STATE OF COLORADO

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MEMORANDUM

Bill Owens
Governor

Dr. Nancy McCallin
Director

TO: Governor Bill Owens
Members of the General Assembly

FROM: Office of State Planning and Budgeting

DATE: March 17, 2004

SUBJECT: ***March 2004 Revenue Forecast***

Attached is the Office of State Planning and Budgeting (OSPB) March 2004 revenue forecast. Included is a discussion of the Taxpayer's Bill of Rights (TABOR) limit — Article X, Section 20 of the Colorado Constitution. Also provided are General Fund overviews, General Fund and cash fund revenues forecasts, and summaries of both the national and Colorado economic forecast.

March 2004 Forecast Highlights

- The March 2004 revenue projections indicate that the **FY 2003-04 budget is balanced** and that FY 2003-04 revenues will exceed the statutory four percent reserve requirement by $41.1 million.
- For FY 2004-05, adoption of the **OSPB proposals** — tobacco securitization, elimination of the Controlled Maintenance Trust Fund repayment, and a lower capital construction transfer — allows FY 2004-05 General Fund appropriations to increase by $291.8 million (5.2 percent) compared with FY 2003-04 appropriations levels. Without these proposals, a decrease of $32.1 million (0.6 percent) would be required under current law. The General Assembly has already introduced bills to adopt most of these proposals.
- The March 2004 forecast for **General Fund revenues** is virtually unchanged from the December 2003 forecast. General Fund revenues are forecast to increase 5.5 percent in FY 2003-04 and 3.8 percent in FY 2004-05.
- **Cash fund revenues** are forecast to increase 10.0 percent in FY 2003-04 and 8.8 percent in FY 2004-05. In FY 2003-04, strong cash fund revenue growth is primarily due to robust growth in two cash fund categories: higher education and unemployment insurance. In FY 2004-05, unemployment insurance tax revenue growth drives total cash fund revenue growth.
- The underlying assumptions for the OSPB March 2004 **Colorado economic forecast** have not changed materially since December 2003. Evidence still indicates that Colorado economic activity will accelerate throughout 2004.

The TABOR Limit and General Fund Revenue Outlook

Summary

- In FY 2002-03, the state's General Fund ended the year with a $224.9 million reserve. The reserve exceeded four percent of FY 2002-03 General Fund appropriations by $8.4 million, thereby allowing $5.6 million to be transferred to the Highway Users Tax Fund and $2.8 million to be transferred to the Capital Construction Fund.

- Compared with the December 2003 forecast, there was no significant change to the General Fund revenue forecast. The March 2004 OSPB forecast for FY 2003-04 General Fund revenues is $7.0 million lower compared with the December 2003 forecast, while the forecast for General Fund revenues in FY 2004-05 is down $5.7 million. General Fund revenues are forecast to increase 5.5 percent in FY 2003-04 and 3.8 percent in FY 2004-05.

- The March 2004 revenue projections indicate that FY 2003-04 revenues will exceed the statutory four percent reserve requirement by $41.1 million. Under current law, FY 2004-05 appropriations must be reduced $32.1 million compared with the FY 2003-04 appropriations level if the FY 2004-05 statutory four percent reserve is to be met.

- The OSPB proposals to free up additional monies for the General Fund operating budget include significantly lower General Fund transfers for capital construction, elimination of the FY 2004-05 and FY 2005-06 paybacks to the Controlled Maintenance Trust Fund, and use of $100 million from tobacco securitization to supplement General Fund appropriations in FY 2004-05. Under these proposals, the General Fund appropriation will increase by $291.8 million (5.2 percent) in FY 2004-05 compared with the FY 2003-04 appropriations level, instead of a decrease of $32.1 million (0.6 percent) as would be required under current law. The General Assembly introduced bills to adopt most of our proposals to balance the budget.

This section of the forecast provides an overview of the Office of State Planning and Budgeting (OSPB) March 2004 revenue forecast. First, it discusses the limits contained in the Taxpayer's Bill of Rights (TABOR) — Article X, Section 20 of the Colorado Constitution. Next, it provides a description of the General Fund overview and outlines the OSPB proposals to free up additional monies for the FY 2004-05 General Fund operating budget. Finally, the section discusses the OSPB General Fund revenue forecast.

THE TABOR SURPLUS

The Taxpayer's Bill of Rights (TABOR) — Article X, Section 20 of the Colorado State Constitution — limits the state's revenue growth to the sum of inflation plus population growth in the previous calendar year. ***Table 1*** displays the expected TABOR surpluses through the forecast horizon, while ***Table 2*** provides a detailed calculation of TABOR revenues from FY 2002-03 through FY 2008-09 under current law.

Table 1

Estimated TABOR Surplus Revenues

(Dollar Amounts in Millions)

Fiscal Year	TABOR Surplus
2002-03	$0.0
2003-04	$0.0
2004-05	$0.0
2005-06	$140.9
2006-07	$323.1
2007-08	$306.3
2008-09	$321.3
Cumulative Total	**$1,091.7**

After logging TABOR revenue surpluses for five years, the TABOR surplus vanished in FY 2001-02 and remains absent through FY 2004-05. Indeed, FY 2002-03 TABOR revenues were lower than the TABOR limit by $584.3 million. We do not expect the TABOR surplus to reappear until FY 2005-06. The TABOR surplus disappeared because of the *recession*, *Amendment 23*, and the *growth dividend*. In FY 2005-06, the TABOR surplus reappears, totaling $140.9 million. Through the forecast horizon, we expect the TABOR surplus to range between $140 million and $330 million.

The March 2004 OSPB forecast for the TABOR surplus is higher than was forecast in December 2003.

The March 2004 OSPB forecast for the TABOR surplus is higher than was forecast in December 2003 primarily because the forecast for Colorado inflation has been lowered and thus, the TABOR limit is lower. The OSPB forecast for inflation is discussed in greater detail in the Colorado section of this memorandum.

GENERAL FUND OVERVIEW

Table 3 provides a summary of General Fund revenues, expenditures, and reserves through FY 2008-09. Table 3 assumes current law for General Fund appropriations, capital construction transfers, other transfers to the General Fund, and rebates and expenditures. It also accounts for the effects of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 on Colorado's Medicaid program and tax receipts.

In FY 2002-03, the state's General Fund ended the year with a $224.9 million reserve. This reserve exceeded the statutory reserve by $93.7 million because the FY 2002-03 statutory reserve was lowered to 2.4 percent. Based on the March 2004 OSPB

Table 2
TABOR Surplus Revenue Calculation
(Dollar Amounts in Millions)

Line No.		FY 2002-03	March 2004 Estimate by Fiscal Year FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
	TABOR Revenues:							
1	General Fund	$5,438.6 /A	$5,666.1 /A	$5,876.5 /A	$6,167.3 /A	$6,534.8 /A	$6,937.0 /A	$7,348.9 /A
2	Cash Funds	2,273.9 /B	2,520.2	2,741.3	2,829.5	2,936.4	2,855.9	2,895.4
3	Total TABOR Revenues	$7,712.5	$8,186.3	$8,617.7	$8,996.8	$9,471.2	$9,792.9	$10,244.3
4	*Adjustment to base*	*-23.4* /D						
5	*Adjusted total for computing next year's limit*	*$7,689.1*	*$8,186.3*	*$8,617.7*	*$8,996.8*	*$9,471.2*	*$9,792.9*	*$10,244.3*
	TABOR Limit Calculation:							
6	*Previous calendar year population growth*	*2.2%*	*1.7%*	*1.1%*	1.1%	1.4%	1.4%	1.6%
7	*Previous calendar year inflation*	*4.7%*	*1.9%*	*1.1%*	1.6%	1.9%	2.3%	3.0%
8	*Growth Dividend*	*0.0%*	*2.9%* /C	*3.1%* /C	0.1% /C	0.0%	0.0%	0.0%
9	Allowable TABOR Growth Rate	6.9%	6.5%	5.3%	2.8%	3.3%	3.7%	4.6%
10	Actual Change in TABOR Revenues from Limit	-0.5%	6.5%	5.3%	4.4%	6.9%	7.0%	8.0%
11	**TABOR Limit**	**$8,296.8 /E**	**$8,186.3 /E**	**$8,617.7 /E**	**$8,855.9 /E**	**$9,148.1 /E**	**$9,486.6 /E**	**$9,923.0 /E**
12	**Revenues Above (Below) TABOR Limit**	**(584.3)**	**0.0**	**0.0**	**140.9**	**323.1**	**306.3**	**321.3**
13	TABOR Emergency Reserve	$231.4 /F,G	$245.6 /F,H	$258.5 /F,H	$265.7 /F,H	$274.4 /F,H	$284.6 /F,H	$297.7 /F,H

/A These figures differ from the General Fund revenues reported in other tables because they net out revenues credited to the State Education Fund per Amendment 23, other revenues that are exempt from TABOR, and revenues that are recorded in both the General Fund and in cash funds to avoid double counting. For instance, the General Fund gaming revenues, unexpended prior-year Medicaid expenditures that are booked in "other revenue," and transfers of unclaimed property are netted out.

/B Cash funds revenue reported here differ from the cash funds revenue reported elsewhere because they net out values credited to the General Fund.

/C The allowable TABOR limit can be increased by a total of 6.0 percentage points over the next nine years as directed in H.B. 02-1310 and S.B. 02-179. These bills allow the state to increase the TABOR limit by 6.0 percentage points for population growth that occurred during the 1990s that was not captured by U.S. Bureau of the Census intercensal estimates. Since the state was not in a TABOR surplus position in FY 2001-02, the legislation allows the extra population growth to be used when the state is in a TABOR surplus position.

/D Revenues collected by the Canteen and Library Fund were included in TABOR revenues in FY 2002-03, but in FY 2003-04 this fund has enterprise status and thus its revenue stream is not counted as FY 2003-04 TABOR revenue. The FY 2002-03 TABOR limit is reduced by $23.4 million before computing the FY 2003-04 TABOR limit to account for this change in status.

/E The TABOR limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "TABOR Limit," whichever is smaller. In FY 2001-02, total TABOR revenues are less than the TABOR limit, so the FY 2002-03 TABOR limit is calculated by growing FY 2001-02 total TABOR revenues by the FY 2002-03 allowable TABOR growth rate. Similarly, in FY 2002-03, total TABOR revenues are also less than the TABOR limit, so the FY 2003-04 TABOR limit is calculated by growing FY 2002-03 actual total TABOR revenues by the FY 2003-04 allowable TABOR growth rate. In the remaining years, the TABOR limit is less than or equal to total TABOR revenues, so the TABOR limit is calculated from the previous year's TABOR limit.

