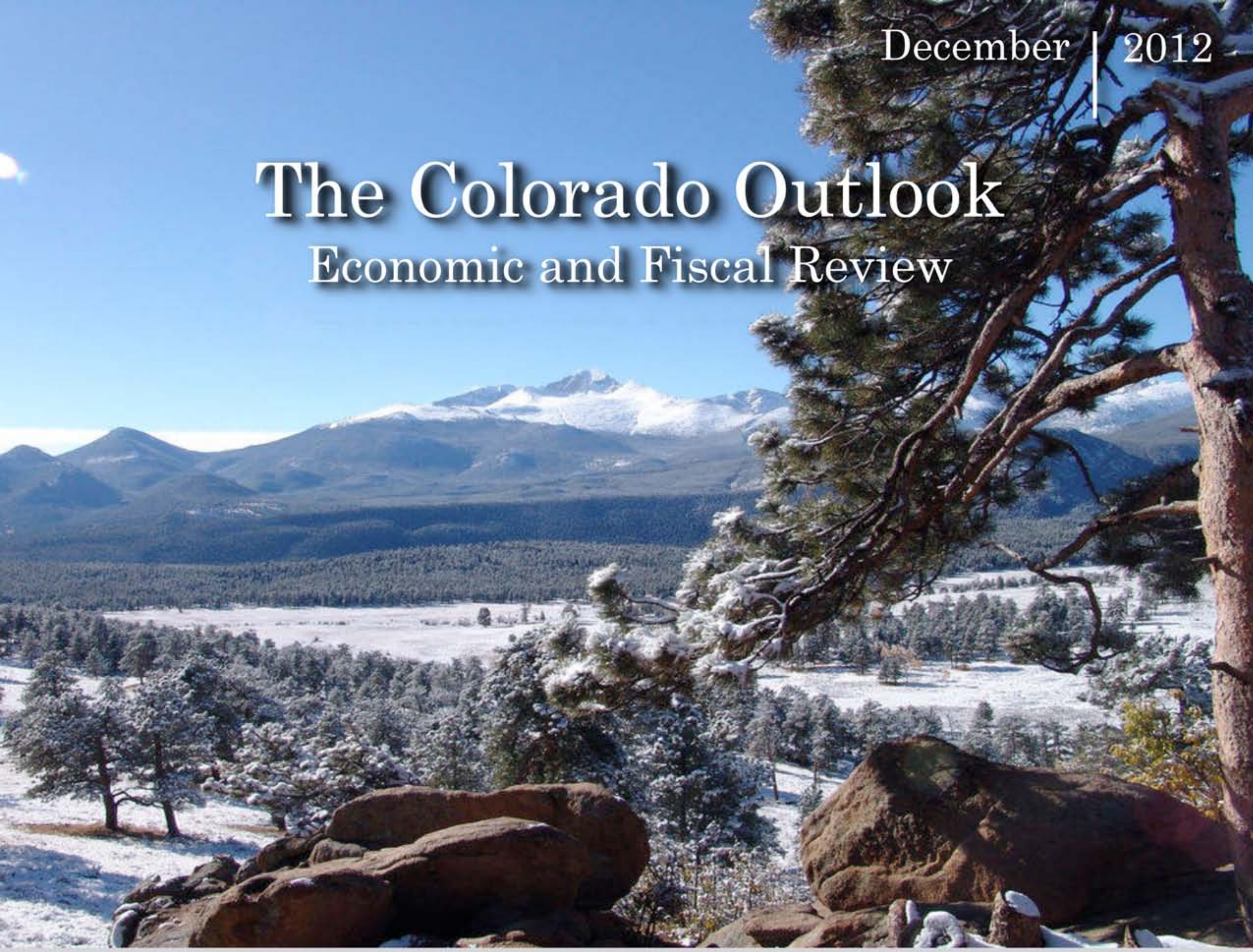
December | 2012

The Colorado Outlook

Economic and Fiscal Review



Governor's Office of State Planning and Budgeting

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Summary

- The General Fund revenue forecast for the current fiscal year (FY 2012-13) is 2.0 percent, or $159.6 million, higher than forecasted in September. All the major tax revenue categories continue to come in higher than expected, reflecting more underlying strength in the economy than is evident from available state economic indicators. Following two fiscal years of strong revenue gains, General Fund revenue is expected to grow another 4.9 percent this fiscal year, or by $379.3 million. Revenue growth is expected to slow to 2.1 percent in FY 2013-14 as some of the factors that have recently bolstered revenue are expected to diminish.

- The national economy continues to exhibit only modest growth and mixed conditions. The housing market is finally showing a sustained rebound and consumers are continuing to spend. However, some activities are slowing, most notably business spending, manufacturing, and international trade. Colorado is among the top states in economic performance due to its favorable mix of industries and skilled and entrepreneurial population. Though unemployment remains a challenge, the state's economy appears to be further along in rebuilding from the Great Recession.

- At the time of publication, federal officials continue discussions regarding across-the-board tax increases and spending cuts that will occur under current federal law in 2013. This forecast assumes that there will be an eventual agreement that includes smaller tax increases and spending reductions than currently scheduled. A similar assumption has been incorporated into past forecasts as well. However, the lack of a satisfactory agreement presents a downside risk to the forecast.

- Under this forecast and current law, General Fund revenue will be $864.6 million above FY 2012-13 spending and reserve levels. The Governor's budget request raises the reserve one percentage point to five percent of General Fund appropriations. After this increase, General Fund excess reserves will be $789.6 million. In any case, all of the FY 2012-13 excess reserves are currently earmarked for transfer to the State Education Fund.

- Despite the lower revenue growth in FY 2013-14, General Fund revenue is expected to be $142.7 million above the higher reserve level of five percent of appropriations in FY 2013-14 under the Governor's November 1st budget request.

- OSPB projects that FY 2012-13 cash fund revenue subject to TABOR will remain at about the same level as the prior year, totaling $2.55 billion. This is primarily attributable to a large decrease in severance tax revenue that will offset increases in other categories of cash fund revenue. Cash fund revenue in FY 2013-14 will increase by 3.7 percent to $2.64 billion mostly due to a rebound in severance tax revenue.

General Fund Budget

GENERAL FUND OVERVIEW AND BUDGET IMPLICATIONS OF THE FORECAST

This section discusses General Fund revenue available for spending, current General Fund spending levels, the Governor's FY 2013-14 budget request, and end-of-year reserves through the forecast period. The General Fund provides funding for the State's core programs and services, such as K-12 and higher education, assistance to low-income populations, the disabled and elderly, courts, public safety, and the correctional system. It also helps fund capital construction and maintenance needs for State facilities, and in some years, transportation projects. The largest revenue sources for the General Fund are income and sales taxes.

Table 1 presents the General Fund Overview for the December 2012 OSPB revenue forecast under current law, while Table 1a shows the overview incorporating the Governor's November 1, 2012 FY 2013-14 budget request. Both tables are at the end of this section following page 11. The amounts are subject to change based on updates to the revenue forecast and future budget actions.

Summary of General Fund Overview – Figure 1 below shows total projected General Fund revenue available, total spending, and reserve levels from FY 2011-12 through FY 2013-14 based on the December forecast and current law. It does not include the Governor's FY 2013-14 budget request. The figure also shows how much General Fund revenue is projected to be above the State's required reserve level. The spending amount for FY 2012-13 is the budgeted amount under current law. The FY 2013-14 spending amount is what can be supported with projected funds available while the State maintains its required reserve (four percent of appropriations in this illustration). Figure 1a shows the same information as in Figure 1 but incorporates the Governor's FY 2013-14 budget request, which includes a recommendation to raise the reserve requirement to five percent of appropriations. The information in the figures is discussed below and is shown in further detail in Tables 1 and 1a following page 11.

Figure 1. General Fund Money, Spending, and Reserves under Current Law, FY 2011-12 though FY 2013-14, ($ in Billions)

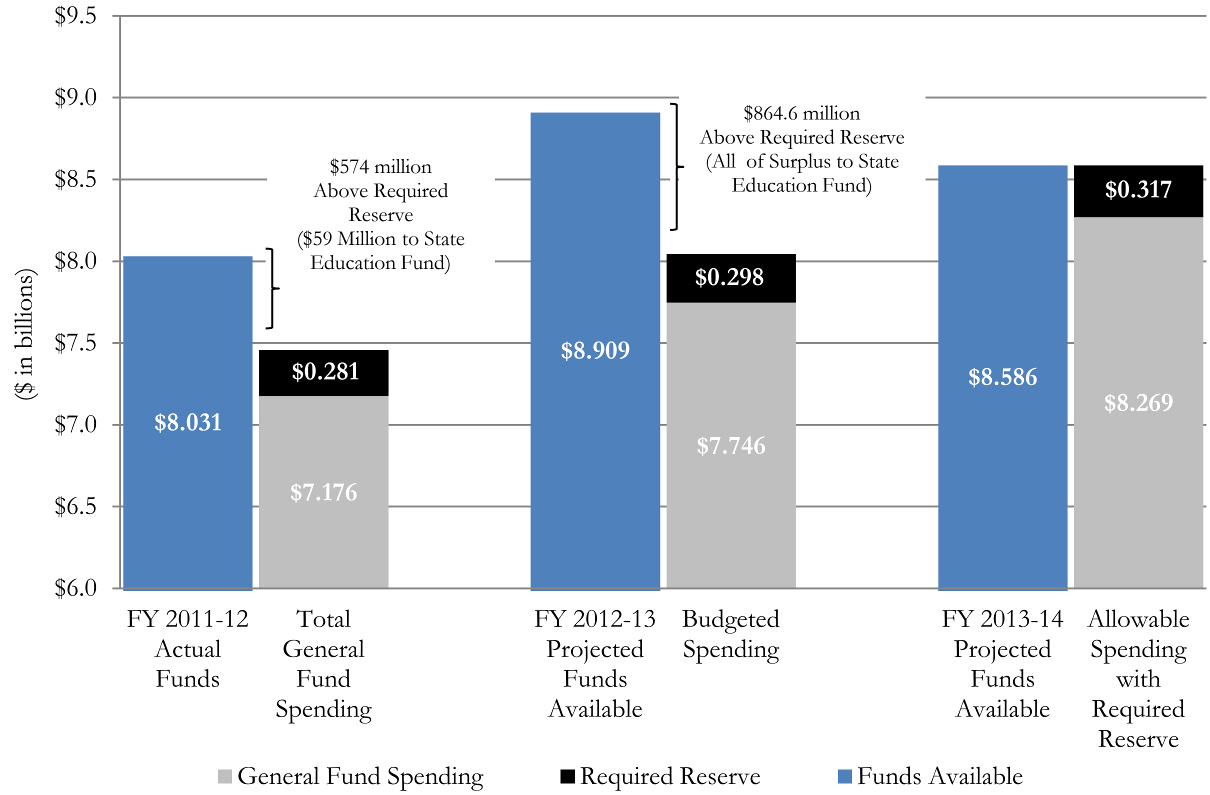
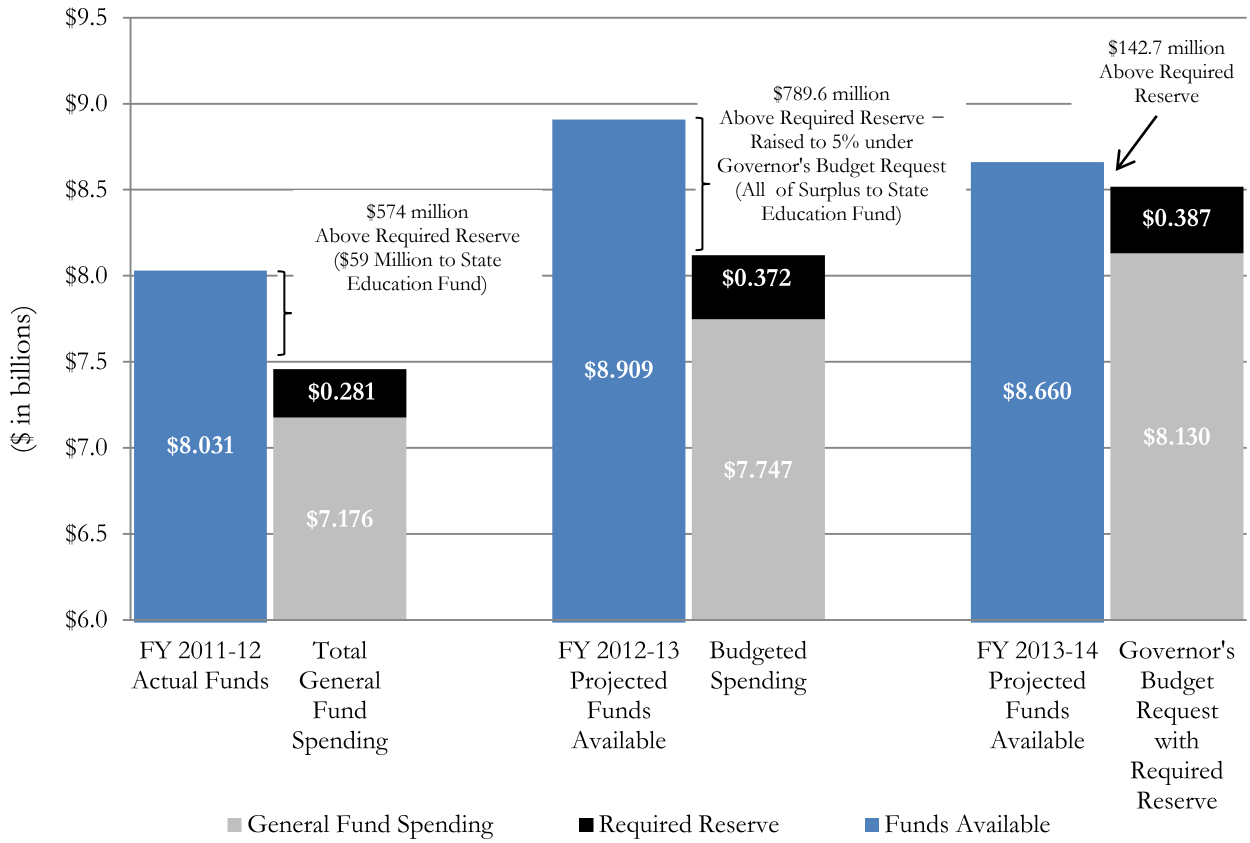


Figure 1a. General Fund Money, Spending, and Reserves *with the Governor's FY 2013-14 Budget Request*, FY 2011-12 though FY 2013-14, ($ in Billions)



Total General Fund spending grows 8.0 percent, or by $571 million, in FY 2012-13. Based on this forecast and spending under current law, General Fund revenue available will be $864.6 million above the required reserve amount in FY 2012-13. However, the Governor's November 1, 2012, budget request raises the required reserve one percentage point to 5.0 percent of General Fund appropriations. With this proposal, General Fund revenue will be $789.6 million above the requirement. All of the FY 2012-13 excess reserves are earmarked for transfer to the State Education Fund under current law.

