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MEMORANDUM

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

FROM: Office of State Planning and Budgeting

DATE: September 19, 2008

SUBJECT: ***September 2008 Revenue Forecast***

This memorandum presents the September 2008 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, and summaries of both the national and Colorado economic forecasts.

SEPTEMBER 2008 OSPB FORECAST HIGHLIGHTS

- Gross **General Fund revenues** are anticipated to reach $8.0 billion in FY 2008-09, with the largest contributor of this projected 4.3 percent growth over FY 2007-08 being income tax revenues (both personal and corporate). With a combined increase of 5.2 percent, income tax revenue is anticipated to partially offset the impact from slowing sales tax collections.
- **Cash fund revenues** are forecast to increase 8.7 percent in FY 2008-09 (to $2.5 billion) as severance tax revenue is projected to grow nearly 80 percent over FY 2007-08 values, driven by greater prices for natural gas over the last year. Unemployment tax revenues are also anticipated to increase by 16.4 percent due to imposing the solvency surcharge when the balance of the Unemployment Trust Fund falls below its 0.9 percent of total private wages threshold. For the long term, greater volatility in natural gas prices is anticipated, resulting in reduced severance tax revenues in some years, driving overall Cash Fund revenues down.
- Through the forecast period, the State is projected to have enough General Fund revenue to maintain **appropriations** growth of six percent and make at least partial **Senate Bill 97-1 transfers**. The State is not projected to have **excess General Fund reserves** after FY 2007-08.
- Under the provisions of **Referendum C**, the State will retain $6.1 billion from FY 2005-06 through FY 2009-10; a decrease of roughly $314.3 million from the June forecast. A TABOR refund of $62.9 million is forecast for FY 2011-12.

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 forecast on the State budget, particularly as it relates to transportation and capital construction.

GENERAL FUND OVERVIEW

Table 1A presents the General Fund Overview for the September 2008 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. Line 4 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). Line 7 represents other transfers from the General Fund including funding to the Colorado State Veteran's Trust Fund, the Supplemental Old Age Pension Health and Medical Care Fund, and the Older Coloradans Cash Fund.

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 exempted from the six percent limit, but is included in the base for future growth (line 12), and other spending outside the six percent limit (line 13). It should be noted that the total on line 13 must be funded *prior* to funding General Fund appropriations under the six percent limit. Line 17 includes funds that have been appropriated, as well as annual continuation costs associated with capital construction projects and certificate of participation payment (COP) obligations.

The bottom portion of Table 1A presents the amount of revenue forecasted to flow into the year-end reserve. The amount of revenue in the statutorily required 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 a maximum transfer to the Highway User Tax Fund (HUTF) under Senate Bill 97-1, the remaining revenue is recorded as excess reserve (line 23). Any 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 one-third of one percent of State taxable income to the State Education Fund.

Table 1B reflects the changes to the General Fund Overview since the June 2008 forecast. Note that the SB 97-1 transfers, which reflect the allocation of General Fund revenues once the six percent appropriation limit and the four percent General Fund reserve requirement are satisfied, are shown as positive values for increased revenue diversions to transportation in this table.

Table 1A
General Fund Overview
(Dollar Amounts in Millions)

Line No.		Preliminary /G FY 2007-08	September 2008 Estimate by Fiscal Year FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revenue						
1	Beginning Reserve	$267.0	$283.5	$301.9	$320.0	$339.2
2	**Gross General Fund Revenue**	**$7,742.7**	**$8,076.0**	**$8,481.2**	**$8,902.6**	**$9,397.8**
3	*General Fund*	*$6,571.2*	*$6,712.1*	*$7,310.9*	*$8,902.6*	*$9,397.8*
4	*General Fund Exempt*	*$1,171.5*	*$1,363.8*	*$1,170.3*	*$0.0*	*$0.0*
5	**Senate Bill 97-1 Diversion**	**($238.1)**	**($216.4)**	**($153.1)**	**($84.1)**	**($10.9)**
6	*Percent of Maximum*	*99%*	*88%*	*59%*	*31%*	*4%*
7	**Net Transfers to/(from) the General Fund /A**	**($5.8)**	**($11.7)**	**($10.8)**	**($10.8)**	**($10.8)**
8	**TOTAL REVENUE**	**$7,765.9**	**$8,131.4**	**$8,619.2**	**$9,127.7**	**$9,715.3**
Expenditures						
9	**General Fund Appropriations (Subject to 6% Limit)**	**$7,087.8**	**$7,546.9**	**$7,999.9**	***$8,479.9***	***$8,988.7***
10	*Appropriations Change (from prior year)*	*$412.3*	*$459.0*	*$453.1*	*$480.0*	*$508.8*
11	*Percent Change*	*6.2%*	*6.4%*	*6.0%*	*6.0%*	*6.0%*
12	**Exemptions to 6% Limit /B**	**$31.9**	**$0.2**	**$0.0**	**$0.0**	**$0.0**
13	**Spending Outside 6% Limit**	**$320.8**	**$282.4**	**$293.3**	**$298.6**	**$352.9**
14	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$62.6*
15	*Rebates and Expenditures /C*	*$173.8*	*$170.5*	*$178.5*	*$176.0*	*$161.8*
16	*Homestead Exemption*	*$79.8*	*$86.1*	*$93.4*	*$100.7*	*$107.7*
17	*Transfers to Capital Construction /D*	*$93.7*	*$25.9*	*$21.4*	*$21.8*	*$20.7*
18	*Reversions and Accounting Adjustments*	*($26.5)*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
19	**TOTAL OBLIGATIONS**	**$7,440.5**	**$7,829.5**	**$8,293.3**	**$8,778.5**	**$9,341.6**
Reserves						
20	**Year-End Reserve**	**$325.4**	**$301.9**	**$325.9**	**$349.3**	**$373.7**
21	*Year-End Reserve as a % of Appropriations*	*4.6%*	*4.0%*	*4.1%*	*4.1%*	*4.2%*
22	**Statutory Reserve: 4% of Appropriations**	**$283.5**	**$301.9**	**$320.0**	**$339.2**	**$359.5**
23	**Excess Monies Above (Below) Reserve**	**$41.9**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
24	*2/3 for Transportation /E*	*$27.9*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
25	*1/3 for Capital Construction /E*	*$14.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
26	Addendum: State Education Fund /F	$407.9	$428.4	$448.6	$471.5	$497.4

Note: Lines in Bold represent totals.