/F In years when projected revenues exceed the amount allowed by the Constitution, the three percent TABOR reserve is calculated based on the TABOR limit, rather than on projected total TABOR revenues. Given that the state will only retain the maximum allowed by the Constitution, it need only reserve three percent of such amount.

/G In FY 2002-03, per S.B. 03-348, the three percent TABOR emergency reserve is designated as the balance of funds in the employment support fund, the tobacco litigation settlement cash fund, the wildlife cash fund, the unclaimed property trust fund, the severance tax trust fund, and $3.7 million of state properties.

/H In FY 2003-04 through FY 2008-09, per S.B. 03-258, the three percent TABOR emergency reserve is designated as the Colorado river recovery program loan fund, the fish and wildlife resources fund, the perpetual base account of the severance tax trust fund, the species conservation trust fund, the wildlife cash fund and fund equity, and up to $87.4 million of state properties.

The March 2004 OSPB forecast . . . indicates that the FY 2003-04 budget is balanced.

revenue projections and the FY 2003-04 appropriation amount, FY 2003-04 revenues will exceed the statutory four percent reserve requirement by $41.1 million. The March 2004 OSPB forecast presented in Table 3 indicates that the FY 2003-04 budget is balanced. Table 3 shows that, under current law, FY 2004-05 appropriations must decline $32.1 million compared with FY 2003-04 appropriations if the FY 2004-05 statutory four percent reserve is to be met. There is flexibility, however, for operating expenditures if the state eliminates some planned transfers.

Table 4 displays a General Fund overview with OSPB's proposals to free up additional monies for the General Fund operating budget. The OSPB proposals include significantly lower General Fund transfers for capital construction than allowed under current law and also assume that the FY 2004-05 and FY 2005-06 paybacks to the Controlled Maintenance Trust Fund are eliminated. Furthermore, the OSPB proposes that $100 million from tobacco securitization be used to supplement General Fund appropriations in FY 2004-05. The General Assembly introduced bills to adopt most of these proposals to balance the budget. If these proposed changes are adopted, there are sufficient funds to cover the Executive Branch's requested budget for FY 2004-05 General Fund appropriations. The appropriations request is for a $291.8 million (5.2 percent) increase in FY 2004-05 General Fund appropriations, compared with a $32.1 million (0.6 percent) decrease under current law.

GENERAL FUND REVENUES

The forecast for General Fund revenues is shown in ***Table 5***. There have not been any significant changes to the forecast. The March 2004 forecast for FY 2003-04 General Fund revenues is $7.0 million lower than the December 2003 forecast and the forecast for General Fund revenues in FY 2004-05 is down $5.7 million. This section presents the details of our forecast for General Fund revenues in FY 2003-04 and FY 2004-05.

The March 2004 OSPB General Fund revenue forecast did not change materially from the December 2003 OSPB forecast.

FY 2003-04: The March 2004 OSPB General Fund revenue forecast did not change materially from the December 2003 OSPB forecast. In total, the March 2004 FY 2003-04 General Fund revenue forecast is $7.0 million lower than our December 2003 forecast. General Fund revenues are expected to increase 5.5 percent in FY 2003-04 compared with FY 2002-03.

Net individual income tax receipts will increase 8.9 percent in FY 2003-04 and 4.5 percent in FY 2004-05. The growth in FY 2003-04 is, in part, a consequence of accrual adjustments that significantly lowered FY 2002-03 individual income tax revenues on a one-time basis. The components of individual income taxes — ***withholdings, estimated payments, cash-with-returns receipts*** (checks mailed for income taxes due on April 15), and ***refunds*** — have stabilized. Indeed, following two years of declines, withholdings, estimated payments, and cash-with-returns are again growing in FY 2003-04. Meanwhile, refunds, which soared in FY 2002-03, are forecast to increase only modestly through the forecast horizon.

Net corporate income tax receipts increased 26.5 percent in FY 2002-03. They are forecast to decline 0.9 percent in FY 2003-04 due to a one-time, $11.5 million refund that resulted from resolution of an audit. Because the FY 2003-04 adjustment to

Table 3
General Fund Overview – Current Law
(Dollar Amounts in Millions)

Line No.		FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
			March 2004 Estimate by Fiscal Year					
	Funding Sources and Diversions:							
1	Beginning Reserve	$138.5	$216.6	$223.6	$222.3	$227.2	$240.9	$255.3
2	Gross General Fund Revenues	5,665.4	5,977.4	6,201.8	6,511.8	6,902.1	7,328.6	7,767.9
3	Transfers to General Fund	525.3 **/A**	14.2 **/A**	0.0 **/A**	0.0 **/A**	0.0 **/A**	0.0 **/A**	0.0 **/A**
4	Senate Bill 97-1 Transfers to the HUTF	0.0	0.0	0.0	0.0	(5.1)	(51.6)	(67.6)
5	Diversion to the Older Coloradan's Program	(3.0)	(2.3)	(2.3)	(2.8)	(2.8)	(2.8)	(2.8)
6	Transfer to the State Education Fund	(247.6) **/B**	(271.7) **/B**	(285.3) **/B**	(301.8) **/B**	(321.3) **/B**	(342.0) **/B**	(365.5) **/B**
7	Adjustments to the State Education Fund for Over (Under) Payments	59.2 **/C**	(8.0) **/C**	0.0	0.0	0.0	0.0	0.0
8	**Total Funds Available**	**$6,137.8**	$5,926.2	**$6,137.9**	**$6,429.6**	**$6,800.2**	**$7,173.1**	**$7,587.4**
	Expenditures:							
9	General Fund Appropriations (Long Bill & Special Bills)	$5,414.5	$5,590.7	$5,558.6	$5,680.5	$6,021.4	$6,382.7	$6,765.6
11	Capital Construction Freeze (S.B. 03-179)	(30.5)	0.0	0.0	0.0	0.0	0.0	0.0
12	Federal Medical Assistance Enhancement for Medicaid	(15.0)	(71.4)	0.0	0.0	0.0	0.0	0.0
13	Rebates and Expenditures	133.7	116.5 **/E**	116.9 **/E**	142.3	141.8	142.1	142.7
14	Capital and Prison Construction	10.6	9.5	101.8	100.4	7.3	20.0	19.3
15	TABOR Refund	0.0	0.0	0.0	140.9	323.1	306.3	321.3
16	Homestead Exemption	62.6	0.0 **/F**	0.0 **/F**	0.0 **/F**	65.8	66.7	67.8
17	Transfer to the Controlled Maintenance Trust Fund (S.B. 03-262)	0.0	0.0	138.2	138.2	0.0	0.0	0.0
18	General Fund Payback	349.6 **/G**	16.2 **/G**	0.0	0.0	0.0	0.0	0.0
19	Reversions & Accounting Adjustments	(12.6)	0.0	0.0	0.0	0.0	0.0	0.0
20	**Total Obligations**	**$5,912.9**	$5,661.5	**$5,915.6**	**$6,202.4**	**$6,559.4**	**$6,917.8**	**$7,316.8**
21	**Year-end General Fund Reserve:**	**$224.9**	**$264.7**	**$222.3**	**$227.2**	**$240.9**	**$255.3**	**$270.6**
22	**Statutory Reserve: 4.0% of Appropriations**	**131.3 /H**	**223.6**	**222.3**	**227.2**	**240.9**	**255.3**	**270.6**
23	**Monies Above (Below) Statutory Reserve**	**93.7**	**41.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
24	**Excess Monies Reserved for Transportation**	**5.6 /I,J**	**27.4 /I**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
25	**Excess Monies Reserved for Capital Construction**	**2.8 /I,J**	**13.7 /I**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
26	**Reserve as a % of Appropriations**	**4.2%**	**4.7%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**
27	**Appropriations Change**	**($238.5)**	**$176.2**	**($32.1)**	**$121.9**	**$340.8**	**$361.3**	**$383.0**
28		**-4.2%**	**3.3%**	**-0.6%**	**2.2%**	**6.0%**	**6.0%**	**6.0%**

/A This figure represents the total transfers to the General Fund per H.B. 02-1267, H.B. 02-1391, H.B. 02-1392, H.B. 02-1443, H.B. 02-1444, H.B. 02-1445, H.B. 02-1478, S.B. 03-107, S.B. 03-172, S.B. 03-179, S.B. 03-188, S.B. 03-190, S.B. 03-191, S.B. 03-260, S.B. 03-261, S.B. 03-271, S.B. 03-274, S.B. 03-296, and S.B. 03-300.

/B Per Amendment 23, one-third of one percentage point of federal taxable income is credited to the State Education Fund beginning January 1, 2001.

/C As new data become available regarding federal taxable income, the state must adjust the diversion to the State Education Fund as per section 22-55-103, C.R.S.

/D S.B. 00-181 transfers money to the K-12 Capital Construction Fund. This money is exempt from the statutory limit, but is used as the base for calculation of the next year's limit. In FY 2002-03, the payment to the K-12 Capital Construction Fund is paid from the State Education Fund ($10.9 million) and funding from Powerball ($4.1 million). In FY 2003-04, the payment is paid from the State Education Fund and, to the extent available, Powerball. As per C.R.S. 24-75-201.1(4)(c), in FY 2004-05 and thereafter, the payment will not be made unless General Fund revenues exceed the statutory reserve by at least $80 million.

/E Per S.B. 03-263, state expenditures for unfunded, old hire pension plans in the Fire and Police Pensions Association are eliminated in FY 2003-04 and FY 2004-05.

/F S.B. 03-265 eliminated the senior Homestead Exemption property tax credit in FY 2003-04 through FY 2005-06.