Funds available – The top portions of Tables 1 and 1a show the amount of General Fund money available for spending. The forecast for General Fund revenue is discussed in further detail in the *General Fund Revenue Forecast* section starting on page 14. 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 various State cash funds. The tables below summarize the amount of General Fund available by fiscal year, both under current law and with the Governor's FY 2013-14 budget request. The decline in total General Fund available for FY 2013-14 in both tables is attributable to projected modest revenue growth that year and a smaller beginning fund balance as the end-of-year excess reserves in FY 2012-13 will be transferred to the State Education Fund.

GF Funds Available under Current Law ($ in Millions)	FY 2012-13	FY 2013-14	FY 2014-15
Beginning Balance	$795.8	$297.5	$317.2
General Fund Revenue	$8,115.3	$8,287.9	$8,663.2
Net Transfers to/(from) the General Fund	-$2.5	$0.6	$0.6
Total General Funds Available	**$8,908.6**	**$8,586.1**	**$8,981.0**
Dollar Change from Prior Year	$878.0	-$322.6	$394.9
Percent Change from Prior Year	10.9%	-3.6%	4.6%

GF Funds Available *with Governor's Budget Request* ($ in Millions)	FY 2012-13	FY 2013-14	FY 2014-15
Beginning Balance	$795.8	$371.9	$387.3
General Fund Revenue	$8,115.3	$8,287.9	$8,663.2
Net Transfers to/(from) the General Fund	-$2.5	$0.6	$0.6
Total General Funds Available	**$8,908.6**	**$8,660.5**	**$9,051.0**
Dollar Change from Prior Year	$878.0	-$248.2	$390.6
Percent Change from Prior Year	10.9%	-2.8%	4.5%

Spending subject to the appropriations limit – Line 5 in Tables 1 and 1a shows the amount of General Fund appropriations 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. This limit means that the level of General Fund appropriations for certain programs cannot exceed a dollar amount equal to five percent of total statewide personal income. The appropriations subject to the limit help fund the State's largest core programs, such as K-12 education, Medicaid, human services, corrections, and higher education. The limit is projected to be $10.6 billion in FY 2012-13. Thus, the General Fund appropriations for these programs are $3.2 billion under the limit.

The General Fund appropriations for FY 2011-12 and FY 2012-13 reflect current law (though the FY 2012-13 amount in Table 1a includes a relatively small amount of "1331" supplemental appropriation requests yet to be approved by the legislature) and are subject to change based on future budget decisions. Appropriations for K-12 education and the Medicaid program comprise the largest amount of the increase in FY 2012-13.

The FY 2013-14 and FY 2014-14 amounts in Table 1 reflects the level of spending that can be supported by forecasted revenue while maintaining the required reserve level. The FY 2013-14 appropriations amount in Table 1a shows the Governor's November 1, 2012, budget request, while the FY 2014-15 amount reflects the level of spending that can be supported by forecasted revenue while maintaining the higher proposed required reserve level of 5.0 percent of appropriations. The appropriation amounts in Table 1 and Table 1a, as well as the dollar and percent change per year, are shown in the tables below.

GF Spending Subject to the Appropriations Limit under Current Law ($ in Millions)			
	FY 2012-13	FY 2013-14	FY 2014-15
Appropriations	**$7,438.1**	**$7,929.4**	**$8,323.7**
Dollar Change from Prior Year	$410.3	$491.3	$394.3
Percent Change from Prior Year	5.8%	6.6%	5.0%

GF Spending Subject to the Appropriations Limit *with Governor's Budget Request* ($ in Millions)			
	FY 2012-13	FY 2013-14	FY 2014-15
Appropriations	**$7,438.7**	**$7,745.4**	**$8,311.2**
Dollar Change from Prior Year	$410.9	$306.7	$565.8
Percent Change from Prior Year	5.8%	4.1%	7.3%

Spending not subject to the appropriations limit – Lines 9 through 14 in Table 1 and Lines 9 through 15 in Table 1a summarize spending that is outside the General Fund appropriations limit. The largest portion of this spending is "Rebates and Expenditures." The largest programs in this line are: (1) the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; (2) the Old Age Pension program, which provides assistance to eligible low-income elderly individuals who meet certain eligibility requirements; (3) the Property Tax, Heat, and Rent Credit, which provides property tax, rent, or heating bill assistance to qualifying low income disabled or elderly individuals; and (4) contributions to the Fire and Police Pensions Association (FPPA) to help fund the pension plans and other benefits of certain police officers and firefighters. Projected expenditures for each of these programs are outlined at the bottom of Table 2 following page 18.

The homestead property tax exemption (Line 12 in Tables 1 and 1a) reduces property tax liabilities for qualifying seniors, starting again in the FY 2012-13, and disabled veterans. The exemption can be reduced or eliminated by law in certain years for budgetary or policy reasons. The homestead exemption expenditure amount increases substantially under current law this fiscal year to about $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.

Spending not subject to the limit includes any TABOR refunds, which occur when State revenue exceeds its cap. TABOR refunds are not expected to occur during the forecast period as revenue will be about $780 million below the cap in FY 2012-13 and just under $1 billion below the cap in the next two years.

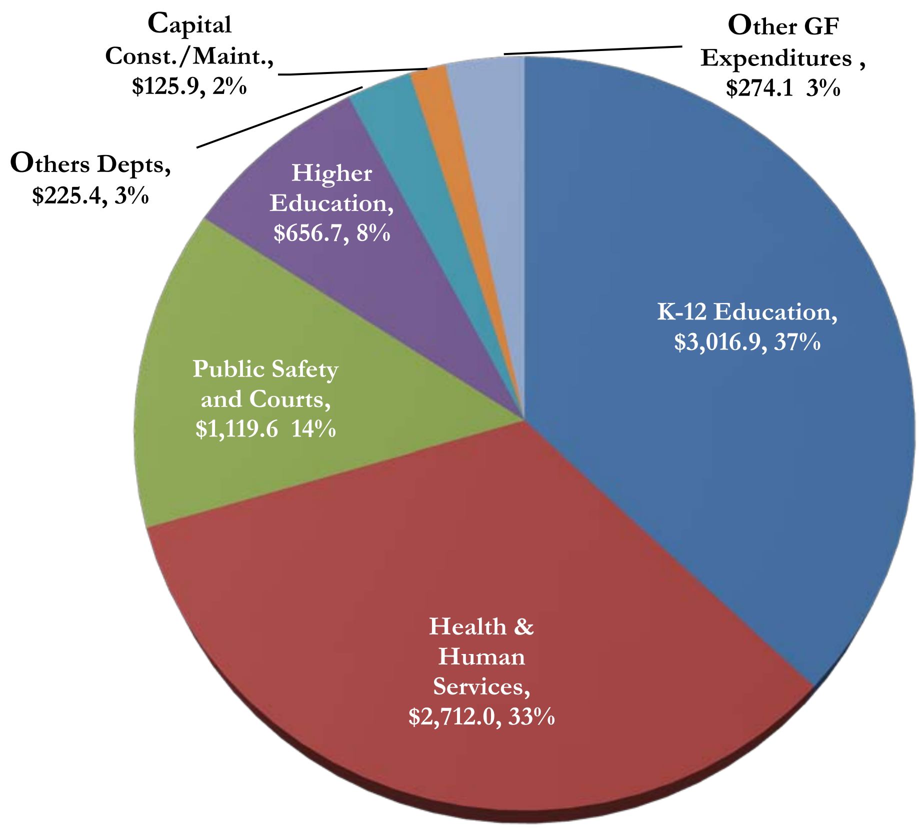
Finally, General Fund money transferred for State capital construction and facility maintenance as well as transportation projects are also not subject to the limit. The transfers can be made at the discretion of the General Assembly and Governor. The Governor's FY 2013-14 budget request includes a total transfer of $126 million for capital construction and maintenance projects. Transfers to capital construction and transportation *are required* if growth in statewide personal income exceeds five percent. This forecast projects that the trigger will not require transfers through FY 2014-15. The spending discussed above is summarized in the tables below.

GF Spending Not Subject to the Appropriations Limit under Current Law ($ in Millions)			
	FY 2012-13	**FY 2013-14**	**FY 2014-15**
TABOR Refund	$0.0	$0.0	$0.0
Rebates and Expenditures	$147.3	$154.2	$148.7
Homestead Exemption	$100.1	$105.2	$112.0
Transfers to Capital Construction	$61.0	$79.8	$63.5
Transfers to Highway Users Tax Fund	$0.0	$0.0	$0.0
Total	**$308.4**	**$339.2**	**$324.2**
Dollar Change from Prior Year	$124.4	$30.8	-$15.0
Percent Change from Prior Year	67.6%	10.0%	-4.4%

GF Spending Not Subject to the Appropriations Limit *with Governor's Budget Request* ($ in Millions)			
	FY 2012-13	**FY 2013-14**	**FY 2014-15**
TABOR Refund	$0.0	$0.0	$0.0
Rebates and Expenditures	$147.3	$154.2	$148.7
Homestead Exemption	$100.1	$105.0	$112.0
Transfers to Capital Construction	$61.0	$102.8	$63.5
Transfers to Controlled Maintenance	$0.0	$23.1	$0.0
Transfers to Highway Users Tax Fund	$0.0	$0.0	$0.0
Total	**$308.4**	**$385.1**	**$324.2**
Dollar Change from Prior Year	$124.4	$76.7	-$60.9
Percent Change from Prior Year	67.6%	24.9%	-15.8%

Composition of General Fund Budget under the Governor's FY 2013-14 Request – The following graph, Figure 2, shows the composition of the Governor's General Fund budget request for FY 2013-14 by major department or program area ($ in millions). Under the request, total General Fund spending amounts to $8,130.5 million, a five percent increase compared with FY 2012-13.

Figure 2. Composition of Governor's FY 2013-14 General Fund Budget Request, ($ in Millions)



Reserves – The final sections of the General Fund Overview tables ("Reserves") show General Fund remaining at the end of each fiscal year. The "Year-End General Fund Balance," in the overview tables reflects the difference between total funds available (Line 4) and total outlays (Line 16 in Table 1 and Line 17 in Table 1a). Line 20 in Table 1 and Line 21 in Table 1a show the statutorily determined reserve requirement and the following lines indicate any variance from the target (Money Above (Below) Statutory Reserve). For FY 2012-13, the reserve will be $864.6 million above the 4.0 percent of appropriations requirement under current law and $789.6 million above the higher 5.0 percent reserve requirement under the Governor's budget request. Under current law, all of the FY 2012-13 excess is transferred to the State Education Fund. For FY 2013-14, under the Governor's budget request, the reserve is projected to be $142.7 million above the required amount.

Starting with calendar year 2012, if annual growth in statewide personal income is over five percent, current law requires a one-half of a percentage point increase in the reserve for five consecutive years until it reaches 6.5 percent of appropriations. This forecast projects that this increase will not be required through FY 2014-15. The dollar amounts for the required reserve and ending fund balance from Table 1 and Table 1a are summarized in the tables below.

GF Reserves under Current Law			
	FY 2012-13	FY 2013-14	FY 2014-15
Year-End General Fund Balance	$1,162.1	$317.2	$332.9
Balance as a % of Appropriations	15.6%	4.0%	4.0%
General Fund Required Reserve	**$297.5**	**$317.2**	**$332.9**
Money Above/Below Req. Reserve	**$864.6**	**$0.0**	**$0.0**
Excess Reserve to State Education Fund	**-$864.6**	**N/A**	**N/A**

GF Reserves *with Governor's Budget Request*			
	FY 2012-13	FY 2013-14	FY 2014-15
Year-End General Fund Balance	$1,161.5	$530.0	$415.6
Balance as a % of Appropriations	15.6%	6.8%	5.0%
General Fund Required Reserve	**$371.9**	**$387.3**	**$415.6**
Money Above/Below Req. Reserve	**$789.6**	**$142.7**	**$0.0**
Excess Reserve to State Education Fund	**-$789.6**	**N/A**	**N/A**

State Education Fund – For informational purposes, the last lines of Table 1 and 1a show the amount of money credited to the State Education Fund both from Amendment 23 and other budgetary actions. 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 to help fund preschool through 12th grade education in the state.

Under HB 12-1338, in FY 2012-13, the fund will receive $59 million of the FY 2011-12 excess reserves, which is in addition to the annual diversion of a portion of taxable income. Under current law, for FY 2013-14, it will receive all of the FY 2012-13 excess reserves, or a projected $864.6 million as shown in Table 1. Under the Governor's budget request in Table 1a, a projected $789.6 million in FY 2012-13 excess reserves are transferred to the State Education Fund in FY 2013-14. The lower amount is a result of the Governor's proposal to increase the required statutory reserve to 5.0 percent. The amounts to the State Education Fund in Table 1 and Table 1a are shown below.