/A Includes General Fund transfers to the State Veterans Trust Fund, the Older Coloradans Cash Fund, and the Supplemental Old Age Pension Health and Medical Care Fund.

/B In FY 2007-08 $6.1 million, and in FY 2008-09 $0.2 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 This includes the necessary annual continuation costs associated with certain FY 2008-09 projects and certificate of participation payments appropriated from Capital Construction funds.

/E 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.

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

/G FY 2007-08 figures are provided by the Office of the State Controller and are considered preliminary until audited figures become available.

Table 1B
General Fund Changes Since June 2008 Forecast
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2007-08	June to September 2008 Forecast Changes FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revenue						
1	Beginning Reserve	$0.0	($0.0)	$1.1	$1.2	$1.2
2	**Gross General Fund Revenue**	**($52.4)**	**$4.7**	**$86.6**	**$61.3**	**$1.4**
3	*General Fund*	*$59.6*	*$57.7*	*$195.0*	*$1,201.9*	*$1,285.0*
4	*General Fund Exempt /A*	*($112.0)*	*($53.0)*	*($108.4)*	*($1,140.6)*	*($1,283.6)*
5	**Senate Bill 97-1 Diversion**	**($2.6)**	**($20.1)**	**$53.7**	**$20.4**	**($100.6)**
7	**Net Transfers to/(from) the General Fund /B**	**($5.8)**	**($8.8)**	**($10.8)**	**($10.8)**	**($10.8)**
8	**TOTAL REVENUE**	**($55.6)**	**$16.0**	**$23.3**	**$31.3**	**$92.4**
Expenditures						
9	**General Fund Appropriations (Subject to 6% Limit) /C**	**($0.0)**	**$27.7**	**$29.3**	**$31.1**	**$33.0**
12	**Exemptions to 6% Limit**	**$25.7**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
13	**Spending Outside 6% Limit**	**($23.2)**	**($12.8)**	**($13.1)**	**($11.1)**	**$44.1**
14	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$62.6*
15	*Rebates and Expenditures*	*$3.3*	*($12.9)*	*($13.5)*	*($11.2)*	*($8.5)*
16	*Homestead Exemption*	*$0.0*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
17	*Transfers to Capital Construction*	*$0.0*	*$0.1*	*$0.4*	*$0.1*	*($10.1)*
18	*Reversions and Accounting Adjustments*	*($26.5)*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
19	**TOTAL OBLIGATIONS**	**$2.5**	**$14.9**	**$16.2**	**$20.0**	**$77.0**
Reserves						
20	**Year-End Reserve**	**($58.1)**	**$1.1**	**$7.1**	**$11.3**	**$15.4**
22	**Statutory Reserve: 4% of Appropriations**	**($0.0)**	**$1.1**	**$1.2**	**$1.2**	**$1.3**
23	**Excess Monies Above (Below) Reserve**	**($58.1)**	**($0.0)**	**($0.0)**	**($0.0)**	**($0.0)**
24	*2/3 for Transportation*	*($38.7)*	*($0.0)*	*($0.0)*	*($0.0)*	*($0.0)*
25	*1/3 for Capital Construction*	*($19.4)*	*($0.0)*	*($0.0)*	*($0.0)*	*($0.0)*
26	Addendum: State Education Fund /E	*($2.2)*	*$3.3*	*$6.6*	*$2.6*	*($2.8)*

Note: Lines in Bold represent totals.

/A Reported reductions in General Fund Exempt and increases in General Fund revenues are due to previous forecasts continuing to represent a Referendum C impact beyond FY 2009-10. This forecast assumes all General Fund collected after FY 2009-10 is applicable to the new limit once Referendum C expires.

/B SB 97-1 transfers are shown as positive values for increased revenue diversions to transportation; negative values indicate decreased revenue diversions to transportation.

/C The General Fund Appropriation Limit increased since the June 20 forecast based upon $25.7 million in Medicaid overexpenditures for FY 07-08

Budget Implications of the Forecast

The September FY 2008-09 forecast for General Fund revenue was increased by $4.7 million over June's estimate, indicating a slight improvement in the State's General Fund revenue projection. The primary driver of this overall increase is an estimated 5.5 percent increase in projected individual income tax revenue for FY 2008-09. However, because of the anticipated increase in the State's overall inflation rate to 3.7 percent, the underlying increase in personal income does not correspond to an improved financial outlook for Colorado consumers in real terms.

For the long-term, growth in personal income is anticipated to continue pushing income tax revenues above the previous forecast, thereby offsetting the reduced sales tax estimates resulting from weakening consumer confidence. The net effect from these adjustments results in slightly higher SB 97-1 transfers to transportation in FY 2009-10 and FY 2010-11 than previously forecast, equal to $53.7 and $20.4 million, respectively.

- ***Appropriations*** **–** The September 2008 forecast projects that the State will have enough revenue to fully fund the six percent General Fund appropriations growth through FY 2011-12. The annual allowable increase in General Fund appropriations is $459.0 million in FY 2008-09 and is projected to equal $453.1 million in FY 2009-10.

- ***Transportation*** – The State transferred $266.0 million to fund transportation-related projects in FY 2007-08 ($27.9 million from HB 02-1310 and $238.1 million from full SB 97-1 transfers). The September 2008 forecast estimates that there will not be excess General Fund revenue to fund HB 02-1310 transfers for the forecast period, and that only partial SB 97-1 transfers will be possible. Projected FY 2008-09 cash fund revenues related to transportation are also anticipated to experience a 0.1 percent decline from FY 2007-08 levels before returning to traditional growth rates.