/G Per H.B. 02-1391, the state is required to pay back some transfers into the General Fund if there are sufficient revenues. Our forecast shows that there is not sufficient revenue to make the paybacks required in H.B. 02-1391 throughout the forecast horizon. In addition, H.B. 02-1445 and H.B. 02-1478 required the state to repay on July 1, 2002, the Major Medical and Tobacco Settlement funds in the same amount as was transferred to the General Fund in FY 2001-02. H.B. 02-1391 required the state to repay the $2.5 million transfer from the Species Conservation Fund from the General Fund by June 30, 2002. This amount was paid from year-end reversions. S.B. 03-191 requires that $10 million be repaid on July 1, 2003, to the Major Medical Fund and S.B. 03-274 requires that up to $6.9 million be repaid to the local government limited gaming impact fund from any revenues above $5.0 million collected through the tax amnesty program.

/H Per S.B. 03-349, the statutory reserve was lowered in FY 2002-03 to 2.4 percent.

/I Per S.B. 02-1310, two-thirds of monies in excess of a four percent reserve are credited the Highway Users Tax Fund and one-third of the excess is credited to the Capital Construction Fund.

/J In FY 2002-03 the statutory reserve was lowered to 2.4 percent. A four percent reserve would be $216.6 million. The $8.3 million in excess of amount are credited to the Highway Users Tax Fund and the Capital Construction Fund as per note **/I** above.

corporate income tax revenues is one-time in nature, the FY 2004-05 forecast for net corporate income tax receipts is unchanged from December 2003. However, the downward revision to FY 2003-04 net corporate income tax revenues results in a higher FY 2004-05 growth rate. This one-time adjustment further exacerbates the natural volatility of corporate income tax revenues.

Sales tax revenues . . . are forecast to increase 3.9 percent in FY 2003-04.

Sales tax revenues declined 3.0 percent in FY 2002-03 compared with FY 2001-02. They are forecast to increase 3.9 percent in FY 2003-04. Sales tax revenues are rising, in part, because of the fiscal stimulus provided by the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 and because homeowners spent some of their equity when they refinanced their mortgages over recent months. In addition, Senate Bill 03-317 reduced to two and one-third percent (from three and one-third percent) the portion of sales tax revenues that merchants can keep as payment for collecting sales tax revenues for the state. States that collect a sales tax often provide such vendor fees to their merchants in recognition that the merchants collect the tax for the state. Because of Senate Bill 03-317, the state will receive a larger share of sales tax revenues collected in FY 2003-04 than it received in FY 2002-03, so sales tax revenue growth in FY 2003-04 is larger than it would have been without passage of Senate Bill 03-317. Then, in FY 2005-06, when the fee that merchants can keep rises back to three and one-third percent, sales tax revenue growth will be reduced somewhat compared with FY 2004-05 because the state will keep a smaller share of sales tax revenues.

General Fund revenues are forecast to grow 3.8 percent in FY 2004-05.

FY 2004-05: The OSPB March 2004 forecast for FY 2004-05 General Fund revenues is $5.7 million lower compared with the December 2003 forecast. General Fund revenues are forecast to grow 3.8 percent in FY 2004-05 compared with FY 2003-04. In FY 2004-05, the Colorado economy will have strengthened and, as a consequence, most of the revenue streams that contribute to the General Fund are forecast to increase. Furthermore, some of the federal tax law changes reported previously will affect revenue growth rates. For example, net corporate income tax revenue growth in FY 2004-05 will be increased because the 50 percent bonus depreciation and increased small business expensing provisions of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 will no longer be in effect.

Table 4
General Fund Overview – OSPB's Proposal
(Dollar Amounts in Millions)

Line No.		FY 2002-03	March 2004 Estimate by Fiscal Year FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
	Funding Sources and Diversions:							
1	Beginning Reserve	$138.5	$216.6	$223.6	$235.3	$240.6	$241.6	$256.1
2	Gross General Fund Revenues	5,665.4	5,977.4	6,201.8	6,511.8	6,902.1	7,328.6	7,767.9
3	Transfers to General Fund	525.3 **/A**	14.2 **/A**	0.0 **/A**	0.0 **/A**	0.0 **/A**	0.0 **/A**	0.0 **/A**
4	**Tobacco Securitization**	**0.0**	**0.0**	**100.0**	**106.0**	**0.0**	**0.0**	**0.0**
5	Senate Bill 97-1 Transfers to the HUTF	0.0	0.0	0.0	0.0	0.0	(32.7)	(47.6)
6	Diversion to the Older Coloradan's Program	(3.0)	(2.3)	(2.3)	(2.8)	(2.8)	(2.8)	(2.8)
7	Transfer to the State Education Fund	(247.6) **/B**	(271.7) **/B**	(285.3) **/B**	(301.8) **/B**	(321.3) **/B**	(342.0) **/B**	(365.5) **/B**
8	Adjustments to the State Education Fund for Over (Under) Payments	59.2 **/C**	(8.0) **/C**	0.0	0.0	0.0	0.0	0.0
9	**Total Funds Available**	**$6,137.8**	$5,926.2	**$6,237.9**	**$6,548.6**	**$6,818.6**	**$7,192.6**	**$7,608.1**
	Expenditures:							
10	General Fund Appropriations (Long Bill & Special Bills)	$5,414.5	$5,590.7	$5,882.5	$6,014.7	$6,039.1	$6,401.4	$6,785.5
11	K-12 Capital Construction	0.0 **/D**	0.0 **/D**	0.0 **/D**	0.0 **/D**	0.0 **/D**	0.0 **/D**	0.0 **/D**
12	Capital Construction Freeze (S.B. 03-179)	(30.5)	0.0	0.0	0.0	0.0	0.0	0.0
13	Federal Medical Assistance Enhancement for Medicaid	(15.0)	(71.4)	0.0	0.0	0.0	0.0	0.0
14	Rebates and Expenditures	133.7	116.5 **/E**	116.9 **/E**	142.3	141.8	142.1	142.7
15	**Capital and Prison Construction**	10.6	9.5	0.7	10.0	7.3	20.0	19.3
16	TABOR Refund	0.0	0.0	0.0	140.9	323.1	306.3	321.3
17	Homestead Exemption	62.6	0.0 **/F**	0.0 **/F**	0.0 **/F**	65.8	66.7	67.8
18	**Transfer to the Controlled Maintenance Trust Fund (S.B. 03-262)**	**0.0**	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
19	General Fund Payback	349.6 **/G**	16.2 **/G**	0.0	0.0	0.0	0.0	0.0
20	Reversions & Accounting Adjustments	(12.6)	0.0	0.0	0.0	0.0	0.0	0.0
21	**Total Obligations**	**$5,912.9**	$5,661.5	**$6,000.1**	**$6,308.0**	**$6,577.1**	**$6,936.6**	**$7,336.7**
22	**Year-end General Fund Reserve:**	**$224.9**	**$264.7**	**$237.8**	**$240.6**	**$241.6**	**$256.1**	**$271.4**
23	**Statutory Reserve: 4.0% of Appropriations**	**131.3 /H**	**223.6**	**235.3**	**240.6**	**241.6**	**256.1**	**271.4**
24	**Monies Above (Below) Statutory Reserve**	**93.7**	**41.1**	**2.5**	**0.0**	**0.0**	**0.0**	**0.0**
25	**Excess Monies Reserved for Transportation**	**5.6 /I,J**	**27.4 /I**	**1.7 /I**	**0.0**	**0.0**	**0.0**	**0.0**
26	**Excess Monies Reserved for Capital Construction**	**2.8 /I,J**	**13.7 /I**	**0.8 /I**	**0.0**	**0.0**	**0.0**	**0.0**
27	**Reserve as a % of Appropriations**	**4.2%**	**4.7%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**
28	**Appropriations Change**	**($238.5)**	**$176.2**	**$291.8**	**$132.2**	**$24.4**	**$362.3**	**$384.1**
29		**-4.2%**	**3.3%**	**5.2%**	**2.2%**	**0.4%**	**6.0%**	**6.0%**

/A This figure represents the total transfers to the General Fund per H.B. 02-1267, H.B. 02-1391, H.B. 02-1392, H.B. 02-1443, H.B. 02-1444, H.B. 02-1445, H.B. 02-1478, S.B. 03-107, S.B. 03-172, S.B. 03-179, S.B. 03-188, S.B. 03-190, S.B. 03-191, S.B. 03-260, S.B. 03-261, S.B. 03-271, S.B. 03-274, S.B. 03-296, and S.B. 03-300.

/B Per Amendment 23, one-third of one percentage point of federal taxable income is credited to the State Education Fund beginning January 1, 2001.

/C As new data become available regarding federal taxable income, the state must adjust the diversion to the State Education Fund as per section 22-55-103, C.R.S.

/D S.B. 00-181 transfers money to the K-12 Capital Construction Fund. This money is exempt from the statutory limit, but is used as the base for calculation of the next year's limit. In FY 2002-03, the payment to the K-12 Capital Construction Fund is paid from the State Education Fund ($10.9 million) and funding from Powerball ($4.1 million). In FY 2003-04, the payment is paid from the State Education Fund and, to the extent available, Powerball. As per C.R.S. 24-75-201.1(4)(c), in FY 2004-05 and thereafter, the payment will not be made unless General Fund revenues exceed the statutory reserve by at least $80 million.

/E Per S.B. 03-263, state expenditures for unfunded, old hire pension plans in the Fire and Police Pensions Association are eliminated in FY 2003-04 and FY 2004-05.

/F S.B. 03-265 eliminated the senior Homestead Exemption property tax credit in FY 2003-04 through FY 2005-06.

/G Per H.B. 02-1391, the state is required to pay back some transfers into the General Fund if there are sufficient revenues. Our forecast shows that there is not sufficient revenue to make the paybacks required in H.B. 02-1391 throughout the forecast horizon. In addition, H.B. 02-1445 and H.B. 02-1478 required the state to repay on July 1, 2002, the Major Medical and Tobacco Settlement funds in the same amount as was transferred to the General Fund in FY 2001-02. H.B. 02-1391 required the state to repay the $2.5 million transfer from the Species Conservation Fund from the General Fund by June 30, 2002. This amount was paid from year-end reversions. S.B. 03-191 requires that $10 million be repaid on July 1, 2003, to the Major Medical Fund and S.B. 03-274 requires that up to $6.9 million be repaid to the local government limited gaming impact fund from any revenues above $5.0 million collected through the tax amnesty program.

/H Per S.B. 03-349, the statutory reserve is lowered in FY 2002-03 to 2.4 percent.

/I Per S.B. 02-1310, two-thirds of monies in excess of a four percent reserve are credited the Highway Users Tax Fund and one-third of the excess is credited to the Capital Construction Fund.

