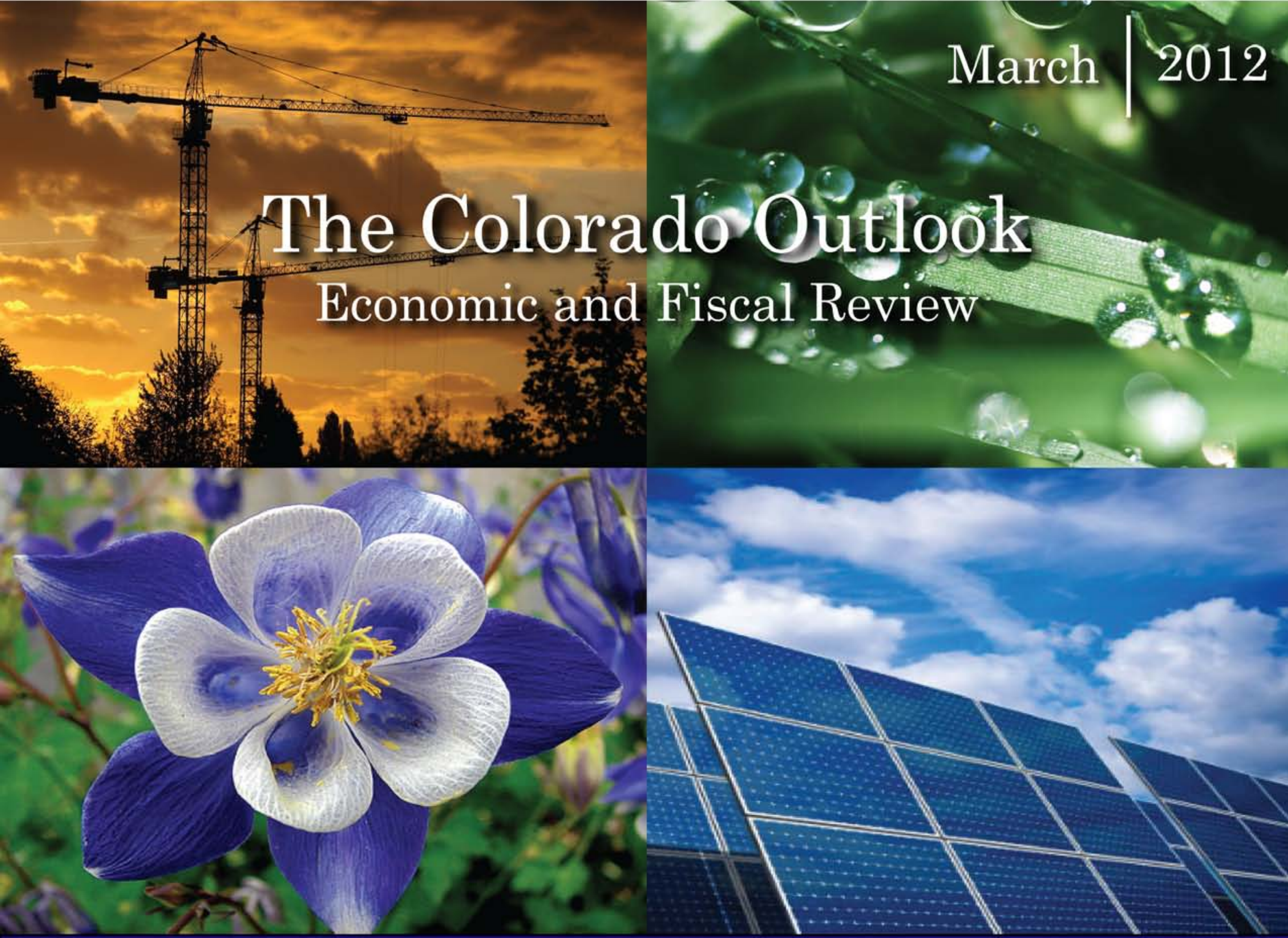
March | 2012

The Colorado Outlook

Economic and Fiscal Review



Governor's Office of State Planning and Budgeting

Table of Contents

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Summary

- The General Fund revenue forecast for this fiscal year increased by 26.3 million, or 0.4 percent, compared with the December forecast. Revenue in FY 2011-12 is now estimated to increase 4.4 percent, or by $314.3 million, over FY 2010-11. Under both current law and the Governor's budget request, this results in revenue above the required 4.0 percent reserve in amounts of $183.6 million and $153.3 million, respectively. The Governor's budget request transfers this money to the State Education Fund.

- OSPB projects FY 2012-13 General Fund revenue will grow at rate higher than projected in December (3.0 percent compared with 1.1 percent). The 3.0 percent rate translates to $220.7 million in revenue growth in FY 2012-13; revenue is projected to be $164.5 million, or 2.2 percent, higher next year than was forecast in December. The increase is mainly attributable to a projected higher rate of revenue growth from individual income tax collected from estimated payments as a result of income tax paid on capital gains and from an increase in income from self-employed individuals and smaller and medium sized businesses.

- Based on this forecast and the Governor's budget request, the state will end FY 2012-13 with a reserve equal to 6.1 percent of appropriations, $155.6 million above the required 4.0 percent reserve level. However, future decisions regarding the current budget year and FY 2012-13 will change the amount of the end of the year reserve level.

- Cash fund revenue subject to TABOR will grow $149.3 million and total $2.5 billion in FY 2011-12, a 6.4 percent increase over FY 2010-11. For FY 2012-13, OSPB forecasts cash fund revenue growth of $51.3 million, or 2.1 percent. OSPB forecasts growth for the main cash fund revenue sources next fiscal year, except for a 31.1 percent decline in severance tax revenue due to a drop in natural gas prices, which are currently at levels not seen in over a decade.

- OSPB has upgraded the economic forecast for 2012 based on recent economic momentum. Improvement in the job market, a loosening of credit, continued increases in manufacturing and other production activities, and higher confidence should bolster growth more than forecast in December. However, while improvement has occurred in some sectors, reasons for concern remain. Persistently high unemployment is indicative of continued labor market problems, gas and food prices are rising again, and the housing market will continue to be an impediment to stronger growth. In addition, European conditions remain uncertain, and other major economies, including China, exhibit signs of slowing. Therefore, although the forecast improved, OSPB remains cautious, projecting modest growth in 2012 and 2013.

General Fund Budget

GENERAL FUND OVERVIEW

Table 1a presents the General Fund Overview based on the March 2012 OSPB revenue forecast incorporating the Governor's FY 2011-12 and FY 2012-13 budget requests. Table 1b shows the overview under current law with additional spending changes that are expected to be made in FY 2011-12.

Funds available – The top portion of the tables summarize the amount of General Fund revenue available for spending. The forecast for this revenue is discussed in further detail in the *General Fund Revenue Forecast* section starting on page 9. In addition to General Fund revenue, the amount of funds available includes the beginning fund balance and any money transferred into or out of the General fund from/to other sources.

The revenue available for spending in Table 1a incorporates the Governor's proposal to transfer $39.4 million in revenue from cash funds, mostly from severance taxes, to the General Fund (Line 4).[1] It also shows the proposal to reduce the amount of gaming revenue credited to the General Fund by $6.1 million (Line 5) that would instead be used to fund initiatives in the Governor's Energy Office and the Office of Film, Television, and Media.

Spending subject to the appropriations limit– Line 7 in Table 1a and Line 5 in Table 1b show General Fund appropriations that are subject to the limit of five percent of Colorado personal income as specified in Section 24-75-201.1 (1) (a) (II) (A), C.R.S. These appropriations fund the State's largest programs, such as K-12 education, higher education, Medicaid, corrections, and human services. General Fund appropriations for FY 2011-12 and FY 2012-13 in Table 1a reflect the Governor's budget request. The FY 2013-14 amount reflects the level of spending that can be supported by forecasted revenue while maintaining the required General Fund reserve.

In Table 1b, the appropriations amount for FY 2011-12 show appropriations under current law as well as additional appropriations that are expected to be made, most notably for the Department of Corrections and for health care-related expenditures. The amounts for FY 2012-13 and FY 2013-14 in Table 1b represent the level of spending that can be supported by revenue while maintaining the required reserve amounts. However, the amounts in both tables will change depending on future budget decisions for the current fiscal year and FY 2012-13.

Spending not subject to the appropriations limit– Lines 10 through 18 in Table 1a summarize spending that is exempt from or is outside of the General Fund appropriations limit. These amounts are summarized in Table 1b in lines 8 through 16. The largest portion of this spending is

[1] The Governor's request from January 3, 2012, proposed to transfer $53.9 million in severance tax. As discussed on page 15 of the Cash Fund Revenue forecast section, OSPB has lowered its forecast for severance tax revenue in FY 2012-13, projecting a 31.1 percent decrease due to a drop in natural gas prices. Thus, the proposed severance tax transfer amount is no longer feasible. Thus, a smaller $30 million transfer is now proposed.

"Rebates and Expenditures," which includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, and Fire and Police Pensions Association (FPPA) contributions as outlined at the bottom of Table 2. The homestead property tax exemption expenditure amount (Line 14 in Table 1a and Line 12 in Table 1b) increases substantially under current law in FY 2012-13 to just under $100 million as the exemption for qualifying seniors returns. From FY 2009-10 through FY 2011-12 the exemption was available only to qualifying disabled veterans. As shown in Table 1a, the Governor's budget request suspends the senior exemption another year in FY 2012-13 which is estimated to save $95.0 million. The request also includes an additional $18.5 million for the property tax, rent, and heat assistance program for low income seniors.

Reserves – The final section of the General Fund Overview tables ("Reserves") shows the amount of General Fund remaining at the end of each fiscal year. The "Year-End General Fund Balance," reflects the difference between total funds available (Line 6 in Table 1a and Line 4 in Table 1b) and total outlays (Line 19 in Table 1a and Line 17 in Table 1b). Line 22 in Table 1a and Line 20 in Table 1b shows the statutorily determined reserve requirement and the following line in each table indicates any variance from the target. For FY 2011-12, this forecast projects that the reserve will be $153.3 million above the 4.0 percent required reserve under the Governor's budget request and $183.6 million above the required reserve under the current law scenario in Table 1b.

State Education Fund – For informational purposes, the last line of the tables show the amount of money credited to the State Education Fund. Under the state constitutional 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. And, for FY 2011-12 only, the State Education Fund receives a portion ($221.4 million) of the General Fund revenue above the required reserve from FY 2010-11 as a result of SB 11-156. In FY 2011-12, the fund will also receive money from the Tax Amnesty Program created by SB 11-184. Based on current information, this amount is $9.4 million. The total amount that will be credited to the fund from the program is not expected to change much, if at all, when final accounting from the program is completed.

BUDGET IMPLICATIONS OF THE FORECAST

FY 2011-12

Under the Governor's budget request shown in Table 1a, the state will end the fiscal year with a reserve equal to 6.2 percent of appropriations, $153.3 million above the required 4.0 percent reserve level. Under the request, this amount will be credited to the State Education Fund.

Based on the current law and expected appropriation changes scenario shown in Table 1b, the state will end the fiscal year with a reserve equal to 6.6 percent of appropriations, $183.6 million above the required 4.0 percent reserve level.

FY 2012-13

Under the Governor's budget request shown in Table 1a, appropriations will grow 3.3 percent or $230.2 million over the FY 2011-12 request amount. The state will end the fiscal year with a reserve equal to 6.1 percent of appropriations, $155.6 million above the required 4.0 percent reserve level. However, future decisions regarding the current budget year and FY 2012-13 will change the amount of the end of the year reserves.

Under the current law and expected appropriation changes scenario shown in Table 1b, General Fund appropriations are able to grow 6.5 percent, or $457.9 million in FY 2012-13 while maintaining the required 4.0 percent reserve. However, this assumes that the $183.6 million excess reserve in FY 2011-12 is not used and adds to the amount of money available for spending in FY 2012-13. A separate General Fund Overview is not provided showing the budget implications if the projected excess reserve is used this fiscal year. Other future budget decisions will also affect the amount available for appropriations in FY 2012-13 and the ending fund balance.

FY 2013-14

The amount available for the General Fund budget in FY 2013-14 will depend on the policies enacted for both the current year and FY 2012-13 budgets. This forecast projects continued, though modest, growth in General Fund revenue in FY 2013-14. Because revenue growth is not expected to increase substantially, it is not reasonable to expect many recent budget reductions to be reversed.

Risks to the Budget Outlook

Although projections for the economy in 2012 have been upgraded modestly due to the recent stronger momentum in the economy, there remain headwinds and downside risks which are discussed in the *Economy: Current Conditions and Forecast* section that starts on page 22. Thus, the forecast for General Fund revenue continues to be relatively modest throughout the forecast period. Although recent developments in the economy have been positive, OSPB would like to see more evidence that the current growth trajectory is fully sustainable. The economy is still healing from wounds from the deep recession and financial crisis, and growth has been mostly uneven during the recovery.

However, if growth is sustained and momentum continues, revenue will perform better than forecast. It is possible that the current headwinds facing the economy will abate and that a foundation for stronger growth will develop. Thus, there are more upside risks to the forecast than previously.

If the economy performs better than projected in 2012, SB 09-228 would likely be triggered in FY 2012-13. SB 09-228 requires General Fund revenue to be transferred to transportation and capital construction when personal income grows faster than 5.0 percent. It also requires a one-half of a percentage point increase in the General Fund Reserve. If the trigger were met, the transfers and the increase in the reserve would result in less money for other General Fund obligations. For FY 2012-13, the diversion for transportation could total around $155 million, while the current amount of money that is currently projected to be transferred for capital construction is above the amount that would be required under SB 09-228 (about $40 million). The reserve would increase by around $30 million.

Finally, the farther out the forecast horizon, the harder it becomes to project the trajectory of a complex, dynamic, and ever changing economy and thus tax collections. Further, the economy is in many ways in an historic period, facing unique challenges and opportunities that make projecting its future course especially difficult. It is important to note that even relatively small changes in projected revenue growth rates result in large swings in the amount of money available. For example, if growth were to increase or decrease by just three percentage points in FY 2012-13 from the projected growth rate, General Fund revenue would be approximately $220 million higher or lower. A lowering of revenue by this amount would eliminate the current expected excess reserve under the Governor's budget request shown in Table 1a and cause the statutory reserve to be less than the required 4.0 percent.