- ***Capital Construction*** **–** Assuming no future HB 02-1310 transfers and a spending pattern for three year capital projects of 30 percent in year one, 60 percent in year two, and 10 percent in year three, this forecast assumes that General Fund transfers will be required for all forecast years. Since no excess General Fund revenue is anticipated throughout the forecast period, all SB 97-1 transfers have been reduced to ensure that continuation capital projects are funded. Certificate of participation payments for Colorado State Penitentiary II and Fitzsimmons (equal to $19.1 million combined) are also covered by these transfers.

- ***Referendum C*** **–** Under the provisions of Referendum C, the State will retain $6.1 billion between FY 2005-06 and FY 2009-10, down $330 million from the June forecast. This reduction in exempt revenue is due to the combination of lower TABOR revenue projections and a higher TABOR limit brought on by projected increases in inflation.

  Though the TABOR limit increased for FY 2009-10 year due to a sizable increase to the projected inflation rate for 2008, since the TABOR limit is still projected to be well below projected revenue estimates in the year Referendum C expires, projected revenues in FY 2009-10 will determine the starting point for the new allowable revenue limit in future fiscal years. Since TABOR revenues are anticipated to increase more than the combined population plus inflation increase beginning in FY 2011-12, a TABOR refund of $62.9 million is currently forecast.

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 each subsequent year. Beginning in FY 2010-11, the State will be required to refund any revenue in excess of this limit. This forecast projects a refund situation in FY 2011-12 (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 $6.1 billion.

GENERAL FUND

Individual projections for excise, income, and other General Fund revenue sources can be found in Table 3. Ultimately, gross General Fund revenue is expected to grow at a compound average annual rate of 3.9 percent between FY 2007-08 and FY 2011-12.

Since the June 2008 forecast, income taxes collections have remained somewhat resilient to the economic environment, while sales tax revenue collections support lower consumer confidence. For FY 2008-09, greater inflation, unemployment, and reduced disposable income are still anticipated. But as inflation is also projected to increase personal income over the long term, greater income tax collections are projected for the current year and beyond when compared to the previous forecast, offsetting these lowered excise tax revenues estimates for Colorado.

Table 2
TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary /E FY 2007-08	September 2008 Estimate by Fiscal Year FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	TABOR Revenues:					
1	General Fund /A	$7,746.0	$8,076.0	$8,481.2	$8,902.6	$9,397.8
2	Cash Funds /B	$2,254.6	$2,487.7	$2,417.0	$2,372.1	$2,651.0
3	**Total TABOR Revenues**	$10,000.6	$10,563.7	$10,898.2	$11,274.7	$12,048.8
	Revenue Limit Calculation:					
4	Previous calendar year population growth	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*1.9%*
5	Previous calendar year inflation	*3.6%*	*2.2%*	*3.7%*	*3.0%*	*2.8%*
6	**Allowable TABOR Growth Rate**	*5.6%*	*4.2%*	*5.7%*	*5.0%*	*4.7%*
7	TABOR Limit	$8,829.1	$9,199.9	$9,727.9	$10,217.9	$10,699.0
8	General Fund Exempt Revenue Under Ref. C /C	$1,171.5	$1,363.8	$1,170.3		
9	**Revenue Limit Under Ref. C /D**	**$10,000.6**	**$10,563.7**	**$10,898.2**	**$11,447.1**	**$11,986.1**
10	*Amount Above/(Below) Limit*	*$0.0*	*$0.0*	*$0.0*	*($172.4)*	*$62.6*
11	TABOR Reserve Requirement	$300.0	$316.9	$326.9	$338.2	$359.6

/A The FY 2007-08 amount differs from the General Fund revenues reported in other tables because of entries made after Period 13.

/B FY 2007-08 Cash Funds does include revenues from two state colleges that lost their enterprise status in FY 2007-08 and thus were subject to TABOR. It is the expectation that these schools will again become enterprises in FY 2008-09 and beyond.

/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 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."

/E FY 2007-08 figures are provided by the Office of the State Controller and are considered preliminary until audited figures become available.

