# STATE OF COLORADO

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## MEMORANDUM

TO: Governor Bill Ritter Jr.
Members of the General Assembly

FROM: Office of State Planning and Budgeting

DATE: June 20, 2007

SUBJECT: ***June 2007 Revenue Forecast***

This memorandum presents the June 2007 Office of State Planning and Budgeting (OSPB) revenue forecast. The memorandum includes a General Fund overview, General Fund and cash fund revenue forecasts, a discussion of the budget implications of this forecast, a summary of significant legislation from the recent legislative session that impacted the forecast, and summaries of both the national and Colorado economic forecasts.

### *JUNE 2007 OSPB FORECAST HIGHLIGHTS*

- After increasing 13.1 percent in FY 2005-06, gross **General Fund revenues** are forecast to increase 7.0 percent in FY 2006-07 and 4.5 percent in FY 2007-08. A modest increase in the forecast for individual income taxes accounts for much of the difference from the March 2007 forecast. Meanwhile, the sales and use tax forecasts were decreased slightly in the out-years of the forecast to reflect decreased expectations of the national and state economies. Overall, the forecast for General Fund revenues increased $62.9 million in FY 2006-07 and $154.2 million over the forecast period.
- **Cash fund revenues** are forecast to decrease 2.5 percent in FY 2006-07 and increase 5.1 percent in FY 2007-08. Changes in the forecasts for cash funds were largely due to legislation that either changed or created fees, or, in the case of severance taxes, changed the method of forecasting. Overall, the forecast for cash funds increased $29.8 million in FY 2006-07 and $75.1 million in FY 2007-08.
- Through FY 2008-09, the state is projected to have enough General Fund revenue to maintain **appropriations** growth of six percent and make a maximum **Senate Bill 97-1 transfer** to the Highway Users Tax Fund. Additionally, the state is projected to have **excess reserves** of $130.4 million in FY 2006-07, $139.3 million in FY 2007-08, and $29.7 million in FY 2008-09.
- In total, **transportation** is expected to receive $318.2 million from FY 2006-07 revenue and slightly more than $1.3 billion over the five-year forecast period, up $19 million over figures published in March. Meanwhile, **capital construction** will receive $189.4 million from FY 2006-07 revenue, largely due to statutory transfers recently signed into law, and a total $343.8 million over the five-year forecast period, up $68.9 million over March figures.
- Under the provisions of **Referendum C**, the State will retain $5.63 billion from FY 2005-06 through FY 2009-10. There will not be a TABOR surplus during this five-year period. However, a TABOR refund of $56.4 million is expected in FY 2010-11.

# GENERAL FUND OVERVIEW AND BUDGET IMPLICATIONS

This section summarizes how the forecasts of General Fund revenue and cash funds revenue flow through the state spending structure. Also included is a brief discussion of the impacts of revenue changes from the previous OSPB forecast on the state budget, particularly as it relates to transportation and capital construction.

## *GENERAL FUND OVERVIEW*

Table 1 presents the General Fund Overview for the June 2007 OSPB revenue forecast. The top portion of the table summarizes the amount of General Fund revenue available for spending, culminating with "Total Revenue" on line 8. Lines 3 and 4 show the split of General Fund Non-Exempt and General Fund Exempt revenue, which is the amount of money that the state is allowed to retain above the TABOR Revenue Limit as a result of the passage of Referendum C. Line 5 shows the amount of money that will be diverted for transportation funding per Senate Bill 97-1. Under the provisions of Senate Bill 97-1, the state is required to transfer up to 10.355 percent of sales and use tax revenue to the Highway Users Tax Fund (HUTF) in years when the state has enough revenue to pay its total obligations (line 19), as well as maintain a statutory four percent reserve (line 22).

Lines 9 through 11 summarize the amount of allowable General Fund Appropriations based on the six percent limit. Lines 12 through 18 summarize spending that is excepted from the six percent limit, but is included in the base for future growth (line 12), and other spending outside the six percent limit. It should be noted that the total on line 13 must be funded *prior* to funding General Fund Appropriations under the six percent limit.

The bottom portion of Table 1 presents the amount of revenue forecasted to flow into the year-end reserve. The amount of revenue in the statutory four percent reserve (line 22) moves in tandem with the appropriate fiscal year's appropriation. This amount is carried forward into the subsequent fiscal year as the beginning reserve (line 1). If available revenue exceeds that which is necessary to fund all obligations, reserves, and make a maximum transfer to the HUTF under Senate Bill 97-1, the remaining revenue creates an excess reserve (line 23). Whatever is remaining in the excess reserve at the end of the fiscal year is then transferred in the following fiscal year, with two-thirds distributed for transportation (line 24) and one-third for capital construction (line 25).

Finally, for informational purposes only, line 26 shows the amount of money credited to the State Education Fund. Under the provisions of Amendment 23, the state credits an amount equal to .33 percent of state taxable income to the State Education Fund.