Table 1a

General Fund Overview with Governor's FY 2011-12 and FY 2012-13 Budget Requests

(Dollar Amounts in Millions)

Line No.		Actual FY 2010-11	March 2012 Estimate by Fiscal Year FY 2011-12	FY 2012-13	FY 2013-14
Revenue					
1	**Beginning Reserve**	**$137.4**	**$156.7**	**$282.5**	**$447.4**
2	**Gross General Fund Revenue**	**$7,085.8**	**$7,400.1**	**$7,620.8**	**$7,947.7**
3	*Net Transfers to/(from) the General Fund*	**$150.1**	**$124.8**	**($5.9)**	**($5.8)**
4	*Net Transfers to/(from) the General Fund (Proposed) /A*	*N/A*	*N/A*	**$39.4**	*N/A*
5	*Proposed Policy Changes Increasing General Fund Revenue*	*N/A*	*N/A*	**($6.1)**	**($6.1)**
6	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$7,373.2**	**$7,681.5**	**$7,930.7**	**$8,383.2**
Expenditures					
7	**Appropriation Subject to Limit /B**	**$6,811.1**	**$7,063.6**	**$7,293.8**	**$7,770.4**
8	*Dollar Change (from prior year)*	*$179.5*	*$252.5*	*$230.2*	*$476.6*
9	*Percent Change (from prior year)*	*2.7%*	*3.7%*	*3.3%*	*6.5%*
10	**Exemptions to Limit and Adjustments to Appropriations /C**	**$12.0**	**$0.0**	**$0.0**	**$0.0**
11	**Spending Outside Limit**	**$139.0**	**$182.0**	**$189.5**	**$302.0**
12	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
13	*Rebates and Expenditures /D*	*$126.0*	*$131.1*	*$128.9*	*$143.9*
14	*Homestead Exemption /E*	*$1.6*	*$1.7*	*$1.8*	*$104.4*
15	*Transfers to Capital Construction /F*	*$12.0*	*$49.3*	*$58.7*	*$53.6*
16	*Transfers to Highway Users Tax Fund /F*	*N/A*	*N/A*	*$0.0*	*$0.0*
17	*Reversions and Accounting Adjustments*	*($34.4)*	*$0.0*	*$0.0*	*$0.0*
18	Enhanced Medicaid Match (reduces GF expenditures)	($0.5)	N/A	N/A	N/A
19	**TOTAL GENERAL FUND OBLIGATIONS**	**$6,927.7**	**$7,245.6**	**$7,483.3**	**$8,072.4**
Reserves					
20	**Year-End General Fund Balance**	**$445.5**	**$435.9**	**$447.4**	**$310.8**
21	*Year-End General Fund as a % of Appropriations*	*6.5%*	*6.2%*	*6.1%*	*4.0%*
22	**General Fund Statutory Reserve /G**	**$156.7**	**$282.5**	**$291.8**	**$310.8**
23	**Excess Monies Above (Below) Statutory Reserve /H**	**$288.9**	**$153.3**	**$155.6**	**$0.0**
24	*Addendum: State Education Fund /I*	*$591.9*	*$398.0*	*$399.9*	*$417.8*

Totals may not sum due to rounding.

/A The proposed transfer amount in FY 2012-13 reflects a low er transfer from severance tax than previsously requested due to a reduction in the forecast for severance tax revenue in FY 2012-13. The proposed transfer is now $30 million rather than $53.9 million.

/B Per SB 09-228, this limit equals 5.0% of Colorado personal income. The appropriations amounts for Fiscal Year 2011-12 and for FY 2012-13 are the Governor's budget requests. The FY 2013-14 amount represent the level of spending that can be supported by revenue w hile maintaining the required reserve amount.

/C Spending by the Medicaid program that is above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount for this line. In FY 2010-11, Medicaid Overexpenditures amounted to $12.0 million.

/D Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, and Fire and Police Pensions Association (FPPA) contributions as outlined at the bottom of Table 2.

/E The Governor's budget request includes the suspension of the senior homestead exemption, estimated to save $95.0 million, for FY 2012-13.

/F SB 09-228 requires transfers to capital construction and the Highw ay Users Tax Fund w hen personal income increases by more than 5.0 percent. This is not projected to occur until 2014, w hich w ill trigger the transfers in FY 2014-2015 under current law .

/G Per SB 11-156, the statutory General Fund reserve required per 24-75-201.1, C.R.S. w as set at 2.3% for FY 2010-11. The required reserve level increased to 4.0% in FY 2011-12. SB 09-228 requires the reserve to increase to 4.5 percent w hen personal income is projected to increase by more than 5 percent. This is not projected to occur until 2014, w hich w ill trigger the reserve increase in FY 2014-2015. The reserve is further required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations.

/H Per SB 11-230, of the excess amount in FY 2010-11, $67.5 million is credited to the Public School Fund; the remainder, or $221.4 million, is transferred to the State Education Fund. Under the Governor's budget request, the FY 2011-12 surplus is transferred to the State Education Fund.

/I The State Education Fund annually receives one-third of 1% of Colorado taxable income. For FY 2011-12 only, it also receives an estimated $221.4 million of the FY 2010-11 Excess Reserve. In FY 2011-12, the fund also receives about $9.4 million from the tax amnesty program created by SB 11-184.

Table 1b

General Fund Overview under Current Law with Expected Spending Changes in FY 2011-12

(Dollar Amounts in Millions)

Line No.		Actual FY 2010-11	March 2012 Estimate by Fiscal Year FY 2011-12	FY 2012-13	FY 2013-14
Revenue					
1	**Beginning Reserve**	**$137.4**	**$156.7**	**$465.0**	**$299.7**
2	**Gross General Fund Revenue**	**$7,085.8**	**$7,400.1**	**$7,620.8**	**$7,947.7**
3	*Net Transfers to/(from) the General Fund*	**$150.1**	**$124.8**	**($5.9)**	**($5.8)**
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$7,373.2**	**$7,681.5**	**$8,079.8**	**$8,241.6**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$6,811.1**	**$7,034.5**	**$7,492.4**	**$7,632.8**
6	*Dollar Change (from prior year)*	*$179.5*	*$223.4*	*$457.9*	*$140.4*
7	*Percent Change (from prior year)*	*2.7%*	*3.3%*	*6.5%*	*1.9%*
8	**Exemptions to Limit and Adjustments to Appropriations /B**	**$12.0**	**$0.0**	**$0.0**	**$0.0**
9	**Spending Outside Limit**	**$139.0**	**$182.0**	**$287.7**	**$303.5**
10	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
11	*Rebates and Expenditures /C*	*$126.0*	*$131.1*	*$130.4*	*$145.4*
12	*Homestead Exemption*	*$1.6*	*$1.7*	*$98.5*	*$104.4*
13	*Transfers to Capital Construction /D*	*$12.0*	*$49.3*	*$58.7*	*$53.6*
14	*Transfers to Highway Users Tax Fund /D*	*N/A*	*N/A*	*$0.0*	*$0.0*
15	*Reversions and Accounting Adjustments*	*($34.4)*	*$0.0*	*$0.0*	*$0.0*
16	Enhanced Medicaid Match (reduces GF expenditures)	($0.5)	N/A	N/A	N/A
17	**TOTAL GENERAL FUND OBLIGATIONS**	**$6,927.7**	**$7,216.5**	**$7,780.1**	**$7,936.3**
Reserves					
18	**Year-End General Fund Balance**	**$445.5**	**$465.0**	**$299.7**	**$305.3**
19	*Year-End General Fund as a % of Appropriations*	*6.5%*	*6.6%*	*4.0%*	*4.0%*
20	**General Fund Statutory Reserve /E**	**$156.7**	**$281.4**	**$299.7**	**$305.3**
21	**Excess Monies Above (Below) Statutory Reserve /F**	**$288.9**	**$183.6**	**$0.0**	**$0.0**
22	*Addendum: State Education Fund /G*	*$591.9*	*$398.0*	*$399.9*	*$417.8*

Totals may not sum due to rounding.

/A Per SB 09-228, this limit equals 5.0% of Colorado personal income. The appropriations amount for Fiscal Year 2011-12 reflects current law plus additional changes the General Assembly is expected to make, such as additional appropriations for health care-related expenditures that is currently estimated at $61.4 million. The amounts for FY 2012-13 and FY 2013-14 represent the level of spending that can be supported by revenue while maintaining the required reserve amounts.

/B Spending by the Medicaid program that is above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount for this line. In FY 2010-11, Medicaid Overexpenditures amounted to $12.0 million.

/C Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, and Fire and Police Pensions Association (FPPA) contributions as outlined at the bottom of Table 2.

/D SB 09-228 requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0 percent. This is not projected to occur until 2014, which will trigger the transfers in FY 2014-2015 under current law.

/E Per SB 11-156, the statutory General Fund reserve required per 24-75-201.1, C.R.S. was set at 2.3% for FY 2010-11. The required reserve level increased to 4.0% in FY 2011-12. SB 09-228 requires the reserve to increase to 4.5 percent when personal income is projected to increase by more than 5 percent. This is not projected to occur until 2014, which will trigger the reserve increase in FY 2014-2015. The reserve is further required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations.

/F Per SB 11-230, of the excess amount in FY 2010-11, $67.5 million is credited to the Public School Fund; the remainder, or $221.4 million, is transferred to the State Education Fund. In this current law scenario, the FY 2011-12 estimated surplus is assumed to be carried forward and be part of the beginning FY 2012-13 balance.

/G The State Education Fund annually receives one-third of 1% of Colorado taxable income. For FY 2011-12 only, it also receives an estimated $221.4 million of the FY 2010-11 Excess Reserve. In FY 2011-12, the fund also receives about $9.4 million from the tax amnesty program created by SB 11-184.

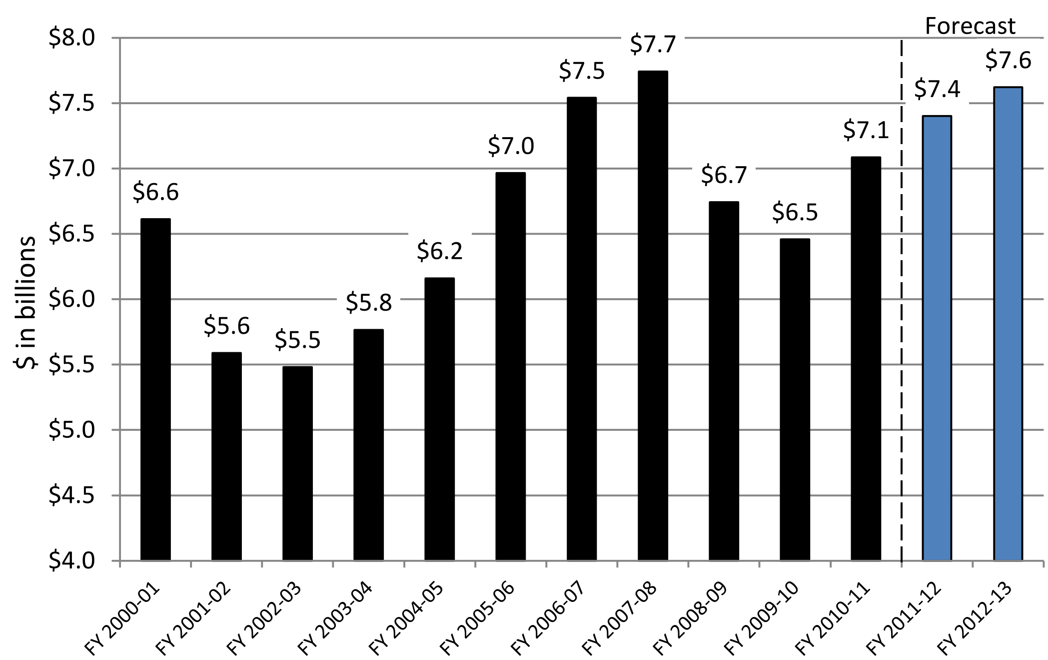
General Fund Revenue Forecast

The General Fund revenue forecast for the current budget year (FY 2011-12) increased by 26.3 million, or 0.4 percent, compared with the December forecast. This minimal change reflects that revenue collections have performed as was expected in December. Revenue in FY 2011-12 is now estimated to increase 4.4 percent, or $314.3 million, over FY 2010-11.

OSPB projects General Fund revenue for the next budget year (FY 2012-13) will grow at rate higher than projected in December (3.0 percent compared with 1.1 percent). The 3.0 percent rate translates to $220.7 million in revenue growth in FY 2012-13. With the upgrade to the forecast, General Fund revenue is now projected to be $164.5 million or 2.2 percent higher next year than was forecast in December. The increase is mainly attributable to a projected higher rate of revenue growth from individual income tax collected from estimated payments.

Projected growth in most other revenue sources is similar to the December forecast. More detail on the forecasts from the state's major General Fund revenue sources is provided below. Also, the projections for income, excise, and all other General Fund revenue sources can be found in Table 2. Figure 1 below shows actual and projected total General Fund revenue from FY 2000-01 through FY 2012-13. As is shown, projected revenue in FY 2012-13 is close to its peak level in FY 2007-08 before the economic downturn.

Figure 1. General Fund Revenue, Actual and Forecast, FY 2000-01 to FY 2012-13



Though the revenue forecast was raised for FY 2012-13, only modest economic growth is projected, as discussed in the *Economy: Current Conditions and Forecast* section that starts on page 22. In addition to the economic reasons for the modest revenue growth rate in FY 2012-13, several tax policy changes are also affecting revenue. The sections below on income tax and sales tax revenue discuss these changes. Further, accrual accounting changes will slow revenue growth in FY 2012-13 compared with FY 2011-12. Accrual adjustments are required so revenue collected is accounted for in the fiscal year in which the economic activity that generated the revenue occurs. This fiscal year's revenue is bolstered by large accrual adjustments that will not occur in FY 2012-13.