Table 3
Colorado General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Preliminary /D FY 2007-08	% Chg	September 2008 Estimate by Fiscal Year FY 2008-09	% Chg	FY 2009-10	% Chg	FY 2010-11	% Chg	FY 2011-12	% Chg
	Excise Taxes:										
1	Sales /A	$2,126.9	4.9%	$2,176.6	2.3%	$2,302.1	5.8%	$2,429.6	5.5%	$2,575.8	6.0%
2	Use /A	$191.3	5.3%	$201.1	5.2%	$208.0	3.4%	$218.5	5.0%	$229.3	5.0%
3	Cigarette	$45.2	-4.0%	$45.6	0.8%	$44.2	-3.1%	$42.2	-4.5%	$40.1	-5.0%
4	Tobacco Products	$12.4	-4.2%	$12.6	1.6%	$12.8	1.3%	$13.1	2.4%	$13.3	1.4%
5	Liquor	$35.7	5.0%	$34.9	-2.3%	$42.6	22.3%	$44.0	3.1%	$45.2	2.9%
6	**Total Excise**	**$2,411.4**	**4.7%**	**$2,470.7**	**2.5%**	**$2,609.7**	**5.6%**	**$2,747.3**	**5.3%**	**$2,903.8**	**5.7%**
	Income Taxes:										
7	Net Individual Income	$4,973.7	2.1%	$5,245.8	5.5%	$5,506.8	5.0%	$5,796.0	5.3%	$6,122.3	5.6%
8	Net Corporate Income	$507.9	2.0%	$520.3	2.4%	$539.9	3.8%	$569.6	5.5%	$602.6	5.8%
9	**Total Income**	**$5,481.6**	**2.1%**	**$5,766.1**	**5.2%**	**$6,046.7**	**4.9%**	**$6,365.5**	**5.3%**	**$6,724.9**	**5.6%**
10	*Less: State Education Fund Diversion*	*$407.9*	*3.2%*	*$428.4*	*5.0%*	*$448.6*	*4.7%*	*$471.5*	*5.1%*	*$497.4*	*5.5%*
11	**Total Income to General Fund**	**$5,073.7**	**2.0%**	**$5,337.8**	**5.2%**	**$5,598.1**	**4.9%**	**$5,894.0**	**5.3%**	**$6,227.5**	**5.7%**
	Other Revenues:										
12	Estate /B	$0.2	-76.7%	$0.0	-100.0%	$0.0	N/A	$0.0	N/A	$0.0	N/A
13	Insurance	$187.8	4.7%	$190.5	1.4%	$203.0	6.6%	$209.0	2.9%	$214.5	2.6%
14	Interest Income	$17.9	-36.4%	$30.5	69.9%	$28.9	-5.1%	$27.9	-3.5%	$28.0	0.5%
15	Pari-Mutuel	$2.7	-8.7%	$2.8	2.8%	$2.6	-7.8%	$2.1	-20.0%	$1.3	-36.3%
16	Court Receipts	$29.6	3.0%	$22.0	-25.6%	$16.9	-23.3%	$0.0	-100.0%	$0.0	N/A
17	Gaming /C	$0.0	-100.0%	$0.0	N/A	$0.0	N/A	$0.0	N/A	$0.0	N/A
18	Other Income	$19.3	21.6%	$21.7	12.2%	$22.0	1.5%	$22.4	1.5%	$22.7	1.6%
19	**Total Other**	**$257.6**	**-1.9%**	**$267.5**	**3.8%**	**$273.4**	**2.2%**	**$261.3**	**-4.4%**	**$266.5**	**2.0%**
20	**GROSS GENERAL FUND**	**$7,742.7**	**2.7%**	**$8,076.0**	**4.3%**	**$8,481.2**	**5.0%**	**$8,902.6**	**5.0%**	**$9,397.8**	**5.6%**
	Rebates & Expenditures:										
21	Cigarette Rebate	$12.7	-3.9%	$11.9	-6.1%	$11.3	-5.4%	$10.7	-4.8%	$10.0	-6.5%
22	Old-Age Pension Fund	$99.0	5.7%	$106.1	7.2%	$113.8	7.2%	$122.0	7.2%	$130.7	7.2%
23	Aged Property Tax & Heating Credit	$10.4	24.4%	$10.6	1.4%	$10.7	1.4%	$10.9	1.4%	$11.0	1.4%
24	Interest Payments for School Loans	$11.9	12.3%	$7.1	-40.5%	$8.0	12.3%	$8.9	12.3%	$10.0	12.3%
25	Fire/Police Pensions	$38.8	0.2%	$34.8	-10.4%	$34.8	0.0%	$23.5	-32.4%	$0.0	-100.0%
26	Amendment 35 General Fund Expenditure	$1.0	N/A	$0.0	-100.0%	$0.0	N/A	$0.0	N/A	$0.0	N/A
27	**Total Rebates & Expenditures**	**$173.8**	**5.6%**	**$170.5**	**-1.9%**	**$178.5**	**4.7%**	**$176.0**	**-1.4%**	**$161.8**	**-8.0%**

/A Per H.B. 00-1259, beginning January 1, 2001, 10.355 percent of sales and use taxes will be diverted to the Highway Users Tax Fund 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 1.

/B 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 have been almost entirely eliminated.

/C S.B. 07-246 transfers $7.0 million to the Clean Energy Fund in FY 2006-07; the remaining $6.5 million is retained in the General Fund. In FY2007-08 and thereafter, all moneys from the Limited Gaming Fund that would have been transferred to the General Fund are transferred to the Clean Energy Fund.

/D FY 2007-08 figures are provided by the Office of the State Controller and are considered preliminary until audited figures become available.

CASH FUNDS

Table 4 summarizes the forecast for eight major cash fund categories. Highlights from the September 2008 forecast are presented below. Total cash fund revenue in FY 2007-08 was $2.3 billion dollars, as compared to $2.1 billion in FY 2006-07.

OSPB projects that there will be $2.4 billion in cash fund revenue in FY 2008-09, a 8.7 percent increase over FY 2007-08. Much of this increase is due to projected increases in severance tax and unemployment insurance tax revenues.

Transportation

OSPB projects that total FY 2008-09 transportation-related cash fund revenues will be $919.5 million, a 0.1% decrease from the FY 2007-08 figure of $920.7 million. Nationally, vehicle miles travelled decreased by 4.7 percent in June 2008 as compared to June 2007, largely in response to several months of gasoline prices near $4 per gallon. Given a significant rise in public transportation and increased sales in more fuel efficient vehicles, this forecast projects that fuel tax revenues will stagnate in the short term until consumers adjust to higher gasoline prices. Beyond FY 2008-09, OSPB projects that total transportation cash fund revenues will return to historical growth trends.

Unemployment Insurance

OSPB projects that unemployment insurance tax revenues, which include unemployment insurance taxes and interest earnings, will be $496.6 million, a 16.4 percent increase over FY 2007-08 collections of $426.6 million. The solvency surcharge, which is imposed on employers when the fund balance falls below 0.9 percent of total private wages, is still anticipated to be removed in 2010 and re-imposed in 2012. Unemployment insurance tax revenues will then start increasing again once the solvency tax is in effect in 2012.

Limited Gaming

Limited gaming tax revenues declined 3.6 percent in FY 2007-08, to $113.6 million. OSPB projects that limited gaming tax revenues will return to trend growth of approximately 6.0 percent in FY 2008-09 and beyond barring significant issues that can be associated with severe economic conditions, weather and as consumers and casinos adjust to the smoking ban.