State Education Fund under Current Law			
	FY 2012-13	FY 2013-14	FY 2014-15
One-third of 1% of State Taxable Income	$423.7	$432.2	$456.9
Money from Prior Year-end Excess Reserves	$59.0	$864.6	$0.0
Total Funds to State Education Fund	**$482.7**	**$1,296.8**	**$456.9**

State Education Fund *with Governor's Budget Request*			
	FY 2012-13	FY 2013-14	FY 2014-15
One-third of 1% of State Taxable Income	$423.7	$432.2	$456.9
Money from Prior Year-end Excess Reserves	$59.0	$789.6	$0.0
Total Funds to State Education Fund	**$482.7**	**$1,221.8**	**$456.9**

Risks to the Budget Outlook

The economy is facing unique challenges and opportunities, which makes forecasting especially difficult. The lack of a satisfactory agreement to the across-the-board federal tax increases and spending cuts that will occur under current federal law in 2013 presents a downside risk to the economic and revenue forecast. Colorado could especially be affected by the cuts in federal spending as it has ties to many federal agencies and programs, especially a concentration of defense-related facilities. Further, Europe is in recession, and though its debt crisis has abated, conditions could worsen again and strain the global financial system.

In contrast, improvement in Europe and a federal budget agreement that boosts confidence could result in a stronger economy than forecast. In addition, the national economy's growth has been sluggish and uneven since the Great Recession. Colorado's economy, however, has shown evidence of more sustained robust growth. The momentum in Colorado's economy could continue to build and cause revenue to outperform the forecast.

Relative 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 two percentage points in FY 2012-13 from the current projected growth rate, General Fund revenue would be approximately $155 million higher or lower. Any change in the current fiscal year's forecast will also likely compound and affect the upcoming budget year's forecast as well.

Table 1
General Fund Overview under Current Law
(Dollar Amounts in Millions)

Line No.		Actual FY 2011-12	December 2012 Estimate by Fiscal Year FY 2012-13	FY 2013-14	FY 2014-15
Revenue					
1	**Beginning Reserve**	**$156.7**	**$795.8**	**$297.5**	**$317.2**
2	**Gross General Fund Revenue**	**$7,736.0**	**$8,115.3**	**$8,287.9**	**$8,663.2**
3	*Net Transfers to/(from) the General Fund*	**$138.0**	**($2.5)**	**$0.6**	**$0.6**
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$8,030.6**	**$8,908.6**	**$8,586.1**	**$8,981.0**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$7,027.8**	**$7,438.1**	**$7,929.7**	**$8,323.8**
6	*Dollar Change (from prior year)*	*$216.7*	*$410.3*	*$491.6*	*$394.1*
7	*Percent Change (from prior year)*	*3.2%*	*5.8%*	*6.6%*	*5.0%*
8	**Exemptions to Limit and Adjustments to Appropriations /B**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
9	**Spending Outside Limit**	**$184.0**	**$308.4**	**$339.2**	**$324.2**
10	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
11	*Rebates and Expenditures /C*	*$133.0*	*$147.3*	*$154.2*	*$148.7*
12	*Homestead Exemption*	*$1.8*	*$100.1*	*$105.2*	*$112.0*
13	*Transfers to Capital Construction /D*	*$49.3*	*$61.0*	*$79.8*	*$63.5*
14	*Transfers to Highway Users Tax Fund /D*	*N/A*	*N/A*	*$0.0*	*$0.0*
15	Reversions and Accounting Adjustments	*($36.0)*	*$0.0*	*$0.0*	*$0.0*
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,175.8**	**$7,746.5**	**$8,268.9**	**$8,648.0**
Reserves					
17	**Year-End General Fund Balance**	**$854.8**	**$1,162.1**	**$317.2**	**$333.0**
18	*Year-End General Fund as a % of Appropriations*	*12.2%*	*15.6%*	*4.0%*	*4.0%*
19	**General Fund Statutory Reserve /E**	**$281.1**	**$297.5**	**$317.2**	**$333.0**
20	**Money Above (Below) Statutory Reserve /F**	**$573.7**	**$864.6**	**$0.0**	**$0.0**
21	*Addendum: State Education Fund /G*	*$638.5*	*$482.7*	*$1,296.8*	*$456.9*

Totals may not sum due to rounding.

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for Fiscal Year 2011-12 and FY 2012-13 reflect current law. The amounts for FY 2013-14 and FY 2014-15 represent the level of spending that can be supported by projected revenue while maintaining the required reserve amount.

/B Spending by the Medicaid program that is above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount for this line.

/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 Current law 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 2015-2016.

/E The required reserve level is currently 4.0%. Current law 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 2015-16. 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 HB 12-1338, $59.0 million of the FY 2011-12 excess amount and all of the FY 2012-13 excess amount is transferrred to the State Education Fund. After the $59 million transfer, the remaining amount of the FY 2011-12 surplus is carried forward and becomes part of the beginning FY 2012-13 balance.

/G The State Education Fund annually receives one-third of 1% of Colorado taxable income. In FY 2011-12, it also received $221.4 million of the FY 2010-11 Excess Reserve. Also in FY 2011-12, the Fund received $9.6 million from the tax amnesty program created by SB 11-184. In FY 2012-13, the fund receives $59 million of the FY 2011-12 excess reserve. In FY 2013-14, it receives all of the FY 2012-13 excess reserve, or a projected $864.6 million.

Table 1a

General Fund Overview (with Governor's November 1, 2012 FY 2013-14 Budget Request)

(Dollar Amounts in Millions)

Line No.		Actual FY 2011-12	December 2012 Estimate by Fiscal Year FY 2012-13	FY 2013-14	FY 2014-15
Revenue					
1	**Beginning Reserve**	**$156.7**	**$795.8**	**$371.9**	**$387.3**
2	**Gross General Fund Revenue**	**$7,736.0**	**$8,115.3**	**$8,287.9**	**$8,663.2**
3	*Net Transfers to/(from) the General Fund*	**$138.0**	**($2.5)**	**$0.6**	**$0.6**
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$8,030.6**	**$8,908.6**	**$8,660.5**	**$9,051.0**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$7,027.8**	**$7,438.7**	**$7,745.4**	**$8,311.3**
6	*Dollar Change (from prior year)*	*$216.7*	*$410.9*	*$306.7*	*$565.9*
7	*Percent Change (from prior year)*	*3.2%*	*5.8%*	*4.1%*	*7.3%*
8	**Exemptions to Limit and Adjustments to Appropriations /B**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
9	**Spending Outside Limit**	**$184.0**	**$308.4**	**$385.1**	**$324.2**
10	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
11	*Rebates and Expenditures /C*	*$133.0*	*$147.3*	*$154.2*	*$148.7*
12	*Homestead Exemption*	*$1.8*	*$100.1*	*$105.0*	*$112.0*
13	*Transfers to Capital Construction /D*	*$49.3*	*$61.0*	*$102.8*	*$63.5*
14	*Transfers to Controlled Maintenance*	*$0.0*	*$0.0*	*$23.1*	*$0.0*
15	*Transfers to Highway Users Tax Fund /D*	*N/A*	*N/A*	*$0.0*	*$0.0*
16	Reversions and Accounting Adjustments	*($36.0)*	*$0.0*	*$0.0*	*$0.0*
17	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,175.8**	**$7,747.1**	**$8,130.5**	**$8,635.5**
Reserves					
18	**Year-End General Fund Balance**	**$854.8**	**$1,161.5**	**$530.0**	**$415.6**
19	*Year-End General Fund as a % of Appropriations*	*12.2%*	*15.6%*	*6.8%*	*5.0%*
20	**General Fund Statutory Reserve /E**	**$281.1**	**$371.9**	**$387.3**	**$415.6**
21	**Money Above (Below) Statutory Reserve /F**	**$573.7**	**$789.6**	**$142.7**	**$0.0**
21	*Addendum: State Education Fund /G*	*$638.5*	*$482.7*	*$1,221.8*	*$456.9*

Totals may not sum due to rounding.

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for Fiscal Year 2011-12 and FY 2012-13 reflect current law , except the FY 2012-13 amount also includes 1331 supplementals. The amount for FY 2013-14 reflects the Governor's November 1, 2012 budget request. The FY 2014-15 amount represents the level of spending that can be supported by projected revenue w hile maintaining the required reserve amount.

/B Spending by the Medicaid program that is above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount for this line.

/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

/D Current law 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 2015-2016.

/E The required reserve level is currently 4.0%. The Governor's November 1, 2012, budget request raises the reserve to 5.0% in FY 2012-13 and subsequent years. Current law requires the reserve to increase 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 2015-16.

/F Per HB 12-1338, $59.0 million of the FY 2011-12 excess amount and all of the FY 2012-13 excess amount is transferrred to the State Education Fund. After the $59 million transfer, the remaining amount of the FY 2011-12 surplus is carried forw ard and becomes part of the beginning FY 2012-13 balance.

/G The State Education Fund annually receives one-third of 1% of Colorado taxable income. In FY 2011-12, it also received $221.4 million of the FY 2010-11 Excess Reserve. Also in FY 2011-12, the Fund received $9.6 million from the tax amnesty program created by SB 11-184. In FY 2012-13, the fund receives $59 million of the FY 2011-12 excess reserve. In FY 2013-14, it receives all of the FY 2012-13 excess reserve, or a projected $789.6 million.

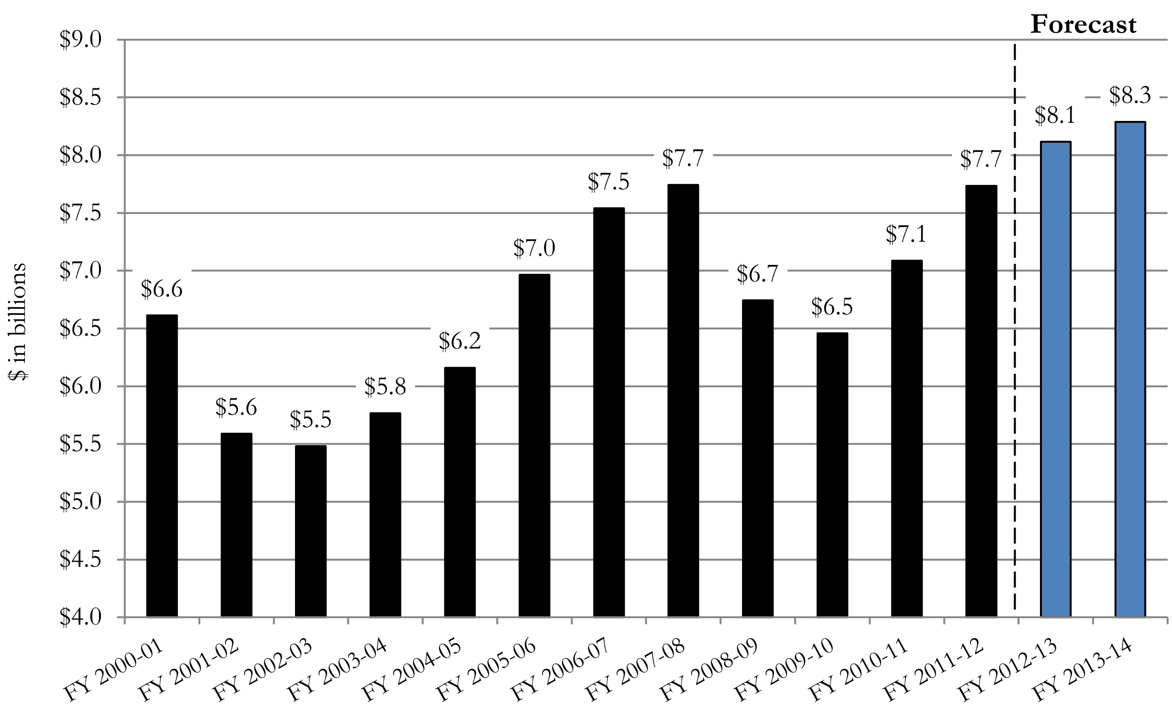
General Fund Revenue Forecast

The General Fund revenue forecast for the current budget year (FY 2012-13) is 2.0 percent, or $159.6 million, higher than the September forecast. The upgrade to the forecast is from continued growth in all the major tax revenue categories, including sales taxes, individual income taxes, and especially corporate income tax revenue. These revenue sources continue to come in higher than expected, reflecting more underlying strength in the economy than is evident from available state economic indicators.

General Fund revenue is expected to grow 4.9 percent, or $379.3 million, in FY 2012-13. This growth is coming after two strong years in FY 2010-11 and FY 2011-12 in which revenue grew 9.7 percent and 9.2 percent, respectively. The strong revenue growth can be attributed to several factors which are discussed in the following sections on the forecasts for the major General Fund revenue sources. One overall reason is that the economy continues to rebound from a very low level of activity during the recession.

Revenue growth is expected to slow to a 2.1 percent growth rate in FY 2013-14 as some of the factors that have led to the recent strong revenue gains are expected to diminish. There are signs of slowing in some sectors of the national economy, most notably manufacturing and business investment, and Colorado is expected to be affected by national economic headwinds. Further, strong corporate income tax revenue growth is not expected to be sustained, nor is tax revenue from capital gains realizations. Figure 3 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2013-14.