/J In FY 2002-03 the statutory reserve was lowered to 2.4 percent. A four percent reserve would be $216.6 million. The $8.3 million in excess of amount are credited to the Highway Users Tax Fund and the Capital Construction Fund as per note **/I** above.

Table 5
Colorado General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	FY 2002-03	%	FY 2003-04	%	FY 2004-05	%	FY 2005-06	%	FY 2006-07	%	FY 2007-08	%	FY 2008-09	%
				March 2004 Estimate by Fiscal Year with Percent Change Over Prior Year											
	Excise Taxes:														
1	Sales	$1,703.3 /A	(3.0)	$1,769.4 /A	3.9	$1,862.1 /A	5.2	$1,957.1 /A	5.1	$2,073.8 /A	6.0	$2,204.7 /A	6.3	$2,314.8 /A	5.0
2	TABOR Overrefund	(19.9) /B		0.0		0.0		0.0		0.0		0.0		0.0	
3	Use	136.5 /A	(2.9)	128.4 /A	(5.9)	134.1 /A	4.4	136.9 /A	2.2	143.5 /A	4.8	150.5 /A	4.9	155.7 /A	3.5
4	Cigarette	54.3	(1.6)	53.0	(2.4)	51.7	(2.6)	49.9	(3.5)	48.2	(3.4)	46.6	(3.3)	47.0	1.0
5	Tobacco Products	10.4	0.5	11.0	6.3	11.5	4.5	11.8	2.2	12.2	3.2	12.5	3.0	12.9	3.0
6	Liquor	29.7	0.8	30.4	2.3	30.7	0.9	31.1	1.3	31.6	1.7	32.6	3.1	33.6	3.0
7	***Total Excise***	***$1,914.3***	***(2.5)***	***$1,992.3***	***4.1***	***$2,090.0***	***4.9***	***$2,186.8***	***4.6***	***$2,309.3***	***5.6***	***$2,446.9***	***6.0***	***$2,564.1***	***4.8***
	Income Taxes:														
8	Net Individual Income	$3.122.3	(6.7)	$3.400.1	8.9	$3.553.0	4.5	$3.754.0	5.7	$3.992.6	6.4	$4.253.8	6.5	$4.549.0	6.9
9	Net Corporate Income	225.1	26.5	223.1 /C	(0.9)	251.3 /C	12.6	270.2 /C	7.5	291.7 /C	8.0	306.4 /C	5.0	324.2	5.8
10	***Total Income***	***$3,347.4***	***(5.0)***	***$3,623.2***	***8.2***	***$3,804.2***	***5.0***	***$4,024.2***	***5.8***	***$4,284.3***	***6.5***	***$4,560.3***	***6.4***	***$4,873.1***	***6.9***
	Other Revenues:														
11	Estate	$53.4 /D	(26.4)	$41.7 /D	(21.9)	$15.0 /D	(64.1)	$1.1 /D	(93.0)	$0.0 /D	NA	$0.0 /D	NA	$0.0 /D	NA
12	Insurance	171.3	10.8	172.4	0.6	173.4	0.6	177.4	2.3	182.4	2.8	191.3	4.9	196.2	2.5
13	Pari-Mutuel	4.7	(18.9)	4.8	2.1	4.7	(0.6)	4.7	(0.7)	4.7	(0.8)	4.6	(0.8)	4.6	(0.8)
14	Interest Income	50.9 /E	101.1	22.4 /E	(56.0)	11.2	(50.1)	11.5	2.5	11.8	2.7	12.1	2.6	12.4	2.6
15	Court Receipts	23.7	1.7	27.6	16.6	27.4	(0.7)	27.0	(1.4)	26.7	(1.1)	26.1	(2.3)	25.6	(2.0)
16	Gaming	38.4	12.6	39.6	3.2	40.1	1.1	42.7	6.6	46.0	7.6	49.6	7.9	53.5	7.9
17	Medicaid Intergovernmental Transfer	15.6	39.6	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
18	Other Income	45.8 /F	43.5	53.5 /F	16.7	35.8 /F	(33.1)	36.4	1.8	37.0	1.6	37.7	1.9	38.4	1.9
19	***Total Other***	***$403.7***	***12.6***	***$362.0***	***(10.3)***	***$307.6***	***(15.0)***	***$300.8***	***(2.2)***	***$308.5***	***2.6***	***$321.4***	***4.2***	***$330.7***	***2.9***
20	**GROSS GENERAL FUND**	**$5,665.4**	**(3.1)**	**$5,977.4**	**5.5**	**$6,201.8**	**3.8**	**$6,511.8**	**5.0**	**$6,902.1**	**6.0**	**$7,328.6**	**6.2**	**$7,767.9**	**6.0**
	Rebates & Expenditures:														
21	Cigarette Rebate	$15.1	(4.7)	$14.8	(2.4)	$14.4	(2.6)	$13.9	(3.5)	$13.4	(3.4)	$13.0	(3.3)	$13.1	1.0
22	Old-Age Pension Fund	75.0	4.1	80.9	7.9	81.4	0.7	81.8	0.4	81.5	(0.3)	82.0	0.6	82.2	0.2
23	Aged Property Tax & Heating Credit	14.5	(8.8)	17.1	17.8	17.3	1.5	17.6	1.4	17.8	1.4	18.1	1.4	18.3	1.4
24	Fire/Police Pensions	29.1	0.6	3.8 /G	(86.9)	3.8 /G	0.0	29.1	665.8	29.1	0.0	29.1	0.0	29.1	0.0
25	***Total Rebates & Expenditures***	***$133.7***	***0.8***	***$116.5***	***(12.8)***	***$116.9***	***0.3***	***$142.3***	***21.7***	***$141.8***	***(0.3)***	***$142.1***	***0.2***	***$142.7***	***0.4***

NA: Not Available.

/A Beginning January 1, 2001, 10.34 percent of sales and use taxes will be diverted to the Highway Users Tax Fund per H.B. 00-1259 when revenues are available to fund expenditures. The full amount of sales and use taxes are reported here and the amount transferred is deducted from available revenues in the General Fund Overview in Table 3.

/B Per H.B. 99-1001, the state was required to refund 105 percent of the TABOR surplus. The five percent over-refund essentially lowers the following year's sales tax revenue. In the 2002 legislative session, three bills (H.B. 02-1310, S.B. 02-179, and S.B. 02-218) repealed this provision effective with the FY 2002-03 TABOR surplus and the state is now only required to refund 100 percent of the sales tax refund. The FY 2002-03 over-refund is associated with the FY 1999-00 and FY 2000-01 TABOR surplus.

/C The Federal tax relief packages adopted in 2001, 2002, and 2003 significantly reduce Colorado net corporate income tax revenues in FY 2003-04. In FY 2004-05, a number of these provisions are no longer in effect so there is a large percentage increase in FY 2004-05 Colorado net corporate income tax revenues. Furthermore, in FY 2005-06 and FY 2006-07, many of the provisions of the federal tax legislation result in an increase in federal adjusted income and thus, contribute to higher net corporate income tax growth rates in these years and a lower growth rate in FY 2007-08.

/D The 2001 Federal tax relief package phases out the federal estate tax as well as the state credit claimed by Colorado as its share of federal estate taxes. Thus, the state's estate tax collections will be phased out and almost entirely eliminated by FY 2005-06.

/E The state received about $40 million in one-time revenues from the sale of financial assets in FY 2002-03, resulting in strong interest income growth in FY 2002-03 and a decline in interest income in FY 2003-04.

/F Other income in FY 2002-03 and FY 2003-04 includes monies from the Employment Support Fund surcharge as per S.B. 03-296, resulting in strong other income growth in FY 2002-03 and FY 2003-04 and a decline in other income in FY 2004-05.

/G Per S.B. 03-263, state expenditures for unfunded, old hire pension plans in the Fire and Police Pensions Association are eliminated in FY 2003-04 and FY 2004-05.

Cash Fund Revenues Forecast

Summary

- **Cash fund revenues** are forecast to increase 10.0 percent in FY 2003-04 and 8.8 percent in FY 2004-05. In FY 2003-04, strong cash fund revenue growth is primarily due to robust growth in two cash fund categories: higher education and unemployment insurance. In FY 2004-05, unemployment insurance tax revenue increases drive cash fund revenue growth.

- **Transportation-related revenues**, the largest group of cash funds, are forecast to increase 0.6 percent in FY 2003-04 and 2.8 percent in FY 2004-05. From FY 2003-04 through FY 2008-09, these funds will grow at a compound annual average rate of 3.4 percent.

- **Higher education cash funds**, the next largest group of cash funds, are forecast to increase 12.4 percent in FY 2003-04. The increase in higher education revenues occurs because both tuition rates and the number of students increased substantially. In FY 2004-05 and through the remainder of the forecast, tuition rates are assumed to grow at the Denver-Boulder-Greeley inflation rate, yielding more moderate higher education revenue growth rates.

- Unemployment insurance (UI) taxes are the primary revenue source for the **Unemployment Insurance Trust Fund**. Revenues from these taxes are forecast to increase 47.1 percent in FY 2003-04, as UI tax rates rise to compensate for higher UI benefit payments. In calendar years 2004 and 2005, the unemployment insurance tax rate schedule will move to a higher level. This occurs because two components of employer UI tax rates — the base rate and the solvency surcharge — rise when the UI Trust Fund balance drops below certain thresholds.

The OSPB March 2004 cash fund revenues forecast is summarized in ***Table 6***. Cash fund revenues are monies collected and earmarked for specific purposes. They comprised 29.4 percent of total TABOR revenues in FY 2002-03. In FY 2003-04, cash fund revenues are forecast to increase 10.0 percent, to $2,520.2 million, and in FY 2004-05 they are forecast to rise an additional 8.8 percent, to $2,741.3 million. From FY 2003-04 through FY 2008-09, cash fund revenues will grow at a compound annual average rate of 2.8 percent.

In FY 2003-04, cash fund revenues are forecast to increase 10.0 percent.

In FY 2003-04, strong cash fund revenue growth is primarily due to robust growth in two cash fund categories: higher education tuition and unemployment insurance (UI) tax. Higher education revenues will rise 12.4 percent as tuition rates increase and enrollment grows. Meanwhile, UI taxes will experience a surge in revenues as

Strong cash fund revenues growth is primarily due to robust growth in two cash fund categories: higher education and unemployment insurance.

employer tax rates adjust to replenish the UI Trust Fund, as is designed per statute. In FY 2004-05, UI tax revenues will continue to be the primary driver of strong cash fund revenue growth as employer tax rates continue to adjust upwards. The remainder of this section details the revenue forecasts for the larger cash funds.