# Table 1
## General Fund Overview – Current Law
($ Millions)

| Line No. | | FY 2005-06 | June 2007 Estimate by Fiscal Year FY 2006-07 | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| 1 | Beginning Reserve | $237.4 | $251.7 | $267.0 | $283.4 | $300.6 | $318.7 |
| **2** | **Gross General Fund Revenue** | **$6,964.6** | **$7,449.9** | **$7,784.6** | **$8,084.5** | **$8,488.4** | **$9,000.5** |
| *3* | *General Fund* | *$5,848.5* | *$6,188.3* | *$6,525.2* | *$7,071.2* | *$7,513.5* | *$7,920.6* |
| *4* | *General Fund Exempt* | *$1,116.1* | *$1,261.6* | *$1,259.4* | *$1,013.4* | *$974.8* | *$1,079.9* |
| **5** | **Senate Bill 97-1 Diversion** | **($220.4)** | **($231.3)** | **($240.9)** | **($250.7)** | **($210.5)** | **($179.9)** |
| *6* | *Percent of Maximum* | *100%* | *100%* | *100%* | *100%* | *80%* | *65%* |
| **7** | **Net Transfers to/(from) the General Fund /A** | **$157.9** | **($5.8)** | **($5.8)** | **($5.8)** | **($5.8)** | ***($5.8)*** |
| **8** | **TOTAL REVENUE** | **$7,139.5** | **$7,464.5** | **$7,804.9** | **$8,111.4** | **$8,572.7** | **$9,133.5** |
| **Expenditures** | | | | | | | |
| **9** | **General Fund Appropriations (Subject to 6% Limit)** | **$6,292.7** | **$6,675.6** | **$7,084.0** | **$7,515.5** | **$7,966.5** | ***$8,444.5*** |
| *10* | *Appropriations Change* | *$361.2* | *$382.9* | *$408.4* | *$431.5* | *$450.9* | *$478.0* |
| *11* | *Percent Change* | *6.1%* | *6.1%* | *6.1%* | *6.1%* | *6.0%* | *6.0%* |
| **12** | **Exemptions to 6% Limit /B** | **$5.0** | **$7.5** | **$6.1** | **$0.0** | **$0.0** | ***$0.0*** |
| **13** | **Spending Outside 6% Limit** | **$153.4** | **$384.1** | **$292.1** | **$265.6** | **$287.6** | ***$351.2*** |
| *14* | *TABOR Refund* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$56.4* |
| *15* | *Rebates and Expenditures /C* | *$153.4* | *$164.0* | *$168.9* | *$180.1* | *$187.8* | *$194.1* |
| *16* | *Homestead Exemption* | *$0.0* | *$74.2* | *$76.2* | *$77.2* | *$78.5* | *$79.2* |
| *17* | *Transfers to Capital Construction* | *$10.1* | *$145.9* | *$47.0* | *$8.3* | *$21.3* | *$21.6* |
| *18* | *Reversions and Accounting Adjustments* | *($10.1)* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$0.0* |
| **19** | **TOTAL OBLIGATIONS** | **$6,451.1** | **$7,067.2** | **$7,382.2** | **$7,781.1** | **$8,254.0** | **$8,795.7** |
| **Reserves** | | | | | | | |
| **20** | **Year-End Reserve** | **$688.4** | **$397.4** | **$422.7** | **$330.3** | **$318.7** | ***$337.8*** |
| *21* | *Year-End Reserve as a % of Appropriations* | *10.9%* | *6.0%* | *6.0%* | *4.4%* | *4.0%* | *4.0%* |
| *22* | **Statutory Reserve: 4% of Appropriations** | **$251.7** | **$267.0** | **$283.4** | **$300.6** | **$318.7** | ***$337.8*** |
| *23* | **Excess Monies Above (Below) Reserve** | **$436.7** | **$130.4** | **$139.3** | **$29.7** | **$0.0** | ***$0.0*** |
| *24* | *2/3 for Transportation /D* | *$291.1* | *$86.9* | *$92.9* | *$19.8* | *$0.0* | *$0.0* |
| *25* | *1/3 for Capital Construction /D* | *$145.6* | *$43.5* | *$46.4* | *$9.9* | *$0.0* | *$0.0* |
| *26* | Addendum: State Education Fund /E | $357.2 | $388.1 | $407.7 | $424.3 | $446.9 | $477.1 |

***Note: Lines in Bold represent totals.***

**/A** This figure represents the total transfers to the General Fund per H.B. 04-1421, H.B. 04-1417, H.B. 05-1262, S.B. 05-210, and S.B. 05-211, as well as transfers and diversions from the General Fund under the Older Coloradans Act. In FY 2005-06 paybacks to cash funds totaling $67.1 million are also included.

**/B** In FY 2005-06, $5.0 million is appropriated to the Department of Education as a result of a requirement of a final state court order, in FY 2006-07 a total of $7.5 million, and in FY 2007-08 $6.1 million is not subject to the six percent limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S., but is used as the base for calculation of the next year's appropriation's limit.

**/C** Includes the Cigarette rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, and Fire and Police Pensions.

**/D** Per H.B. 02-1310, two-thirds of the amount in excess of a four percent reserve is transferred to the Highway Users Tax Fund and one-third is credited to the Capital Construction Fund in the following fiscal year.

**/E** Per Amendment 23, one-third of one percentage point of Colorado taxable income is credited to the State Education Fund.

### *Budget Implications of the Forecast*

The forecast for General Fund revenue was increased by $152.4 million over the five-year forecast period as compared with the OSPB March 2007 revenue forecast, due largely to an increase in the forecast of individual income taxes:

- ***Appropriations*** – Based on the June forecast, the state will have enough revenue to fully fund General Fund Appropriations up to the six-percent limit through at least FY 2010-11.

- ***Transportation*** – As compared with the March 2006 forecast, transportation is projected to receive an additional $19 million over the five-year forecast period, bringing the total amount of General Fund revenue flowing to transportation to more than $1.3 billion over the next five years. This includes providing the maximum diversion under Senate Bill 97-1 through FY 2008-09 and a partial diversion in the remaining years of the forecast.

- ***Capital Construction*** – Projected funds available for capital construction from FY 2006-07 revenue were increased by $49.6 million – largely due to a statutory transfer adopted since March – and $68.9 million over the five-year forecast period compared with the March 2007 forecast.

- ***Referendum C*** – Under the provisions of Referendum C, the state will retain $5.63 billion between FY 2005-06 and FY 2009-10. **TABOR refunds** will return in FY 2010-11, with a $56.4 million refund.

# REVENUE FORECASTS

### *TABOR REVENUE & REFERENDUM C*

The Taxpayer's Bill of Rights (TABOR) — Article X, Section 20 of the Colorado Constitution — limits the State's revenue growth to the sum of inflation plus population growth in the previous calendar year. Under the provisions of TABOR, revenue collected above the TABOR limit must be returned to taxpayers, unless voters decide the State can retain the revenue. In November 2005, voters approved Referendum C, which allows the state to retain all revenue through FY 2009-10.

Table 2 summarizes the forecasts of TABOR Revenue, the TABOR Revenue Limit, and the revenue limit under Referendum C. Line 3 represents total TABOR revenue, which includes all General Fund revenue and revenue from non-exempt cash funds. Line 6 shows the allowable TABOR growth rate based on the most recent previous calendar year's growth in population and inflation. This is applied to either the previous year's revenue or limit, whichever is less, in order to compute the TABOR limit shown on line 7.

Under the provisions of Referendum C, the state is allowed to retain all revenue collected through FY 2009-10. Beginning in FY 2010-11, the amount of revenue that the state may retain is computed by multiplying the highest revenue total between FY 2005-06 and FY 2009-10 (line 9) by the allowable TABOR growth rate (line 6) for FY 2010-11. Beginning in FY 2010-11, the state will be required to refund revenue in excess of this limit. This forecast projects a refund of $56.4 million in FY 2010-11 (line 10). Line 8 shows the amount of additional General Fund revenue that the state can retain as a result of the passage of Referendum C. The total amount of revenue retained during the five-year period ending in FY 2009-10 is projected to total $5.63 billion.

### *GENERAL FUND*

The forecast for General Fund revenues is displayed in Table 3. The June 2007 forecast for General Fund revenues is $62.9 million higher in FY 2006-07 and $152.4 million higher over the five-year forecast period than the March 2007 forecast. This increase is due to continued strength in income tax receipts, particularly in estimated payments, more than offsetting decreases in General Fund revenue from legislation passed in the 2007 session. Income tax revenue growth is forecast to decelerate in the latter part of FY 2007-08 and FY 2008-09 as stock market gains are expected to decrease and corporations adjust to the expiration of federal tax packages.

