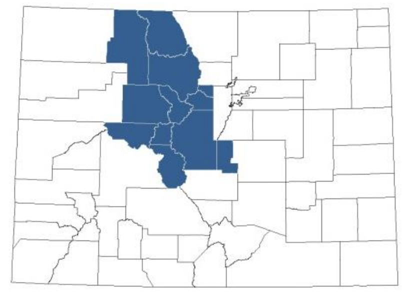


Source: Colorado Oil and Gas Conservation Commission. Data through November 2016. BCF = Billion cubic feet.

Colorado's coal industry has shrunk significantly in recent years due to decreasing demand, regulatory impacts, low prices, and competition from other sources of fuel. Between 2013 and September 2016, four coal mines in the region announced plans to close. The mine closings are a part of a larger industry reorganization, which included companies going bankrupt. Communities in Gunnison and Delta counties have lost storefronts and school enrollment. The landmark coal silo at the Elk Creek Mine near Somerset was demolished in late April after the mine closed in 2016. In June, operators of the New Horizon coal mine shut down production.

The number of visitors to the Black Canyon of the Gunnison National Park increased 13.8 percent to 238,018 visitors in 2016, and has increased 29.6 percent year-to-date through April 2017 compared with the first four months of 2016, according to the National Park Service. Although the Black Canyon of the Gunnison is not far from the struggling coal city of Somerset, most visitors to the park likely patronize businesses in the cities of Montrose or Gunnison. Meanwhile, visitors to the Colorado National Monument near Grand Junction increased 0.7 percent year-to-date through April, after falling in 2016.

Mountain Region



The mountain region, comprising the twelve mountain counties north of Poncha Pass, remains among the state's healthiest local economies. Dependent on its tourism industry, the region is reaping the fruits of a mature economic expansion across the United States. Visits remain strong despite delayed 2016-17 openings at several ski resorts. Employers are still adding jobs even as the labor market tightens. Construction activity is up, but regional home prices and rents continue to rise as demand outpaces the supply of affordable housing. Economic indicators for the region are presented in Table 26.

Table 26
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2013	2014	2015	2016	YTD 2017
Employment Growth [1]	0.7%	3.4%	1.4%	2.7%	2.0%
Unemployment Rate[1]	6.1%	4.3%	3.3%	2.8%	2.2%
Housing Permit Growth[2]	63.6%	2.2%	-7.6%	25.1%	7.5%
Nonresidential Construction Growth [2]					
Value of Projects	-8.6%	84.8%	6.0%	-25.4%	1,820.8%
Square Footage of Projects	-19.6%	206.5%	-64.6%	2.9%	327.4%
Level (*Thousands*)	441	1,352	478	492	686
Number of Projects	2.0%	20.0%	-38.3%	54.1%	-41.7%
Level	50	60	37	57	7
Retail Trade Sales Growth[3]	6.1%	8.5%	6.7%	N/A	N/A

[1]U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2017.
[2]F.W. Dodge. Data through April 2017.
[3]Colorado Department of Revenue. Seasonally adjusted. Data through December 2015.

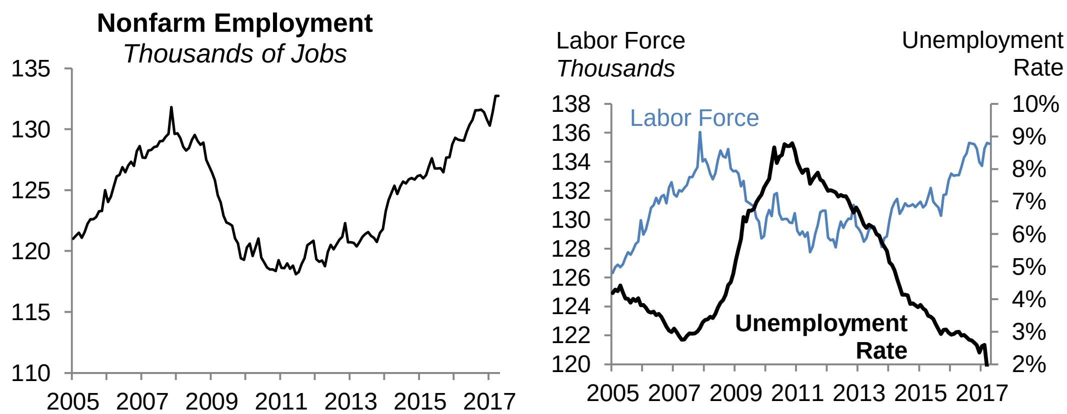
Despite a growing labor force population, the regional unemployment rate plunged to 1.9 percent in March and April of this year, the lowest recorded since at least 1990. The pace of employment growth accelerated in 2016, but now appears to be decelerating as available labor becomes scarce. Opportunities remain plentiful; however, regional newspapers are advertising available jobs in tourism, retail, and the skilled trades. Indicators for the regional labor market are presented in Figure 51.