Individual and Corporate Income Taxes

Individual income – Individual income tax revenue comprises close to two-thirds of all General Fund revenue. In FY 2011-12, this revenue source is expected to grow 6.0 percent. Improvement in the job market and a large accrual accounting adjustment are the main contributors to the growth. The accrual adjustment is due to the timing of the payroll period of many larger businesses at the end of the fiscal year that will cause more revenue collected in July to be "accrued" back to June and thus be accounted for in FY 2011-12. Revenue growth from income tax withholding will be minimal in FY 2012-13. This is due to continued modest wage growth and as the aforementioned large positive accrual adjustment this year will not be repeated. Because income tax withholding represents about 55 percent of total General Fund revenue, the negligible growth in this category is a main reason why overall General Fund growth will be modest next year.

After income tax withholding and sales taxes, income tax revenue from estimated payments is the third largest General Fund tax revenue source. Estimated payments are the taxes paid periodically over the year by certain individuals to spread out their estimated full year tax liability to help the state with its cash flow. The largest contributors to this revenue are typically capital gains and business income, both from small and medium-sized businesses and self-employed individuals. After minimal growth this fiscal year, estimated income tax payments will grow at a faster rate in FY 2012-13. Economic indicators show that more workers are self-employed or independent contractors and that business income is growing. This will spur additional estimated payments.

Another reason for the stronger estimated income tax payment growth in FY 2012-13 is the scheduled federal tax increases on capital gains at the end of 2012 that are expected to accelerate the realization of some gains into tax year 2012. The stock market has generally performed well which means many investors have seen their investments grow in value. However, the boost in revenue next year from the tax rate change will reduce revenue in FY 2013-14 as tax liabilities are shifted from tax year 2013 to 2012.

Corporate income – Corporate profit growth rose steadily since the rebound in economic activity and from large efficiency gains that resulted from cost cutting to survive the recession. This profit growth has fueled increases in corporate income tax revenue since FY 2009-10. However, this year profits are expected to slow as companies will likely not continue to benefit from the same productivity gains that increased margins after the recession. Also, rising costs from gasoline and other commodities, as well as increasing employee health care benefits will cut into margins.

These factors, along with the December 2010 federal tax policy change that increased tax deductions for business equipment purchases, will cause corporate income tax revenue to grow a modest 4.6 percent in FY 2011-12. Corporate income tax revenue will increase at a higher rate of 10.1 percent in FY 2012-13. However, this growth is mostly a result of a much smaller reduction in tax revenue from the income tax deductions for business equipment. An apportionment of corporations' profits based on sales in the state determines Colorado's corporate income tax revenue.

Sales and Other Excise Taxes

Sales and use tax revenue, which comes from consumer and business purchases on taxable items in the state, represents a little over 30 percent of total General Fund revenue. These revenue sources will post only minimal growth this fiscal year after surging in FY 2010-11 when both consumers and business resumed their spending as the economy began to improve. Sales tax revenue is expected to grow 1.1 percent this year, while use tax revenue, a much smaller revenue source, will grow 6.9 percent.

Although spending continues to increase, growth in sales and use tax collections this fiscal year will be moderate. This is in part a result of the partial resumption of the vendor discount which allows a portion of sales taxes collections to be retained by retailers before remitting them to the state. The vendor discount will reduce sales tax revenue collections this year by about $47 million. Further, high gas and food prices, which are exempt from the state sales tax, is tempering sales tax revenue as more household income is devoted to buying these necessities rather than other taxable items.

Sustained high gas and food prices, combined with sluggish disposable income growth and weakened household net worth, are expected to weigh on consumer spending into FY 2012-13. More details on these trends can be found in the *Economy: Current Conditions and Forecast* section starting on page 22 of this publication.

Certain tax policy changes will also lower FY 2012-13's sales tax collections. The scheduled reinstatement of the sales tax exemptions on energy used for manufacturing and industrial purposes and certain software purchases will decrease sales tax revenue starting in FY 2012-13 by about $50 million. Sales tax revenue is expected to grow only 0.9 percent in FY 2012-13, while use tax grows by 3.2 percent.

Revenue growth from smaller excise tax sources, including cigarette, tobacco, and liquor taxes, will be flat over the forecast period.

Table 2
Colorado General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line		Actual		March 2012 Estimate by Fiscal Year					
No.	Category	FY 2010-11	% Chg	FY 2011-12	% Chg	FY 2012-13	% Chg	FY 2013-14	% Chg
	Excise Taxes:								
1	Sales	$2,043.5	12.0%	$2,066.9	1.1%	$2,085.9	0.9%	$2,169.4	4.0%
2	Use	$190.1	22.0%	$203.1	6.9%	$209.6	3.2%	$220.2	5.0%
3	Cigarette	$39.3	-3.8%	$39.6	0.8%	$36.4	-8.1%	$35.0	-3.7%
4	Tobacco Products	$13.8	-14.2%	$16.4	18.7%	$16.0	-2.2%	$16.5	3.0%
5	Liquor	$36.4	2.8%	$38.1	4.5%	$38.3	0.5%	$39.2	2.4%
6	**Total Excise**	**$2,323.1**	**12.1%**	**$2,364.1**	**1.8%**	**$2,386.2**	**0.9%**	**$2,480.3**	**3.9%**
	Income Taxes:								
7	Net Individual Income	$4,496.1	10.1%	$4,764.6	6.0%	$4,880.0	2.4%	$5,045.0	3.4%
8	Net Corporate Income	$393.9	5.9%	$412.2	4.6%	$453.8	10.1%	$481.8	6.2%
9	**Total Income**	**$4,890.0**	**9.7%**	**$5,176.8**	**5.9%**	**$5,333.8**	**3.0%**	**$5,526.8**	**3.6%**
10	*Less: State Education Fund Diversion*	*$370.5*	*12.6%*	*$388.6*	*4.9%*	*$399.9*	*2.9%*	*$417.8*	*4.5%*
11	**Total Income to General Fund**	**$4,519.5**	**9.5%**	**$4,788.2**	**5.9%**	**$4,933.9**	**3.0%**	**$5,109.0**	**3.5%**
	Other Revenues:								
12	Estate	($0.1)	N/A	$0.0	N/A	$45.0	N/A	$94.0	108.9%
13	Insurance	$189.7	1.5%	$197.9	4.3%	$202.0	2.1%	$206.0	2.0%
14	Interest Income	$7.9	-21.6%	$8.4	6.1%	$12.1	44.3%	$16.0	31.7%
15	Pari-Mutuel	$0.5	-0.6%	$0.6	3.4%	$0.4	-23.1%	$0.4	-6.2%
16	Court Receipts	$3.6	-80.0%	$1.3	-64.9%	$0.3	-80.0%	$0.3	0.0%
17	Gaming	$20.4	25.9%	$20.1	-1.5%	$20.2	0.5%	$20.3	0.5%
18	Other Income	$21.2	-18.8%	$19.7	-7.1%	$20.7	5.0%	$21.6	4.1%
19	**Total Other**	**$243.2**	**-5.6%**	**$247.9**	**1.9%**	**$300.7**	**21.3%**	**$358.4**	**19.2%**
20	**GROSS GENERAL FUND**	**$7,085.8**	**9.7%**	**$7,400.1**	**4.4%**	**$7,620.8**	**3.0%**	**$7,947.7**	**4.3%**
	Rebates & Expenditures:								
21	Cigarette Rebate	$11.0	-5.3%	$11.2	1.6%	$10.3	-8.1%	$9.9	-3.7%
22	Old-Age Pension Fund	$102.2	-11.4%	$100.1	-2.0%	$96.1	-4.0%	$96.1	0.0%
23	Aged Property Tax & Heating Credit	$6.8	-10.0%	$7.8	15.1%	$7.4	-6.3%	$7.4	1.0%
24	Interest Payments for School Loans	$0.8	-63.7%	$1.4	74.1%	$1.6	14.3%	$1.6	0.0%
25	Fire/Police Pensions	$4.3	1.3%	$9.6	123.5%	$14.3	48.3%	$29.6	107.4%
26	Amendment 35 General Fund Expenditure	$0.9	-1.9%	$0.9	0.5%	$0.8	-4.5%	$0.8	-2.0%
27	**Total Rebates & Expenditures**	**$126.0**	**-11.2%**	**$131.1**	**4.0%**	**$130.4**	**-0.5%**	**$145.4**	**11.5%**

Cash Fund Revenue Forecast

OSPB forecasts cash fund revenue subject to TABOR will grow $149.3 million and total $2.5 billion in FY 2011-12, a 6.4 percent increase over FY 2010-11. For FY 2012-13, OSPB forecasts cash fund revenue growth of $51.3 million, or 2.1 percent. Revenue growth in the hospital provider fee, severance tax, and transportation categories accounts for much of the increase in FY 2011-12. For FY 2012-13, OSPB forecasts growth for the main cash fund revenue sources, except for a 31.1 percent decline in severance tax revenue due to a drop in natural gas prices. The following discusses the forecasts for the state's major cash fund revenue sources as well as the numerous other state cash funds that are grouped together as miscellaneous cash funds. The projections for these cash fund revenue sources can be found in Table 3.

Transportation-Related Cash Funds

Total transportation-related cash fund revenue, which includes revenue to the Highway Users Tax Fund, the State Highway Fund, and other various smaller transportation cash funds, is forecast to total $1.11 billion in FY 2011-12, an increase of 2.1 percent from FY 2010-11. OSPB forecasts FY 2012-13 collections to total $1.12 billion, a 1.2 percent increase. Most transportation-related cash fund revenue is from fuel sales, vehicle registrations, and license and permit issuances.

Fuel tax revenue accounts for over half of Highway Users Tax Fund revenue, and year-to-date collections suggest total FY 2011-12 collections will be very similar to FY 2010-11. High gas prices are tempering fuel consumption and thus tax revenue. Fuel taxes are based only on the volume sold not on the price of fuel. Vehicle sales affect transportation revenue as they increase revenue from registrations and licenses. Car and light truck sales have continued to expand since mid-2011.

Transportation-related revenue in FY 2012-13 is forecast to increase 1.2 percent, a rate slightly lower than FY 2011-12. Vehicle sales will grow at a slower rate in FY 2012-13 as the pent up demand that is causing some of the current growth gradually declines. High fuel prices are also forecast to continue to temper the rate of growth in transportation revenue in FY 2012-13.

HB 10-1387 will cause the transfer of approximately $22.1 million from the Highway Users Tax Fund to the Licensing Services cash fund in FY 2011-12. This transfer will not affect total transportation revenue in FY 2011-12, but it will decrease the amount in the Highway Users Tax Fund and increase the amount in other miscellaneous cash funds. HB 12-1216, currently in the legislative process, would continue the diversion in FY 2012-13. This diversion is used to fund the Division of Motor Vehicles in the Department of Revenue.

Limited Gaming

OSPB projects limited gaming revenue to total $95.3 million in FY 2011-12, an 11.8 percent decline from the prior year. Of this amount, $5.2 million is "extended limited gaming" revenue, which is exempt from TABOR per Amendment 50. This amendment to the Colorado Constitution resulted in increased betting limits, more types of gaming, and extended gaming hours. Most of this money is allocated to the state's community college system; the rest goes to the communities where gaming occurs. The estimated amount subject to TABOR is $86.2 million and is shown in Table 3 of this forecast. FY 2011-12 gaming revenue is declining as consumers respond to high gas prices and weak disposable income growth. A 2011 tax rate reduction, adopted by the Colorado Limited Gaming Control Commission, of 5.0 percent is also reducing revenue by an estimated $5.2 million in FY 2011-12. FY 2012-13 gaming revenue is forecast to grow 3.4 percent and total $98.5 million, of which $5.8 million is expected to be extended limited gaming revenue.

The Governor's FY 2012-13 budget request proposes the use of $6.1 million of gaming revenue that currently is transferred to the General Fund to instead be used for film incentives and the Governor's Energy Office. Figure 2 outlines the forecast for total gaming revenue, both Amendment 50 TABOR exempt revenue and TABOR revenue, and its allocation under current law.

Figure 2. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Actual FY10-11	Forecast FY11-12	Forecast FY 12-13	Forecast FY 13-14
A. Total Limited Gaming Revenues	**$108.0**	**$95.3**	**$98.5**	**$103.8**
Annual Percent Change	0.3%	-11.8%	3.4%	5.4%
B. Base Limited Gaming Revenues (max 3% growth)	**$97.7**	**$86.2**	**$88.8**	**$91.4**
C. Total Amount to Base Revenue Recipients	**$90.2**	**$75.4**	**$79.1**	**$81.9**
Amount to State Historical Society	*$24.2*	*$21.1*	*$22.2*	*$22.9*
Amount to Counties	*$10.4*	*$9.0*	*$9.5*	*$9.8*
Amount to Cities	*$8.6*	*$7.5*	*$7.9*	*$8.2*
Amount to Distribute to Remaining Programs (State Share)	*$47.0*	*$37.7*	*$39.6*	*$41.0*
Amount to Local Government Impact Fund	*$3.6*	*$2.8*	*$3.1*	*$3.3*
Colorado Tourism Promotion Fund	*$12.0*	*$9.2*	*$10.2*	*$10.9*
Film Incentives Fund	*$0.2*	*$0.2*	*$0.2*	*$0.2*
Creative Industries Cash Fund	*$1.0*	*$0.7*	*$0.8*	*$0.9*
Bioscience Discovery Evaluation Fund	*$4.3*	*$3.3*	*$3.7*	*$3.9*
Innovative Higher Education Research Fund	*$1.7*	*$1.3*	*$1.4*	*$1.5*
Transfer to the General Fund	*$20.4*	*$20.1*	*$20.2*	*$20.3*
D. Total Amount to Amendment 50 Revenue Recipients	**$8.9**	**$6.0**	**$5.5**	**$8.9**
Community Colleges, Mesa and Adams State (78%)	*$7.0*	*$4.7*	*$4.3*	*$7.0*
Counties (12%)	*$1.1*	*$0.7*	*$0.7*	*$1.1*
Cities (10%)	*$0.9*	*$0.6*	*$0.5*	*$0.9*

Hospital Provider Fee

Hospital provider fee revenue is one of the largest cash fund revenue sources and is forecast to exhibit the strongest growth both this fiscal year and next. This revenue results from the payment of hospital provider fees authorized by HB 09-1293. The program increases Medicaid reimbursements to some hospitals paying the fee. Most hospitals in the state pay the fees, which are equivalent to a per-day payment for inpatient hospital services and a percentage of charges for outpatient hospital services. Revenue from the fees is expected to increase $144.0 million in FY 2011-12 and $56.8 million in FY 2012-13.