# Table 2
## TABOR Revenue & Referendum C Revenue Limit
($ Millions)

| Line No. | | FY 2005-06 | June 2007 Estimate by Fiscal Year<br>FY 2006-07 | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 |
|---|---|---|---|---|---|---|---|
| | **TABOR Revenues:** | | | | | | |
| 1 | General Fund /A | $6,942.8 | $7,425.9 | $7,770.6 | $8,084.5 | $8,488.4 | $9,000.5 |
| 2 | Cash Funds | $2,218.6 | $2,162.6 | $2,273.7 | $2,170.5 | $2,181.0 | $2,258.6 |
| **3** | **Total TABOR Revenues** | $9,161.4 | $9,588.5 | $10,044.3 | $10,255.1 | $10,669.3 | $11,259.2 |
| | **Revenue Limit Calculation:** | | | | | | |
| 4 | Previous calendar year population growth | *1.2%* | *1.4%* | *1.9%* | *2.0%* | *2.1%* | *2.1%* |
| 5 | Previous calendar year inflation | *0.1%* | *2.1%* | *3.6%* | *3.2%* | *2.8%* | *2.9%* |
| **6** | **Allowable TABOR Growth Rate** | *1.3%* | *3.5%* | *5.5%* | *5.2%* | *4.9%* | *5.0%* |
| 7 | TABOR Limit | $8,045.3 | $8,326.9 | $8,784.9 | $9,241.7 | $9,694.5 | $10,179.2 |
| **8** | General Fund Exempt Revenue Under Ref. C /C | $1,116.1 | $1,261.6 | $1,259.4 | $1,013.4 | $974.8 | $1,079.9 |
| **9** | **Revenue Limit Under Ref. C /B** | **$9,161.4** | **$9,588.5** | **$10,044.3** | **$10,255.1** | **$10,669.3** | **$11,202.8** |
| *10* | *Amount Above/(Below) Limit* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$0.0* | *$56.4* |
| 11 | TABOR Reserve Requirement /D | $274.8 | $287.7 | $301.3 | $307.7 | $320.1 | $336.1 |

**/A** These figures differ from the General Fund revenues reported in other tables because they net out revenues that are recorded as both General Fund and cash fund. 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** The Revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Limit Under Ref. C," whichever is smaller. Beginning in FY 2010-11, the Revenue limit will be based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate."

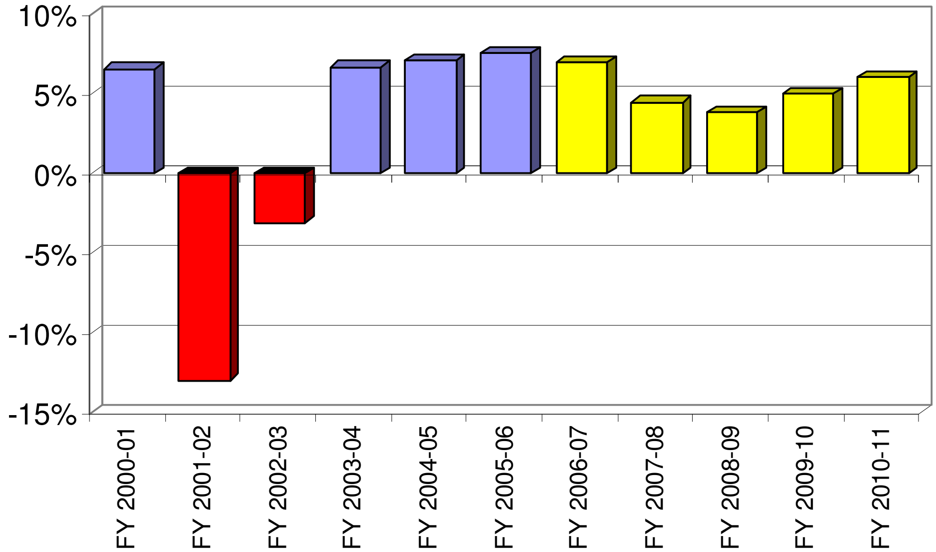
**/C** Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The Account consists of monies collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

**/D** Per S.B. 05-209, and H.B. 06-1385, the three percent TABOR emergency reserve is designated as up to $20 million in FY 2005-06 and up to $40.0 million in FY 2006-07 from the Major Medical Insurance Fund, up to $35 million in FY 2005-06 and up to $40.0 million in FY 2006-07 from the Subsequent Injury Fund, up to $12.0 million in FY 2005-06 and FY 2006-07 from the Workers' Compensation Cash Fund, up to $7.3 million in FY 2005-06 from the Severance Tax Trust Fund, up to $5.5 million in FY 2005-06 from the Colorado River Recovery Program Loan Fund, up to $100 million in FY 2005-06 and FY 2006-07 in the Wildlife Cash Fund and fund equity, and up to $75 million in FY 2005-06, and up to $80.0 million in FY 2006-07 of state properties.