Indicators for the 2016-17 ski season are mixed. Low snowfall delayed some ski area openings and record high February temperatures kept skiers away from the slopes through early 2017. However, a decline in the number of visitors was counterbalanced by an increase in their spending: the Colorado Tourism Office reported that its campaigns attracted 200,000 fewer visitors statewide in 2016 than the year prior, but that these travelers' spending increased by $120 million over the same period.

The 2017 nonresidential construction indicators presented in Table 26 include the Monarch Casino expansion project in Black Hawk. The 23-story casino tower broke ground in February and has an estimated completed value of $256 million, making it the largest commercial construction project in the region's history. When complete, the new Monarch is expected to include a 500-room hotel, a spa, three restaurants, and a casino floor. It is currently scheduled for completion in the second quarter of 2019. Summer construction this year will also include ski and summer sport improvements to the Copper Mountain resort facilities in Summit County.

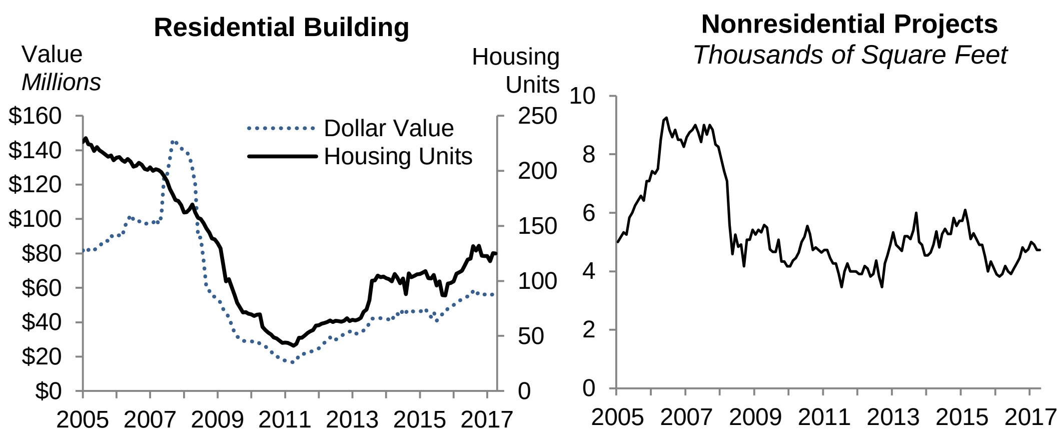
Residential construction activity in the region is also up, but may be growing too slowly to meet high demand for housing. In May after a year of negotiations, the Summit County Board of Commissioners approved the construction of a 196-unit workforce housing complex between Keystone and Dillon that is expected to begin construction next summer. High rents have also spurred additional rental-by-owner activity in the mountains. Online hospitality marketplace Airbnb calculated that its renters in ten Colorado resort towns, including eight in the mountain region, earned $32 million during the 2016-17 ski season. Indicators for residential and nonresidential construction activity are presented in Figure 52.

Figure 51
Mountain Region Labor Market Activity



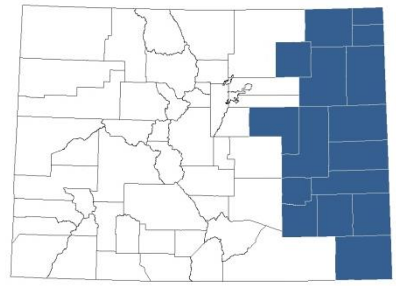
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through April 2017.

Figure 52
Mountain Region Construction Activity



Source: F.W. Dodge. Data shown as three-month moving averages. Data are not seasonally adjusted and are through April 2017.

Eastern Region



The eastern region comprises the 16 plains counties located to the east of the I-25 corridor. These counties rely on agriculture as a primary industry, with retailers and government operations placed to support farming and ranching communities. Colorado's top agricultural commodities include cattle, corn, wheat, and milk. The eastern region also produces a diverse array of beets, soybeans, canola, bison, and other products. Since 2012, the state's agricultural economy broadly, and the eastern region in particular, has been struggling from low commodity prices for key crops such as corn and wheat, which in turn have weakened farmer incomes. Indicators for the region are presented in Table 27.