Transportation-Related Cash Funds

From FY 2003-04 through FY 2008-09, total transportation-related cash fund revenues will grow at a compound annual average rate of 3.4 percent.

Total transportation-related cash fund revenues decreased 1.8 percent in FY 2002-03. They are forecast to increase only 0.6 percent in FY 2003-04. From FY 2003-04 through FY 2008-09, total transportation-related cash fund revenues will grow at a compound annual average rate of 3.4 percent. ***Table 7*** details the forecast for transportation-related cash fund revenues.

- The ***Highway Users Tax Fund*** (HUTF), the largest of the transportation-related funds, is comprised primarily of fuel tax revenues and registration fees. In FY 2002-03, a weak economy reduced demand for gasoline and diesel fuel purchases. Also, the number of heavy vehicle registrations dropped substantially. Hence, FY 2002-03 motor and special fuel taxes and vehicle registration revenues were nearly flat compared with FY 2001-02. HUTF revenues are expected to increase 1.0 percent in FY 2003-04 and 2.5 percent in FY 2004-05 as businesses continue to build their inventories and consumers have more disposable income to spend at the gasoline pump.

- ***Other transportation-related cash fund revenues***, which grew 18.5 percent in FY 2001-02, fell 14.4 percent in FY 2002-03 and are expected to decline 3.9 percent in FY 2003-04. A large share of these revenues come from local governments who partner with the state to build road projects. In FY 2001-02, the Regional Transportation District (RTD) placed large amounts of money into the State Highway Fund for light rail and highway construction projects. These local monies match funds provided through federal grant programs. In FY 2002-03 and FY 2003-04, RTD did not contribute local matching monies; hence, total local matching monies declined substantially in FY 2002-03 compared with FY 2001-02. This, coupled with a decline in interest earnings, caused the overall fall in other transportation-related cash fund revenues in FY 2002-03 and FY 2003-04. In FY 2004-05, other transportation-related cash fund revenues will increase 5.7 percent as local matching monies increase and interest earnings rise with the improving economy.

Higher Education

In FY 2003-04, higher education revenues will increase 12.4 percent.

The March 2004 forecast for FY 2003-04 ***higher education cash fund revenues*** is shown in ***Table 8.*** In FY 2003-04, higher education revenues will increase 12.4 percent, reflecting large tuition increases and strong student enrollment growth.

- In FY 2003-04, resident student tuition rates at the state's universities and colleges increased between 5.0 percent and 15.0 percent, while nonresident student tuition rates increased between 5.0 percent and 23.1 percent. In FY 2004-05 and for the remainder of the forecast, tuition rates are assumed to increase by the Denver-Boulder-Greeley inflation rate.

- Total higher education FTE enrollment rose 6.3 percent in FY 2002-03. The strong enrollment increase occurred because of the slower economy, which caused many who otherwise would have been working to go back to school. In FY 2003-04, total enrollment growth slowed to 3.3 percent, with residential enrollment growing 3.9 percent and nonresidential enrollment declining 0.7 percent. In FY 2004-05, FTE enrollment growth will be 2.2 percent, as the strengthening state economy lures students away from the classroom and back to the workforce. From FY 2003-04 through FY 2008-09, total FTE student enrollment growth will average 2.2 percent per year, with residential student enrollment averaging 2.4 percent growth and nonresidential student enrollment averaging 0.9 percent growth.

Unemployment Insurance Trust Fund

The March 2004 unemployment insurance (UI) tax revenue forecast is shown in ***Table 9***. Total UI Trust Fund revenues are forecast to increase 47.1 percent in FY 2003-04, following a 10.1 percent increase in FY 2002-03. In FY 2004-05, UI Trust Fund revenues are forecast to increase an additional 54.8 percent. Tax revenues are rising because UI tax rates automatically adjust to compensate for higher UI benefit payments. UI benefits rose nearly 200 percent from FY 2000-01 to FY 2002-03. UI tax rates are designed to increase when benefit claims rise so that the UI Trust Fund is replenished. During good economic times, when UI benefit claims decrease, UI tax rates decline. As the economy improves, UI benefits will decline. However, benefit payments will remain at high levels for several years, drawing down the UI Trust Fund balance until FY 2004-05. Thereafter, UI tax rates will adjust downward as the UI Trust Fund balance again begins to grow.

Total UI Trust Fund revenues are forecast to increase 47.1 percent in FY 2003-04.

- In FY 2002-03, UI benefit payments increased nearly 10 percent after increasing more than 150 percent in FY 2001-02. Rising benefit payments are the result of the soft labor market and the ensuing increase in the number of unemployed. Benefit payments will begin to decline in FY 2003-04 and continue to fall through the remainder of the forecast horizon as the state's economic recovery progresses.

- In calendar years 2004 and 2005, the unemployment insurance tax rate schedule will move to higher levels. This occurs because two components of employer UI tax rates — the base rate and the solvency surcharge — rise when the UI Trust Fund balance drops below certain thresholds. The UI Trust Fund had a balance of $293.2 million on June 30, 2003 and is forecast to end FY 2003-04 with a balance of only $116.6 million. These balances will trigger additional tax rate schedule increases in calendar years 2004 and 2005 as per 8-76-103, C.R.S.

Table 6

Cash fund revenues Forecasts by Major Category

(Accrual Basis, Dollar Amounts in Millions)

Line No.		FY 2002-03	March 2004 Estimate by Fiscal Year: FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2003-04 to FY 2008-09 CAAGR*
1	**Transportation-Related**	$799.7	$804.6	$826.9	$851.1	$894.7	$922.8	$951.7	
2	Change	-1.8%	0.6%	2.8%	2.9%	5.1%	3.1%	3.1%	3.4%
3	**Higher Education**	$683.7 /A	$768.8 /A	$792.9 /A	$820.7 /A	$853.5 /A	$891.7 /A	$937.6 /A	
4	Change	7.6%	12.4%	3.1%	3.5%	4.0%	4.5%	5.1%	4.0%
5	**Unemployment Insurance**	$215.9 /B	$317.5 /C	$491.6 /C	$501.2 /C	$511.6 /C	$329.6 /C	$261.7	
6	Change	10.1%	47.1%	54.8%	2.0%	2.1%	-35.6%	-20.6%	-3.8%
7	**Limited Gaming Fund**	$100.0	$103.7	$108.7	$115.6	$124.0	$133.3	$140.2	
8	Change	0.9%	3.7%	4.8%	6.4%	7.2%	7.5%	5.2%	6.2%
9	**Capital Construction – Interest**	$4.2	$1.8	$1.4	$0.9	$0.6	$0.3	$0.2	
10	Change	-75.8%	-57.0%	-23.6%	-32.4%	-32.4%	-46.1%	-45.6%	-36.6%
11	**Regulatory Agencies**	$53.5	$49.8	$51.4	$53.2	$55.1	$57.0	$59.1	
12	Change	6.1%	-6.9%	3.2%	3.6%	3.5%	3.5%	3.6%	3.5%
13	**Insurance-Related**	$61.3	$52.9	$55.3	$58.4	$61.8	$65.4	$69.2	
14	Change	-7.4%	-13.8%	4.5%	5.7%	5.8%	5.8%	5.8%	5.5%
15	**Severance Tax**	$32.6	$60.9	$45.4	$55.0	$56.3	$61.3	$66.9	
16	Change	-43.3%	86.8%	-25.5%	21.2%	2.5%	8.8%	9.1%	1.9%
17	**Petroleum Storage Tank Fund**	$20.0	$28.5 /D	$23.7 /D	$16.6 /D	$9.5 /D	$9.4	$9.1	
18	Change	-5.9%	42.3%	-16.8%	-29.8%	-42.8%	-1.1%	-3.5%	-20.4%
19	**Controlled Maintenance Trust Fund Interest**	$0.0	$2.1 /E	$0.0	$0.0	$0.0	$0.0	$0.0	
20	Change	NA	NA	NA	NA	NA	NA	NA	NA
21	**Other Miscellaneous Cash Funds**	$321.1	$329.6	$344.1	$356.7	$369.2	$385.1	$399.9	
22	Change	17.0%	2.7%	4.4%	3.7%	3.5%	4.3%	3.8%	3.9%
23	**TOTAL CASH FUND REVENUES**	**$2,292.1**	**$2,520.2**	**$2,741.3**	**$2,829.5**	**$2,936.4**	**$2,855.9**	**$2,895.4**	
24	Change	2.7%	10.0%	8.8%	3.2%	3.8%	-2.7%	1.4%	2.8%

***CAAGR:** Compound Annual Average Growth Rate.

NA: Not Applicable.

Totals may not sum due to rounding.

/A In FY 2002-03, schools increased resident tuition between 4.7% and 6.2% and nonresident tuition between 7.7% and 9.2%. In FY 2003-04, schools increased resident tuition between 5.0% and 15.0% and nonresident tuition between 5.0% and 23.1%. The University of Colorado at Boulder was allowed an additional 5.0% increase for its Quality for Colorado program. For the out years, tuition rates are assumed to grow at the Denver-Boulder-Greeley inflation rate.

/B Reflects the 20% credit against unemployment insurance taxes allowed by H.B. 00-1310 in calendar years 2001 and 2002.

/C Includes revenues from the solvency tax surcharge, which is in effect because the Solvency Ratio on June 30, 2003, June 30, 2004, June 30, 2005, June 30 2006, and June 30, 2007 is less than 0.9%. The Solvency Ratio is the ratio of the UI fund balance to total covered wages.

/D Reflects a change in the state environmental surcharge imposed on petroleum products.

/E Per House Bill 04-1222, the designated cash flow reserve within the Controlled Maintenance Trust Fund will be eliminated and the balance transferred to the General Fund.