# Table 3
# Colorado General Fund – Revenue Estimates by Tax Category
($ Millions)

| Line No. | Category | FY 2005-06 | FY 2006-07 | % Chg | FY 2007-08 | % Chg | FY 2008-09 | % Chg | FY 2009-10 | % Chg | FY 2010-11 | % Chg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | June 2007 Estimate by Fiscal Year | | | | | | | | | |
| | *Excise Taxes:* | | | | | | | | | | | |
| 1 | Sales /A | $1,957.3 | $2,052.4 | 4.9% | $2,141.8 | 4.4% | $2,226.2 | 3.9% | $2,328.7 | 4.6% | $2,465.9 | 5.9% |
| 2 | Use /A | $165.9 | $181.2 | 9.2% | $184.7 | 1.9% | $194.6 | 5.4% | $204.0 | 4.9% | $212.8 | 4.3% |
| 3 | Cigarette | $48.2 | $46.9 | -2.7% | $45.5 | -3.0% | $43.8 | -3.6% | $42.5 | -3.0% | $41.5 | -2.5% |
| 4 | Tobacco Products | $11.2 | $11.3 | 1.1% | $12.6 | 11.7% | $12.9 | 1.9% | $13.1 | 1.6% | $13.3 | 1.4% |
| 5 | Liquor | $32.8 | $33.8 | 3.1% | $34.4 | 1.8% | $35.4 | 2.7% | $36.3 | 2.8% | $37.2 | 2.4% |
| **6** | **Total Excise** | **$2,215.4** | **$2,325.6** | **5.0%** | **$2,419.1** | **4.0%** | **$2,512.9** | **3.9%** | **$2,624.7** | **4.4%** | **$2,770.6** | **5.6%** |
| | *Income Taxes:* | | | | | | | | | | | |
| 7 | Net Individual Income | $4,376.1 | $4,764.3 | 8.9% | $5,043.8 | 5.9% | $5,261.6 | 4.3% | $5,558.8 | 5.6% | $5,956.0 | 7.1% |
| 8 | Net Corporate Income | $447.4 | $459.4 | 2.7% | $443.7 | -3.4% | $448.1 | 1.0% | $457.0 | 2.0% | $470.8 | 3.0% |
| **9** | **Total Income** | **$4,823.5** | **$5,223.7** | **8.3%** | **$5,487.5** | **5.0%** | **$5,709.7** | **4.0%** | **$6,015.8** | **5.4%** | **$6,426.9** | **6.8%** |
| *10* | *Less: State Education Fund Diversion* | *$357.2* | *$388.1* | *8.6%* | *$407.7* | *5.0%* | *$424.3* | *4.1%* | *$446.9* | *5.3%* | *$477.1* | *6.8%* |
| **11** | **Total Income to General Fund** | **$4,466.3** | **$4,835.7** | **8.3%** | **$5,079.8** | **5.0%** | **$5,285.4** | **4.0%** | **$5,568.9** | **5.4%** | **$5,949.8** | **6.8%** |
| | *Other Revenues:* | | | | | | | | | | | |
| 12 | Estate /B | $6.8 | $0.7 | -89.7% | $0.5 | -28.6% | $0.5 | 0.0% | $0.5 | 0.0% | $0.5 | 0.0% |
| 13 | Insurance | $175.1 | $188.7 | 7.8% | $194.5 | 3.0% | $201.1 | 3.4% | $207.7 | 3.3% | $204.3 | -1.6% |
| 14 | Interest Income | $33.3 | $36.5 | 9.6% | $37.5 | 2.6% | $38.4 | 2.6% | $39.4 | 2.6% | $40.5 | 2.6% |
| 15 | Pari-Mutuel | $3.4 | $3.1 | -7.4% | $2.8 | -9.6% | $2.7 | -5.4% | $2.5 | -5.9% | $2.4 | -6.2% |
| 16 | Court Receipts | $27.4 | $25.5 | -7.0% | $26.1 | 2.4% | $18.8 | -27.8% | $14.5 | -23.0% | $1.9 | -86.7% |
| 17 | Gaming | $17.6 | $10.0 | -43.2% | $0.0 | -100.0% | $0.0 | N/A | $0.0 | N/A | $0.0 | N/A |
| 18 | Other Income | $19.3 | $24.1 | 24.7% | $24.4 | 1.2% | $24.7 | 1.3% | $30.2 | 22.2% | $30.7 | 1.7% |
| **19** | **Total Other** | **$282.9** | **$288.7** | **2.0%** | **$285.7** | **-1.0%** | **$286.2** | **0.2%** | **$294.8** | **3.0%** | **$280.2** | **-4.9%** |
| **20** | **GROSS GENERAL FUND** | **$6,964.6** | **$7,449.9** | **7.0%** | **$7,784.6** | **4.5%** | **$8,084.5** | **3.9%** | **$8,488.4** | **5.0%** | **$9,000.5** | **6.0%** |
| | *Rebates & Expenditures:* | | | | | | | | | | | |
| 21 | Cigarette Rebate | $14.1 | $12.1 | -14.2% | $11.7 | -3.1% | $11.4 | -2.9% | $11.1 | -2.5% | $10.9 | -1.9% |
| 22 | Old-Age Pension Fund | $89.1 | $93.0 | 4.4% | $98.6 | 6.0% | $104.7 | 6.2% | $111.2 | 6.2% | $118.1 | 6.2% |
| 23 | Aged Property Tax & Heating Credit | $9.8 | $9.5 | -3.1% | $9.0 | -5.0% | $14.0 | 55.5% | $15.3 | 8.9% | $14.8 | -3.0% |
| 24 | Interest Payments for School Loans | $11.3 | $10.6 | -6.3% | $10.8 | 2.0% | $11.2 | 3.7% | $11.4 | 1.8% | $11.5 | 0.9% |
| 25 | Fire/Police Pensions | $29.1 | $38.8 | 33.3% | $38.8 | 0.0% | $38.8 | 0.0% | $38.8 | 0.0% | $38.8 | 0.0% |
| **26** | **Total Rebates & Expenditures** | **$153.4** | **$164.0** | **6.9%** | **$168.9** | **3.0%** | **$180.1** | **6.6%** | **$187.8** | **4.3%** | **$194.1** | **3.4%** |

**Figure 1**
**Gross General Fund Revenue Growth**



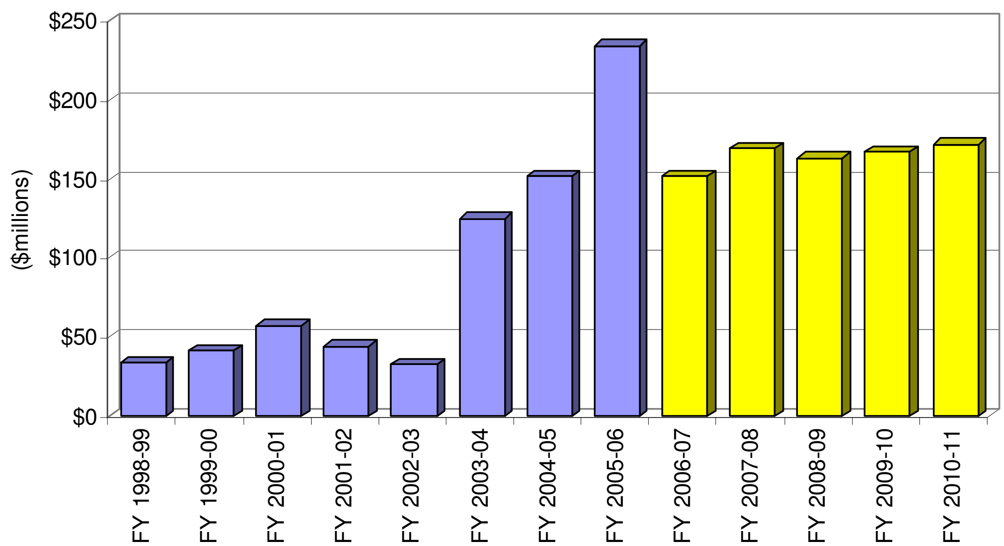

Although sales tax receipts were significantly impacted by the severe snowstorms which hit the Front Range in late December 2006, collections in subsequent months have been higher than anticipated in earlier forecasts. These unforeseen events will offset each other in the aggregate, leaving our June forecast very close to the December 2006 forecast. We expect that total sales tax collections will be $2.05 billion, 4.9 percent higher than collections in FY 2005-06. However, the medium-term forecast has been adjusted downward to reflect expectations for slower economic growth. The June forecast calls for 4.7 percent compound growth in sales taxes over the forecast period. The forecast for other excise taxes did not change significantly.

Other General Fund revenue sources were not significantly changed with few exceptions. The forecast for investment income was decreased $8.9 million in FY 2006-07 due to lower-than-expected receipts through April of the fiscal year. Also, the forecast for gaming revenue to the general fund was brought to zero beginning in FY 2007-08 to reflect the provisions of SB 07-246, which diverts the amount of money that would have flowed to the General Fund from gaming taxes to the newly-created Clean Energy Fund. Finally, the forecast for court receipts was significantly reduced because HB 07-1054 stipulated that some of the money that would have otherwise flowed to the General Fund would be used to help pay for new judges. Ultimately, we expect gross General Fund revenues to grow at a compound average annual rate of 5.2 percent through FY 2010-11.