Table 27
Eastern Region Economic Indicators
Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

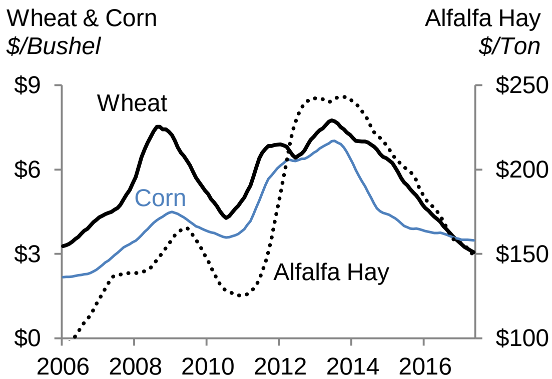
	2013	2014	2015	2016	YTD 2017
Employment Growth [1]	-1.4%	3.0%	2.0%	3.5%	2.0%
Unemployment Rate [1]	6.1%	4.4%	3.5%	3.0%	2.3%
Crop Price Changes [2]					
Wheat ($/Bushel)	0.8%	-11.5%	-25.6%	-27.9%	-24.3%
Corn ($/Bushel)	-2.8%	-31.0%	-13.1%	-7.7%	-4.5%
Alfalfa Hay (Baled, $/Ton)	-0.1%	-11.3%	-13.9%	-15.5%	-9.4%
Livestock [3]					
State Cattle and Calf Inventory Growth	-8.7%	-4.2%	-4.4%	1.0%	2.8%
Milk Production	3.5%	7.9%	3.9%	5.2%	5.9%
Retail Trade Sales Growth [4]	2.3%	9.7%	-5.4%	N/A	N/A

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through April 2017.
[2]National Agricultural Statistics Service. Price data through March 2017.
[3]National Agricultural Statistics Service. Data through April 2017.
[4]Colorado Department of Revenue. Data through December 2015.

Figure 53 shows the prices received for Colorado wheat, corn, and alfalfa hay. As the figure illustrates, commodity prices for these items have been falling since 2013. Good weather and a global excess supply of these agricultural commodities have depressed prices. However, lower corn prices have modestly boosted cattle inventory as costs for livestock operators have declined. Colorado milk producers continue to increase production at a healthy rate. Local milk producers have been doing marginally better than national producers thanks to local demand from LePrino Foods Co. and Aurora Organic Dairy. Nevertheless, total farm proprietors' income declined by 28 percent in 2016, as shown in Figure 54.

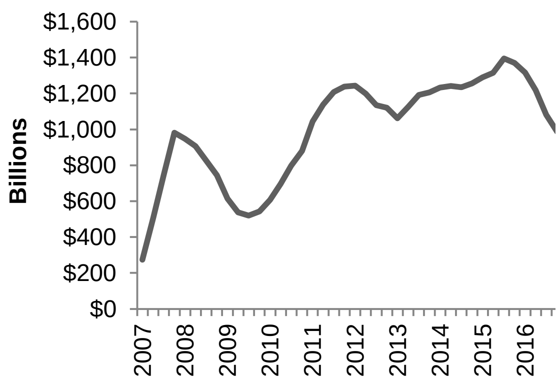
In 2016, the region had just over 53,000 nonfarm employees. Morgan, Logan, Otero, and Prowers comprised about 60 percent of these jobs. The region's largest employer is Cargill Meat Solutions located in Morgan county. Employment growth in the eastern region continues to improve as employers have been adding jobs at a rate of 2.0 percent through the first four

Figure 53
Prices Received for Colorado Crops



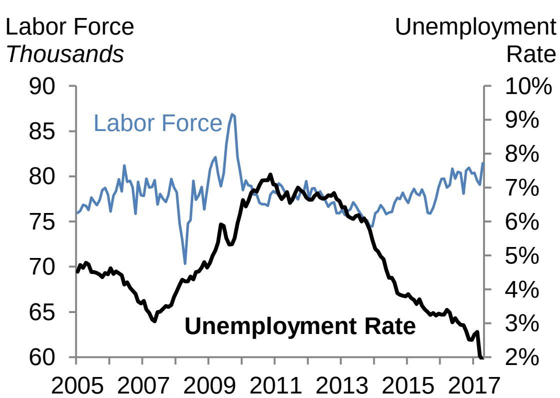
Source: National Agricultural Statistics Service. Data shown as twelve-month moving averages. Data through March 2017.

Figure 54
Colorado Farm Income
Four-Quarter Moving Average, Annualized Data



Source: U.S. Bureau of Economic Analysis. Data through 2016.