Table 7

Transportation-Related Cash fund revenues Forecasts by Source

(Accrual Basis, Dollar Amounts in Millions)

			March 2004 Estimate by Fiscal Year						
Line No.		**FY 2002-03**	**FY 2003-04**	**FY 2004-05**	**FY 2005-06**	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**	**FY 2003-04 to FY 2008-09 CAAGR***
1	**Highway Users Tax Fund (HUTF)**								
2	**Registrations**	$151.0	$153.1	$156.8	$162.0	$168.1	$174.5	$180.8	
3	Change	-0.2%	1.4%	2.4%	3.3%	3.7%	3.8%	3.6%	3.4%
4	**Motor and Special Fuels Net of Refunds**	$541.9	$550.4	$564.8	$581.6	$599.0	$617.5	$635.5	
5	Change	-0.5%	1.6%	2.6%	3.0%	3.0%	3.1%	2.9%	2.9%
6	**Other Receipts**	$43.0 **/A**	$39.8 **/A**	$40.6 **/A**	$41.4 **/A**	$59.7 **/A,B**	$61.2 **/A**	$64.0 **/A**	
7	Change	-1.7%	-7.5%	2.0%	2.0%	44.2%	2.4%	4.7%	10.0%
8	**TOTAL HUTF**	$736.0	$743.4	$762.2	$785.1	$826.8	$853.2	$880.4	
9	Change	-0.5%	1.0%	2.5%	3.0%	5.3%	3.2%	3.2%	3.4%
10	**Other Transportation-Related Cash Funds**	$63.7	$61.2	$64.7	$66.0	$67.9	$69.6	$71.3	
11	Change	-14.4%	-3.9%	5.7%	2.0%	2.9%	2.5%	2.5%	3.1%
12	**TOTAL TRANSPORTATION-RELATED**	**$799.7**	**$804.6**	**$826.9**	**$851.1**	**$894.7**	**$922.8**	**$951.7**	
13	Change	-1.8%	0.6%	2.8%	2.9%	5.1%	3.1%	3.1%	3.4%

***CAAGR:** Compound Annual Average Growth Rate.

Totals may not sum due to rounding.

/A Includes interest earnings, court fines, driver's license fees, and other miscellaneous income.

/B In accordance with C.R.S. 42-2-114, driver's license fees will be raised on July 1, 2006.

Table 8
Higher Education Cash fund revenues by Source
(Accrual Basis, Dollar Amounts in Millions)

Line No.		FY 2002-03	March 2004 Estimate by Fiscal Year						
			FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2003-04 to FY 2008-09 CAAGR*
1	**Tuition**	$532.8 /A	$606.4 /A	$625.2 /A	$646.8 /A	$672.7 /A	$702.8 /A	$739.0 /A	
2	Change	12.5%	13.8%	3.1%	3.5%	4.0%	4.5%	5.1%	5.1%
3	**Non-Tuition**	$150.9	$162.4	$167.7	$173.9	$180.8	$188.9	$198.6	
4	Change	-6.7%	7.6%	3.3%	3.7%	4.0%	4.5%	5.1%	5.1%
5	**TOTAL HIGHER EDUCATION**	**$683.7**	**$768.8**	**$792.9**	**$820.7**	**$853.5**	**$891.7**	**$937.6**	
6	Change	7.6%	12.4%	3.1%	3.5%	4.0%	4.5%	5.1%	5.1%
	Full-Time-Equivalent Students								
7	**Total**	153,018	158,003	161,461	164,051	167,699	170,490	174,164	
8	Change	6.3%	3.3%	2.2%	1.6%	2.2%	1.7%	2.2%	2.2%
9	**Resident**	130,788	135,938	139,253	141,750	145,190	147,776	151,252	
10	Change	7.1%	3.9%	2.4%	1.8%	2.4%	1.8%	2.4%	2.4%
11	**Nonresident**	22,230	22,065	22,208	22,301	22,509	22,714	22,912	
12	Change	1.5%	-0.7%	0.6%	0.4%	0.9%	0.9%	0.9%	0.9%

***CAAGR:** Compound Annual Average Growth Rate.

Totals may not sum due to rounding.

/A In FY 2002-03, schools increased resident tuition between 4.7% and 6.2% and nonresident tuition between 7.7% and 9.2%. In FY 2003-04, schools increased resident tuition between 5.0% and 15.0% and nonresident tuition between 5.0% and 23.1%. The University of Colorado at Boulder was allowed an additional 5.0% increase for its Quality for Colorado program. For the out years, tuition rates are assumed to grow at the Denver-Boulder-Greeley inflation rate.

Table 9

Unemployment Insurance Trust Fund Forecast

(Accrual Basis, Dollar Amounts in Millions)

Line No.		FY 2002-03	March 2004 Estimate by Fiscal Year FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2003-04 to FY 2008-09 CAAGR*
1	**Beginning Fund Balance**	$626.9	$293.2	$116.6	$212.7	$403.3	$656.0	$739.7	
2	Change	-21.1%	-53.2%	-60.2%	82.5%	89.6%	62.7%	12.8%	20.3%
3	**Income**	$215.9	$317.5	$491.6	$501.2	$511.6	$329.6	$261.7	
4	Change	10.1%	47.1%	54.8%	2.0%	2.1%	-35.6%	-20.6%	-3.8%
5	**Taxes**	$187.0 /A	$272.8 /B	$398.9 /B	$348.1 /B	$288.8 /B	$225.4 /B	$220.7	
6	Change	24.1%	45.9%	46.2%	-12.7%	-17.0%	-22.0%	-2.1%	-4.1%
7	**Interest**	$28.9	$10.1	$6.0	$11.4	$21.9	$36.1	$41.0	
8	Change	-36.4%	-65.0%	-40.4%	88.7%	92.3%	65.3%	13.5%	32.3%
9	**Solvency Surcharge**	$0.0	$34.6	$86.7	$141.7	$200.9	$68.1	$0.0	
10	**Benefits and Accounting Adjustments**	($541.6) /C	($482.2) /C	($384.4) /C	($304.4) /C	($253.7) /C	($241.8) /C	($241.5) /C	
11	Change	7.0%	-11.0%	-20.3%	-20.8%	-16.7%	-4.7%	-0.2%	-12.9%
12	**Ending Fund Balance**	**$293.2**	**$116.6**	**$212.7**	**$403.3**	**$656.0**	**$739.7**	**$756.1**	
13	**Solvency Ratio**	0.4% /D	0.2% /D	0.3% /D	0.6% /D	0.9% /D	1.0% /D	0.9% /D	
14	**Total Covered Wages**	$66,200 /E	$65,773 /E	$67,748 /E	$70,194 /E	$73,195 /E	$77,659 /E	$82,105 /E	
15	Change	-4.1%	-0.6%	3.0%	3.6%	4.3%	6.1%	5.7%	4.5%

***CAAGR:** Compound Annual Average Growth Rate.

Totals may not sum due to rounding.

/A Tax revenues reflect the 20% credit for calendar years 2001 and 2002 as specified by H.B. 00-1310.

/B Includes revenues from the solvency tax surcharge, which is in effect because the Solvency Ratio (the ratio of the fund balance to total wages) on June 30, 2003, June 30, 2004, June 30, 2005, June 30 2006, and June 30, 2007 is less than 0.9%.

/C These amounts include small accounting adjustments necessary to reconcile inflows and outflows to the Unemployment Insurance Trust Fund.

/D The solvency ratio is the ratio of the fund balance to total covered wages.

/E Total covered wages are the sum of wages reported by all ratable employers for the calendar year ending in December of the given fiscal year.

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The National Forecast

The nation's economic recovery is gaining momentum. Both demand and production growth are strong, manufacturing and non-manufacturing activity are expanding, corporate profits are up, financial markets are steady, and inflationary pressures are minimal. Meanwhile, the labor market is firming, although the pace of job growth is still modest.

The nation's economic recovery is gaining momentum.

Highlights of the national economic forecast, shown in ***Table 10,*** are as follows:

Gross Domestic Product and Its Components

Inflation-adjusted gross domestic product (GDP) grew 3.1 percent in 2003. It is forecast to grow 4.5 percent in 2004 and 3.2 percent in 2005.

- ***Consumer spending***, which represents about two-thirds of GDP, continues to post positive gains. Consumer spending grew at a 3.1 percent pace in 2003 and is forecast to grow 3.8 percent in 2004. In 2003, consumer-spending growth was driven by purchases of durable goods, especially motor vehicles. In 2004, consumer expenditures will be more equally distributed between goods and services, while in 2005 and beyond, spending on services will dominate.

- ***Business investment*** increased 2.8 percent in 2003, following two years of declines. Finally, business investment is making a strong, positive contribution to the expansion. Political and economic uncertainties have caused business investment to be delayed in the current expansion. Investments in nonresidential structures were down 4.7 percent, while investment in equipment rose 5.2 percent. The recovering global economy, replacement demand for information technology equipment, and tax incentives will result in increasing business investment in 2004.

  In 2004, investments in nonresidential structures will increase 0.9 percent, with warehouse construction posting stronger gains than office construction. In 2005 and 2006, investments in nonresidential structures are forecast to exceed six percent growth, as vacant space is absorbed in the growing economy.

  Business equipment investment is forecast to surge 15.5 percent in 2004 and 8.5 percent in 2005. Strong growth in 2004 is in part due to the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, which increased the amount of capital investment that small businesses are permitted to immediately expense. The 2003 Jobs Act also provides 50 percent bonus depreciation on investments made before the end of 2004. In addition, equipment investment is rising because businesses' financial positions have improved. Furthermore, interest rates remain low, enabling corporations to pay down short-term, relatively high interest debt, with lower long-term rates, thereby further improving cash flow. Investment in computer hardware and software will dominate business investment in the near term. However, as production rises, so to will capacity utilization, leading industrial firms to increase spending on other capital equipment.

Business equipment investment is forecast to surge 15.5 percent in 2004 and 8.5 percent in 2005.

- ***Government spending*** increased 3.4 percent in 2003, led by a 10.5 percent surge in federal defense spending. Federal nondefense spending rose 5.4 percent in 2003, but state and local government spending increased a mere 0.6 percent. Defense spending will remain relatively strong in the near term, while the Medicare prescription drug benefit program will put upward pressure on federal nondefense spending.

  State and local government expenditures are forecast to grow only 0.6 percent in 2004 and 2.2 percent in 2005. State governments will contribute little to GDP growth between 2003 and 2005 because of continued weakness in state revenue sources. However, in 2006 and beyond, state and local government expenditure growth will accelerate to more than 2.5 percent per year.