### *CASH FUNDS*

Table 4 summarizes the forecast for nine major **cash fund** categories. Changes from the March 2007 forecast are due mostly to legislative action, continuing variability in the severance tax projection, minor reductions in the projection of unemployment insurance taxes and a moderate increase in expected transportation-related cash fund revenue. In accordance with Senate Bill 07-253, OSPB and Legislative Council are publishing a consensus forecast of severance tax revenue. Based on updated remittance data, the forecast of FY 2006-07 severance tax revenue was revised to $151.9 million. Collections will remain well below their FY 2005-06 level due to the large property tax credit that taxpayers will be able to claim for the remainder of the fiscal year. Over the forecast period, severance taxes are expected to grow somewhat slower than in the prior forecast, with $38.6 million less in revenue anticipated over the five-year forecast period. Figure 2 shows historical and forecasted severance tax collections.

**Figure 2**
**Severance Tax Collections**




The Governor signed into law several bills that affect anticipated cash fund revenues. The Legislative Impacts section of this forecast reviews major legislation in detail. On balance, cash fund revenues will increase $237.2 million over the forecast period as a result of the 2007 legislative session. Total cash fund revenue to the state is expected to decrease 2.1 percent in FY 2006-07 and increase at a compound average annual rate of 0.5 percent over the forecast period.

# Table 4
## Cash Fund Revenue Forecasts by Major Category
($ Millions)

| Category | FY 2005-06 | June 2007 Estimate by Fiscal Year | | | | | FY 2005-06 to FY 2010-11 CAAGR * |
|---|---|---|---|---|---|---|---|
| | | FY 2006-07 | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 | |
| **Transportation-Related** | $869.6 | $915.9 | $925.3 | $942.8 | $953.0 | $974.6 | |
| Change | 3.1% | 5.3% | 1.0% | 1.9% | 1.1% | 2.3% | 2.3% |
| **Unemployment Insurance /A** | $515.2 | $464.7 | $491.5 | $352.5 | $324.0 | $348.1 | |
| Change | 10.7% | -9.8% | 5.8% | -28.3% | -8.1% | 7.4% | -7.5% |
| **Limited Gaming Fund** | $110.9 | $119.7 | $125.7 | $132.0 | $137.2 | $143.0 | |
| Change | 7.5% | 8.0% | 5.0% | 5.0% | 4.0% | 4.2% | 5.2% |
| **Capital Construction - Interest** | $3.6 | $14.8 | $11.7 | $8.8 | $6.1 | $3.5 | |
| Change | 56.5% | 311.1% | -20.7% | -25.4% | -30.2% | -43.2% | -0.7% |
| **Regulatory Agencies** | $49.2 | $52.8 | $55.5 | $57.5 | $59.6 | $61.7 | |
| Change | -4.3% | 7.4% | 5.1% | 3.6% | 3.7% | 3.5% | 4.6% |
| **Insurance-Related** | $63.9 | $61.0 | $62.8 | $64.7 | $66.8 | $69.0 | |
| Change | 20.1% | -4.7% | 3.1% | 3.0% | 3.2% | 3.3% | 1.5% |
| **Severance Tax /B** | $234.3 | $151.9 | $169.5 | $163.2 | $166.8 | $171.9 | |
| Change | 54.2% | -35.2% | 11.6% | -3.7% | 2.2% | 3.1% | -6.0% |
| **Controlled Maintenance Trust Fund Interest** | $6.7 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | |
| Change | NA | NA | NA | NA | NA | NA | NA |
| **Other Miscellaneous Cash Funds** | $365.3 | $381.8 | $431.6 | $449.1 | $467.4 | $486.9 | |
| Change | 24.4% | 4.5% | 13.0% | 4.0% | 4.1% | 4.2% | 5.9% |
| ***TOTAL CASH FUND REVENUE*** | ***$2,218.6*** | ***$2,162.6*** | ***$2,273.7*** | ***$2,170.5*** | ***$2,181.0*** | ***$2,258.6*** | |
| *Change* | *12.9%* | *-2.5%* | *5.1%* | *-4.5%* | *0.5%* | *3.6%* | 0.4% |

* CAAGR: Compound Annual Average Growth Rate.

NA = Not Applicable.

Totals may not sum due to rounding.

**/A** Includes revenues from the solvency tax surcharge, which is in effect because the solvency ratio on June 30, 2006, and June 30, 2007, is less than 0.9%.

**/B** For ease of comparison between OSPB and LCS forecasts, and per Senate Bill 07-253, quarterly severance tax forecasts formulated by LCS in consultation with OSPB. Severance tax collections are volatile and may vary significantly from these figures.

## SIGNIFICANT LEGISLATION IMPACTING THE FORECAST

In 2007, several bills that alter how revenue flows to Colorado's General Fund and cash funds were signed into law. The following bills have a significant impact on the revenue forecast presented in this document:

- ***House Bill 1054***: *Increase Number of Court Judges* – This bill adds 43 new judges to the county courts, district courts and court of appeals over a three-year period. Increases in certain court fees and a transfer of revenues previously accruing to the General Fund will offset the costs associated with the new judges. The Judicial Stabilization Cash Fund will generate $4 million in new fee revenue in FY 07-08 and subsequent years, and the General Fund will forego $7.9 million in FY 08-09, rising to $26 million in FY 2010-11.

- ***House Bill 1277***: *Sales & Use Tax Exemption For Cleanrooms* – This bill exempts from sales and use tax the infrastructure used in creating clean rooms in manufacturing facilities. The provision sunsets in ten years and will lead to $3.9 million yearly in foregone sales and use taxes.

- ***House Bill 1279***: *Machinery Exempt From Sales & Use Tax* – This bill exempts from sales and use taxes the machinery used to produce electricity from renewable resources and the machinery used in any facility that entered into a power purchase agreement that was fully executed before November 7, 2006. This will result in less sales and use tax revenue than would have otherwise been collected.

- ***House Bill 1288***: *Sustainable Resources Economic Opportunities* – This bill increases existing solid waste disposal and waste tire fees to fund recycling incentives and waste management programs in the Department of Public Health and Environment and the Department of Local Affairs. Cash fund revenues will increase $4.0 million in FY 2007-08 and all subsequent fiscal years.

- ***Senate Bill 55***: *Fund for Crime Victim Services* – This bill increases court fines on certain misdemeanors and felonies in order to increase the Crime Victim Compensation Funds that exist in every judicial district to offset the medical and other expenses suffered by victims of violent crime. The increased fines will result in $2.9 million in additional revenue in FY 2007-08 and $3.6 million yearly thereafter. In addition, the bill diverts fine revenue that previously accrued to the General Fund to the Victims and Witnesses Assistance and Law Enforcement (VALE) fund, which results in a decrease in General Fund revenue of $2.6 million yearly beginning in FY 07-08.

- ***Senate Bill 222***: *Statutory Transfers to the Capital Construction Fund* – This bill transfers up to $30 million in FY 2006-07 from the general fund to the capital construction fund, conditional upon there being sufficient general fund revenue to fund appropriations to the 6% Arveschoug-Bird growth limit, maintain a 4% general fund reserve, and to fund the maximum allowable transfer to the HUTF under Senate Bill 1 of 1997.