Revenue is forecast to increase as the population eligible for the program is expanded, resulting in more payments from providers. Additionally, SB 11-212, will increase revenue by increasing fees paid to the Hospital Provider Fee Cash Fund by an estimated $50 million in FY 2011-12 and $25 million in FY 2012-13. This revenue will offset state General Fund expenditures for the Medicaid program during those fiscal years. Provider fee revenue is projected to decline in FY 2013-14 because the federal Affordable Care Act makes certain populations eligible for a 100 percent federal fund match that year, causing provider fee revenue to not be collected for these populations. The Office of State Planning and Budgeting would like to recognize the Department of Health Care Policy and Financing for its assistance in forecasting provider fee revenue.

Severance Tax

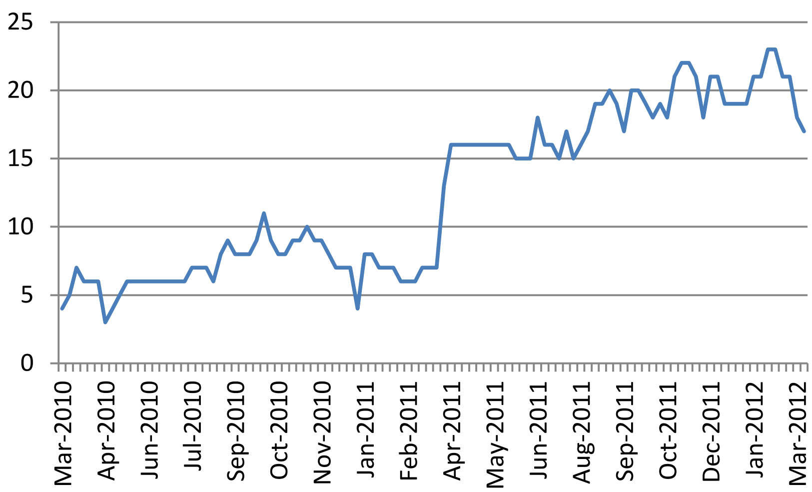
OSPB forecasts severance tax revenue to total $182.2 million in FY 2011-12 and $125.6 million in FY 2012-13. Severance tax is paid on all types of mineral extraction including metallic minerals, most notably gold, molybdenum, coal, oil, and natural gas. Of these sources, oil and natural gas production are by far the most significant sources of severance tax revenue for Colorado.

After averaging $4.10 per thousand cubic feet (Mcf) in 2011, natural gas prices, the largest determinant of severance tax revenue, are forecast to drop to $2.95 per Mcf in 2012. An abundance of natural gas and continued large-scale production nationwide has pushed prices down to levels not seen in a decade.

In FY 2012-13, the relatively large revenue change from the December forecast and from FY 2011-12 is due to a combination of the drop in natural gas prices, which will lower gross tax liabilities, and taxpayers claiming tax credits against these lower liabilities. Owners of oil and gas production are required to pay local government property tax on the value of the oil and gas produced. Taxpayers are allowed to deduct 87.5 percent of these property taxes paid as a credit against their severance tax liability. For most of the state's largest severance taxpayers, the amount of the credit is based the value of oil and gas produced in the prior year. Thus, when prices fluctuate substantially from year to year like the decline in prices from 2011 to 2012, the volatility in severance taxes is exacerbated. Severance tax revenue is forecast to increase in FY 2013-14 as natural gas prices rise from their 2012 lows, oil prices remain high, and because smaller ad valorem tax credits will be claimed against higher gross tax liabilities.

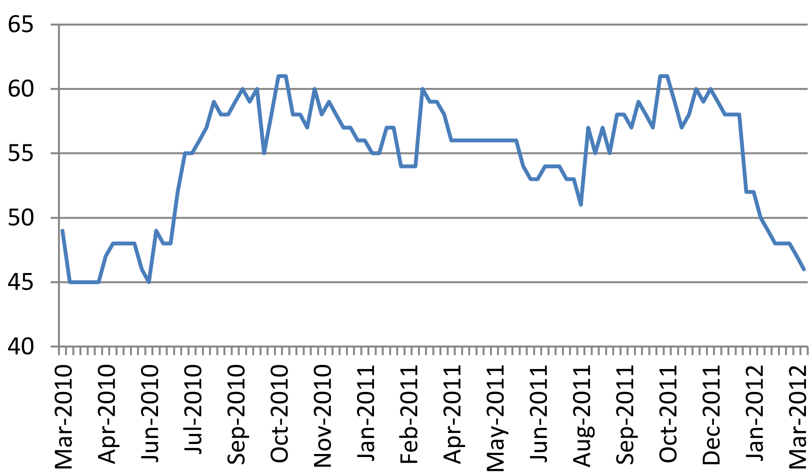
The natural gas price drop and high oil prices are causing energy companies to shift towards more oil production. Nationwide, the number of active oil rigs now exceeds active natural gas rigs. In Colorado, there are still more natural gas rigs operating, but they are trending downward. Figure 3 shows the change in active oil drilling rigs and Figure 4 shows the change in active natural gas drilling rigs in Colorado over the past year.

Figure 3. Colorado Monthly Oil Drilling Rig Count, March 2010 through mid-March 2012



Source: Baker Hughes

Figure 4. Colorado Monthly Natural Gas Drilling Rig Count, March 2010 through mid-March 2012



Source: Baker Hughes

OSPB continues to monitor activity around the Niobrara formation, which is the site of most new oil activity in Colorado. Production activity in Weld County is projected to increase over time as more wells are drilled. However, the impact of increased production in Weld County is likely to be constrained by the property tax credit as the county has a higher property tax rate than most other large oil and gas producing counties. State severance tax liabilities from production in Weld County are estimated to be reduced by 90 percent on average.

Federal Mineral Leasing Revenue

When federal lands are leased for mineral extraction, the federal government and the state of Colorado realize roughly half of the revenue from the production and leasing activity. This revenue is called Federal Mineral Leasing (FML) revenue. Generally, half of FML revenue comes from natural gas. The other main sources are oil, coal, and carbon dioxide. After a large 22.0 percent increase in FML revenue in FY 2010-11, continued production on federal lands and higher energy prices will contribute to another relatively large 16.6 percent increase in FY 2011-12. However, lower natural gas prices and slower production in 2012 will cause total FML revenue for FY 2012-13 to fall slightly below FY 2011-12 levels. Figure 5 shows the actual and forecasts of FML revenue. FML revenue is from the federal government and is thus exempt from TABOR. Therefore, the amounts shown below are not reflected in the cash fund TABOR revenue forecast shown in table 3.

Figure 5. Federal Mineral Leasing (FML) Payments

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2009-10	$5.20	$117.20	$122.50	-46.1%
FY 2010-11	$2.26	$147.20	$149.48	22.0%
FY 2011-12	$3.49	$170.86	$174.34	16.6%
FY 2012-13	$3.42	$167.74	$171.16	-1.8%
FY 2013-14	$7.20	$172.81	$180.01	5.2%

Dollars are in millions. FY 2009-10 and 2010-11 figures reflect actual collections, and FY 2011-12 through FY 2013-14 are projections.

Other Cash Funds

The Colorado Department of Regulatory Agencies is primarily cash funded by regulated entities such as dentists, real estate professionals, and banks. The Department's growth in cash fund revenue is forecast to be relatively flat over the forecast period, totaling $67.4 million in FY 2011-12 and $69.2 million in FY 2012-13. Insurance-related cash fund revenue includes all insurance premiums collected for major medical insurance, subsequent injury, and worker's compensation. Insurance-related cash funds are expected to total $18.9 million in FY 2011-12 and $21.8 million in FY 2012-13.

Other miscellaneous cash fund revenue subject to TABOR is a broad category of numerous cash funds, mainly funded from licenses, fines, and fees as well as interest earnings on various cash funds. This category is projected to decrease $26.8 million in FY 2011-12 compared with FY 2010-11. Some of this decline is attributed to SB 11-208 which merged the Division of Wildlife and the Division of Parks to form the Division of Parks and Wildlife within the Department of Natural Resources. The legislation established the new division as an enterprise under Article X, Section of the Colorado Constitution. Much of the Division of Parks revenue had previously been counted as TABOR revenue, and was thus included in this "miscellaneous" revenue category. Due to SB 11-208, this now exempt revenue, which amounts to about $29 million, is no longer included in the miscellaneous revenue totals. Both the TABOR and Referendum C limits on revenue have been adjusted to reflect the change.

From October 1 to November 15, 2011, SB 11-184 offered an amnesty to some taxpayers to pay certain overdue state and local taxes, including one-half of any interest due, without being subject to any fine or civil or criminal penalty otherwise provided for by law. Preliminary collection data show $14.8 million in state revenue was collected, including $3.8 million in oil and gas severance tax. The remaining $11.0 million is credited to a special cash fund, of which $1.484 million will be used to reimburse the Department of Revenue for administering the program and to fund tax and expenditure studies, while $175,000 has been appropriated to the Family Medicine Residency Training program in the Department of Health Care Policy and Financing. The remaining $9.351 million will be transferred to the State Education Fund.

Table 3
Cash Fund Revenue Forecasts by Major Category

(Dollar amount in millions)

Category	Actual FY 2010-11	March 2012 Estimate by Fiscal Year FY 2011-12	FY 2012-13	FY 2013-14	FY 2010-11 to FY 2013-14 CAAGR*
Transportation-Related /A	$1,082.7	$1,105.4	$1,118.2	$1,126.3	
Change	2.2%	2.1%	1.2%	0.7%	1.3%
Limited Gaming Fund /B	$98.0	$86.2	$88.8	$91.4	
Change	-3.2%	-12.0%	3.0%	3.0%	-2.3%
Capital Construction - Interest	$3.0	$1.1	$0.8	$0.9	
Change	-7.8%	-63.9%	-26.3%	8.0%	-34.0%
Regulatory Agencies	$69.6	$67.4	$69.2	$71.0	
Change	3.3%	-3.2%	2.7%	2.7%	0.7%
Insurance-Related /C	$26.5	$18.9	$21.8	$22.3	
Change	-38.3%	-28.5%	15.3%	2.0%	-5.6%
Severance Tax	$149.4	$182.2	$125.6	$222.2	
Change	209.6%	22.0%	-31.1%	77.0%	14.2%
Medicaid Hospital Provider Fees	$442.6	$586.6	$643.4	$607.7	
Change	46.1%	32.5%	9.7%	-5.5%	11.2%
Other Miscellaneous Cash Funds	$472.0	$445.2	$476.4	$494.9	
Change	1.7%	-5.7%	7.0%	3.9%	1.6%
TOTAL CASH FUND REVENUE	***$2,343.7***	***$2,493.0***	***$2,544.2***	***$2,636.8***	
Change	12.2%	6.4%	2.1%	3.6%	4.0%

* CAAGR: Compound Annual Average Growth Rate.

/A Revenue beginning in FY 2009-10 include the impact of SB 09-108 (FASTER).

/B Revenue excludes any impact from Amendment 50 as these revenues are exempt from TABOR. Exempted revenues are projected based on the formula outlined per HB 09-1272.

/C Pursuant to SB 09-037, beginning in FY 2010-11 the Workers' Compensation surcharge that is applicable for the Major Medical and Subsequent Injury cash fund will no longer be applied until the available balance in said fund falls below the unrestricted cash fund balance plus one year's worth of direct and indirect operating expenses for these programs.

The Taxpayer's Bill of Rights: Revenue Limit

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, during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Table 4 summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

Beginning in FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9) is computed by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6) for each subsequent year. OSPB does not project that any refunds will occur during the forecast period (line 10).

TABOR requires that the population estimates used to determine the revenue limit be adjusted every decade to match the federal census. The 2010 federal census indicates that Colorado's population was overestimated during the 2000s decade. Thus, in order to account for this overestimate, the percent change in population (line 4 of Table 4) that will affect the FY 2011-12 revenue limit was lowered.

Table 4
TABOR Revenue & Referendum C Revenue Limit

(Dollar Amounts in Millions)

Line No.		Actual FY 2010-11	March 2012 Estimate by Fiscal Year FY 2011-12	FY 2012-13	FY 2013-14
	TABOR Revenues:				
1	General Fund /A	$7,081.1	$7,380.0	$7,600.6	$7,927.4
	Percent Change from Prior Year	*9.3%*	*4.2%*	*3.0%*	*4.3%*
2	Cash Funds	$2,343.7	$2,493.0	$2,544.2	$2,636.8
	Percent Change from Prior Year	*12.2%*	*6.4%*	*2.1%*	*3.6%*
3	**Total TABOR Revenues**	**$9,424.8**	**$9,872.9**	**$10,144.8**	**$10,564.3**
	Percent Change from Prior Year	*10.0%*	*4.8%*	*2.8%*	*4.1%*
	Revenue Limit Calculation:				
4	Previous calendar year population growth	*1.8%*	*0.1%*	*1.4%*	*1.5%*
5	Previous calendar year inflation	*-0.6%*	*1.9%*	*3.7%*	*2.4%*
6	**Allowable TABOR Growth Rate**	***1.2%***	***2.0%***	***5.1%***	***3.9%***
7	TABOR Limit	$8,654.2	$8,799.7	$9,248.5	$9,609.2
8	General Fund Exempt Revenue Under Ref. C /B	$770.6	$1,073.2	$896.3	$955.0
9	**Revenue Cap Under Ref. C /C**	**$10,684.9**	**$10,871.0**	**$11,425.4**	**$11,871.0**
10	*Amount Above/(Below) Limit*	*($1,260.1)*	*($998.1)*	*($1,280.6)*	*($1,306.8)*
11	TABOR Reserve Requirement	$282.7	$296.2	$304.3	$316.9

/A Amounts differ from the General Fund revenues reported in Table 3 (General Fund Revenues) as some double counting exists when cash funds are transferred to the General Fund (for instance, limited gaming revenues), and due to other accounting adjustments.

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

/C The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Cap Under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C period.