Figure 3. General Fund Revenue, Actual and Forecast, FY 2000-01 to FY 2013-14



Forecast Discussion of Major General Fund Revenue Sources

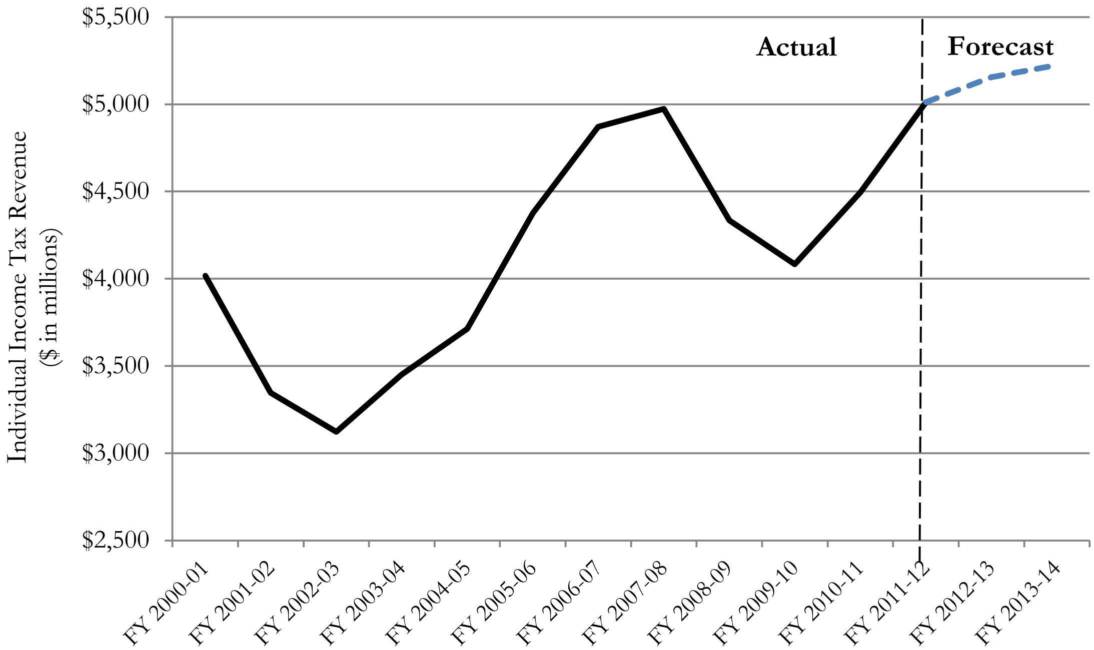
The following section discusses the forecasts for the three major General Fund revenue sources – individual income taxes, corporate income taxes, and sales and use taxes. These sources represent 95 percent of total General Fund revenue. The section ends with a brief discussion of the General Fund revenue from other sources.

Individual income tax – Reflecting the rebound in job growth in the state as well as the stock market, individual income tax revenue grew a robust 11.5 percent in FY 2011-12 after growing 10.1 percent in FY 2010-11. Job growth in Colorado has been among the highest in the nation. The stock market's rebound has resulted in investors realizing higher amounts of taxable capital gains income. Further, the 2013 scheduled increase in federal tax rates on capital gains has likely caused many investors to realize their gains at the lower tax rates, thus resulting in less income available to be realized and taxed in 2013. This dynamic will cause a slowdown in individual income tax revenue in FY 2013-14.

Revenue growth from income tax withholding, which accounts for about 55 percent of total General Fund revenue, will be slower this fiscal year mostly due to an accrual accounting adjustment. Accrual adjustments are required so that revenue collected by the State is accounted for in the fiscal year in which the economic activity that generated the revenue occurred. The adjustment is a result of the timing of the June 2012 payroll period of many larger businesses which caused $127.4 million in revenue collected in July to be "accrued" back to June and accounted for in FY 2011-12. Thus, this revenue will not be attributed to this fiscal year and a slight negative accrual accounting adjustment will occur, slowing the growth in withholding tax collections.

In FY 2013-14, income tax withholding is expected to post a slightly higher growth rate, but collections will be tempered by a modest slowdown in job gains as the economy is affected by national and global economic headwinds. The slowdown in individual income tax revenue due to the aforementioned factors is depicted in Figure 4 below, which shows total individual income tax revenue from FY 2001-02 through FY 2013-14. Total individual income tax revenue is expected to grow 2.9 percent this fiscal year and 1.4 percent in FY 2013-14.

Figure 4. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2013-14

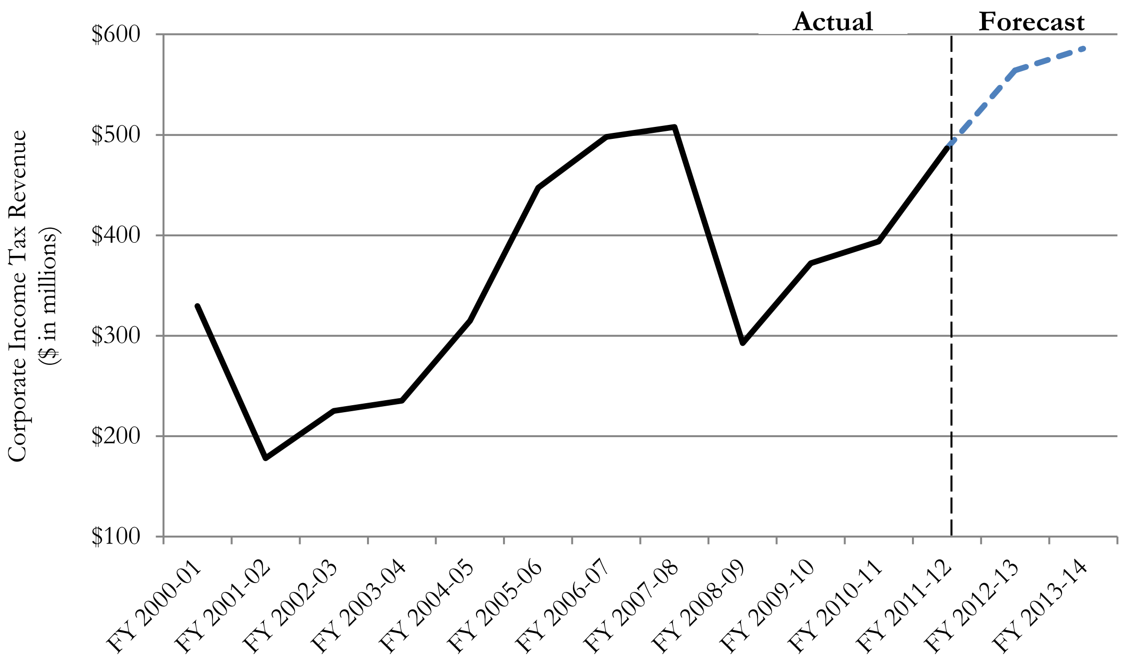


Corporate income tax – Corporate income tax revenue has increased strongly in recent years. In FY 2012-13, the amount of corporate income tax revenue is expected to have almost doubled from its low during the recession and to be 11 percent higher than its pre-recession peak. Strong corporate profits, coupled with a 2010 state tax policy change capping the amount of net operating losses that corporations could deduct from their income for tax purposes, has generated rising tax receipts.

In FY 2013-14, however, corporate income tax revenue growth will slow as corporate profits are tempered by economic headwinds and as companies will likely not continue to benefit from the same efficiency gains that increased margins after the recession. Also, the end of the cap on net operating losses in 2014 will slow corporate income tax revenue as certain companies will be able to deduct more losses than in previous years, resulting in lower taxable income.

After increasing 24.0 percent in FY 2011-12, corporate income tax revenue will increase at a rate of 16.0 percent in FY 2012-13 and 3.8 percent in FY 2013-14. A graph of this forecast and historical corporate income tax collections is provided in Figure 5.

Figure 5. Corporate Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2013-14



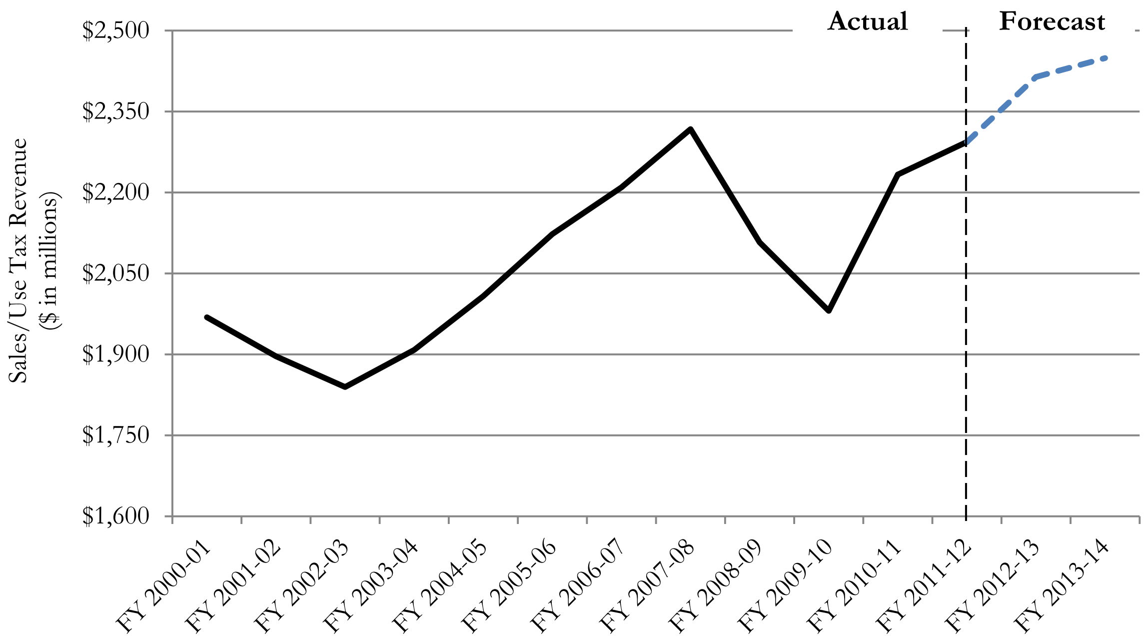
Sales and use tax – Sales and use tax is the second largest source of revenue to the State General Fund, generally comprising slightly more than 30 percent of the total. After a strong year in FY 2010-11 as the economy rebounded from the recession, sales tax revenue grew a modest 2.4 percent in FY 2011-12. One reason for this slower growth was the partial resumption of the vendor discount, which allows a portion of sales taxes collections to be retained by retailers.

Sales tax collections are growing at a higher rate this fiscal year – FY 2012-13 sales tax revenue is expected to grow 5.1 percent. As discussed in the *Economy: Current Conditions and Forecast* section, consumers are making more big ticket purchases, consisting especially of vehicles but also of furniture and building materials. This category of items, known as durable goods, comprises about 25 percent of total state sales tax revenue. Also, business spending on taxable items, which generates about 40 percent of total sales tax revenue, has been relatively strong. However, state sales tax revenue growth will be tempered in FY 2013-14, when revenue is projected to grow 1.2 percent

This expected slowdown is a result of several factors. First, the relatively high growth rate in household spending on durable goods, especially vehicles, will likely not be sustained. Much of the recent spending has been a result of pent-up demand created when purchases were postponed during the recession. Further, elevated costs for food due to the nationwide drought will cause more of household budgets to be used on groceries, reducing spending on taxable items because food bought at grocery stores is not subject to the sales tax. The return of the sales tax exemption on cigarettes will also lower revenue growth in FY 2013-14 by about $30 million.

Finally, the modest slowdown in the economy expected in 2013 is expected to temper business spending. As a result, use tax revenue, which is mostly paid by businesses, will also post more modest growth of 4.2 percent next fiscal year after growing 7.2 percent this year. Total sales and use tax revenue from FY 2000-01 through FY 2013-14 is shown in Figure 6.

Figure 6. Sales and Use Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2013-14



Other smaller miscellaneous General Fund revenue sources – General Fund revenue from a group of miscellaneous sources will grow modestly over the forecast period. These relatively small revenue sources include taxes paid by insurers on premiums, interest income, pari-mutuel taxes, court receipts, excise taxes on cigarettes, tobacco, and liquor products, and starting in FY 2012-13, estate taxes. This scheduled reinstatement of the federal estate tax in 2013 will bolster this grouping of General Fund revenue sources starting in FY 2012-13. Colorado will see revenue from estate taxes again – $45 million in FY 2012-13 and $94 million in FY 2013-14 – because its tax is tied to the federal estate tax.

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

Line No.	Category	Actual FY 2011-12	% Chg	December 2012 Estimate by Fiscal Year FY 2012-13	% Chg	FY 2013-14	% Chg	FY 2014-15	% Chg
	Excise Taxes:								
1	Sales	$2,093.2	2.4%	$2,199.3	5.1%	$2,224.8	1.2%	$2,304.7	3.6%
2	Use	$200.6	5.6%	$215.1	7.2%	$224.2	4.2%	$244.2	8.9%
3	Cigarette	$39.5	0.5%	$38.8	-1.8%	$37.3	-3.7%	$35.9	-3.9%
4	Tobacco Products	$16.0	16.1%	$16.0	-0.5%	$16.5	3.3%	$17.0	3.2%
5	Liquor	$38.4	5.3%	$39.7	3.4%	$40.0	0.8%	$40.8	2.1%
6	**Total Excise**	**$2,387.7**	**2.8%**	**$2,508.7**	**5.1%**	**$2,542.8**	**1.4%**	**$2,642.6**	**3.9%**
	Income Taxes:								
7	Net Individual Income	$5,011.6	11.5%	$5,155.1	2.9%	$5,224.7	1.4%	$5,486.9	5.0%
8	Net Corporate Income	$486.5	23.5%	$564.1	16.0%	$585.7	3.8%	$610.4	4.2%
9	**Total Income**	**$5,498.1**	**12.4%**	**$5,719.2**	**4.0%**	**$5,810.4**	**1.6%**	**$6,097.4**	**4.9%**
10	*Less: State Education Fund Diversion*	*$407.5*	*10.0%*	*$423.7*	*4.0%*	*$432.2*	*2.0%*	*$456.9*	*5.7%*
11	**Total Income to General Fund**	**$5,090.6**	**12.6%**	**$5,295.5**	**4.0%**	**$5,378.2**	**1.6%**	**$5,640.5**	**4.9%**
	Other Revenues:								
12	Estate	$0.3	-680.0%	$45.0	N/A	$94.0	108.9%	$101.2	7.7%
13	Insurance	$197.2	4.0%	$208.0	5.5%	$212.7	2.3%	$216.6	1.8%
14	Interest Income	$13.6	71.5%	$14.1	4.1%	$15.7	11.6%	$16.4	4.4%
15	Pari-Mutuel	$0.6	14.4%	$0.5	-25.6%	$0.4	-3.0%	$0.4	-15.6%
16	Court Receipts	$2.6	-27.6%	$0.9	-67.1%	$0.3	-70.6%	$0.3	0.0%
17	Gaming	$20.3	-0.5%	$20.4	0.2%	$20.4	0.4%	$20.5	0.5%
18	Other Income	$23.1	8.8%	$22.3	-3.6%	$23.4	5.1%	$24.7	5.8%
19	**Total Other**	**$257.6**	**5.9%**	**$311.0**	**20.7%**	**$367.0**	**18.0%**	**$380.1**	**3.6%**
20	GROSS GENERAL FUND	$7,736.0	9.2%	$8,115.3	4.9%	$8,287.9	2.1%	$8,663.2	4.5%
	Rebates & Expenditures:								
21	Cigarette Rebate	$11.2	1.8%	$10.9	-3.2%	$10.5	-3.7%	$10.1	-3.9%
22	Old-Age Pension Fund	$103.3	1.1%	$113.6	10.0%	$105.0	-7.5%	$99.5	-5.3%
23	Aged Property Tax & Heating Credit	$7.2	5.1%	$7.1	-1.6%	$7.1	1.0%	$7.3	2.0%
24	Interest Payments for School Loans	$0.7	-16.3%	$0.6	-10.7%	$1.2	99.7%	$1.3	11.7%
25	Fire/Police Pensions	$9.7	125.4%	$14.3	47.4%	$29.6	107.2%	$29.7	0.3%
26	Amendment 35 General Fund Expenditure	$0.9	1.9%	$0.8	-8.9%	$0.8	1.4%	$0.8	-4.6%
27	**Total Rebates & Expenditures**	**$133.0**	**5.5%**	**$147.3**	**10.8%**	**$154.2**	**4.7%**	**$148.7**	**-3.6%**

Cash Fund Revenue Forecast

Cash fund revenue that is subject to TABOR in FY 2012-13 will remain at about the same level as the prior year, totaling $2.55 billion. This is primarily attributable to a large decrease in severance tax revenue that will offset increases in other categories of cash fund revenue. Severance tax revenue will fall by roughly $93.0 million, or 45.0 percent, from FY 2011-12 as a result of lower natural gas prices in 2012 and taxpayers claiming ad valorem tax credits for property taxes paid on production values when prices were higher in 2011.