- ***Senate Bill 240***: *Capital Construction Fund Transfers* – This bill, in tandem with House Bill 1310 of 2002, will transfer revenue from the general fund to the capital construction fund in order to fund the capital construction and controlled maintenance projects enumerated in the long bill. SB 240 transfers $35.8 million in FY 2006-07 and $20 million in FY 2007-08.

- ***Senate Bill 241***: *Driver's & Plate License Fees* – This bill adds an additional $25 fee for the issuance of certain special license plates and increases various driver's license and other fees in order to help operate several additional license offices. The Licensing Services Cash Fund will be increased by $5.8 million in FY 07-08 and $6.5 million in FY 08-09 and thereafter.

- ***Senate Bill 246***: *Creation of the Clean Energy Fund* – This bill establishes the Clean Energy Fund for the purpose of enhancing energy efficiency and promoting renewable energy throughout the state. The fund will receive the portion of Limited Gaming revenue that previously accrued to the General Fund. General Fund revenues will decrease $7 million in FY 06-07, $3.4 million in FY 07-08 and $9.9 million in FY 08-09.

- ***Fire and Police Pension Increase*** – The state's contribution to the pension fund for retired fire and police officers will increase $9.4 million annually. This will reduce funds available for transportation and capital spending through the HB 02-1310 and SB 97-1 transfers.

# COLORADO ECONOMIC FORECAST

The Colorado economy exhibited solid growth in 2006 with an increase in employment of 2.4 percent, the highest since 2000. Low unemployment, and high wage and salary growth in 2006 also contributed to Colorado's healthy condition. The first quarter of 2007 has continued to demonstrate a low unemployment rate and solid employment growth. Correction in the residential market is occurring but slowly. Permits for nonresidential and single family homes fell; however, permits for multi-family homes increased. The real estate market also shows signs of improvement with continued sales of existing single family homes. The June 2007 OSPB forecast for the Colorado economy has changed compared with the March 2007 forecast in several areas, due to a weakening national economy and high energy and apparel costs along with healthy employment and a recovering housing market.

This section presents the OSPB forecast for Colorado economic and demographic indicators. It includes a discussion of employment and unemployment, inflation, wages and income, and population and migration.

### *EMPLOYMENT*

In 2006, Colorado *employment* rose 2.4 percent, a net increase of 52,800 new jobs. 2007 employment growth will moderate to 2.1 percent in 2007 and 1.9 percent in 2008.

The 2006 Colorado *unemployment* rate dropped to 4.3 percent, well below the 5.0 percent rate posted in 2005. The unemployment rate will drop again to 3.7 percent in 2007, yet moderate to a more natural level of 3.9 percent in 2008 as growth in the labor force and population outpace increases in new jobs.

### *INFLATION*

During 2006, consumer prices in the Denver-Boulder-Greeley area increased 3.6 percent after posting a 2.1 percent increase in 2005. The largest contributing factors to the increasing inflation rate in the Denver-Boulder-Greeley area were motor fuel and apparel, increasing 12.8 percent and 19.3 percent respectively in 2006. The third largest increase came with the rising costs of medical care at an impressive 7.4 percent.

Action by the Federal Reserve to rein in the growth of the money supply could slow inflation. We forecast that local inflation will be 3.2 percent in 2007 and 2.8 percent in 2008.

### *WAGES AND INCOME*

Personal income grew 6.5 percent through 2006. However, after adjusting for inflation and population growth, real per capita income growth was only 1.0 percent. We forecast that personal income will grow 7.4 percent in 2007 and 7.2 percent in 2008.

Colorado wage and salary income rose 7.4 percent through 2006, reflecting a reasonably strong labor market, growth in the labor force and inflation. We forecast wage and salary income to increase 6.8 percent in 2007 and 6.7 percent in 2008.

### *Population and Migration*

In 2006, net in-migration to Colorado was 49,700, which contributed to total population growth of 1.9 percent. We expect net in-migration to grow slightly to 54,600 in 2007 and 61,000 in 2008, with total population growth of 2.0 percent in 2007 and 2.1 percent in 2008.

### *Construction*

In 2006, *residential* single-family permits dropped 22.7 percent, as the supply of homes outstripped demand. However, multifamily permits grew 38.1 percent in response to renewed strength in the apartment market and the continuing build-out of urban renewal sites in the Front Range. We forecast single-family permits to drop another 12 percent in 2007 and gradually recover to 5.9 percent growth in 2008, while multifamily permit growth will drop 14 percent in 2007 and 5.7 percent in 2008.

Although the Denver-area commercial real estate market has recovered significantly since 2003, the total value of *nonresidential* construction permits statewide fell 2.2 percent in 2006, reflecting conservatism in the construction of new commercial space. We forecast the value of nonresidential permits to decline 1.4 percent in 2007 and begin to recover in 2008 with 3.6 percent growth.

### *Retail Trade*

In 2006, retail trade sales in Colorado rose 5.7 percent. Retail sales growth should continue to grow by a similar, but slowing, rate in 2007 of 5.5 percent due to inflation and rising consumer debt. Over the forecast period, we expect retail sales growth to peak in 2008 and then moderate throughout the rest of the forecast period.

### *Risks to the Colorado Forecast*

Colorado's economic condition is influenced significantly by the national economy. Historically, the Colorado economy has tended to lag the national economy, so any serious downturn in the national condition will work its way into Colorado eventually. While Colorado is not as vulnerable to a correction in the information technology sector as it was in the early 2000s, because IT employment has continued to shrink, a significant slowdown or recession at the national level will be felt in Colorado. High energy prices, while a burden to consumers generally, have led to an economic boom in the Western Slope. Although the impact to the state's economy from energy prices is ambiguous, the state government receives more revenue from sales and use taxes than from severance taxes and mineral lease revenue. In that sense, high energy prices represent a downside risk to state revenue.

Colorado is seen as being largely insulated from the deteriorating housing market conditions that exist on the coasts. Except for resort communities and certain Front Range communities with restrictions on new housing development, Colorado did not experience the double-digit growth seen over the last couple of years in places like Las Vegas, Phoenix and Washington, D.C. As such, there is less of a decline necessary to return house prices to their historic relation to income and rents. In fact, parts of the state, particularly on the Western Slope have seen some of the biggest gains in housing prices in the nation.