The Economy: Current Conditions and Forecast

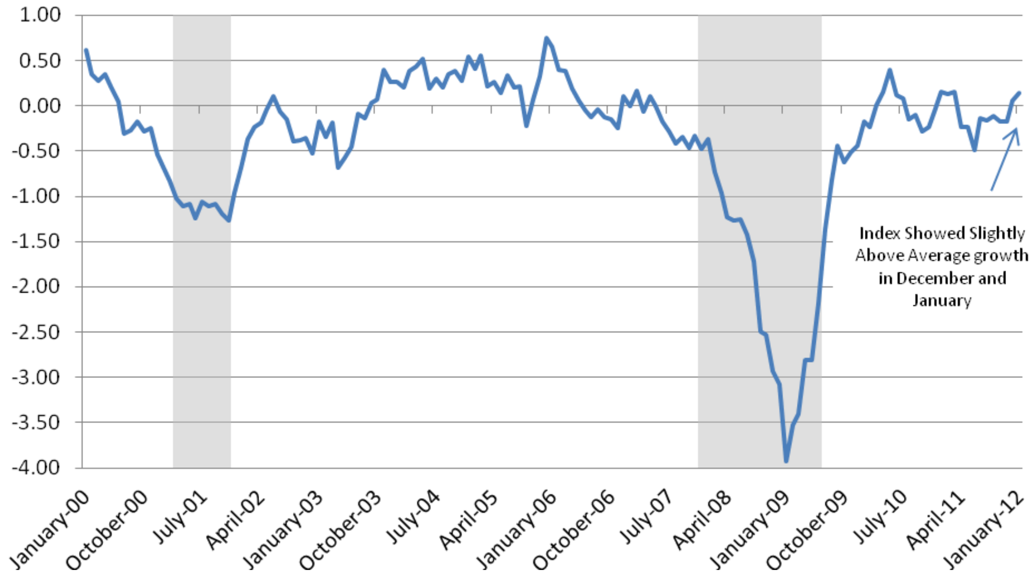
OSPB has upgraded the economic forecast for 2012 based on recent economic momentum. Continued improvement in the job market and increased confidence among households and businesses are expected to help the economy grow. Further, the sustained production of goods, both nationally and in Colorado, are building a better foundation for growth. Lastly, loosened credit is providing businesses and households new money for investments and spending. These trends indicate that the economy is showing more positive feedback loops of activity that are integral to sustained growth.

Though improving, some sectors of the national and Colorado economies are still experiencing the aftermath of the housing bust and financial crisis. Additionally, persistent headwinds should hinder stronger economic growth. These include slowing in large economies in other parts of the world, most notably Europe and China, and elevated price levels, particularly for gasoline. Finally, downside risks remain as a result of the continuing European sovereign debt problems, the potential for higher-than-expected inflation, and a possible rise in historically low interest rates. Thus, though the forecast for 2012 improved somewhat from December, OSPB still expects only modest and likely uneven growth in 2012 and 2013. The history and projections for key Colorado and national economic indicators are shown in Tables 5 and 6, respectively, at the end of this section.

Overall Economic Conditions

Economic activity has gained momentum – One useful assessment of current overall economic conditions is the National Economic Activity Index published by the Chicago Federal Reserve. The index uses 85 monthly economic indicators to measure the economy's performance. A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth, negative values indicate below-average growth, and positive values indicate above-average growth. Figure 6 shows the index from 2000 through January of this year. Though not showing strength, the index is indicating that growth has picked up and is slightly above its historical trend. The index's three-month moving average is at its highest level since March 2011.

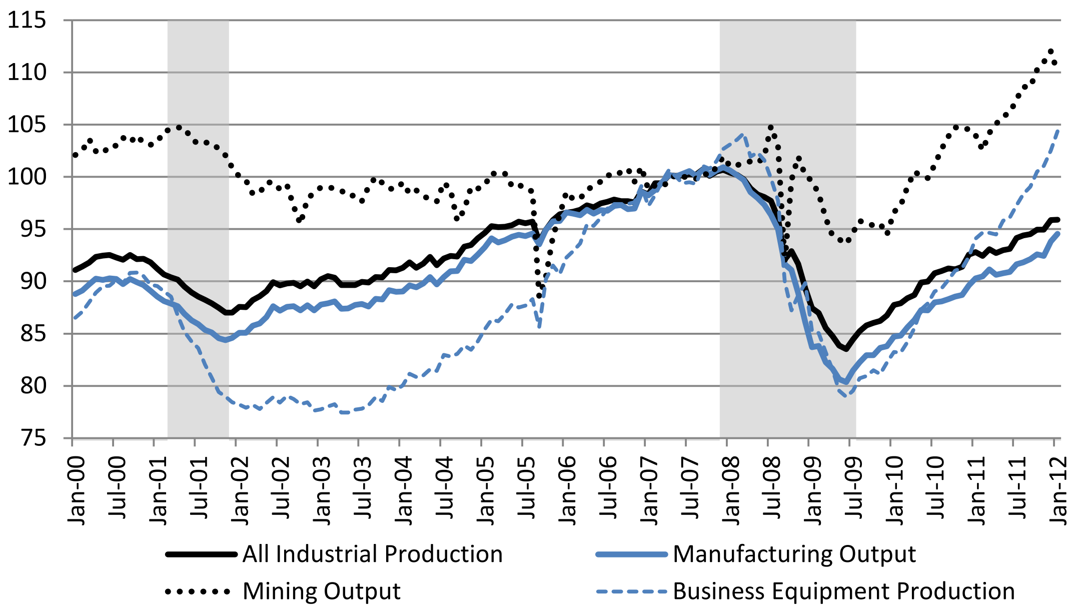
Figure 6. Chicago Federal Reserve National Economic Activity Index, 2000 through January 2012



Source: Federal Reserve

The economy continues to increase its production of goods – The Federal Reserve's Industrial Production Index measures the production of all physical goods in the United States, covering the manufacturing, mining, and electric and gas utilities sectors. The index shows increasing production. This is an important trend, as these industries produce a high amount of value for the economy. Increased production in these sectors generates more activity in other areas of the economy, such as from suppliers, construction, commercial real estate, transportation, engineering, consulting, and advertising. Figure 7 shows the Industrial Production Index along with select components of the index.

Figure 7. U.S. Industrial Production Index and Select Components, 2000 through January 2012



Index 2007=100, Seasonally Adjusted
Source: Federal Reserve

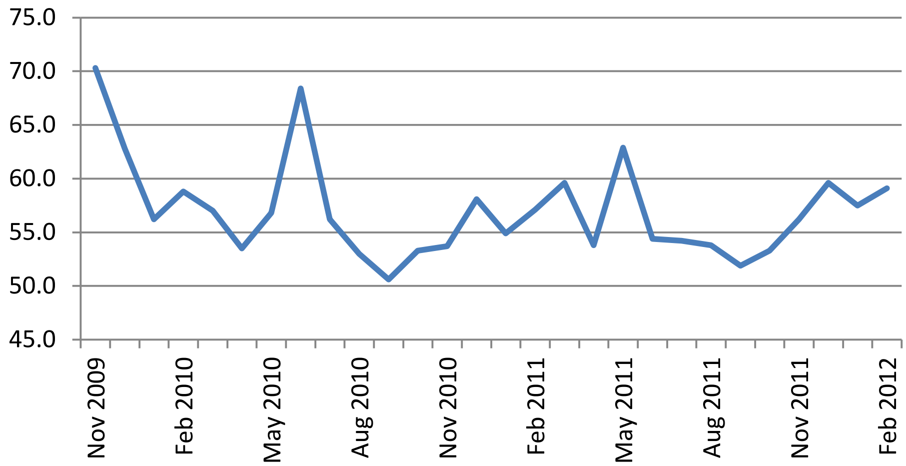
The oil and natural gas boom is spurring growth both nationally and in Colorado – Although mining output fell 1.8 percent in January 2012 compared with prior month, its first decline since February 2011, output has surged since the end of the recession. Most of the increase in mining output nationally has been due to increasing production of natural gas. The United States is now the world's largest producer of dry natural gas. High income and spending from oil and natural gas activity is bolstering confidence in regions where the boom is most prolific. This includes northeast Colorado, where oil drilling and production is surging.

A budding manufacturing revival – Manufacturing remains at the forefront of our economy's rebuilding process. Manufacturing output increased 0.7 percent in January after soaring 1.5 percent in December, which was the biggest gain in five years. Lately, some businesses have discovered it has become more profitable and a better business practice to operate in the United States rather than other countries. This occurrence combined with the rebound in the economy is spurring growth in manufacturing.

Manufacturing is Colorado's 4th largest private industry in terms of output, and it is continuing to experience a renaissance. According to the Center for Regional Economic Competitiveness and the University of Massachusetts Donahue Institute, manufacturing was the state's second largest hiring industry behind health care and social assistance, as measured by openings in 2011.

Indicators point to continued expansion in Colorado — The Goss Institute's Business Conditions index for Colorado, a leading economic indicator shown in Figure 8, expanded in February to 59.1, above January's 57.5 index. Colorado's economic expansion has been characterized by ups and downs, and this pattern is evident in Figure 8. However, consistent with other indicators of economic activity, the index has exhibited an upward trend since the fall of 2011. According to the index, growth has been especially strong for firms tied to agriculture and energy. The Goss Institute conducts monthly surveys to inform its Business Conditions Index, and survey respondents ranked the possibility of higher energy prices as the biggest risk for the regional economy. The index remains below its fall of 2009 level, right before the recession and financial crisis hit the state's economy.

Figure 8. Goss Business Conditions Index for Colorado, November 2009 to February 2012



Source: Goss Institute for Economic Research

Another index of leading indicators for Colorado's economy created by the Philadelphia Federal Reserve Branch shows that the economic expansion in Colorado is also likely to continue, at least for the near term. Among the activities used to form this index are housing permits, initial unemployment insurance claims, and delivery times from vendors to producers.

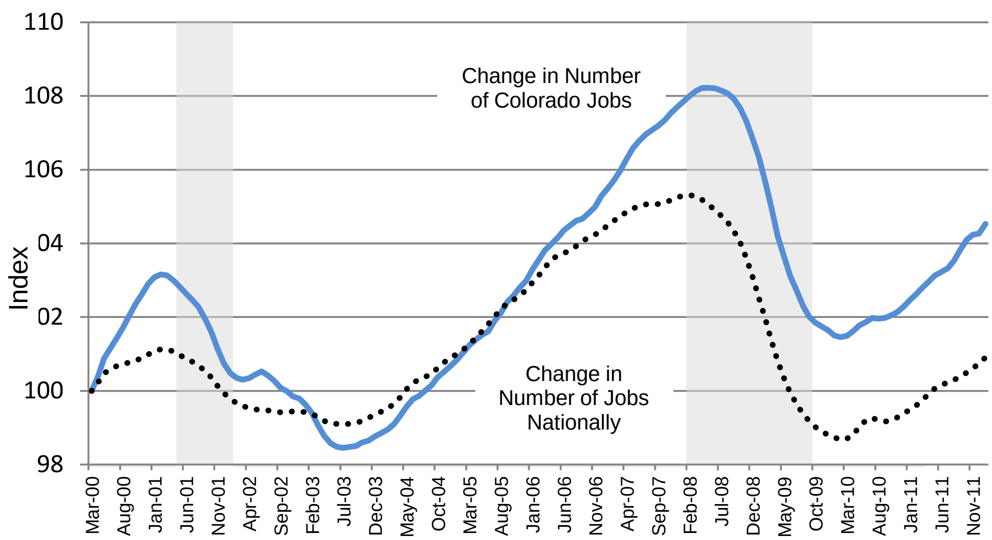
The Job Market

The job market is showing persistent improvement, though it is a long way from full recovery – The job market, both nationally and in Colorado, is showing the most strength since the recovery began in late 2009. Several indicators point to this improvement, including more consistent and stronger job growth, declining claims for unemployment insurance, and positive trends in average hours worked – a historically reliable indicator of the trajectory of the economy.

Figure 9 shows the change in jobs on payrolls of businesses from 2000 through the beginning of 2012 for the state and the nation. As shown, Colorado's job growth has outpaced that of the nation, but job levels remain well below their pre-recession peak. The state has regained close to half the 150,000 jobs it lost during the recession, while the nation has regained a little under 40 percent of its job losses.

In 2011, the state gained 35,600 jobs, a growth rate of 1.6 percent after declines in the previous two years. This number includes OSPB's estimate of an expected upward revision to the jobs level based on Quarterly Census of Employment and Wage data. Colorado's oil and natural gas industry has shown the largest percentage increase in jobs while lodging and food services have added the largest number of jobs. Manufacturing has added jobs over the past two years, the first increase in over a decade, providing more evidence of the industry's renaissance. Professional, scientific, and technical services, a high-paying industry in which Colorado specializes, has also seen solid growth.

Figure 9. Change in Payroll Jobs Nationally and in Colorado, 2000 through the beginning of 2012

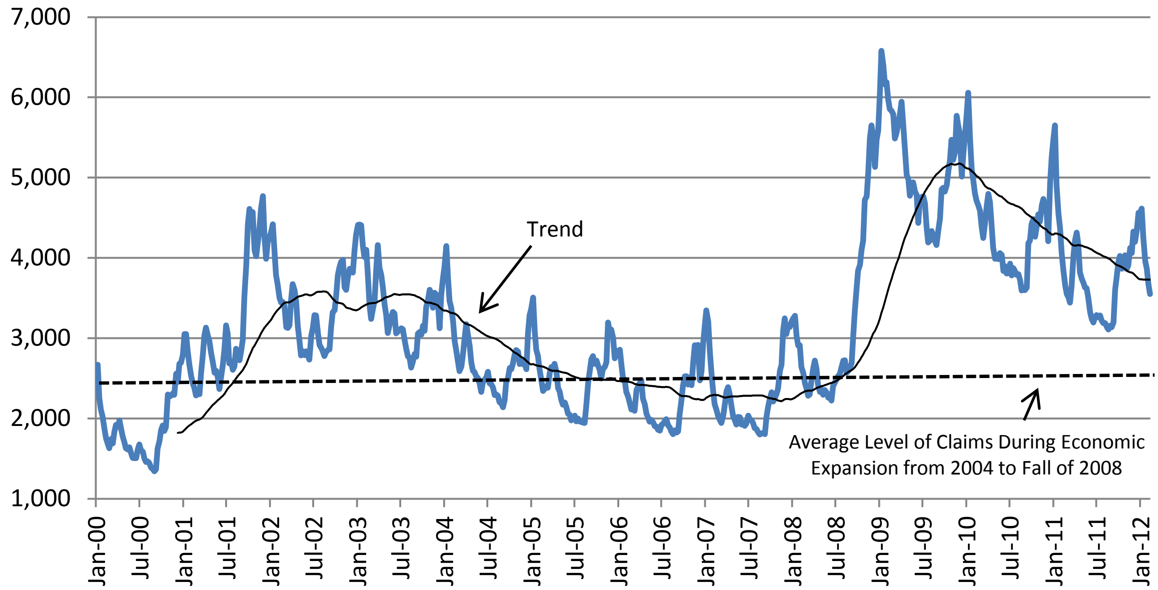


The graph compares the change in the number of jobs nationally and in Colorado since January of 2000 using a three month moving average. Index: March 2000=100

Source: U.S. Bureau of Labor Statistics. The Colorado jobs level includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on a survey of employers.