Inflation

In 2004 and 2005, consumer prices are forecast to rise only 1.4 percent and 1.3 percent, respectively.

Inflation was 2.3 percent in 2003, but in 2004 and 2005, consumer prices are forecast to rise only 1.4 percent and 1.3 percent, respectively. On average, energy prices, which are currently relatively high, are forecast to be virtually unchanged over the coming year. Meanwhile, there are few inflationary pressures from other sources because productivity gains are allowing demand to be met with reduced labor costs. Indeed, unit labor costs have fallen for two years, even as hourly worker compensation has risen. Business spending on equipment and capital is expected to rebound over the next year, so productivity gains will continue and inflationary pressures will remain in check.

Employment

The labor market is stabilizing, but has not produced strong gains to date. On average, employment fell 0.2 percent in 2003, following a 1.1 percent decline in 2002. This marks the first back-to-back declines in national employment since World War II. However, by year-end 2003 many sectors were again gaining jobs. Financial, professional and business services, education and health services, leisure and hospitality, as well as construction posted modest increases in 2003. In 2004, employment in all sectors except manufacturing, trade, transportation, and utilities, and government is forecast to increase and, in aggregate, the number of jobs will rise 0.7 percent. This will be followed by a 1.6 percent increase in 2005 as the national economy gains strength.

Unemployment at the national level was 6.0 percent in 2003. In 2004, it is forecast to fall only slightly, to 5.8 percent, as the strengthening labor market entices the jobless back into the labor force. Thereafter, the improved economy will result in declining unemployment and by 2008 the unemployment rate will fall to 5.2 percent.

Risks to the Forecast

Most of the events likely to affect the current national economic forecast would result in a downward revision to the near-term strength of the recovery. Tenuous consumer confidence could be derailed by repercussions from high household debt burdens. Weakening household credit quality could undermine lenders' willingness to extend credit and thus, households' abilities to support the economy. Also, terrorist activity remains a threat to the national economic recovery. Finally, increased political tensions in oil-producing areas of the world could result in higher energy prices.

Although most risks to the national forecast are to the downside, there are upside risks as well. The global economy is strengthening and holds the potential to rebound more robustly than is currently forecast. Such a global economic surge could produce stronger growth in the U.S. economy.

Table 10

History And Forecast For Key National Economic Variables 1998-2008

Line No.		Actual						March 2004 Estimate				
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Inflation-Adjusted & Current Dollar Income Accounts											
1	Inflation-Adjusted Gross Domestic Product (Billions)	$9,067.1	$9,470.5	$9,816.8	$9,866.6	$10,083.2	$10,397.9	$10,860.7	$11,213.1	$11,621.9	$12,053.3	$12,457.3
2	Change	4.2%	4.5%	3.7%	0.5%	2.2%	3.1%	4.5%	3.2%	3.6%	3.7%	3.4%
3	Gross Domestic Product (Billions)	$8,747.2	$9,268.6	$9,816.9	$10,100.8	$10,480.9	$10,985.7	$11,630.0	$12,156.0	$12,809.3	$13,526.3	$14,231.3
4	Change	5.3%	6.0%	5.9%	2.9%	3.8%	4.8%	5.9%	4.5%	5.4%	5.6%	5.2%
5	Personal Income (Billions)	$7,426.1	$7,786.6	$8,406.7	$8,685.4	$8,922.2	$9,200.2	$9,561.2	$9,959.4	$10,403.0	$10,902.1	$11,415.5
6	Change	7.0%	4.9%	8.0%	3.3%	2.7%	3.1%	3.9%	4.2%	4.5%	4.8%	4.7%
7	Per-Capita Income ($/person)	$26,881	$27,865	$29,753	$30,426	$30,943	$31,602	$32,560	$33,629	$34,833	$36,199	$37,590
8	Change	5.8%	3.7%	6.8%	2.3%	1.7%	2.1%	3.0%	3.3%	3.6%	3.9%	3.8%
	Population & Employment											
9	Population[1] (Millions)	276.3	279.4	282.5	285.5	288.3	291.1	293.6	296.2	298.7	301.2	303.7
10	Change	1.2%	1.2%	1.1%	1.0%	1.0%	1.0%	0.9%	0.9%	0.8%	0.8%	0.8%
11	Civilian Unemployment Rate	4.5%	4.2%	4.0%	4.8%	5.8%	6.0%	5.8%	5.7%	5.5%	5.3%	5.2%
12	Total Nonagricultural Employment[2] (Millions)	125.9	129.0	131.8	131.8	130.4	130.1	131.0	133.2	135.4	137.3	139.0
13	Change	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.2%	0.7%	1.6%	1.7%	1.4%	1.3%
	Financial Markets											
14	30-Year T-Bond Rate	5.6%	5.9%	5.9%	5.5%	5.4%	5.1%	5.8%	6.0%	6.2%	6.2%	6.2%
15	10-Year T-Bond Rate	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%	4.7%	5.1%	5.7%	5.9%	5.9%
16	Federal Fund Rate	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	2.9%	4.6%	5.0%	5.0%
	Price Variables											
17	Consumer Price Index (1982-84=100)	163.0	166.6	172.2	177.0	179.9	184.0	186.5	188.9	192.7	197.1	201.6
18	Change	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	1.4%	1.3%	2.0%	2.3%	2.3%
19	Producer Price Index (1982=100)	130.7	133.0	138.0	140.7	138.9	143.3	147.4	149.0	151.5	155.3	158.9
20	Change	-0.9%	1.8%	3.7%	2.0%	-1.3%	3.2%	2.8%	1.1%	1.7%	2.5%	2.3%
	Other Key Indicators											
21	Industrial Production Index (1992=100)	105.9	110.6	115.4	111.5	110.9	111.2	115.6	119.2	122.6	126.6	130.2
22	Change	5.9%	4.4%	4.4%	-3.4%	-0.6%	0.3%	4.0%	3.1%	2.9%	3.3%	2.8%
23	Corporate Profits After Tax (Billions)	$469.9	$517.3	$508.2	$495.6	$549.9	$621.0	$746.4	$824.2	$875.7	$929.0	$977.4
24	Change	-14.9%	10.1%	-1.8%	-2.5%	11.0%	12.9%	20.2%	10.4%	6.2%	6.1%	5.2%
25	Housing Starts (Millions)	1.621	1.647	1.574	1.601	1.711	1.849	1.775	1.572	1.580	1.585	1.597
26	Change	9.9%	1.6%	-4.5%	1.8%	6.9%	8.0%	-4.0%	-11.4%	0.5%	0.3%	0.8%

1/ Population values through 2000 are adjusted for 2000 Census.

2/ Employment by place of work from Current Employment Statistics (CES) survey of payroll records.

Sources: Economy.com; U.S. Department of Labor, Bureau of Labor Statistics; and U.S. Department of Commerce, Bureaus of the Census and Economic Analysis.

The Colorado Forecast

This section presents the OSPB forecast for Colorado's economy, shown in ***Table 11.*** It includes a discussion of employment and unemployment, inflation, wages and income, and population and migration, as well as a brief summary of the state's construction and retail industries.

The underlying assumptions for the March 2004 OSPB state economic forecast have not changed materially since December 2003. Evidence still indicates that Colorado economic activity will accelerate throughout 2004. However, end-of-year 2003 data provide a clearer point of reference for the March 2004 forecast than was available in December 2003. Most notably, rebenchmarked employment figures and newly released inflation figures permit a more refined assessment of where the state economy is likely to be come year-end 2004.

The underlying assumptions for the March 2004 OSPB state economic forecast have not changed significantly since December 2003.

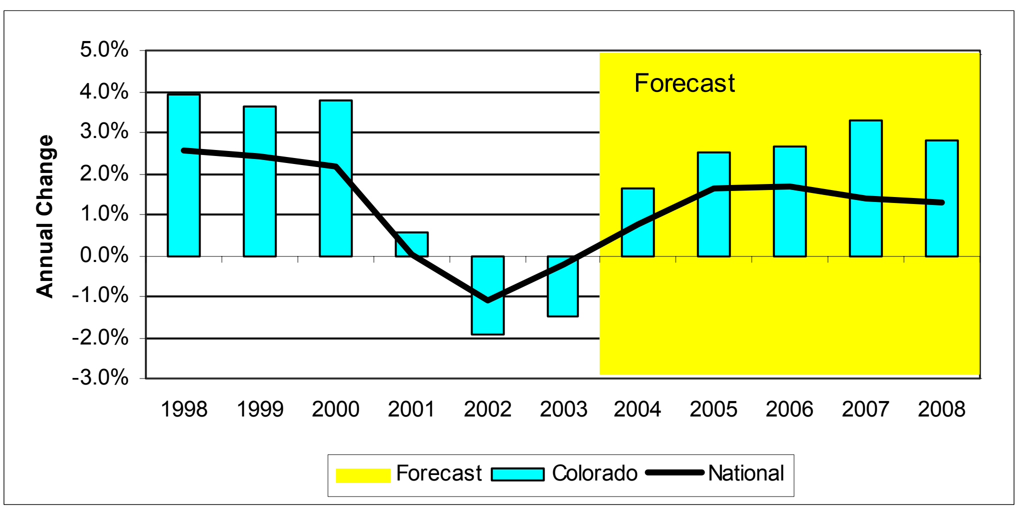
Employment

Figure 1 shows the national and Colorado forecasts for employment. After the annual rebenchmark adjustment, Colorado e*mployment* was reported to have declined 1.5 percent in 2003 and we currently forecast that significant job creation will not occur until late 2004. On average, we forecast that employment will grow 1.6 percent in 2004. However, from 2005 through 2008, the state will post employment gains at or above 2.5 percent. Job growth over the forecast horizon will be concentrated in the retail trade, finance, insurance, real estate, and services sectors.

From 2005 through 2008, the state will post employment gains at or above 2.5 percent.

In 2003, the Colorado average annual *unemployment rate* was 6.0 percent. We forecast that the unemployment rate will be 5.7 percent in 2004 and then will gradually decline to 4.5 percent by 2008 as job growth in the state resumes a more robust economic pace.