Cash fund revenue in FY 2013-14 will increase by 3.7 percent to $2.64 billion. Severance tax is projected to grow by roughly $76 million, generating most of the cash fund revenue growth. However, most other cash fund revenue sources will also increase modestly. The following paragraphs describe OSPB's expectations for each category of Colorado's cash fund revenue sources.

Transportation-Related Cash Funds

Transportation-related cash fund revenue subject to TABOR is expected to total $1.12 billion in FY 2012-13, which is an increase of $4.4 million, or 0.4 percent, from FY 2011-12. Transportation-related revenue is forecast to grow again in FY 2013-14 by 1.3 percent, or $14.6 million, to $1.13 billion.

This category of cash funds includes the Highway Users Tax Fund (HUTF), State Highway Fund, and a number of smaller cash funds. The HUTF accounts for greater than eighty percent of transportation-related cash fund revenue. Revenue to this fund is generated by vehicle registration fees and motor fuel taxes along with other fees and fines, and is distributed according to a formula specified by Colorado law. Primary recipients of fund revenue include the Colorado Department of Transportation, local counties and cities, and the Colorado State Patrol within the Department of Public Safety. This category of cash fund includes revenue generated by the impact of SB 09-108 (FASTER) which took effect in FY 2009-10. Roughly 40 percent of FASTER-related revenue is received by two State Enterprises – the High Performance Transportation Enterprise and the Statewide Bridge Enterprise – and is thus exempt from TABOR, per Article X, Section 20 of the Colorado Constitution.

The forecast of transportation-related revenue growth reflects OSPB's expectations for continued modest growth in the Colorado economy. Most of the transportation revenue increase is from vehicle registration revenue as well as modest growth in motor fuel tax receipts. Vehicle purchases showed continued strength during 2012. However, OSPB does not expect the same level of growth in purchases to continue throughout 2013.

Limited Gaming

Limited gaming revenue, including both the portion subject to TABOR and the portion not subject to TABOR, is anticipated to total $105.5 million in FY 2012-13, which is 0.6 percent higher from the prior year. The small growth in gaming revenue is primarily the result of tax rates returning to their prior level in FY 2012-13. The Colorado Limited Gaming Control Commission restored rates to levels in effect prior to FY 2011-12. OSPB predicts that actual gaming activity will decline in FY 2012-13, hindered by continued lower levels of consumer confidence and elevated unemployment. Gaming revenue will grow modestly in FY 2013-14. OSPB projects growth of 3.6 percent in FY 2013-14 and will total $109.3 million.

Amendment 50, passed by voters in the fall of 2008, allowed for extended gaming limits and longer hours. The additional gaming revenue generated from those extensions is exempt from TABOR. As a result, the total limited gaming revenue shown in Figure 7 below is larger than the amount to the Limited Gaming Fund shown in Table 3 on page 27. The amount in Table 3 represents just the gaming revenue subject to TABOR.

Revenue from gaming taxes, fees, and fines is distributed according to state law. The majority of revenue generated by the implementation of Amendment 50 is distributed to the community colleges, Mesa University, and Adams State University. Other revenue from gaming activity, called "Base Limited Gaming Revenue," is distributed to a number of State programs as well as the cities and counties in which gaming activity is allowed. Figure 7 details the forecast for all gaming revenue as well as the allocation of gaming revenues, after some of the gaming revenue is used for State gaming administration and regulation costs, as prescribed by current law.

Figure 7. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY11-12	Forecast FY 12-13	Forecast FY 13-14	Forecast FY 14-15
A. Total Limited Gaming Revenues	**$104.8**	**$105.5**	**$109.3**	**$114.2**
Annual Percent Change	-3.0%	0.6%	3.6%	4.5%
B. Base Limited Gaming Revenues (max 3% growth)	**$95.6**	**$96.2**	**$99.1**	**$102.1**
Annual Percent Change	-2.2%	0.6%	3.0%	3.0%
C. Total Amount to Base Revenue Recipients	**$82.6**	**$83.1**	**$89.5**	**$92.8**
Amount to State Historical Society	*$23.1*	$23.3	*$25.1*	*$26.0*
Amount to Counties	*$9.9*	$10.0	*$10.7*	*$11.1*
Amount to Cities	*$8.3*	$8.3	*$8.9*	*$9.3*
Amount to Distribute to Remaining Programs (State Share)	*$41.3*	$41.5	*$44.7*	*$46.4*
Amount to Local Government Impact Fund	*$3.3*	$3.3	*$3.8*	*$4.1*
Colorado Tourism Promotion Fund	*$11.0*	$11.1	*$12.8*	*$13.6*
Creative Industries Cash Fund	*$0.9*	$0.9	*$1.0*	*$1.1*
Film, Television, and Media Operational Account	*$0.2*	$0.2	*$0.3*	*$0.3*
Bioscience Discovery Evaluation Fund	*$4.0*	$4.0	*$4.6*	*$4.9*
Innovative Higher Education Research Fund	*$1.5*	$1.6	*$1.8*	*$1.9*
Transfer to the General Fund	*$20.3*	$20.4	*$20.5*	*$20.6*
D. Total Amount to Amendment 50 Revenue Recipients	**$8.6**	**$8.7**	**$9.5**	**$11.5**
Community Colleges, Mesa and Adams State (78%)	*$6.7*	$6.7	$7.4	*$8.9*
Counties (12%)	*$1.0*	$1.0	$1.1	*$1.4*
Cities (10%)	*$0.9*	*$0.9*	*$1.0*	*$1.1*

Hospital Provider Fee

Hospital provider fee revenue will grow 12.8 percent to $661.9 million in FY 2012-13. This growth expectation reflects the continued increases in the population of patients covered by Medicaid in Colorado and increases in the cost of providing healthcare services. The hospital provider fee is assessed as a share of net patient revenue to hospitals in the state, and the funds generated can be used to obtain matching federal funding for public health programs and uncompensated care. As such, revenue from the fee fluctuates along with changes in net patient revenues and with changes in the assessment rate. Hospital provider fee revenue in FY 2012-13 will also include $25 million generated by an increase in fees paid to the Hospital Provider Fee Cash Fund for transfer to the General Fund. This transfer of $25 million, like a similar transfer of $50 million in FY 2011-12, will be made to offset Medicaid expenditures from the General Fund as required by SB 11-212.

The fee increase to generate the transfer from the Hospital Provider Fee Cash Fund to the General Fund does not occur after FY 2012-13 under current law. As a result, hospital provider fee revenue will fall 2.9 percent in FY 2013-14 to $642.8 million.

Severance Tax

Severance tax is paid on minerals extracted in the state of Colorado. This includes, in order of severance tax receipts from smallest to largest, metallic minerals, molybdenum, coal, oil, and natural gas. Severance tax revenue in FY 2012-13 will be $114.9 million, which is $92.8 million, or 44.7 percent less than collections in FY 2011-12. Severance tax revenue will increase to $190.6 million in FY 2013-14 as a consequence of higher natural gas prices and smaller ad valorem tax credits compared with FY 2012-13.

The price of natural gas plays a dominant role in determining the State's severance tax revenue as natural gas production generates the greatest portion of all severance tax revenue. OSPB estimates that the average price of natural gas during 2012 will be $2.87 per thousand cubic feet (Mcf) and $3.44 per Mcf in 2013. Natural gas prices sank to low levels during 2012 after a warmer-than average winter last year, continued increases in production capacity throughout the United States, and very high inventories of natural gas in storage. As the coldest winter months have approached and natural gas consumption has risen, the price of natural gas has likewise increased. This increase is expected to continue through 2013, though prices will continue to be restrained by high inventories of natural gas.

The price of natural gas can change unexpectedly as a result of the complex nature of the natural gas market, resulting in higher or lower severance tax revenue than forecast. For example, a decline in output in response to lower prices, stronger than expected increases in demand resulting from an especially cold winter, or increased exposure to international markets could cause prices to rise more than forecast. In contrast, several factors may drive the price of natural gas downward and result in lower severance tax revenue than expected. Such downside risks include continued high growth in the supply of natural gas generated as a byproduct of producing natural gas liquids like propane, ethane, and butane, an especially warm winter, or weakening industrial production that would reduce natural gas demand.

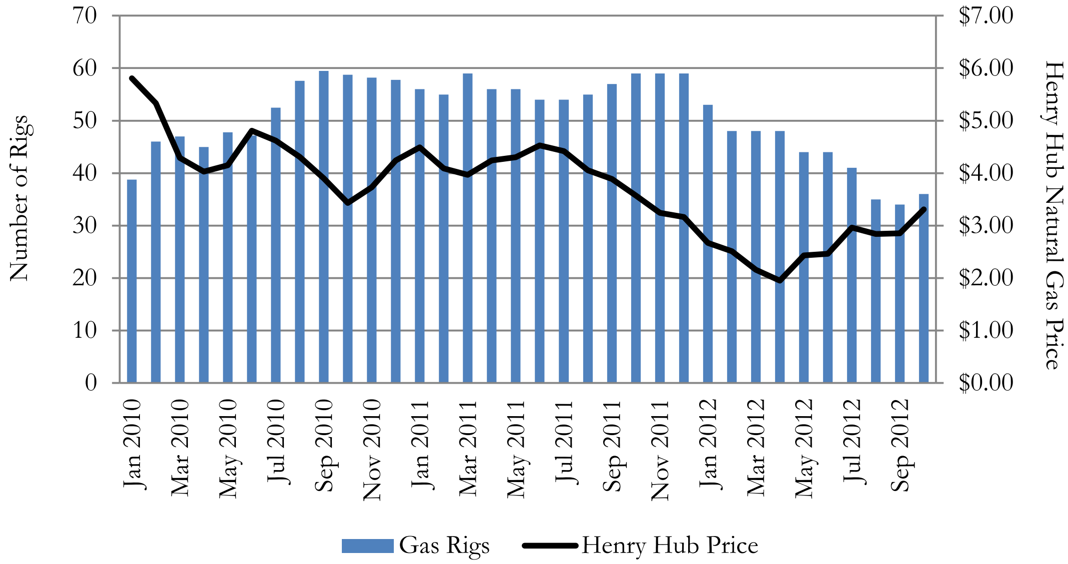
Oil prices, another factor that helps determine state severance tax collections – though less than natural gas prices – will average $90.66 per barrel in 2012 and $91.58 per barrel in 2013. While the price of oil is influenced by a variety of domestic and international factors, the relationship between supply and demand in the petroleum market is not expected to change dramatically. As a result, the price of oil will most likely remain stable during the course of 2013. Like natural gas, this expectation may change in response to many factors, including oil market disruptions caused by conflict elsewhere in the world, a decline in the value of the dollar, or increased exports of American oil production to global markets.

In addition to the many market forces that impact severance tax collections via price changes, severance tax revenue will be driven lower in FY 2012-13, mostly the result of the ad valorem tax credit that will be claimed by taxpayers. Owners of oil and gas production pay local government property tax on the value of the oil and gas that is extracted and sold each year. Taxpayers are allowed to deduct 87.5 percent of the local property taxes paid from their severance tax liability. The amount of the credit is generally based on the value of production from the *prior* year. This will exacerbate the decline in severance tax revenue from FY 2011-12 as larger tax credits based on the previous year's production value, when energy prices were higher, are deducted from the current year's lower gross severance tax liabilities in 2012.

Mostly the result of falling natural gas prices, the number of natural gas drilling rigs in Colorado declined during 2012 as producers focused more on oil drilling. Figure 8 illustrates the drop in active natural gas rigs from 59 in December 2011 to 33 in November 2012, the most recent month for which data is available. However, the slight uptick in natural gas drilling rigs shown in September 2012 signals that natural gas producers still see economic opportunity in Colorado natural gas production. This may be related to the nationwide trend of switching to natural gas as a primary energy source as well as the opportunity to earn profits through the sale of natural gas liquids, which are priced higher in the current market. While the number of natural gas drilling rigs operating in Colorado is not expected to increase steeply while prices remain low at least over the next two years, these factors will likely support continuation of drilling activity in the state and prevent a steady decline in severance tax revenue from natural gas.