Capital Construction - Interest

Capital construction interest is collected on the existing fund balance within the Capital Construction Trust Fund (CCTF). Revenue into the CCTF includes both General Fund appropriations through the Long Bill and special legislation, plus two-thirds of any HB 02-1310 revenues when excess General Fund revenue is collected.

Due to the three year appropriation period for capital construction projects, this forecast assumes that, on average, expenditures out of the Capital Construction Trust Fund will equal 30 percent in year one, 60 percent in year two, and 10 percent in year three for appropriated FY 2008-09 projects. In addition, this OSPB forecast assumes that funding for all approved capital construction projects which have phases beyond FY 2008-09 will be funded.

Based on currently approved capital construction projects and certificate of participation payment obligations, this forecast projects that interest earnings in the Capital Construction Trust Fund will equal $19.3 million in FY 2008-09.

Regulatory Cash Funds

OSPB projects that cash fund revenues related to professional licensing, registration and public utilities will be $58.8 million in FY 2008-09, a 2.7 percent increase over the FY 2007-08 revenues of $57.3 million. While this revenue source tends to grow proportionally to the size of Colorado’s labor force, several new laws passed during the 2007 legislative session increased the number of regulated professions, leading to slightly stronger revenue growth.

Severance Taxes

Severance tax revenues are projected to be $303.3 million in FY 2008-09, an increase of 78.4% over FY 2007-08 revenues of $170.1 million. This growth is projected due to substantial increases in hub prices of oil and natural gas in 2008 and improved pipeline capacity for exporting oil and gas from Colorado. However, while the overall trend of natural gas prices continues to increase in this projection, the volatile nature of natural gas prices is anticipated to reduce FY 2009-10 revenues by 46.5 percent before returning to sizable growth in FY 2010-11 and beyond.

Federal Mineral Lease Payments

The US Department of the Interior collects payments from the lease of mineral rights on federal lands. Under current federal law, Colorado receives 49 percent of the royalties on most federal lands in the State. These intergovernmental transfers are TABOR exempt and are a growing source of revenue to the State. Beneficiaries of FML revenue include public schools, local governments most affected by natural resource development, and public institutions of higher education.

This forecast projects FY 2008-09 revenue to equal $196.1 million, a 27.7 percent increase over revenues collected in FY 2007-08. This is below June expectations of $223.2 million due predominately to recent short-term declines in natural gas prices as national storage facilities reach capacity. This forecast also assumes greater volatility in the prices in natural gas over the entire forecast period. Due to legal issues surrounding the Roan Plateau, bonus payments, which typically lag approximately six month following a successful auction, are not anticipated for the Roan Plateau until FY 2009-10 (totaling $56 million for Colorado).

Please note that the FML revenue forecast above is presented for informational purposes only. FML revenues and other transfers from the federal government are not state-generated revenues and are therefore exempt from TABOR. As such, the amounts above are not reflected in the cash fund revenue forecast shown on the following page.

Table 4
Cash Fund Revenue Forecasts by Major Category
(Dollar Amounts in Millions)

Category	Preliminary /D	September 2008 Estimate by Fiscal Year				FY 2007-08 to FY 2011-12 CAAGR *
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	
Transportation-Related	$920.7	$919.5	$944.3	$968.9	$997.2	
Change	4.5%	-0.1%	2.7%	2.6%	2.9%	1.6%
Unemployment Insurance /A	$426.6	$496.6	$550.8	$374.0	$418.2	
Change	0.3%	16.4%	10.9%	-32.1%	11.8%	-0.4%
Limited Gaming Fund	$113.6	$120.5	$128.2	$136.0	$144.5	
Change	-3.6%	6.1%	6.3%	6.1%	6.3%	4.9%
Capital Construction - Interest	$19.3	$19.3	$9.8	$3.5	$1.9	
Change	29.4%	0.0%	-49.1%	-64.5%	-45.7%	-37.1%
Regulatory Agencies	$57.3	$58.8	$60.1	$61.6	$63.4	
Change	12.8%	2.7%	2.2%	2.5%	2.9%	2.1%
Insurance-Related	$64.7	$66.2	$67.2	$68.2	$69.5	
Change	-2.1%	2.3%	1.5%	1.5%	1.9%	1.4%
Severance Tax /B	$170.1	$303.3	$162.2	$239.8	$409.9	
Change	17.2%	78.4%	-46.5%	47.8%	71.0%	19.2%
Other Miscellaneous Cash Funds /C	$482.4	$465.5	$491.5	$517.1	$543.5	
Change	18.0%	-3.5%	5.6%	5.2%	5.1%	2.4%
TOTAL CASH FUND REVENUE	***$2,254.6***	***$2,449.7***	***$2,414.2***	***$2,369.0***	***$2,648.1***	
Change	6.9%	8.7%	-1.5%	-1.9%	11.8%	3.3%

AAGR: Compound Annual Average Growth Rate.

als may not sum due to rounding.

Includes revenues from the solvency tax surcharge, which is in effect because the solvency ratio from June 30, 2006 through June 30, 2009, is less than 0.9%. The solvency surcharge is expected to be reapplied at the beginning of 2012 when the solvency ratio is again less than 0.9%.

The forecast of severance taxes was discussed with Legislative Council Staff per SB 07-253 prior to release of this forecast.

Revenue in Other Miscellaneous Cash Funds includes interest and other earnings from numerous trust funds, fees, and revenue from higher education institutions. The creation and elimination of State enterprises is reflected in these totals.

FY 2007-08 figures are provided by the Office of the State Controller and are considered preliminary until audited figures become available.