Initial claims are down – Initial unemployment insurance claims are considered to be a leading indicator for the economy. Total initial claims in Colorado, shown in Figure 10, have trended downward since early 2009. Initial claims in Colorado as well as at the national level are at their lowest level in four years.

Figure 10. Initial Claims for Unemployment Insurance in Colorado, Four-Week Moving Average, with Trend Line, 2000 through the first week of March 2012



Source: Colorado Department of Labor and Employment

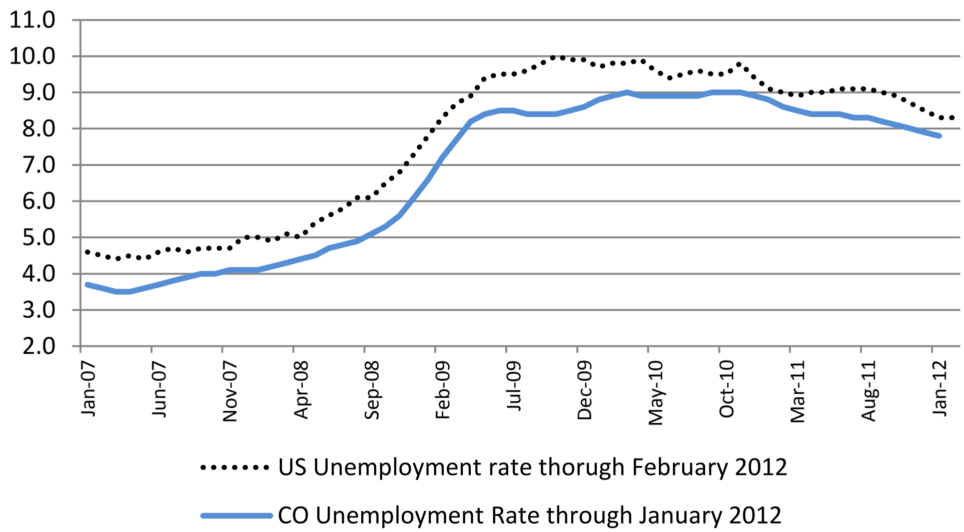
More self-employed individuals and independent contractors – There are two main surveys used to gauge trends in the job market – a survey of businesses' workforce changes and a survey of households to determine their current employment situation. The household survey is indicating stronger gains in employment. This can occur during economic expansions as the survey is better able to capture hiring from new business creation and small business expansion than the survey of businesses. The household survey also is likely reflecting a growing trend of more self-employed and individuals working as independent contractors rather than at one firm. The increasing utilization of mobile technology and easy access to information from the Internet, as well as more interest in flexibility is causing more individuals to not work at a single firm but as independent contractors, or "economic free agents." According to one survey from Kelly Services, a workforce consulting and outsourcing firm, 44 percent of today's workers consider themselves economic free agents, compared with 19 percent in 2006 before the recession.

OSPB forecasts Colorado nonfarm payroll jobs will increase 1.5 percent in 2012, similar to 2011's growth, but slow to 1.1 percent in 2013; nationally, job growth will be slightly slower: 1.3 percent in 2012 and 0.9 percent in 2013.

The unemployment rate is trending down but it will remain at high levels – Despite recent job gains, unemployment continues to be high. In January 2012, the Colorado unemployment rate was 7.8 percent, one percentage point below the January rate a year ago. The state's unemployment rate reached a high of 9.0 percent at the end of 2010 and beginning of 2011. Despite an increase of workers entering the labor force, which can sometimes cause the unemployment rate to rise as more workers seek jobs, the state and national economies have been creating sufficient jobs to reduce the unemployment rate. In February 2012 the national unemployment rate was 8.3 percent, down from 9.0 in February 2011 and 9.8 in February 2010. Figure 11 shows the change in the U.S. and Colorado unemployment rates through the beginning of 2012.

The large percentage of long-term unemployed is particularly troublesome both for the economy and those individuals struggling to find work. Fewer workers in the economy mean there are fewer resources that can produce and help generate economic growth. This is one factor causing the projection for only modest growth.

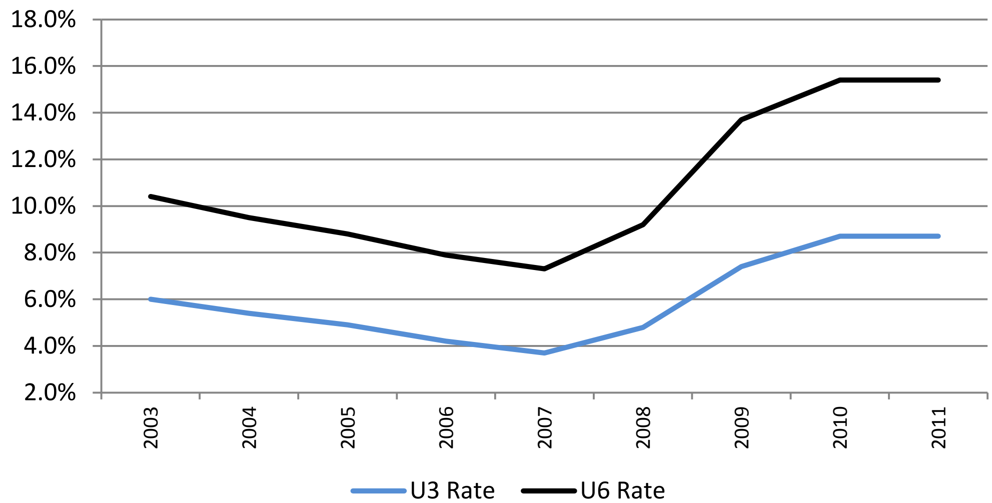
Figure 11. U.S. and Colorado Unemployment Rates



Source: Bureau of Labor Statistics

Broader measures of unemployment show a more troublesome picture of the job market – The broadest measure of unemployment is referred to as U6, or sometimes referred to as the "underemployment rate." It includes two populations that the traditional widely reported unemployment rate measure, officially called U3, does not: workers who would like to work but have temporarily stopped seeking employment and those that want full-time employment but have to settle on a part-time job due to the lack of other opportunities. In Colorado, U6 measured 15.4 percent at the last reporting, only slightly lower than the recession high of 15.7 percent. Figure 12 shows changes in Colorado's U3 and U6 unemployment rates.

Figure 12. Colorado's Unemployment and U6 ("Underemployment") Rates



Source: Bureau of Labor Statistics, 2011 data shown is U6 data from the fourth quarter of 2010 through third quarter of 2011 and is the latest data available

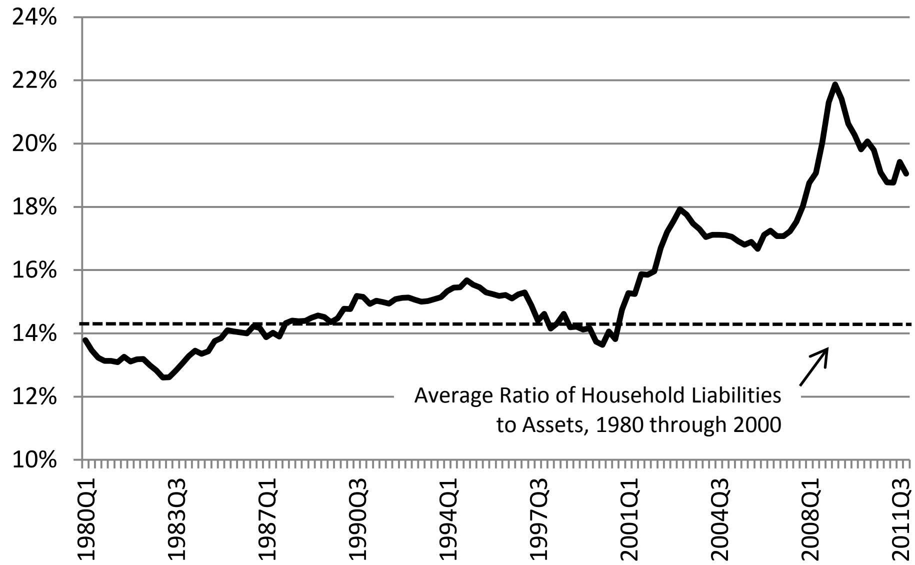
There are signs of structural impediments to a better job market – The high underemployment rate in Colorado is mirrored at the national level and reflects the fact that the recession has left many workers persistently unemployed or underemployed. A number of structural factors appear to be contributing to this. For example, many unemployed workers lack the skills to move into industries that are now growing. It takes time for individuals to discover where job opportunities are and to develop the skills to work in those industries. Additionally, many companies need fewer workers because of efficiency improvements made during the recent recession, which compelled cost reductions for survival. Unemployment is expected to remain high due to the apparent structural issues in the job market, and because it will take time for the economy to absorb the expected increase in people returning to the labor force seeking work.

Colorado unemployment rates of 7.9 percent and 7.6 percent are forecast for 2012 and 2013, respectively. The national unemployment rate will be 8.5 percent in 2012 and 8.4 percent in 2013.

Household Income and Spending

Household financial positions are recovering but are still weakened – Household balance sheet improvement and income growth is crucial to the strength of the economic recovery, as it facilitates confidence and frees up more resources for investing and spending. Figure 13 shows the national ratio of household liabilities to assets, which has declined from its recession peak. Household liabilities have been trending downward from the fourth quarter of 2008 through the fourth quarter of 2011. Household assets have increased in most quarters since mid 2009. However, as is shown, the liability-to-assets ratio is still well above its average level before households began to take on more debt in the latter 1990s. This dynamic suggests households will continue to repair balance sheets and reduce debt. This will be important for longer term economic health, but in the near term it leaves fewer resources to contribute to growth.

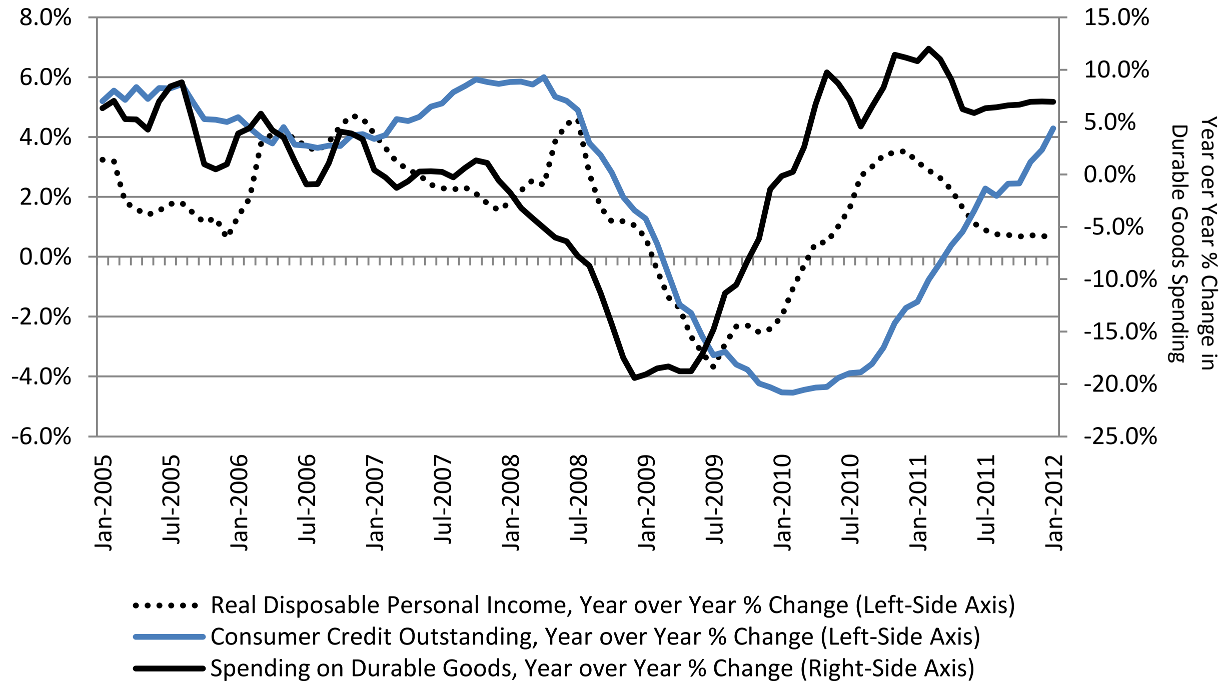
Figure 13. Average Ratio of U.S. Household Liabilities to Assets, 1980 through 2011



Source: Federal Reserve

Consumers continue to spend despite sluggish income growth; some of the spending is supported through increased borrowing – Figure 14 shows changes in real disposable personal income, durable goods spending, and consumer credit outstanding at the national level. Real, or inflation-adjusted, disposable personal income has increased modestly since mid-2009, though it weakened starting in the last half of 2011. Wage growth has been anemic of late as well. These weak readings suggest only modest economic growth and present a downside risk to the forecast. Stronger job and wage growth and less elevated prices are necessary for the higher real disposable personal income growth that is necessary to maintain current levels of spending.

Figure 14. Percentage Change in National Household Income and Spending Indicators, 2001 through January 2012



Sources: Bureau of Economic Analysis, Census Bureau, Federal Reserve

After falling for the first time in the spring of 2008 since the data began to be tracked in the early 1950s, consumer borrowing began to increase again in early 2011. In addition, the personal saving rate has trended downward since 2010. The decline in the savings rate and increase in consumer credit, coupled with muted income growth, may reduce future spending as consumers shift purchases from future periods to the present.