# Table 5
## History and Forecast for Key Colorado Economic Variables
## Calendar Year 2002-2011

| Line No. | | Actual | | | | | Forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| | **Current Income** | | | | | | | | | | |
| 1 | Personal Income (Billions) | $153.1 | $154.9 | $164.6 | $174.9 | $186.3 | $198.9 | $213.2 | $227.1 | $247.4 | $263.0 |
| 2 | Change | 0.2% | 1.2% | 6.3% | 6.2% | 6.5% | 7.4% | 7.2% | 6.5% | 6.5% | 6.3% |
| 3 | Wage and Salary Income (Billions) | $86.9 | $88.0 | $92.1 | $97.3 | $104.4 | $110.8 | $118.2 | $125.3 | $135.8 | $143.7 |
| 4 | Change | -1.5% | 1.2% | 4.6% | 5.7% | 7.4% | 6.8% | 6.7% | 6.0% | 6.0% | 5.8% |
| 5 | Per-Capita Income ($/person) | $34,027 | $34,056 | $35,766 | $37,459 | $39,186 | $41,026 | $43,099 | $44,971 | $48,067 | $50,159 |
| 6 | Change | -1.4% | 0.1% | 5.0% | 4.7% | 4.6% | 5.3% | 5.1% | 4.3% | 4.4% | 4.4% |
| | **Population & Employment** | | | | | | | | | | |
| 7 | Population (Thousands) | 4,498.4 | 4,548.1 | 4,601.8 | 4,665.2 | 4,753.4 | 4,847.1 | 4,947.8 | 5,050.8 | 5,148.0 | 5,244.3 |
| 8 | Change | 1.6% | 1.1% | 1.2% | 1.4% | 1.9% | 2.0% | 2.1% | 2.1% | 1.9% | 1.9% |
| 9 | Net Migration (Thousands) | 34.2 | 12.4 | 15.3 | 24.5 | 49.7 | 54.6 | 61.0 | 62.7 | 48.7 | 41.6 |
| 10 | Civilian Unemployment Rate | 5.7% | 6.1% | 5.6% | 5.0% | 4.3% | 3.7% | 3.9% | 4.1% | 4.2% | 4.0% |
| 11 | Total Nonagricultural Employment (Thousands) | 2,184.2 | 2,151.1 | 2,175.9 | 2,226.0 | 2,278.8 | 2,319.9 | 2,364.1 | 2,405.3 | 2,451.5 | 2,503.0 |
| 12 | Change | -1.9% | -1.5% | 1.2% | 2.3% | 2.4% | 2.1% | 1.9% | 1.7% | 1.9% | 2.1% |
| | **Construction Variables** | | | | | | | | | | |
| 13 | Total Housing Permits Issued (Thousands) | 47.9 | 39.4 | 46.4 | 46.3 | 39.3 | 37.3 | 37.4 | 39.2 | 40.4 | 41.8 |
| 14 | Change | -12.9% | -17.7% | 17.5% | -0.2% | -15.0% | -5.0% | 0.3% | 4.6% | 3.2% | 3.4% |
| 15 | Nonresidential Construction Value (Millions) | 2,637.8 | 2,433.7 | 3,155.2 | 3,979.5 | 3,890.4 | 3,835.9 | 3,975.0 | 4,103.2 | 4,287.8 | 4,421.5 |
| 16 | Change | -21.8% | -7.7% | 29.6% | 26.1% | -2.2% | -1.4% | 3.6% | 3.2% | 4.5% | 3.1% |
| | **Prices & Sales Variables** | | | | | | | | | | |
| 17 | Retail Trade Sales (Billions) | $58.8 | $58.7 | $62.3 | $65.5 | $69.2 | $72.9 | $77.5 | $82.2 | $86.9 | $91.9 |
| 18 | Change | -0.5% | -0.2% | 6.1% | 5.1% | 5.7% | 5.5% | 6.3% | 6.0% | 5.8% | 5.7% |
| 19 | Denver-Boulder-Greeley Consumer Price Index (1982-84=100) | 184.8 | 186.8 | 187.0 | 190.9 | 197.7 | 2.0 | 2.1 | 2.2 | 2.2 | 2.3 |
| 20 | Change | 1.9% | 1.1% | 0.1% | 2.1% | 3.6% | 3.2% | 2.8% | 2.9% | 3.0% | 3.0% |

# NATIONAL ECONOMIC FORECAST

While the national economy is somewhat stable, its future is a topic of debate amongst many economists. Gross Domestic Product (GDP) growth in the first quarter of 2007 slowed to 0.6 percent, the weakest gain since the fourth quarter of 2002 and the fourth straight quarter with growth below 2.7 percent. This follows the thirteen-quarter run of solid GDP gains since the second quarter of 2003 averaging 3.7 percent. The housing sector remains in decline, and inflation continues to rise, fueled by rising energy prices. Although personal income fell, spending and consumption increased. Unemployment rates are expected to remain steady at 4.5 percent and non-farm payrolls are expected to increase. Because of the conflicting data and changes in the economy, broad consensus as to the possibility of a recession in 2007 is lacking. With just one quarter of additional data, the June 2007 forecast is not considerably different than the March 2007 forecast.

This section presents the OSPB forecast for National economic and demographic indicators. It includes a discussion of employment and unemployment, inflation, wages and income, and population and migration.

### *GROSS DOMESTIC PRODUCT*

Gross Domestic Product (GDP) is the value of all final goods and services produced in the United States and sold at retail. It is the broadest measure of economic well-being. In 2006, inflation-adjusted gross GDP increased 3.3 percent. A preliminary reading of 1.3 percent growth in the first quarter of 2007 was revised downwards to 0.6 percent. The downward adjustment in 2007 first quarter real GDP was almost entirely due to a decrease in business inventories, as well as a larger-than-expected downward adjustment to net exports. These negative results were partially offset by an unexpectedly large upward bump to consumption growth, business fixed investment was revised up but still remained negative, and government consumption increased. Consensus forecasts range between 2.7 percent and 3.3 percent growth through 2011.

- ***Consumer spending,*** which comprises more than two thirds of GDP, rose 4.4 percent in the first quarter of 2007. Strong first quarter performance matched those of the fourth quarter of 2006. However, a pullback in real consumption is expected in the second quarter to 1.7 percent, as disposable income growth finally moderates and gasoline prices reach record highs. Growth in the production of retail goods surpassed that of services, as durable goods increased 8.8 percent and nondurable goods increased 3.5 percent in the first quarter, whereas services expenditures increased 4.0 percent.

- ***Business investment*** was strong in commercial real estate in 2006 thereby contributing to 2.9 percent growth but large losses in the residential market, a decline of 15.4 percent, caused it to decrease to 3.5 percent in the first quarter of 2007. Commercial investment began 2007 at 5.1 percent growth, while business equipment and software sales grew 2.0 percent.

### *INFLATION*

Inflationary pressures are stable. While low by historical standards, inflation is running slightly above the comfort level of most central bankers. The current rate is near 2.6 percent, which is well below the post-Katrina cyclical high of 4.7 percent. Overall, consumer prices rose 3.2 percent in 2006 and are expected to rise 2.8 percent in both 2007 and 2008. Meanwhile, core consumer prices — which exclude energy and food prices — increased 2.5 percent in 2006 and are expected to increase at approximately 2.5 percent annually through 2009.

### *INTEREST RATES*

The federal funds rate, which was at 1.75 percent as recently as September 2004, is now 5.25 percent and is expected to stay that way at least for the first half of 2007, with a rate hike possible towards the end of the third quarter to 5.50 percent if inflation persists and growth picks up. The Federal Reserve Bank's Open Market Committee continues to state that core inflation remains somewhat elevated and although inflation pressures seem likely to moderate over time, the high level of resource utilization has the potential to sustain those pressures. Future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information.