COLORADO ECONOMIC FORECAST

Colorado's economy continues to show that it is more resilient and perhaps better poised to rebound from the current national financial turmoil than the national economy. By comparison, Colorado is experiencing lower unemployment, greater job growth, and lower inflation than the nation overall, and is supportive of Colorado's focus on booming industries like renewable and non-renewable energy, biosciences, and technology. While there is still a significant amount of uncertainty surrounding the recent problems of financial giants Bear Stearns, AIG, and Lehmann Brothers, and the federal bail out of governmental sponsored enterprises Freddie Mac and Fanny May, the current circumstances appear to have affected Colorado far less than other states, for several reasons:

- In general, wholesale and retail energy prices have been on the decline since early July. While demand for fuel is increasing worldwide, nationwide estimates show a decrease in the demand for fuel. This decrease in demand actually helped the nation and Colorado weather hurricanes Gustav and Ike as production cuts in Gulf-based refineries were offset by increased production at refineries that were operating below capacity elsewhere. In fact, the Rocky Mountain Region has experienced eight consecutive weeks of decreasing costs at the fuel pump.

- Crude oil prices have made renewable energy producers more economically competitive. The cluster of major research universities and federal laboratories on the Front Range along with the State's efforts on attracting the renewable industry to Colorado have resulted in the State becoming a magnet for private-sector ventures in renewable energy. It appears this sector will lead the way for economic growth in Colorado for the foreseeable future.

- Although certain parts of the State remain distressed by foreclosures, the current state of the residential real estate market is substantially stronger in Colorado than the rest of the country. According to the Standard & Poors / Case-Shiller index, Denver's real estate market is one of the strongest of any major metropolitan area of the country. In the most recent data available, the price index for Denver posted a one-month increase of 1.5 percent in June. Compared to June 2007, home prices in Denver are down 5 percent. However, this is the mildest decrease of any large metropolitan area except Dallas, Texas. Real estate also continues to be strong on the Western Slope, in response to the continuing influx of oil and gas workers.

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

Colorado *employment* rose 0.5 percent year-to-year from July of 2007 to July of 2008. However, due to the recent collapse of several large financial institutions, capital is becoming significantly more difficult to obtain, and businesses are having to temper their plans for growth for the short term. As such, job growth projections have been reduced since the previous forecast for the next few years. While employment growth continues to be positive, it is not growing at a rate sufficient to reduce the number of Coloradans actively searching for a job.

The Colorado *unemployment* rate dropped to 3.8 percent in 2007, its lowest reading since 2000. A general economic slowdown has pulled unemployment rates closer to historical average rates between 5 percent and 6 percent. Due to slowing growth in sectors that typically hire young persons and seasonal help, the Colorado unemployment rate is projected to reach an average of 4.9 percent for calendar 2008, where it is anticipated to remain through 2009, before starting a slow decline.

INFLATION

Local consumer price index (CPI) data, released by the federal Bureau of Labor Statistics semiannually, represents the average change in price over time for a market basket of goods and services.

Due to the substantial increases in the cost of fuel, retail goods, and residential rentals, the Office of State Planning and Budgeting has projected a 3.7 percent increase in the Denver-Boulder-Greeley Consumer Price Index for 2008. In comparison, the 2007 consumer price index increased by 2.2 percent – a relatively low rate of inflation by historical levels. Inflation for 2009 and 2010 has been adjusted down since the June forecast, to 3.0 percent and 2.8 percent, respectively, reflecting anticipated stability of prices in general and a strengthening U.S. dollar, which lowers the prices of imported goods.

WAGES AND INCOME

This forecast projects that personal income will grow 5.2% in 2008 and 4.4% in 2009. These estimates reflect 0.9% and 1.8% reductions from the June 2008 forecast and are due primarily to lower wage and salary growth as well as an unemployment rate that is significantly higher than previously expected.

Colorado wage and salary income rose 6.3 percent through 2007, reflecting a relatively strong labor market, growth in the labor force and inflation. However, the September 2008 forecast projects wage and salary income to increase by only 4.9 percent in 2008, which is 0.7 percent lower than the June 2008 forecasted growth. The forecasted wage and salary growth of 4.0 percent for 2009 is a significant downward revision of the 5.8 percent growth figure reported in the June forecast.

POPULATION AND MIGRATION

In 2007, net in-migration to Colorado was 51,800, which contributed to total population growth of 2.0 percent. This OSPB forecast projects net in-migration to grow slightly to 60,300 in 2008 and 61,000 in 2009. These figures have not changed from the June 2008 forecast.

CONSTRUCTION

Based on continued stress in the housing market and the increasing difficulty associated with getting construction loans, this OSPB forecast projects residential housing permits to decline 17.8 percent and 2.4 percent in 2008 and 2009, respectively. Conversely, nonresidential permits are still being issued, and are projected to increase 2.9 percent in 2008, and 3.0 percent in 2009.

RETAIL TRADE

Retail sales growth is projected to grow at a rate of 4.0 percent in 2008. This is significantly lower than the last two years of 7.0 percent growth and above, due to rising consumer debt payments and the anticipated tightening of credit brought about by the recent volatility in the financial markets.

RISKS TO THE COLORADO FORECAST

Colorado's economy cannot be totally insulated from broader economic issues. With the recent events in the credit markets, there is concern that regardless of Colorado's focus on immerging industries, there will not be enough access to capital for these businesses to exceed. It is too early to tell whether the federal government's capital infusions will be sufficient to stabilize markets and stimulate the financial system.