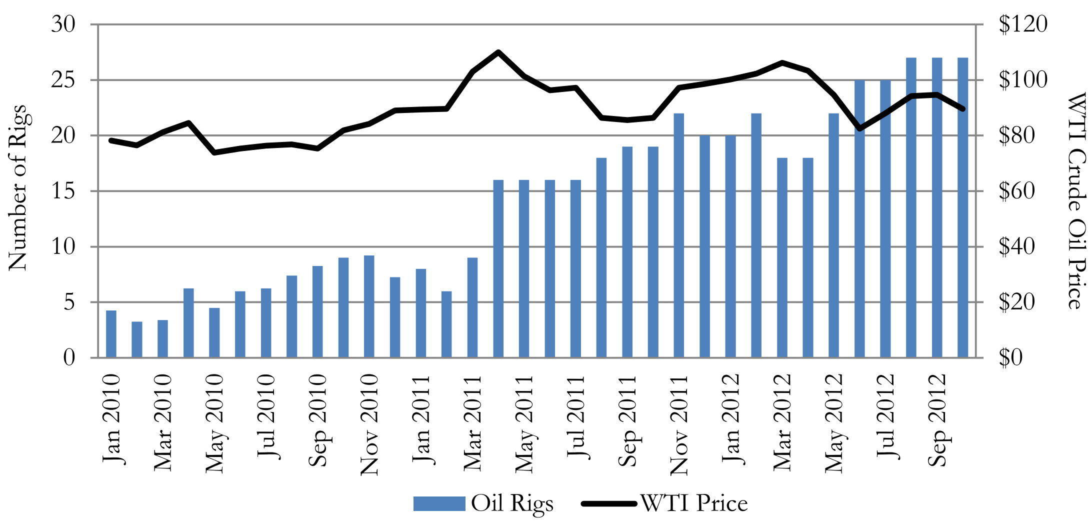
The number of oil rigs operating in Colorado has remained relatively stable for the past twelve months. Figure 9 illustrates the number of oil drilling rigs operating in Colorado and the monthly average West Texas Intermediate crude oil price since January 2010. Oil drilling rigs have grown not only as a result of higher oil prices, but also following the discovery of new oil deposits in the Niobrara region of northeastern Colorado. Newer drilling technologies have made drilling for oil in many areas, including the Niobrara region, possible and more profitable. Weld County in particular remains the area with the greatest amount of new oil drilling activity. This activity will generate increasing severance tax revenue. However, the revenue gains will be tempered by large ad valorem severance tax credits because Weld County maintains one of the higher property tax rates among Colorado counties with oil and gas production.

Figure 8. Active Colorado Natural Gas Rigs and Henry Hub Natural Gas Price



Sources: Baker Hughes, St. Louis Federal Reserve

Figure 9. Active Colorado Oil Rigs and WTI Crude Oil Price



Sources: Baker Hughes, St. Louis Federal Reserve

Coal production comprises a much smaller percentage of overall severance tax revenue. Coal tax revenue is projected to increase slightly as an outcome of required increases in the coal tax rate (the tax rate is indexed to producer prices under state statute) and as global demand for the resource grows. Severance tax revenue from coal production will grow to $12.7 million in FY 2012-13 and $13.1 million in FY 2013-14. Coal severance tax growth will remain muted as domestic consumption of coal has declined. Energy producers continue to switch to natural gas in response to its lower price and changes in legislative and regulatory energy policies.

Federal Mineral Leasing Revenue

Certain federal lands within Colorado are leased for extraction of underlying minerals like the natural gas, oil, coal, and other resources that are extracted on private and state land. The State of Colorado together realizes roughly half of the production and leasing activity revenue in the form of Federal Mineral Leasing (FML) revenue, while the federal government retains the other half. Generally, half of FML revenue comes from natural gas with the remainder being generated by oil, coal, and carbon dioxide.

FML revenue will decline 9.8 percent in FY 2012-13, to $148.7 million as shown in Figure 10. This drop is a result of the decline in natural gas prices and decreased natural gas drilling activity, although the impact of these factors will be less pronounced on FML than on severance tax collections. FML revenue is not subject to the ad valorem tax credit that exacerbates severance tax revenue fluctuations from price volatility. Continued expansion of oil production and higher natural gas prices will generate increased FML revenue in FY 2013-14 when FML receipts are expected to grow 9.0 percent to $162.1 million. The amounts shown below are not reflected in the cash fund TABOR revenue forecast shown in Table 3 because FML revenue comes from the federal government and is thus exempt from TABOR.

Figure 10. Federal Mineral Leasing (FML) Payments

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus	Total FML	% Change
FY 2011-12	$2.49	$162.45	$164.94	10.3%
FY 2012-13	$4.50	$144.20	$148.70	-9.8%
FY 2013-14	$4.05	$158.02	$162.07	9.0%
FY 2014-15	$4.67	$182.25	$186.92	15.3%

Dollars are in millions. FY 2011-12 figures reflect actual collections, and FY 2012-13 through FY 2014-15 are projections.

Other Cash Funds

Cash fund revenue associated with the Department of Regulatory Agencies includes taxes and fees paid by regulated entities, such as insurance companies and public utilities, and professionals such as real estate agents and pharmacists. Revenue to cash funds associated with the Department of Regulatory Agencies is closely associated with the activities of businesses and households in Colorado, as changes in economic activity drive variations in the number of business and professional registrations. This revenue source can also be affected by consumption levels of resources delivered by public utilities.

OSPB forecasts revenue of $64.2 million to this category in FY 2012-13, a decrease of 1.1 percent from FY 2011-12. As regulated businesses and occupations have been slow to expand, the fee revenue associated with regulatory activities has been impacted. OSPB forecasts that this category of revenue will grow modestly in FY 2013-14, increasing 2.8 percent to $66.0 million.

Insurance-related cash funds hold revenue generated by a premium surcharge paid by Workers' Compensation insurers on policies issued in Colorado. Revenue from the premium surcharge is distributed to the Workers' Compensation Cash Fund, the Cost Containment Cash Fund, the Major Medical Insurance Fund, and the Subsequent Injury Fund. Wildfire relief efforts in the summer of 2012 required the State to utilize nearly $19.7 million from the designated reserve of the Major Medical and Subsequent Injury funds. This will cause a reduction in the interest earnings to the insurance-related funds. However, the growth of wages and salaries that is expected in Colorado over the forecast period will drive issuance of new workers' compensation insurance policies that generate premium surcharge revenue to the insurance-related funds. Revenue to these funds will total $23.7 million in FY 2012-13 and $25.5 million in FY2013-14.

The final category in Table 3, "Other Miscellaneous Cash Funds," includes a large variety of cash funds that receive revenue primarily from fees, fines, licenses, or interest earnings. Revenue to these cash funds is expected to grow 2.0 percent to $471.4 million in FY 2012-13 as the level of consumer and business activity increases modestly. This cash fund revenue category will grow again in FY 2013-14, increasing 3.6 percent to $488.4 million.

Table 3
Cash Fund Revenue Forecasts by Major Category

(Dollar amount in millions)

Category	Preliminary FY 2011-12	December 2012 Estimate by Fiscal Year FY 2012-13	FY 2013-14	FY 2014-15	FY 2011-12 to FY 2014-15 CAAGR*
Transportation-Related /A	$1,112.2	$1,116.6	$1,131.3	$1,151.3	
Change	2.7%	0.4%	1.3%	1.8%	1.2%
Limited Gaming Fund /B	$95.6	$96.2	$99.1	$102.1	
Change	-2.4%	0.6%	3.0%	3.0%	2.2%
Capital Construction - Interest	$1.1	$0.7	$0.6	$1.0	
Change	-62.8%	-36.0%	-18.4%	68.7%	-4.1%
Regulatory Agencies	$64.9	$64.2	$66.0	$67.9	
Change	-6.7%	-1.1%	2.8%	2.9%	1.5%
Insurance-Related	$22.6	$23.7	$25.5	$26.3	
Change	-14.6%	4.9%	7.4%	3.2%	5.1%
Severance Tax	$207.7	$114.9	$190.6	$247.5	
Change	39.0%	-44.7%	65.8%	29.9%	6.0%
Medicaid Hospital Provider Fees	$586.5	$661.9	$642.8	$602.8	
Change	32.5%	12.8%	-2.9%	-6.2%	0.9%
Other Miscellaneous Cash Funds	$462.1	$471.4	$488.4	$508.0	
Change	-6.7%	2.0%	3.6%	4.0%	3.2%
TOTAL CASH FUND REVENUE	***$2,552.8***	***$2,549.7***	***$2,644.2***	***$2,706.9***	
Change	7.8%	-0.1%	3.7%	2.4%	2.0%

* CAAGR: Compound Annual Average Growth Rate.

/A Includes revenue from SB 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to two State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/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.

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 allowed 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.

Beginning in FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 4) is calculated 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 of Table 4) for each subsequent year. OSPB does not project that any refunds will occur during the forecast period (line 10 of Table 4). Revenue is projected to be about $780 million below the Referendum C cap this fiscal year and just under $1 billion below the cap through FY 2014-15. Table 4 summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

Table 4
TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2011-12	December 2012 Estimate by Fiscal Year FY 2012-13	FY 2013-14	FY 2014-15
	TABOR Revenues:				
1	General Fund /A	$7,720.4	$8,094.9	$8,267.5	$8,642.7
	Percent Change from Prior Year	*9.4%*	*4.9%*	*2.1%*	*4.5%*
2	Cash Funds	$2,552.8	$2,549.7	$2,644.2	$2,706.9
	Percent Change from Prior Year	*7.8%*	*-0.1%*	*3.7%*	*2.4%*
3	**Total TABOR Revenues**	**$10,273.2**	**$10,644.7**	**$10,911.7**	**$11,349.5**
	Percent Change from Prior Year	*9.0%*	*3.6%*	*2.5%*	*4.0%*
	Revenue Limit Calculation:				
4	Previous calendar year population growth	*0.1%*	*1.4%*	*1.4%*	*1.5%*
5	Previous calendar year inflation	*1.9%*	*3.7%*	*2.1%*	*2.9%*
6	**Allowable TABOR Growth Rate**	***2.0%***	***5.1%***	***3.5%***	***4.4%***
7	TABOR Limit	$8,798.7	$9,247.4	$9,571.0	$9,992.2
8	General Fund Exempt Revenue Under Ref. C /B	$1,474.5	$1,397.3	$1,340.7	$1,357.4
9	**Revenue Cap Under Ref. C /C**	**$10,870.9**	**$11,425.4**	**$11,825.3**	**$12,345.6**
10	*Amount Above/(Below) Limit*	*($597.8)*	*($780.7)*	*($913.5)*	*($996.0)*
11	TABOR Reserve Requirement	$308.2	$319.3	$327.4	$340.5

/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

Summary

The national economy continues to exhibit only modest growth and mixed conditions, while there is more evidence that Colorado is among the top states in economic performance. Though unemployment remains a challenge, the state's economy appears to be further along in rebuilding from the massive economic disruptions that occurred during the housing boom and bust, financial crisis, and Great Recession. Colorado businesses and individuals have been more successful in discovering ways to compete in the emerging new economy. This success is likely a product of the state's favorable mix of industries and economic assets, such as its research universities and institutions, its entrepreneurial culture, and its younger, more skilled workforce compared with many other states.

The housing market for both Colorado and much of the nation is sustaining its upward momentum. Though housing market activity is still at relatively low levels, the rebound is a welcome development after several years of a being a substantial drag on the economy. This housing rebound has helped bolster the net worth of U.S. households. Households as a whole now have regained almost all of the $15 trillion of net worth that was lost in 2008 and 2009.

However, at least at the national level, business spending, manufacturing, and international trade activity has shown indications of sputtering, a troublesome sign as these activities have been leading the economy over the past few years and helping it grow. The slowing in these activities is likely due, at least in part, to uncertainties surrounding the pending substantial changes in federal budget and taxation policies, commonly called "the fiscal cliff," and a slower global economy, including the recession in Europe.

OSPB projects continued uneven and below trend growth in 2013; however, Colorado will again outperform the nation as a whole. The economy will continue to add jobs – though unemployment will remain stubbornly elevated – and overall income and spe nding will continue to grow, though at a somewhat slower pace. Businesses have begun to show more caution in hiring and investment which is likely to cause ripple effects throughout the economy into 2013. Heightened uncertainty and diminished confidence surrounding the current lack of a satisfactory federal fiscal agreement will likely take some toll on economic activity at least for a portion of 2013.

Forecast assumption regarding impending federal fiscal policies – At the time of publication, federal officials continue discussions regarding the major fiscal policy changes that will occur at the beginning of 2013. This forecast assumes that the federal government comes to an agreement that will prevent the full implementation of the across-the-board tax increases and spending cuts scheduled under current federal law, either before the end of this year or within the first few months of 2013. It is assumed that there will be an eventual agreement that includes smaller tax increases and spending reductions than currently scheduled. A similar assumption has been incorporated into past forecasts as well.

There are both upside and downside risks to the forecast The lack of a federal fiscal policy agreement which would bring larger tax increases and spending cuts, coupled with the potential hit to confidence regarding the nation's debt ceiling, could cause negative reverberations throughout the economy and financial sector in 2013. Colorado could especially be affected by the relatively large cuts in defense spending under current law because of its concentration of defense contractors and the military presence in the state. Further, Colorado has many nondefense federal agencies as well. A recent report published by the National Governor's Association estimated that Colorado could lose about 43,000 jobs as a result of the federal spending cuts. This scenario, along with the recession in Europe and slower growth in Asia, represent downside risks to the forecast. In contrast, a federal budget agreement that is viewed as more optimal and boosts confidence could result in a stronger economy than forecast. Such a favorable resolution would remove some uncertainty from the economy and encouragement the movement of some capital into the economy and unleash more hiring and investment.

The effects of unprecedented monetary policy are yet to be determined – The Federal Reserve continues to take historic policy moves aimed at boosting growth and bringing down unemployment. At its December meeting, the Federal Reserve announced an expansion of its open-ended asset buying program, which involves purchases of mortgage backed securities and long-term Treasury bonds, and continued guidance that monetary policy will remain accommodative until the labor market substantially improves.