### *EMPLOYMENT*

National payrolls increased 1.9 percent in 2006, with 2.5 million workers added to non-farm payrolls between 2005 and 2006. In 2007 and 2008, employment will increase 1.4 percent and 1.3 percent, respectively.

The unemployment rate finished at 4.6 percent for 2006 and is forecast to average 4.4 percent in 2007 and 4.3 percent in 2008. Economists tend to think that an unemployment rate around 4.5 percent is the lowest that can be sustained; in this sense, the forecast reflects expectations of a fundamentally strong labor market in the medium term.

### *RISKS TO THE FORECAST*

This forecast has a variety of risks. The downside risks are more easily identifiable. While the U.S. economy is far more inoculated against energy price shocks than it was in the 1970s, a major geopolitical event, severe weather, or OPEC action could still cause significant harm. In addition, an increasingly global financial system exposes the national economy to harm from events such as debt defaults, currency devaluations, or the arbitrary imposition of capital controls. On the domestic front, any further weakening in the housing market will put a noticeable dent in employment and output.

Some risks to the upside include a soft landing for the housing market, further diminishing of the federal budget deficit, or a satisfactory conclusion to the Doha round of multilateral trade talks. In addition, there is still a large risk premium on the price of oil due to perceived security risks in the Middle East. An improvement in the geopolitical climate could reduce the price of oil significantly, which would boost the spending power of American consumers.

# Table 6
# History and Forecast for Key National Economic Variables
# Calendar Year 2002-2011

| Line No. | | Actual | | | | | Forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| | **Inflation-Adjusted & Current Dollar Income Accounts** | | | | | | | | | | |
| 1 | Inflation-Adjusted Gross Domestic Product (Billions) | $10,047.8 | $10,303.0 | $10,703.3 | $11,050.3 | $11,412.0 | $11,681.5 | $12,070.9 | $12,469.1 | $12,857.3 | $13,235.0 |
| 2 | Change | 1.6% | 2.5% | 3.9% | 3.2% | 3.3% | 2.4% | 3.3% | 3.3% | 3.1% | 2.9% |
| 3 | Gross Domestic Product (Billions) | $10,469.7 | $10,961.0 | $11,712.6 | $12,456.0 | $13,304.7 | $14,093.0 | $14,882.1 | $15,676.3 | $16,476.0 | $17,304.9 |
| 4 | Change | 3.4% | 4.7% | 6.9% | 6.3% | 6.8% | 5.9% | 5.6% | 5.3% | 5.1% | 5.0% |
| 5 | Personal Income (Billions) | $8,896.8 | $9,203.7 | $9,778.9 | $10,293.0 | $10,930.9 | $11,582.3 | $12,250.8 | $12,938.9 | $13,646.3 | $14,388.4 |
| 6 | Change | 1.9% | 3.4% | 6.3% | 5.3% | 6.2% | 6.0% | 5.8% | 5.6% | 5.5% | 5.4% |
| 7 | Per-Capita Income ($/person) | $30,866 | $31,707 | $33,371 | $34,828 | $36,588 | $38,361 | $40,090 | $41,800 | $43,556 | $45,377 |
| 8 | Change | 0.9% | 2.7% | 5.2% | 4.4% | 5.1% | 4.8% | 4.5% | 4.3% | 4.2% | 4.2% |
| | **Population & Employment** | | | | | | | | | | |
| 9 | Population (Millions) | 288.7 | 291.6 | 294.4 | 297.1 | 300.1 | 302.3 | 305.1 | 307.9 | 310.6 | 313.4 |
| 10 | Change | 1.0% | 1.0% | 1.0% | 0.9% | 1.0% | 0.8% | 0.9% | 0.9% | 0.9% | 0.9% |
| 11 | Civilian Unemployment Rate | 5.8% | 6.0% | 5.5% | 5.0% | 4.6% | 4.4% | 4.3% | 4.2% | 4.2% | 4.2% |
| 12 | Total Nonagricultural Employment1 (Millions) | 130.3 | 130.0 | 131.4 | 133.7 | 136.2 | 138.1 | 139.8 | 141.7 | 143.6 | 145.3 |
| 13 | Change | -1.1% | -0.3% | 1.1% | 1.7% | 1.9% | 1.4% | 1.3% | 1.4% | 1.3% | 1.2% |
| | **Financial Markets** | | | | | | | | | | |
| 14 | 30-Year T-Bond Rate | 4.8% | 3.9% | 3.3% | 3.6% | 5.2% | 5.6% | 5.7% | 5.9% | 5.9% | 5.8% |
| 15 | 10-Year T-Bond Rate | 4.6% | 4.0% | 4.3% | 4.3% | 5.1% | 5.1% | 5.3% | 5.5% | 5.6% | 5.4% |
| 16 | Federal Fund Rate | 1.6% | 1.1% | 1.5% | 3.4% | 5.0% | 5.4% | 5.8% | 5.6% | 5.5% | 5.5% |
| | **Price Variables** | | | | | | | | | | |
| 17 | Consumer Price Index (1982-84=100) | 179.9 | 184.0 | 188.9 | 195.3 | 201.6 | 207.1 | 212.9 | 218.6 | 224.4 | 230.5 |
| 18 | Change | 1.6% | 2.3% | 2.7% | 3.4% | 3.2% | 2.8% | 2.8% | 2.7% | 2.7% | 2.7% |
| 19 | Producer Price Index (1982=100) | 139.1 | 143.7 | 149.0 | 156.4 | 160.4 | 166.0 | 170.2 | 174.1 | 178.1 | 182.2 |
| 20 | Change | -0.9% | 3.3% | 3.7% | 5.0% | 2.5% | 3.5% | 2.5% | 2.3% | 2.3% | 2.3% |
| | **Other Key Indicators** | | | | | | | | | | |
| 21 | Industrial Production Index (1996=100) | 100.2 | 101.2 | 103.8 | 107.2 | 111.5 | 113.9 | 117.6 | 121.6 | 125.4 | 129.1 |
| 22 | Change | 0.6% | 0.9% | 2.7% | 3.3% | 4.0% | 2.2% | 3.3% | 3.3% | 3.1% | 2.9% |
| 23 | Corporate Profits After Tax (Billions) | $575.9 | $664.8 | $844.2 | $1,119.5 | $1,238.1 | $1,237.3 | $1,287.1 | $1,358.2 | $1,428.0 | $1,498.8 |
| 24 | Change | 14.3% | 15.4% | 27.0% | 32.6% | 10.6% | -0.1% | 4.0% | 5.5% | 5.1% | 5.0% |
| 25 | Housing Starts (Millions) | 1.710 | 1.854 | 1.949 | 2.073 | 1.943 | 1.675 | 1.590 | 1.573 | 1.598 | 1.634 |
| 26 | Change | 6.8% | 8.4% | 5.1% | 6.4% | -6.3% | -13.8% | -5.1% | -1.1% | 1.6% | 2.2% |