Table 5
History and Forecast for Key Colorado Economic Variables
Calendar Year 2004-2012

Line No.		Actual				Forecast				
		2004	2005	2006	2007	2008	2009	2010	2011	2012
	Current Income									
1	Personal Income (Billions)	$163.8	$175.8	$188.2	$199.5	$209.9	$219.2	$232.4	$247.0	$262.0
2	Change	5.8%	7.3%	7.0%	6.0%	5.2%	4.4%	6.0%	6.3%	6.1%
3	Wage and Salary Income (Billions)	$92.1	$97.4	$104.0	$110.6	$115.9	$120.6	$127.8	$135.6	$143.6
4	Change	4.6%	5.7%	6.9%	6.3%	4.9%	4.0%	5.9%	6.1%	5.9%
5	Per-Capita Income ($/person)	$35,538	$37,618	$39,480	$41,042	$42,322	$43,299	$45,049	$46,971	$48,890
6	Change	4.6%	5.9%	5.0%	4.0%	3.1%	2.3%	4.0%	4.3%	4.1%
	Population & Employment									
7	Population (Thousands) /A	4,609.3	4,673.7	4,766.2	4,861.5	4,960.7	5,061.7	5,158.3	5,258.0	5,360.0
8	Change	1.2%	1.4%	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%
9	Net Migration (Thousands) /A	15.3	24.3	51.4	51.8	60.3	61.0	56.3	58.7	60.4
10	Civilian Unemployment Rate	5.6%	5.2%	4.3%	3.8%	4.9%	4.9%	4.6%	4.4%	4.3%
11	Total Nonagricultural Employment (Thousands)	2,179.6	2,226.0	2,279.1	2,330.2	2,360.6	2,392.2	2,436.3	2,488.1	2,536.6
12	Change	1.2%	2.1%	2.4%	2.2%	1.3%	1.3%	1.8%	2.1%	1.9%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	46.4	46.3	39.3	30.4	25.0	24.4	24.3	24.9	25.8
14	Change	17.5%	-0.2%	-15.0%	-22.6%	-17.8%	-2.4%	-0.2%	2.3%	3.5%
15	Nonresidential Construction Value (Millions)	3,155.2	3,979.5	3,890.4	4,294.5	4,418.9	4,552.4	4,701.9	4,868.4	5,036.0
16	Change	29.6%	26.1%	-2.2%	10.4%	2.9%	3.0%	3.3%	3.5%	3.4%
	Prices & Sales Variables									
17	Retail Trade Sales (Billions)	$62.3	$65.5	$70.4	$75.4	$78.4	$82.5	$87.3	$92.5	$97.9
18	Change	6.1%	5.1%	7.6%	7.0%	4.0%	5.2%	5.8%	5.9%	5.8%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	187.0	190.9	197.7	202.1	209.4	215.6	221.7	227.9	234.5
20	Change	0.1%	2.1%	3.6%	2.2%	3.7%	3.0%	2.8%	2.8%	2.9%

/A Growth rates calculated by the Colorado State Demography Office

NATIONAL ECONOMIC FORECAST

Real economies are experiencing slowdowns in output and increasing unemployment at a time when inflation has exceeded the comfort zones of central banks. The combination of these events leaves little room for monetary stimulus. The severity of the current slowdown is still mild by historical standards, although significant losses in the financial economy threaten to intensify economic suffering. The nation's short-run economic challenges are largely related to issues around the sub-prime residential lending market, which are being compounded by a demand-driven rise in the cost of most commodities, brought on by booming economies in Asia. With all these compounding concerns, instead of focusing on broader monetary policy, central banks have had little choice but to rescue large financial institutions in order to maintain the short-run viability of the financial system.

Based on the scenario above, overall movement in national indices continues to be negative, which the forecast outlines below. Key changes to national economic and demographic indicators, including to the Gross Domestic Product, interest rates, inflation, employment and unemployment are noted.

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. GDP is reported quarterly by the US Department of Commerce's Bureau of Economic Analysis, and is the broadest measure of economic well-being. In 2007, inflation-adjusted gross GDP increased 2.0 percent, down from 2.8 percent in 2006. First quarter 2008 GDP growth slowed to an annualized 0.9 percent, but rebounded to 3.3 percent in the second quarter.

This OSPB forecast projects GDP growth to be 1.3 percent in 2008 and 1.7 percent in 2009. This is a decrease of 0.3 and 0.6 percent over the June OSPB forecast for 2008 and 2009, respectively.

- ***Consumer spending,*** which comprises roughly 67 percent of GDP, has continued to grow at a weak pace. First quarter 2008 growth was relatively anemic at 0.9 percent, with slight improvement to 1.7 percent in the second quarter. Durable goods spending has decreased in two consecutive quarters, falling 4.3 percent in the first quarter and 2.5 percent in the second. Nondurable spending grew 4.2 percent in the second quarter, partially due to the impacts of the federal tax rebate. Services growth has continued to be positive but modest, at 2.4 percent in the first quarter and 1.3 percent in the second.

- ***Business investment,*** which comprises roughly 14 percent of GDP, remains the weakest component of GDP as the correction in the housing market continues. Residential investment growth was negative in each quarter of 2007, decreased 25.2 percent in the first quarter of 2008 and dropped a further 15.7 percent in the second quarter. Commercial fixed investment has offset some of the weakness in the residential sector, growing 8.6 percent in the first quarter and 13.7 percent in the second quarter of 2008. Overall, first quarter 2008 business investment declined 5.6 percent from the same quarter in 2007, and second quarter investment decreased by 2.5 percent.

- ***Government spending***, the remaining 19 percent of GDP, continues to be a relatively durable sector of the economy. Public spending increased 1.9 percent in the first quarter of 2008 and 3.9 percent in the second quarter. Federal government spending has led the way, growing 5.8 percent in the first quarter and 6.8 percent in the second. State and local government spending growth has been more modest in 2008. Partly due to shrinking local tax bases, state and local government spending decreased 0.3 percent in the first quarter and grew 2.2 percent in the second.

INTEREST RATES

The federal funds rate is the interest rate at which banks lend to each other in order to maintain the minimum amount of reserves required by the Federal Reserve. The Federal Reserve will target a particular rate through buying and selling government securities on the open market. By raising or lowering a key cost of business for commercial banks, the Federal Reserve indirectly affects interest rates offered by lenders in order to control inflation and promote full employment. Based on the federal funds rate, which has remained at 2.0 percent since April 2008, this forecast assumes an average federal funds rate of 2.3 percent and 3.0 percent in 2008 and 2009, respectively.