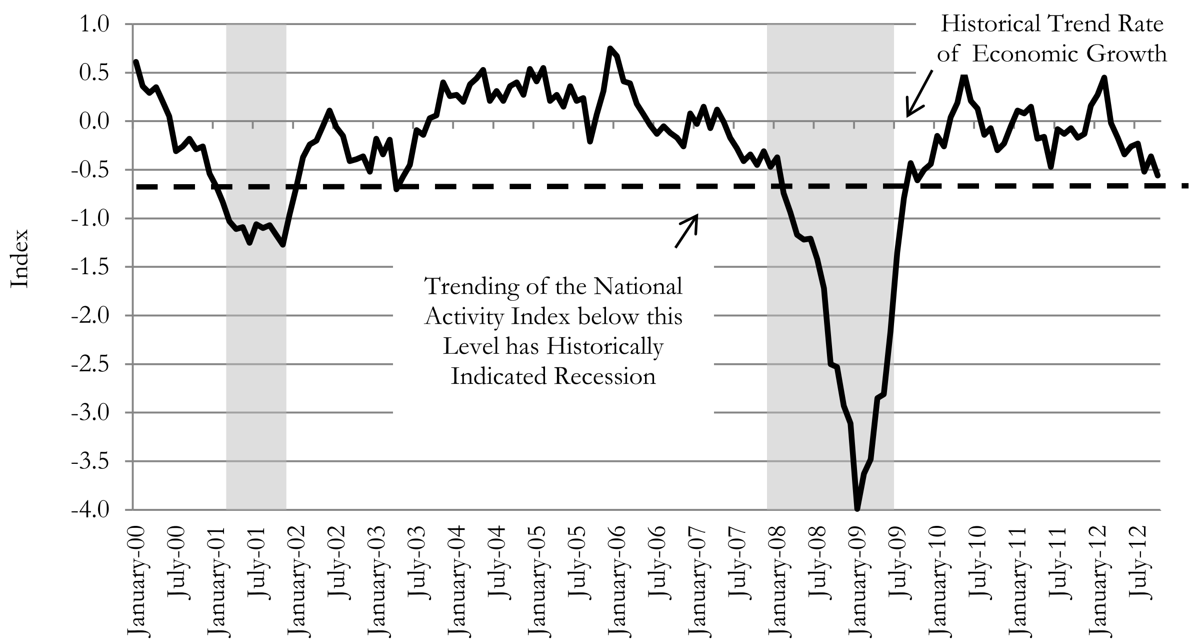
These policies could bolster the economy through raising expectations for growth, boosting asset prices, and further easing financial conditions, thus spurring more economic activity and money circulating in the economy. However, the Federal Reserve's policies to date have yet to bolster growth at a sufficient enough level to bring down unemployment and foster growth in a more meaningful manner, and it is unknown whether these new policies will have more of an impact. Further, there are risks to these policies, such as unintended negative consequences in the financial market and other economic sectors as well as the potential difficulties in unwinding the policies when necessary.

Overall Economic Conditions

Economic activity overall continues to be uneven at the national level and weakened during the fall months – One useful assessment of current and future overall economic conditions is the National Economic Activity Index published by the Federal Reserve Bank of Chicago. The index uses 85 monthly economic indicators derived from four broad categories of economic data to measure the economy's performance: production and income; the labor market; consumer spending and housing; and sales, orders, and inventories.

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 11 shows the index from 2000 through October of this year. The index shows that economic activity since the official end of the Great Recession has been choppy, with some spurts, but overall below the nation's historical average rate of growth. Further, the index has been showing a weakening in the economy throughout much of the year. More ominously, the index's three-month moving average in October was -0.56, its eighth consecutive below trend reading and its lowest level since the fall of 2009. Trending of the index below a reading of -0.7 has historically indicated recession.

Figure 11. Chicago Federal Reserve National Economic Activity Index, 2000 to October 2012



Source: Federal Reserve. The gray shading represents recessionary periods as determined by the National Bureau of Economic Research.

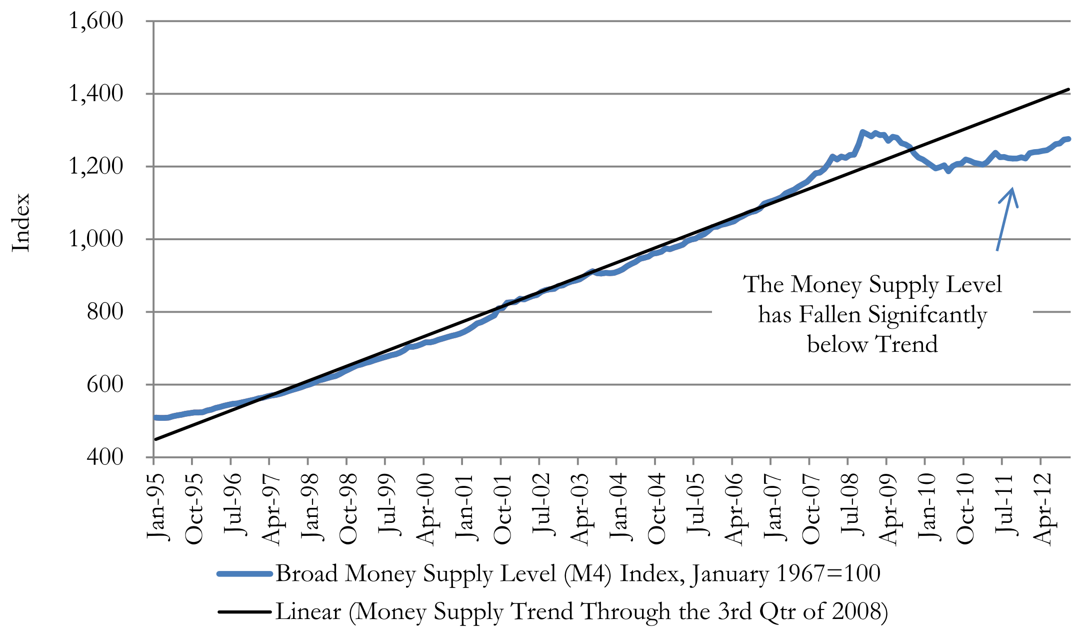
The economy's slow and uneven growth is likely the result of several factors – A vibrant economy with sustained growth requires many ingredients working together. Notably, it needs the right mixture of business capital stock, such as equipment, facilities, and software applications used in the production of goods and services, a strong and growing labor force with a high level of skilled, educated workers, as well as entrepreneurial success in discovering how to best use these and other resources to provide for society's wants and needs. It also needs confidence in the future and stable and predictable tax and regulatory environment. Unfortunately, some of the ingredients for stronger growth have been lacking.

The nation's capital stock has been insufficient to bolster the economy's productive capacity and the drop in employment and the labor force is affecting the economy's growth potential. Further, several businesses and individuals are having more difficulty than in other periods with discovering success in how to use the economy's resources at a more optimal level to produce what is valued in the economy. Increasing success would lead to bigger and more numerous positive feedback mechanisms in the economy which would generate more vibrant activity.

The money supply has fallen significantly below trend and is negatively affecting the economy – Another important ingredient to help overall activity is the quantity of money available circulating in the economy. Figure 12 shows the money supply as measured by the M4 statistic, which is published by the Center for Financial Stability. M4 is one of the broadest measures of money available and includes currency, traveler's checks, several types of bank deposits, savings accounts, money-market securities, commercial paper, certificates of deposit, repurchase agreements, and treasury bills, among others. The various components are weighted based on how they are used in the economy and financial sector.

As is shown in Figure 12, despite the Federal Reserve's intent to boost money in circulation and economic activity, money in the actual economy has shown only anemic growth and is substantially below its trend level. Much of the Federal Reserve's actions have resulted in historically high levels of excess reserves of banks and financial institutions. This money, called "base money," is not circulating in the economy. There are likely several reasons for this. First, the damage to the financial system from the Great Recession diminished its capacity to channel funds into the economy. In addition, banks have faced increased requirements to boost their capital, which tends to lead to less lending activity. The heightened uncertainty and lowered expectations regarding the future performance of the economy has also likely slowed money circulating in the economy.

Figure 12. Level of Money Supply (M4) and Trend Rate, 1995 through October 2012



Source: Center for Financial Stability

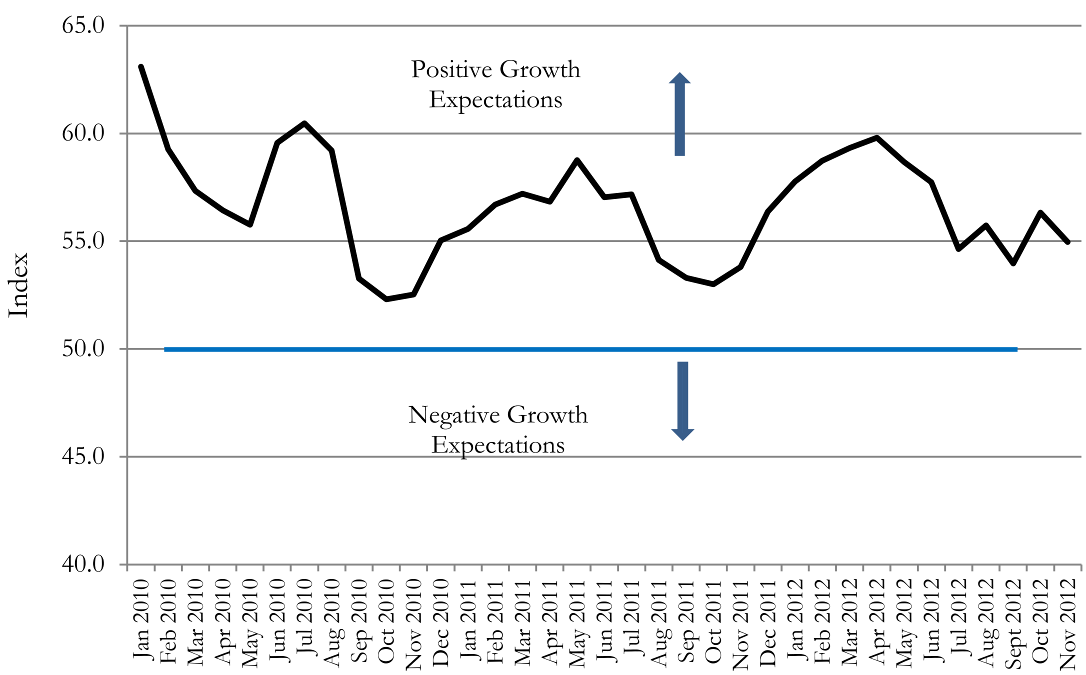
Several broad indicators of the overall economy point to continued expansion in Colorado and that the state's economy has more underlying strength than the nation's – Colorado appears to have better ingredients for economic growth than the nation as whole. It has a highly educated workforce and its entrepreneurial culture is resulting in businesses and individuals discovering more success in their ventures.

There is less economic data available for the state than the nation as a whole, especially on a timely basis. Further, much of the activity in the modern, information and knowledge driven economy is difficult to measure. As was discussed in the General Fund Revenue Forecast section starting on page 14, tax receipts continue to point to more underlying strength in Colorado's economy than available economic data indicate.

There are some economic data that can help provide a picture of Colorado's level of economic activity. The Goss Institute's Business Conditions index for Colorado, a leading economic indicator that is based on a monthly survey of Colorado business supply managers, continues to show expansion for the state. However, it fell in November as an effect of a decline in new orders for goods and services received by businesses responding to the survey. The index reading was 54.9, still signifying continued expectations of growth.

A history of the index back to 2010 is shown in Figure 13. An index reading greater than 50 indicates expectations of an expanding economy over the next three to six months; 50 is "growth neutral" and below 50 indicates negative expectations for the economy. The overall index averages individual readings for new orders, production or sales, employment, inventories and delivery lead time. According to the November index survey, despite the slight downtick, growth was reported across a relatively broad range of industries, including oil and gas, manufacturing, and construction, likely in part as a result of increased housing market activities in the state.

Figure 13. Goss Business Conditions Index for Colorado, 2010 to November 2012
(three-month moving average*)



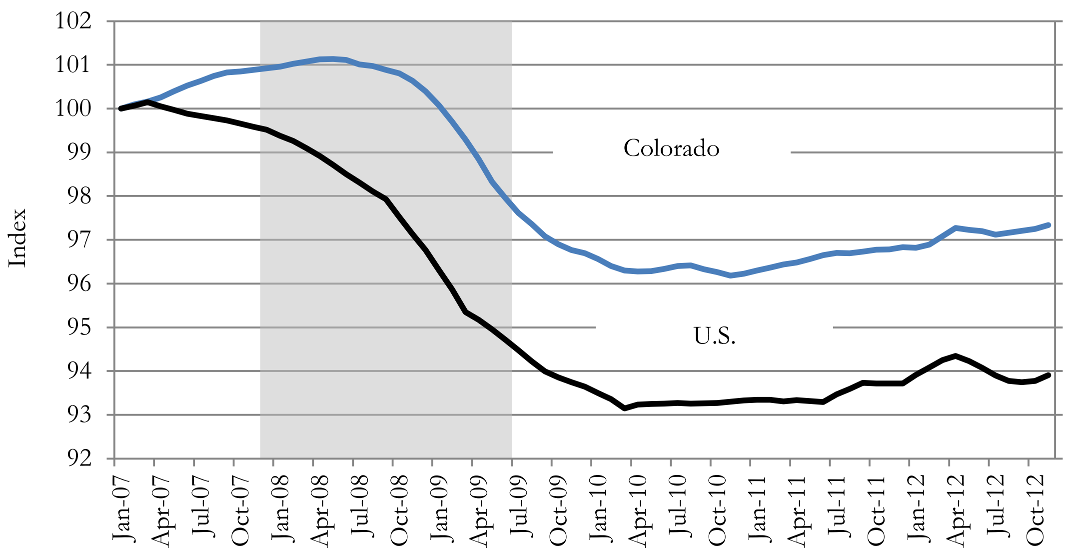
*Weighted three month moving average, placing more weight on the most recent months.
Source: Goss Institute for Economic Research

Colorado's small businesses are also outperforming the nation – Small businesses generally respond to changes in economic conditions more rapidly than larger businesses. Thus timely data on small business conditions can serve as an important indicator of the whole economy, and perhaps more insight into its underlying strength. If small businesses are growing, or conversely, struggling in the economy, it can be an important indicator of future conditions.