Household spending on durable goods, or big ticket items such as vehicles, appliances, and electronics, has continued to grow. In February, spending on such items nationally was up 7.6 percent compared with a year ago. The available data for Colorado through November of 2011 shows solid growth in spending on such goods as well, particularly vehicles.

A sustained increase in consumer spending on durable goods is usually indicative of a continued expansion because it signals that consumers feel better about their financial position. However, some of the strength may be due to continued pent up demand after consumers delayed such purchases over the recession and lackluster recovery. To the extent this is the case, the current relatively high trajectory of spending on durables should wane.

Income and wages for Coloradans have grown modestly – Colorado personal income has increased every quarter from the fourth quarter of 2009 through the third quarter of 2011, the latest period for which data is available. Personal income consists of wage and salary income, proprietors' (or business) income, government transfer receipts, and interest and dividend earned on assets. Bureau of Labor Statistics data show wage growth has been only modest. Further, government transfer payments still represent a high portion of total personal income compared to pre-recession levels. Nonfarm business income is growing again, which reflects the rise in the number of self-employed and improved conditions for small businesses.

OSPB forecasts Colorado personal income growth of 4.4 percent in 2012 and 4.3 percent in 2013. Colorado wage and salary growth is forecast to grow 3.8 percent in 2012 and 3.6 percent in 2013.

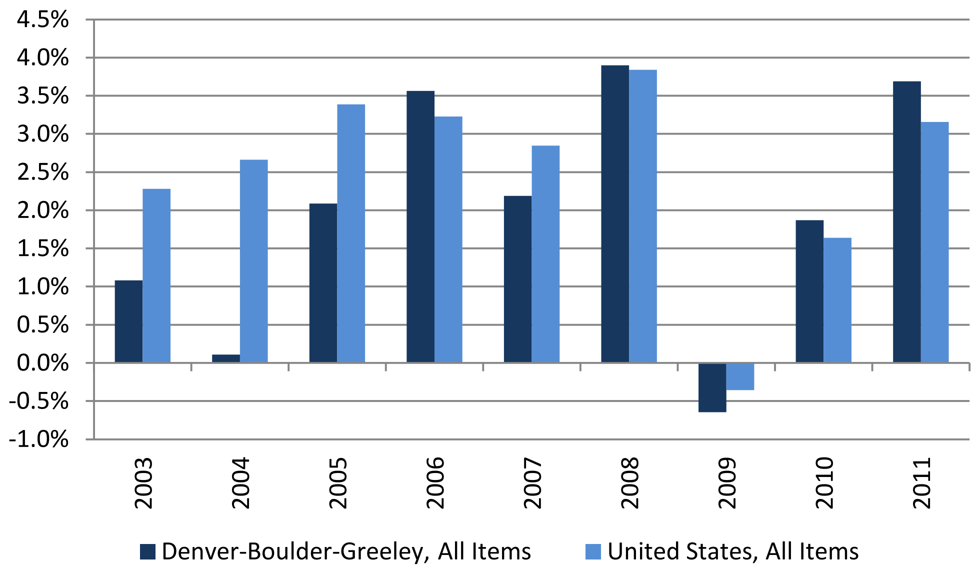
Colorado retail sales are forecast to grow 5.3 percent in 2012 and 4.9 percent in 2013.

Growth rates for these measures at the national level will be slightly lower.

Prices

Elevated overall price levels will act as a headwind and pose a downside risk – The Denver-Boulder-Greeley consumer price index increased 3.7 percent in 2011, compared with a 3.1 percent increase nationally. Much of the increase was due to a substantial rise in commodity prices that put upward pressure on retail food and gas prices. Figure 15 shows the change in national and Denver-Boulder-Greeley price indices for all items since 2003.

Figure 15. Percentage Change in U.S. and Colorado Price Indexes, All Items

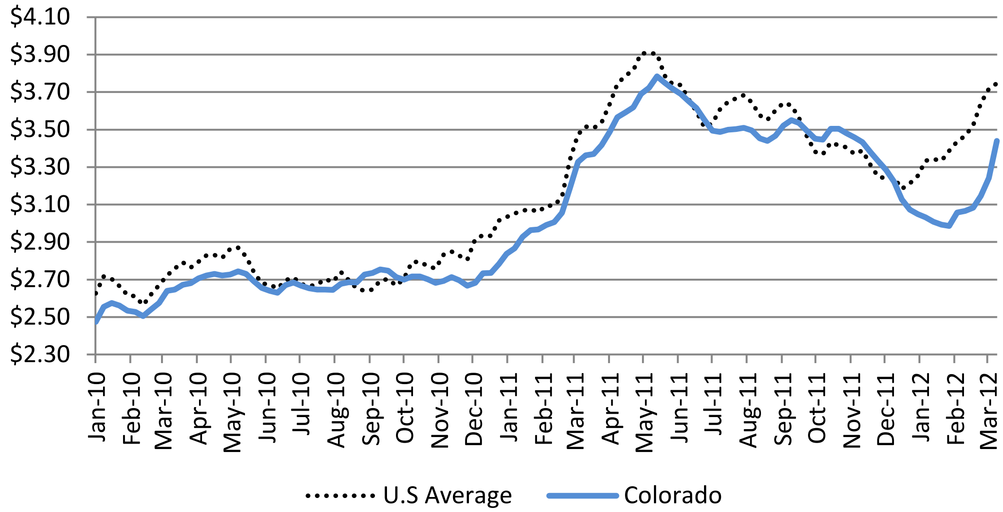


Source: U.S. Bureau of Labor Statistics

Commodity prices, especially oil and foodstuffs, are expected to remain high. High commodity prices pose a downside risk to the economy, especially if they are combined with continued sluggish income growth. Continued high input prices for businesses also pose a downside risk as it leaves them with fewer resources for economically beneficial activities, such as hiring and investment.

Gasoline prices are rising again – Figure 16 shows the recent trend in increasing gasoline prices. While a gap between national and Colorado gas prices currently exists, the gap is beginning to narrow. The squeeze from high prices on businesses and households will be less pronounced in Colorado if gasoline prices remain below the national average. Cheaper gasoline prices in the Rocky Mountain region have been attributable to the region's cheaper crude prices and refinery costs. Most oil used by the region's refineries is from the Rocky Mountain region, the central U.S., and Canada, which is currently sold at lower prices than oil used by other areas of the country.

Figure 16. Retail Gasoline Prices (regular grade, dollars per gallon), U.S. and Colorado, 2010 through Mid-March 2012



Source: U.S. Energy Information Administration

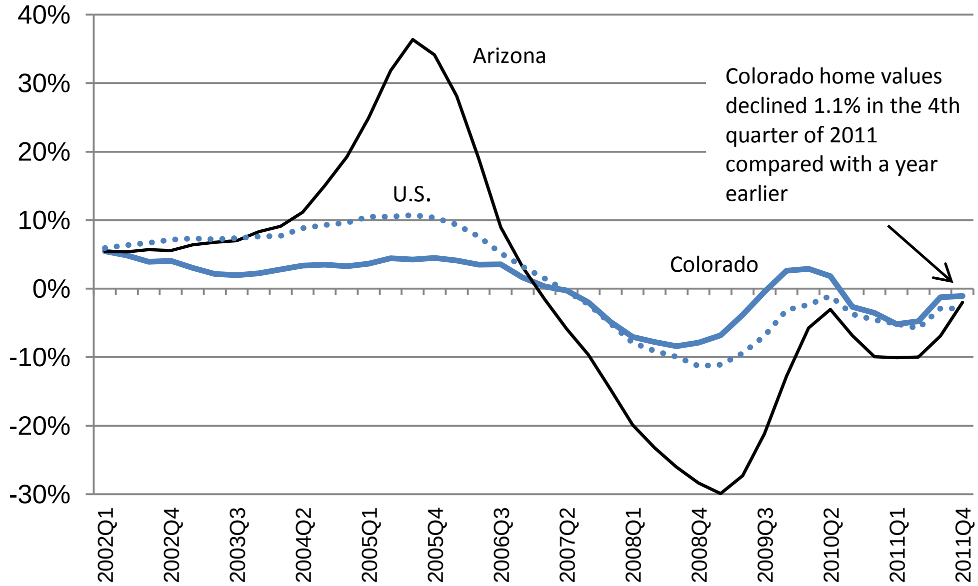
The Denver-Boulder-Greeley Consumer Price Index is forecast to increase 2.4 percent in 2012 and 3.0 percent in 2013; nationally, consumer prices will increase 2.3 percent in 2012 and 2.9 percent in 2013. National producer prices will increase 4.1 percent in 2012 and 4.8 percent in 2013. Though these rates of increase are not particularly strong, they follow a 2011 price surge.

The Housing Market

The housing sector continues to hinder stronger economic growth **–** The housing sector continues to temper the broader economic recovery as new home construction remains low, values continue to fall, albeit more slowly, and the share of homeowners with negative equity mortgages remain exceptionally high. According to national CoreLogic negative equity data, 22.8 percent of all residential properties with a mortgage were in negative equity at the end of the fourth quarter of 2011, up from 22.1 percent in the third quarter of 2011. The high level of negative equity weighs on consumer spending and constrains small business formation and expansion as it eliminates one of the traditional sources of financing for these businesses. It also hurts home sales activity as owners are less willing or unable to sell their homes for less than their mortgage debt obligation.

Colorado's housing market conditions are mixed **–** Although Colorado's housing market has fared better than the harder hit states, subdued single-family home construction, weakened home prices, and foreclosures continue to weigh on the Colorado economy. However, in some areas, housing has exhibited some signs of modest improvement as price declines slow and permits for new homes expand gradually. Figure 17 shows the change in Colorado home values through the fourth quarter of 2011 relative to the national average and, for comparison purposes, Arizona.

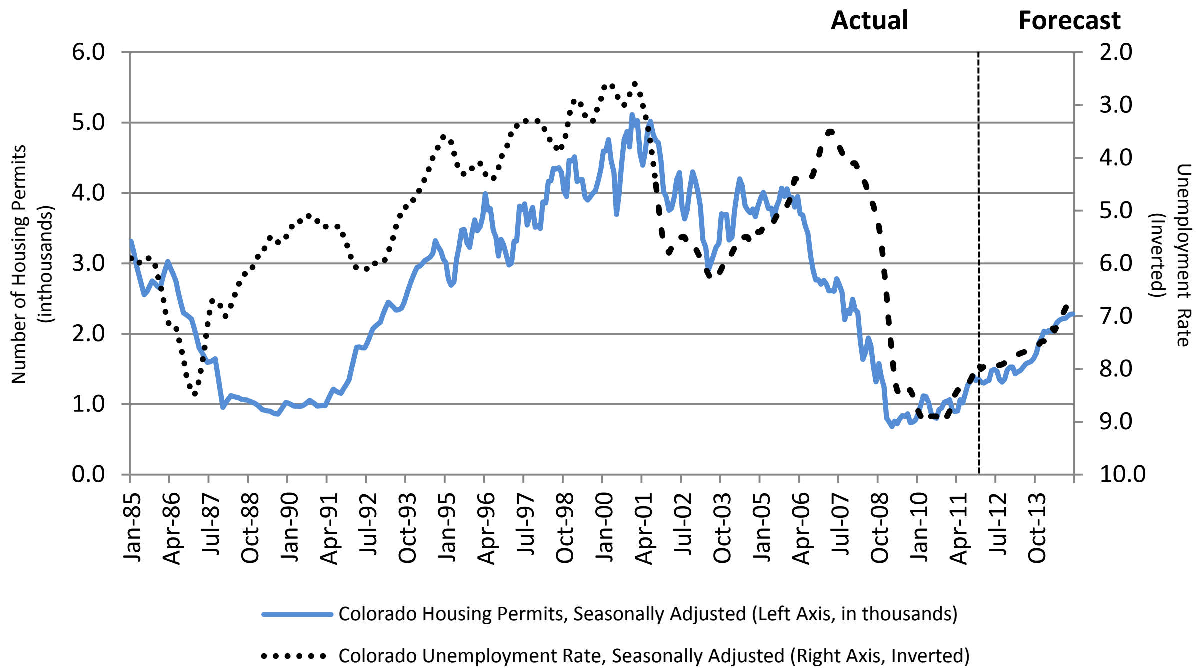
Figure 17. Year over Year Quarterly Change in Home Values, 2002 through 2011



Source: Federal Housing Finance Agency

Housing can contribute substantially to the business cycle – Historically, economic recoveries have occurred with housing either leading the way or contributing substantially. The current recovery has been an exception and is a key reason for the economy's lackluster performance. Because housing activity, both sales and construction, will remain subdued, the economic recovery will likewise remain modest and uneven. Figure 18 shows the close correlation of the state's unemployment rate and housing permits issued. It also shows the forecast for both variables through 2014. A downside risk to the gradually improving housing market is a rise in the historically low mortgage rates. Low mortgage rates are currently making home buying more affordable and enabling homeowners to refinance and lower their house payments.