INFLATION

At 2.0 percent, the federal funds interest rate remains lower than the official inflation rate as reported by the Bureau of Labor and Statistics (5.4 percent in August 2008). This accommodative monetary policy is usually associated with accelerating inflation, although significant decreases in wholesale energy prices may soften the impacts. The national consumer price index (CPI) is anticipated to rise 4.6 percent in 2008 and 3.6 percent in 2009.

EMPLOYMENT

According to the Bureau of Labor and Statistics, national payrolls increased 1.1 percent in 2007, with 1.5 million workers added to non-agricultural payrolls between 2006 and 2007. In 2008 and 2009, employment is projected to increase 0.0 percent and 0.4 percent, respectively. This is a reduction of 0.2 and 0.3 percentage points from the June 2008 forecast.

The unemployment rate finished at 4.6 percent for 2007 and is forecast to be 5.5 percent in 2008 and 5.9 percent in 2009. This constitutes an upward adjustment from the June 2008 forecast, up 0.3 percent in 2008 and 0.5 percent in 2009, reflecting diminished expectations for short-term employment growth. By historical standards, unemployment rates around five percent are generally reflective of a healthy labor market, but the upward trend is enough to unsettle businesses and consumers alike.

Risks to the Forecast

The sub-prime lending crisis in the United States has caused bank insolvencies in the United States, Europe and Asia, and there continues to be uncertainty as to when this trend will reverse. The Federal Reserve has focused on stabilizing the financial industry predominately through large cash infusions as investment banks and insurance companies continue to report substantial losses. Since employment continues to rise, the Federal Reserve has little choice but to hold the federal funds rate at 2.0 percent.

Some risks to the upside include a continuing decline in crude oil prices, an earlier than anticipated stabilization of the housing market, continued diminishing of the trade deficit, and improvements to the structural problems in the federal budget. However, the mainstream outlook supports that there will continue to be instability in the financial industry in the near term, which will result in consumers finding it more difficult to borrow money at any interest rate, businesses having higher costs of capital, and job-seekers having a more difficult time becoming fully employed.

Table 6
History and Forecast for Key National Economic Variables
Calendar Year 2004-2012

Line No.		Actual				Forecast				
		2004	2005	2006	2007	2008	2009	2010	2011	2012
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions)	$10,675.9	$11,004.9	$11,316.2	$11,566.8	$11,722.6	$11,922.7	$12,267.3	$12,623.2	$12,989.3
2	Change	3.6%	3.1%	2.8%	2.2%	1.3%	1.7%	2.9%	2.9%	2.9%
3	Gross Domestic Product (Billions)	$11,712.6	$12,456.0	$13,304.7	$14,093.0	$14,882.1	$15,676.3	$16,476.0	$17,304.9	$18,130.3
4	Change	6.9%	6.3%	6.8%	5.9%	5.6%	5.3%	5.1%	5.0%	4.8%
5	Personal Income (Billions)	$9,727.2	$10,301.1	$10,983.4	$11,659.6	$12,201.8	$12,825.4	$13,566.5	$14,301.0	$15,073.3
6	Change	6.2%	5.9%	6.6%	6.2%	4.7%	5.1%	5.8%	5.4%	5.4%
7	Per-Capita Income ($/person)	$33,355	$35,030	$36,935	$38,821	$40,275	$42,019	$43,962	$45,787	$47,687
8	Change	5.2%	5.0%	5.4%	5.1%	3.7%	4.3%	4.6%	4.2%	4.2%
	Population & Employment									
9	Population (Millions)	294.6	297.5	300.3	302.7	305.3	308.1	311.3	315.1	318.9
10	Change	1.0%	1.0%	1.0%	0.8%	0.9%	0.9%	1.1%	1.2%	1.2%
11	Civilian Unemployment Rate	5.5%	5.1%	4.6%	4.6%	5.5%	5.9%	5.8%	5.8%	5.8%
12	Total Nonagricultural Employment1 (Millions)	131.4	133.7	136.1	137.6	137.7	138.1	139.7	141.4	143.1
13	Change	1.1%	1.7%	1.8%	1.1%	0.0%	0.4%	1.2%	1.2%	1.2%
	Financial Markets									
14	30-Year T-Bond Rate	3.3%	3.6%	5.2%	5.6%	5.7%	5.9%	5.9%	5.8%	5.9%
15	10-Year T-Bond Rate	4.3%	4.3%	5.1%	5.1%	5.3%	5.5%	5.6%	5.4%	5.5%
16	Federal Fund Rate	1.3%	3.2%	5.0%	5.0%	2.3%	3.0%	5.7%	5.5%	5.5%
	Price Variables									
17	Consumer Price Index (1982-84=100)	188.9	195.3	201.6	207.3	216.9	224.5	231.1	237.4	243.8
18	Change	2.7%	3.4%	3.2%	2.9%	4.6%	3.5%	3.0%	2.7%	2.7%
19	Producer Price Index (1982=100)	148.5	155.7	160.4	166.6	179.6	185.8	190.7	195.1	199.6
20	Change	3.6%	4.9%	3.0%	3.9%	7.8%	3.4%	2.7%	2.3%	2.3%
	Other Key Indicators									
21	Industrial Production Index (1996=100)	103.8	107.2	109.6	111.4	111.8	113.7	117.4	120.8	124.3
22	Change	2.5%	3.3%	2.2%	1.7%	0.3%	1.7%	3.2%	2.9%	2.9%
23	Corporate Profits After Tax (Billions)	$844.2	$1,119.5	$1,238.1	$1,237.3	$1,287.1	$1,358.2	$1,428.0	$1,498.8	$1,569.9
24	Change	27.0%	32.6%	10.6%	-0.1%	4.0%	5.5%	5.1%	5.0%	4.7%
25	Housing Starts (Millions)	1.949	2.073	1.943	1.675	1.590	1.573	1.598	1.634	1.669
26	Change	5.1%	6.4%	-6.3%	-13.8%	-5.1%	-1.1%	1.6%	2.2%	2.1%