Figure 1
Colorado and National Employment

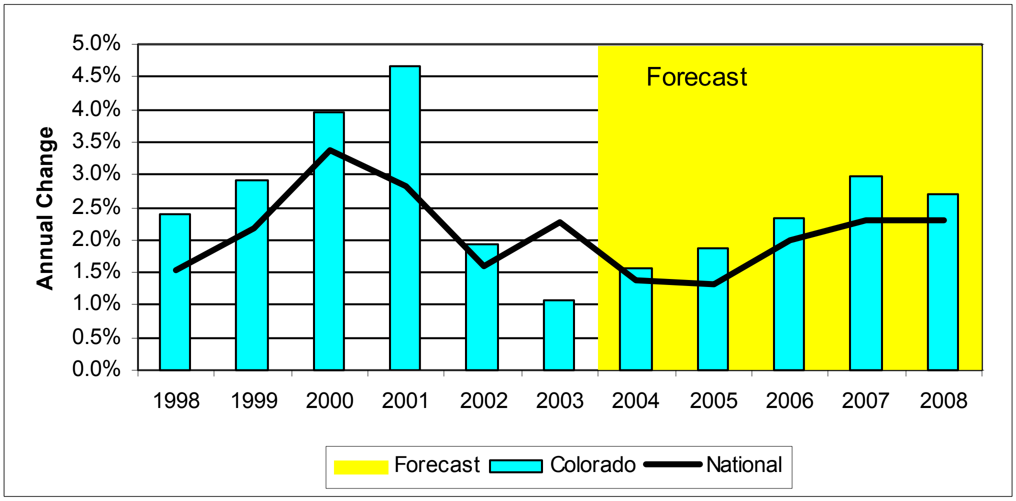


Source: U.S. Department of Labor, Bureau of Labor Statistics, employment by place of work from Current Employment Statistics (CES) survey of payroll records.

Inflation

The national and Colorado forecasts for inflation are displayed in ***Figure 2***. In 2003, consumer prices in the Denver-Boulder-Greeley area rose a mere 1.1 percent. Inflation in 2003 was low because rents and home costs were lower. The cost of housing contributes almost one-third of total inflation, so if housing prices do not climb, neither will inflation.

Figure 2
Colorado and National Inflation



Source: U.S. Department of Labor, Bureau of Labor Statistics.

We forecast that Colorado inflation will be 1.6 percent in 2004 and 1.9 percent in 2005. Inflationary pressures in the state will be minimal, although prices will be pushed up as the state's economy regains momentum. Colorado inflation will thus remain above the national level, but at or below three percent, from 2005 through 2008.

A lower inflation rate translates into lower growth rates for wages and income and retail sales, even though the underlying economic assumptions of the forecast have not changed.

Our lower inflation forecast affects our projections for wages, income, and retail sales: a lower inflation rate translates into lower growth rates for wages, income, and retail sales, even though the underlying economic assumptions of the forecast have not changed.

Wages and Income

Colorado wage and salary income fell 1.9 percent in 2002 because of lower employment levels and the loss of high-wage jobs in the advanced technology and financial sectors. Our forecast is that total wage and salary disbursements will not rise significantly in 2003, as a lower employment base will offset modest increases in average wage. By 2004, wage and salary income growth will be 2.8 percent and the pace will accelerate to over six percent in 2006, reflecting more jobs and higher average wages.

Personal income grew a modest 0.8 percent in 2002, even as wage and salary disbursements declined. However, through the third quarter of 2003, personal income growth was 2.0 percent, despite low inflationary pressures. We forecast that personal income will increase 2.1 percent in 2003 and that in 2004, growing paychecks will contribute to a 3.1 percent increase. Personal income growth will accelerate for the next several years and will reach 7.4 percent by 2007.

Personal income growth will continue to accelerate through the forecast horizon and will reach 7.4 percent by 2007.

We forecast that per capita personal income in Colorado will continue to be higher than the national average throughout the forecast horizon. In 2003, per capita income growth was a modest 1.0 percent, as low inflationary pressures coupled with a weak state labor market kept income from rising faster. Per capita personal income growth will be 2.0 percent in 2004 and, by 2007 it will accelerate to 5.7 percent, which, at an inflation-adjusted pace, is only a slightly slower than the rates observed during the 1990s.

Population and Migration

In 2003, net in-migration to Colorado was 12,400 and total population growth was 1.1 percent. Our March 2004 forecast for net migration in 2004 and beyond is about the same as our December 2003 forecast. We forecast that the Colorado economy will accelerate more slowly than some other parts of the country and this will keep net in-migration to Colorado low. As the Colorado economy recovers, however, the number of net in-migrants to the state will increase. The state's population growth will be 1.7 percent by 2008.

Industrial Sectors

This section details our forecast for the residential and nonresidential construction and retail trade industries in Colorado.

Construction

In 2003, 17.7 percent fewer residential home permits were issued in Colorado than were issued in 2002. Meanwhile, the value of nonresidential construction (excluding nonbuilding projects like roads) declined 10.8 percent. Our March 2004 forecast for residential and nonresidential construction markets anticipates that 2004 activity will approximately equal that of 2003.

Residential Construction

A correction occurred in Colorado's residential construction market in 2002 and 2003. We forecast that the total number of home permits issued in 2004 will be about the same as the number issued in 2003. Permit levels will not grow because the Colorado economy will not attract a large net in-migration to the state in 2004. Slower in-migration combined with high inventories will dampen demand for new homes in 2004. In 2005 and beyond, the number of home permits issued will rise year-over-year as net in-migration increases and the state economy strengthens.

We forecast that the total number of home permits issued in 2004 will be about the same as the number issued in 2003.

Nonresidential Construction

Denver-area nonresidential building construction continues to be impacted by oversupply. The 2003 value of new nonresidential building construction was down 10.8 percent, following a 21.8 percent drop in 2002. However, by year-end 2003, the rate of decline had slowed substantially in response to falling vacancy rates. We forecast that the value of 2004 nonresidential construction will be about the same as in 2003. The value of nonresidential construction put in place will again increase year-over-year in 2004 and beyond as a strengthening state economy fills now empty space with new and growing businesses.

Retail Trade

Retail trade sales in Colorado were flat in 2003 compared with 2002. In 2004, we forecast retail sales will grow 3.3 percent as Colorado residents spend paychecks fattened by federal tax relief. Thereafter, retail sales growth will accelerate to over six percent by 2006.

Risks to the Colorado Forecast

The main risk to the Colorado forecast is that the national economic recovery falters.

The main risk to the Colorado forecast is that the national economic recovery falters. Colorado's recovery will follow the national recovery. Thus, weakness in the national economy will likely mean a delay in the Colorado recovery.

Table 11
History And Forecast For Key Colorado Economic Variables
Calendar Year 1998-2008

Line No.		Actual						March 2004 Forecast				
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Current Income											
1	Personal Income (Billions)	$118,413	$128,386	$143,043	$148,239	$149,482	$152,663	$157,437	$164,654	$175,272	$188,197	$201,039
2	Change	8.9%	8.4%	11.4%	3.6%	0.8%	2.1%	3.1%	4.6%	6.4%	7.4%	6.8%
3	Wage and Salary Income (Billions)	$69,604	$76,343	$86,048	$88,436	$86,767	$86,872	$89,328	$93,592	$99,330	$106,375	$113,338
4	Change	11.3%	9.7%	12.7%	2.8%	-1.9%	0.1%	2.8%	4.8%	6.1%	7.1%	6.5%
5	Per-Capita Income ($/person)	$28,764	$30,380	$33,059	$33,472	$33,210	$33,547	$34,203	$35,285	$37,030	$39,133	$41,116
6	Change	6.3%	5.6%	8.8%	1.2%	-0.8%	1.0%	2.0%	3.2%	4.9%	5.7%	5.1%
	Population & Employment											
7	Population[1] (Thousands)	4,116.6	4,226.0	4,326.9	4,428.8	4,501.1	4,550.7	4,603.0	4,666.4	4,733.3	4,809.1	4,889.6
8	Change	2.4%	2.7%	2.4%	2.4%	1.6%	1.1%	1.1%	1.4%	1.4%	1.6%	1.7%
9	Net Migration[2] (Thousands)	66.5	75.4	64.2	66.3	35.1	12.4	14.2	24.5	27.0	34.9	38.2
10	Civilian Unemployment Rate	3.8%	2.9%	2.8%	3.7%	5.7%	6.0%	5.7%	5.0%	4.8%	4.6%	4.5%
11	Total Nonagricultural Employment[3] (Thousands)	2,056.7	2,131.5	2,212.6	2,225.4	2,182.5	2,150.4	2,185.1	2,240.3	2,299.8	2,375.5	2,441.9
12	Change	3.9%	3.6%	3.8%	0.6%	-1.9%	-1.5%	1.6%	2.5%	2.7%	3.3%	2.8%
	Construction Variables											
13	Total Housing Permits Issued (Thousands)	51.2	49.3	54.6	55.0	47.9	39.4	38.8	40.3	43.3	47.7	52.2
14	Change	18.8%	-3.6%	10.7%	0.8%	-12.9%	-17.7%	-1.6%	3.9%	7.2%	10.3%	9.4%
15	Nonresidential Construction Value[4] (Millions)	$2,616.8	$3,543.8	$3,338.8	$3,373.4	$2,637.8	$2,354.2	$2,363.6	$2,426.3	$2,497.3	$2,645.3	$2,798.8
16	Change	-12.4%	35.4%	-5.8%	1.0%	-21.8%	-10.8%	0.4%	2.6%	2.9%	5.9%	5.8%
	Prices & Sales Variables											
17	Retail Trade Sales (Billions)	$48.2	$52.6	$58.0	$59.1	$58.7	$58.7	$60.6	$63.4	$67.5	$72.2	$76.6
18	Change	6.7%	9.2%	10.2%	2.0%	-0.7%	0.0%	3.3%	4.6%	6.5%	6.9%	6.1%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	161.9	166.6	173.2	181.3	184.8	186.8	189.7	193.3	197.8	203.7	209.2
20	Change	2.4%	2.9%	4.0%	4.7%	1.9%	1.1%	1.6%	1.9%	2.3%	3.0%	2.7%

1/ Population values through 2000 are adjusted for 2000 Census.
2/ Values through 2000 revised by Colorado Department of Local Affairs to reflect 2000 Census.
3/ Employment by place of work from Current Employment Statistics (CES) survey of payroll records.
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Sources: U.S. Department of Labor, Bureau of Labor Statistics;
U.S. Department of Commerce, Bureaus of the Census and Economic Analysis;
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