Figure 55
Eastern Region Labor Market Trends



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through April 2017.

months of 2017, and the region's unemployment rate continues to be one of the state's lowest. Job growth has been increasing more quickly than the labor force population, dropping regional unemployment to 2.3 percent. Employment indicators for the eastern region are presented in Figure 55.

The State Demographer projects Elbert County to add an average of 5.9 percent to its population annually through 2020, the fastest projected growth rate in the state by a wide margin. Housing development in the southeast Denver exurbs near Elizabeth is projected to make Elbert County the most populous in the region by next year, overtaking Morgan County. Rapid growth in Elbert County over the next few years may have an outsized influence on the statistics available for this sparsely populated region.

National Economic Indicators

Calendar Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP ($ *Billions*) [1]	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	16,691.5	17,393.1	18,036.7	18,569.1
Percent Change	3.3%	4.9%	6.6%	6.7%	5.8%	4.5%	1.7%	-2.0%	3.8%	3.7%	4.1%	3.3%	4.2%	3.7%	3.0%
Real GDP ($ *Billions*) [1]	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	15,612.2	15,982.3	16,397.2	16,662.1
Percent Change	1.8%	2.8%	3.8%	3.3%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.2%	1.7%	2.4%	2.6%	1.6%
Unemployment Rate [2]	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%	4.9%
Inflation [2]	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%	1.3%
10-Year Treasury Note [3]	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%	1.8%
Personal Income ($ *Billions*) [1]	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	14,073.7	14,809.7	15,458.5	16,011.6
Percent Change	1.8%	3.7%	5.9%	5.6%	7.3%	5.3%	4.2%	-3.3%	3.2%	6.2%	5.0%	1.1%	5.2%	4.4%	3.6%
Wage & Salaries ($ *Billions*) [1]	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	7,116.7	7,476.3	7,854.8	8,189.2
Percent Change	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%	5.1%	4.3%
Nonfarm Employment (*Millions*) [2]	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	144.3
Percent Change	-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%	1.8%

Sources
[1] *U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.*
[2] *U.S. 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nonfarm Employment (*Thousands*) [1]	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	2,313.1	2,382.0	2,464.8	2,541.8	2,599.6
Percent Change	-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%	2.3%
Unemployment Rate [1]	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	3.3
Personal Income ($ *Millions*) [2]	$159,103	$164,457	$176,129	$189,493	$201,743	$208,608	$198,082	$201,570	$219,861	$234,006	$246,648	$266,535	$277,732	$288,433
Percent Change	1.8%	3.4%	7.1%	7.6%	6.5%	3.4%	-5.0%	1.8%	9.1%	6.4%	5.4%	8.1%	4.2%	
Per Capita Personal Income ($) [2]	$35,132.0	$35,947.0	$38,025.0	$40,143.0	$41,996.0	$42,663.0	$39,838.0	$39,926.0	$42,955.0	$45,089.0	$46,824.0	$49,823.0	$50,971.00	$52,059.00
Percent Change	0.9%	2.3%	5.8%	5.6%	4.6%	1.6%	-6.6%	0.2%	7.6%	5.0%	3.8%	6.4%	2.3%	
Wage & Salary Income ($ *Millions*) [2]	$89,281	$93,569	$98,787	$105,664	$112,506	$116,678	$112,297	$113,786	$118,558	$125,014	$129,597	$138,701	$146,574	$153,322
Percent Change	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.2%	5.4%	3.7%	7.0%	5.7%	
Retail Trade Sales ($ *Millions*) [3]	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569	$90,653	$94,920	N/A
Percent Change	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	8.5%	4.7%	
Residential Housing Permits [4]	41,028	44,856	45,420	39,216	30,156	19,512	9,384	11,532	13,380	21,312	27,240	29,184	30,396	36,948
Percent Change	-14.2%	9.3%	1.3%	-13.7%	-23.1%	-35.3%	-51.9%	22.9%	16.0%	59.3%	27.8%	7.1%	4.2%	21.6%
Nonresidential Construction (*Millions*) [5]	$2,686	$3,245	$4,275	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,695	$3,624	$4,321	$4,886	$5,673
Percent Change	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-1.9%	19.2%	13.1%	16.1%
Denver-Boulder-Greeley Inflation [1]	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%	2.8%
Population (*Thousands, July 1*) [4]	4,529	4,575	4,632	4,720	4,804	4,890	4,972	5,049	5,118	5,190	5,268	5,350	5,449	5,541
Percent Change	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%	1.7%

NA = Not available.

[1] U.S. 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. Inflation shown as the year-over-year change in the consumer price index for Denver-Boulder-Greeley metro areas.

[2] U.S. 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.