Figure 18. Relationship between Colorado Housing Permits Issued and the State Unemployment Rate, Actual and Forecast



Sources: Census Bureau, Bureau of Labor Statistics, OSPB

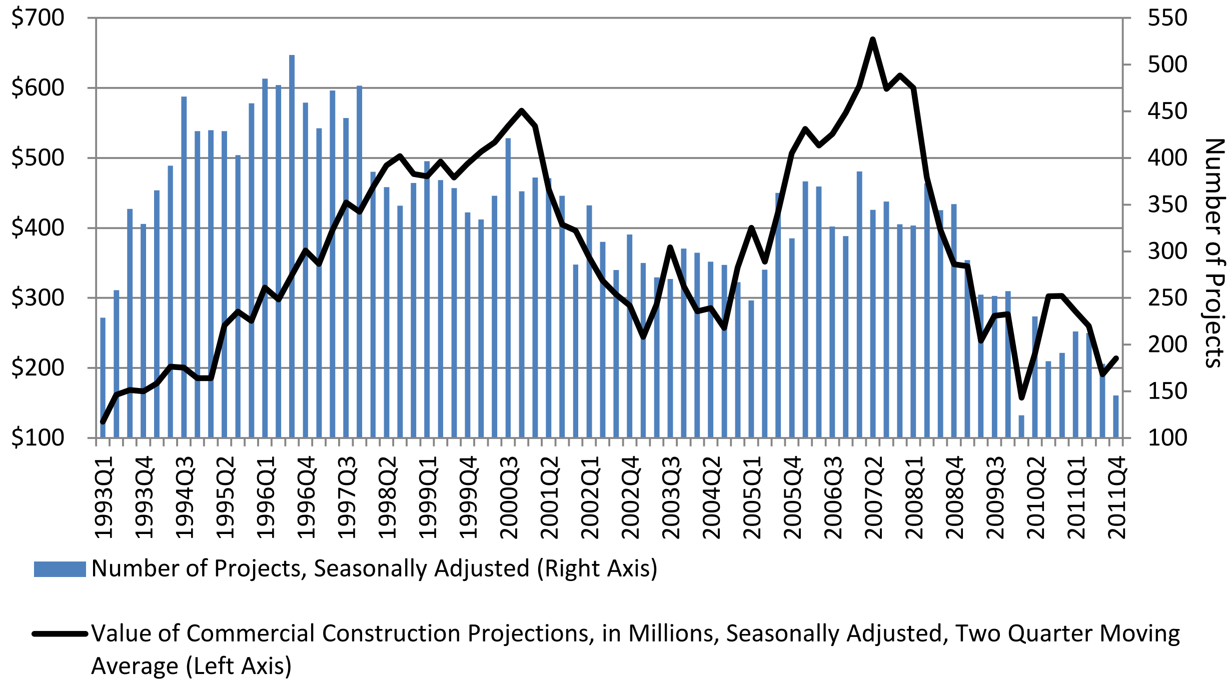
Multifamily sector is strong – The multifamily sector, which mostly includes apartments, townhomes, and condominiums, has fared well in Colorado over the past year, particularly in Denver. The combined vacancy rate for apartments in six metro areas across Colorado during 2011's fourth quarter was 5.6 percent. The Denver-area vacancy rate was 5.4 percent at the end of 2011, according to the Colorado Real Estate Journal. Home buying remains subdued despite exceptionally low mortgage rates, which suggests a fundamental shift in perceptions of the value of home ownership. Multifamily construction activity has increased in response to increased demand for rental units and more affordable housing.

OSPB forecasts total Colorado housing permits issued to increase by 3,100 permits, or 22.3 percent in 2012 and 4,200 permits, or 25.0 percent in 2013. National residential construction activity will grow at a slightly weaker rate.

Nonresidential Real Estate

Nonresidential construction has been weak – Nonresidential construction activity has been generally weak statewide as a result of the modest recovery and high levels of construction before the downturn. Figure 19 shows the change in both Colorado commercial construction projects and construction values. Commercial construction mostly includes retail, office space, hotels, and restaurants. The value of commercial construction projects is currently at its lowest level since the mid-1990s.

Figure 19. Colorado Commercial Construction Projects and Value, 1993 through 2011



Source: McGraw Hill Construction

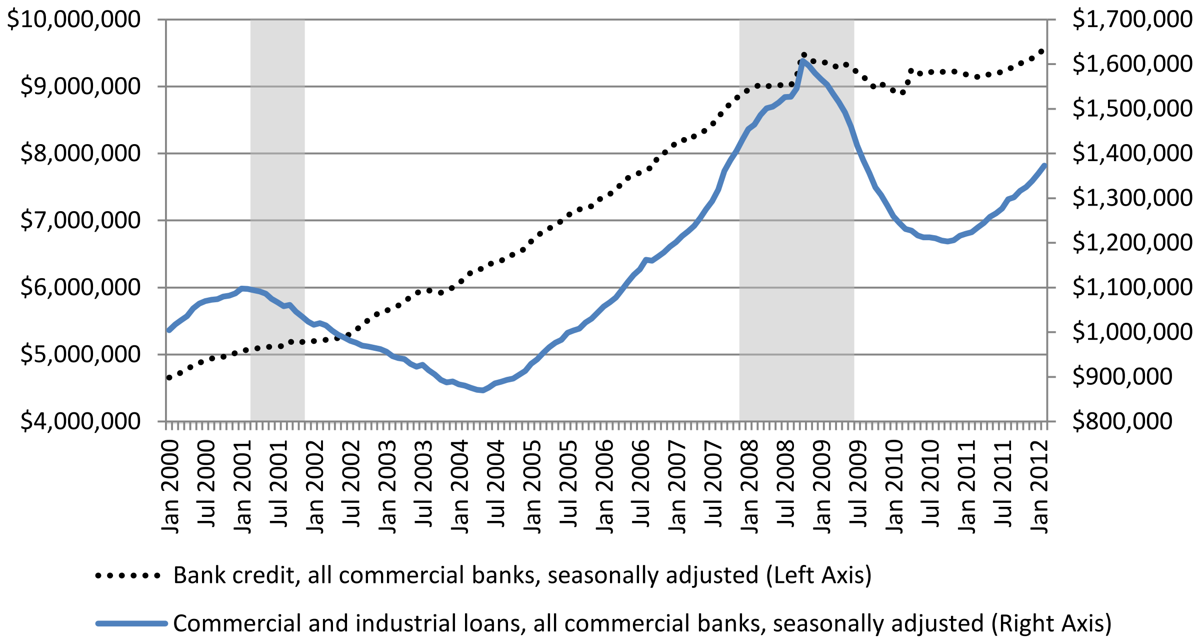
Nonresidential construction, particularly office buildings, is likely to remain muted. A continued modest recovery along with changes in the way businesses operate and people work will reduce the amount of office space needed by firms. Businesses are becoming more efficient and thus are using leaner workforces. In addition, technological advancements are making it easier to work remotely and enable more individuals to be self-employed or work as independent contractors.

OSPB projects that the total value of statewide nonresidential construction will decrease 4.5 percent in 2012 and increase 2.9 percent in 2013.

Credit Conditions

Credit is more available – Despite the financial turmoil in Europe, bank credit in the U.S. has continued to expand. This is likely one main determinant for the pickup in economic activity just as the contraction in credit worsened the recession and hindered the recovery in its earlier stages. An increase in bank credit means that new money is entering the economy to finance activities, such as new business investments and expansions. Figure 20 shows the trends in total bank credit, which includes purchases of government and private securities as well as loans and leases, and the commercial and industrial loans segment of total bank credit. This new money in the economy can have a large effect on growth.

Figure 20. Trends in Commercial Bank Credit, 2010 through Mid-March 2012 ($ in millions)



Source: Federal Reserve

Summary and Risks to Forecast

The economy has shown upward momentum in many aspects, particularly in the job market, manufacturing and other areas of industrial production, consumer spending, and lending to businesses. Additionally, the housing market has shown gradual improvement, albeit from depressed levels. Recent indicators point to continued growth in the economy. Further, Colorado appears to be outperforming the nation's economy. This is likely due to the state's favorable business climate, innovative workforce, and a diverse set of industries. These industries include advanced manufacturing, professional and technical services, and energy, all of which make substantial positive contributions to economic growth.

However, the economy is still facing headwinds and higher than normal downside risks. There may be further flare-ups in the financial system from the poor condition of some European governments and banks. The European problem is structural in nature and thus will take time to resolve. The slowdown in Europe's economy is having an effect on our economy. For example, Colorado's exports to Europe were down 14.5 percent in the November 2011 through January 2012 period compared with the same period a year ago.

Uncertainty exists regarding future changes in the federal tax code which may delay decision making and investments in the economy. Further, prices could increase more than expected which would weaken the economy. High levels of both private and public debt in many economies, including the United States, also are a headwind and present risks to economic stability.

Finally, historically low interest rates are bolstering the United States economy. A higher-than-expected rise in rates, even to just average levels, would likely cause some slowing and possible disruptions in the financial system and overall economy, especially in interest-rate-sensitive sectors, such as the housing market, consumer spending on durable goods, and business investment in longer-term projects. Though this may not be a near-term risk, it is impossible to predict when and if such events will occur.

On the positive side, there are more upside risks to the forecast than in the past, especially if the current headwinds facing the economy abate. Because of the recent economic momentum, it is possible that the economy will outperform our forecast. This is especially true if growth helps to more quickly heal the ongoing impediments to faster growth, most notably the housing market, the financial condition of households, and high unemployment. It is possible that more and more positive feedback systems are developing in the economy that will help sustain stronger growth.

In many ways, it is a unique and historic time for the economy due to the nature of the deep economic contraction and the substantial challenges it faces. These issues are making projections for the economy's future trajectory especially difficult. Positive and negative counteracting forces have resulted in mostly modest and rocky growth. Also, the economy appears to be undergoing somewhat profound changes in the way businesses and workers operate. Many individuals and businesses are having difficulty adapting to these changes. The fact that the economy is currently growing and adding jobs is a testament to its resiliency.

Table 5
History And Forecast For Key Colorado Economic Variables
Calendar Year 2008 - 2014

Line No.		2008	2009	2010	2011	March 2012 Forecast 2012	2013	2014
	Income							
1	Personal Income (Billions) /A	$216.0	$205.4	$213.2	$224.3	$234.2	$244.2	$256.6
2	Change	5.2%	-4.9%	3.8%	5.2%	4.4%	4.3%	5.1%
3	Wage and Salary Income (Billions) /B	$117.0	$112.6	$114.3	$118.7	$123.2	$127.7	$133.8
4	Change	3.6%	-3.7%	1.5%	3.8%	3.8%	3.6%	4.8%
5	Per-Capita Income ($/person)	$44,059.5	$41,271.1	$42,215.3	$43,808.2	$45,063.4	$46,206.7	$47,692.6
6	Change	3.5%	-6.3%	2.3%	3.8%	2.9%	2.5%	3.2%
	Population & Employment							
7	Population (Thousands)	4,901.9	4,976.9	5,050.9	5,119.8	5196.2	5285.5	5380.6
8	Change	1.7%	1.5%	1.5%	1.4%	1.5%	1.7%	1.8%
9	Net Migration (Thousands)	40.5	36.3	38.1	33.5	36.5	49.2	54.5
10	Unemployment Rate	4.8%	8.1%	8.9%	8.3%	7.9%	7.6%	7.1%
11	Total Nonagricultural Employment (Thousands)	2,350.3	2,245.6	2,222.3	2,258.0	2,292.0	2,317.8	2,364.8
12	Change	0.8%	-4.5%	-1.0%	1.6%	1.5%	1.1%	2.0%
	Construction Variables							
13	Total Housing Permits Issued (Thousands)	19.0	9.4	11.6	13.8	16.9	21.1	27.0
14	Change	-37.5%	-50.8%	23.9%	19.1%	22.3%	25.0%	28.1%
15	Nonresidential Construction Value (Millions) /C	4,117.0	3,351.5	$3,102.5	$3,781.1	$3,609.7	$3,712.7	$3,948.0
16	Change	-21.7%	-18.6%	-7.4%	21.9%	-4.5%	2.9%	6.3%
	Prices & Sales Variables							
17	Retail Trade (Billions) /D	$74.8	$66.5	$70.7	$75.6	$79.6	$83.5	$87.9
18	Change	-0.7%	-11.1%	6.3%	6.9%	5.3%	4.9%	5.3%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	209.9	208.5	212.4	220.3	225.6	232.5	240.0
20	Change	3.9%	-0.6%	1.9%	3.7%	2.4%	3.0%	3.2%

/A OSPB Estimaste for 2011. Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proporietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B OSPB Estimaste for 2011.

/C Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/D OSPB Estimaste for 2011. Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

Table 6
History And Forecast For Key National Economic Variables
Calendar Year 2008 - 2014

Line No.						March 2012 Forecast		
		2008	2009	2010	2011	2012	2013	2014
	Inflation-Adjusted & Current Dollar Income Accounts							
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$13,161.9	$12,703.1	$13,088.0	$13,315.3	$13,608.2	$13,921.2	$14,324.9
2	Change	-0.3%	-3.5%	3.0%	1.7%	2.2%	2.3%	2.9%
3	Personal Income (Billions) /B	$12,460.2	$11,930.2	$12,373.5	$13,004.5	$13,498.7	$14,065.6	$14,783.0
4	Change	4.6%	-4.3%	3.7%	5.1%	3.8%	4.2%	5.1%
5	Per-Capita Income ($/person)	$40,964	$38,904	$40,037	$41,685	$42,854	$44,226	$46,036
6	Change	3.6%	-5.0%	2.9%	3.9%	1.9%	3.7%	4.5%
	Population & Employment							
7	Population (Millions)	304.4	307.1	309.6	312.0	315.0	318.0	321.1
8	Change	0.9%	0.9%	0.8%	0.8%	1.0%	1.0%	1.0%
9	Unemployment Rate	5.8%	9.3%	9.7%	9.0%	8.5%	8.4%	7.5%
10	Total Nonagricultural Employment (Millions)	136.8	130.8	129.9	131.4	133.1	134.3	136.8
11	Change	-0.6%	-4.4%	-0.7%	1.1%	1.3%	0.9%	1.9%
	Price Variables							
12	Consumer Price Index (1982-84=100)	215.3	214.6	218.1	224.9	230.1	236.8	244.2
13	Change	3.8%	-0.3%	1.6%	3.1%	2.3%	2.9%	3.1%
14	Producer Price Index - All Commodities (1982=100)	189.6	172.9	184.7	$201.2	$209.5	$219.6	$230.8
15	Change	9.8%	-8.8%	6.8%	8.9%	4.1%	4.8%	5.1%
	Other Key Indicators							
18	Corporate Profits (Billions)	1,248.4	1,362.0	1,800.1	$1,952.2	$2,040.5	$2,112.2	$2,312.0
19	Change	-17.4%	9.1%	32.2%	8.5%	4.5%	3.5%	9.5%
20	Housing Permits (Millions)	0.905	0.583	0.605	0.607	0.722	0.885	1.112
21	Change	-35.3%	-35.6%	3.7%	0.3%	19.0%	22.6%	25.6%
22	Retail Trade (Billions)	$4,409.5	$4,091.7	$4,355.4	$4,690.3	$4,926.2	$5,138.4	$5,395.8
23	Change	-0.9%	-7.2%	6.4%	7.7%	5.0%	4.3%	5.0%

/A BEA revised NIPA component

/B Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Governor's Revenue Estimating Advisory Committee

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