Figure 14 shows the Intuit Small Business Employment Index both for Colorado and the nation. The index measures employment for firms with fewer than 20 employees. The index is provided by Intuit, the nation's largest business payroll provider, using aggregate and anonymous online employment data for approximately 170,000 small business employers across the country. As is shown, Colorado's small businesses have experienced better performance than the nation since 2010. The index for Colorado has shown expansion, albeit modest. The U.S. index has been more flat and showed a decline for several months in 2012.

The graph is also illustrative of how small business activity can be a bellwether for the overall economy. The U.S. index began to fall in the spring of 2007, several months before the Great Recession began. Further, despite the national recession, Colorado economy continued to expand throughout most of 2008. The graph shows that the deterioration in Colorado's economy occurred after the nation's.

Figure 14. Intuit Small Business Employment Index, Colorado and the U.S., 2007 to November 2012



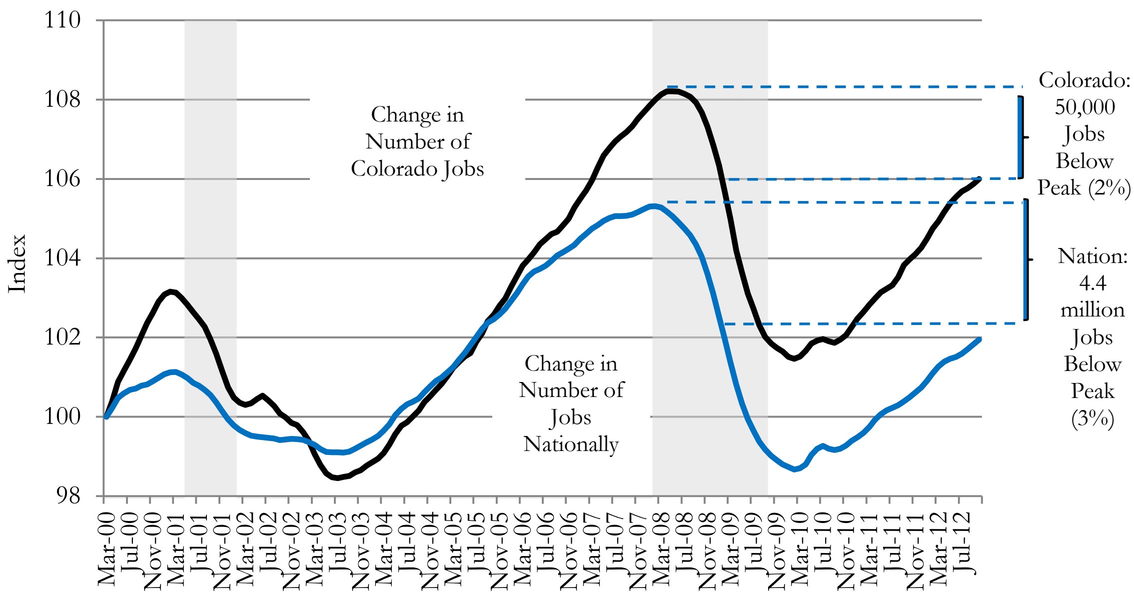
Source: Intuit
The gray shading represents recessionary periods as determined by the National Bureau of Economic Research.

Labor Market Conditions and Trends

Modest job growth continues, with Colorado among the top performing states – Given that the weakened state of the labor market remains one of the economy's biggest challenges, Colorado experienced welcome strengthening in its job market in 2012. This year the state expects to have its highest growth rate since 2007. Based on data from the U.S. Bureau of Labor Statistics and OSPB's estimates of forthcoming revisions to jobs data that are currently not published,[1] Colorado gained about 33,000 nonfarm jobs through October. This higher job growth signifies that the combination of Colorado's favorable attributes is resulting in a more vibrant economy.

Figure 15 below shows the change in the level of nonfarm payroll jobs both for Colorado and the nation as a whole. As illustrated, Colorado's job growth has been outpacing the nation. In fact, its job growth ranks in the top ten of all states. As a product of the large drop in employment during the recession, and the modest growth since, the state's level of payroll jobs remains 50,000, or two percent below its peak level in the spring of 2008. In contrast, the nation's employment level is 4.4 million jobs, or about three percent, short of its peak level.

Figure 15. Change in Payroll Jobs
Nationally and in Colorado, 2000 through October 2012



*The graph compares the change in the number of jobs nationally and in Colorado since January of 2000. Index: March 2000=100

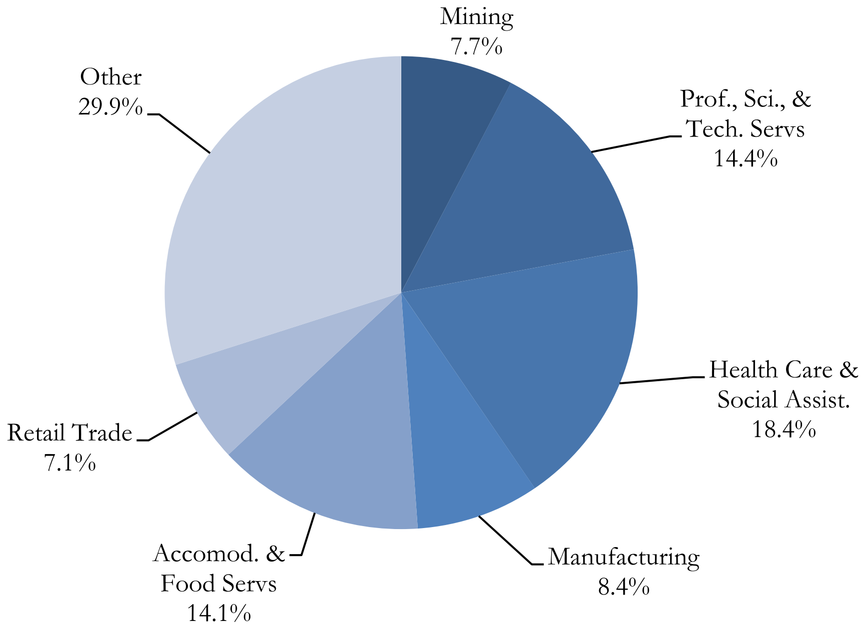
Source: Colorado Department of Labor, U.S. Bureau of Labor Statistics, and calculations from the Governor's Office of State Planning and Budgeting (OSPB). The Colorado jobs level includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be re-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.

The industry composition of job growth in the state has been relatively widespread and favorable to Colorado's economy – Colorado added around 100,000 jobs through October since the beginning of 2010, when overall job growth resumed after the recession. As shown in Figure 16 below,

[1] 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.

70 percent of this job growth occurred in six of the state's major industries: health care and social assistance; professional, scientific, and technical services; accommodation and food services; manufacturing; mining, mostly oil and gas production; and retail trade. Notable sectors with weak growth or job losses include construction, information, such as publishing industries and telecommunications, and the public sector.

Figure 16. Composition of Payroll Job Growth in Colorado, 2010 through October 2012



Source: Colorado Department of Labor, U.S. Bureau of Labor Statistics, and calculations from the Governor's Office of State Planning and Budgeting (OSPB). Includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be re-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.

The nature and economic benefits of several of the growing industries in Figure 16 suggests that their level of job growth is an indication that Colorado's economy has been rebuilding a stronger foundation since the end of the recession. Professional and technical services, mining (oil and gas), manufacturing, and accommodation and food services, are considered "tradable sectors" as some or most of their goods and services are produced in the state but sold to visitors or in markets outside the state.

The dynamics of tradable industries, as opposed to non-tradable industries, generate specific economic benefits. Selling products and services outside Colorado often results in a higher level of output and brings in new money to the state. Also, businesses in these sectors tend to be subject to more competition with other businesses as they vie for market share in other states and countries. This heightened competition drives businesses to constantly innovate and strive to improve their products and business practices. Over time, this leads to higher productivity and stronger economic growth and prosperity. Workers in tradable sectors tend to be paid higher wages than those in non-tradable sectors.

Industries not considered tradable mostly sell or provide their products and services within the state, such as retail trade, health care, government, and construction. The activity generated by these non-tradable industries still provides important economic benefits, but the effect is less powerful because it results in the exchange of money within Colorado's economy rather than bringing new dollars into the state.

The composition of job growth at the national level is similar to Colorado – Nationally, employment in the oil and gas industry has grown substantially as the country continues to discover more oil and gas and more innovative and profitable ways to extract it. Professional and technical services, educational services, manufacturing, and leisure and hospitality also have posted notable job gains. Like in Colorado, the labor market for the construction industry continues to be weak, though there has been a recent pickup as a result of the nascent and modest recovery in the housing market and residential construction. Government, a large employer both in Colorado and nationally, has steadily decreased employment since 2010, with more cuts possible pending decisions regarding the federal budget and fiscal policy.

Information on traditional payroll jobs does not capture the full amount of income earning activities by individuals – It is important to note that the above figures represent traditional, payroll jobs, or jobs at firms. Thus, it does not capture the full level of labor market activity. Most notably, the figures do not include self-employed workers or independent contractors that are making up a larger portion of our workforce.

Information on this type of employment is not easily measurable, especially on a timely basis; however, based on estimates from the Colorado Demographer's Office, in 2011 there were around 430,000 individuals in Colorado who use self-employment as their primary source of income. Many of these individuals are contractors in the construction industry. Many others are involved in professional, scientific, and technical services, which generally provide services to businesses, such as architecture, accounting, engineering, consulting, computer, and legal services.

In addition to these workers, around 375,000 additional individuals in 2011 earned income from side businesses that did not represent their primary form of income. Thus, to varying degrees over 800,000 individuals in Colorado contribute to the economy and earn income through business activities separate from traditional employer relationships.

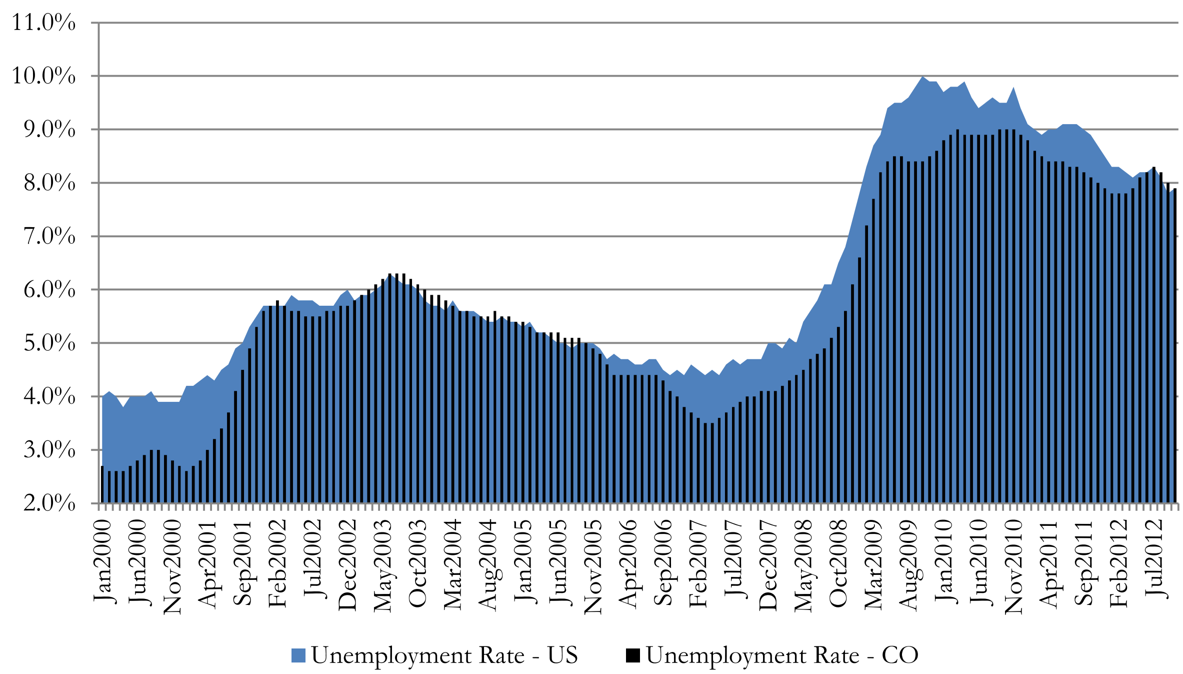
OSPB's forecast for Colorado nonfarm payroll jobs is similar to the previous forecast. Payroll jobs will increase 2.1 percent in 2012, but growth will slow to 1.2 percent in 2013 as the economy is expected to continue on its uneven growth path while it continues to rebuild. Outside forces, such as the federal government's fiscal issues and the European recession will temper hiring. Nationally, job growth will follow a similar pattern but will be slower.

Unemployment

The labor market continues to face impediments that are keeping unemployment high and contributing to lackluster growth – OSPB continues to monitor trends in the labor market that are holding back more robust job and economic growth. The level of individuals working, producing, and earning income is an important ingredient to economic growth.

Though job growth has been modestly sustained, unemployment remains elevated in Colorado. It was at 7.9 percent in October. The nation's unemployment rate dropped to 7.7 percent in November, though mostly due to individuals dropping out of the labor force in pursuit of education and training, retirement, or discouragement regarding job prospects that led them to stop looking for employment. Colorado's labor force labor has been essentially flat in 2012. Figure 17 compares the Colorado and national unemployment rates from 2000 through October of 2012.

Figure 17. Colorado and U.S. Unemployment Rate, Seasonally Adjusted, 2000 to October 2012



Source: U.S. Department of Commerce: Bureau of Economic Analysis

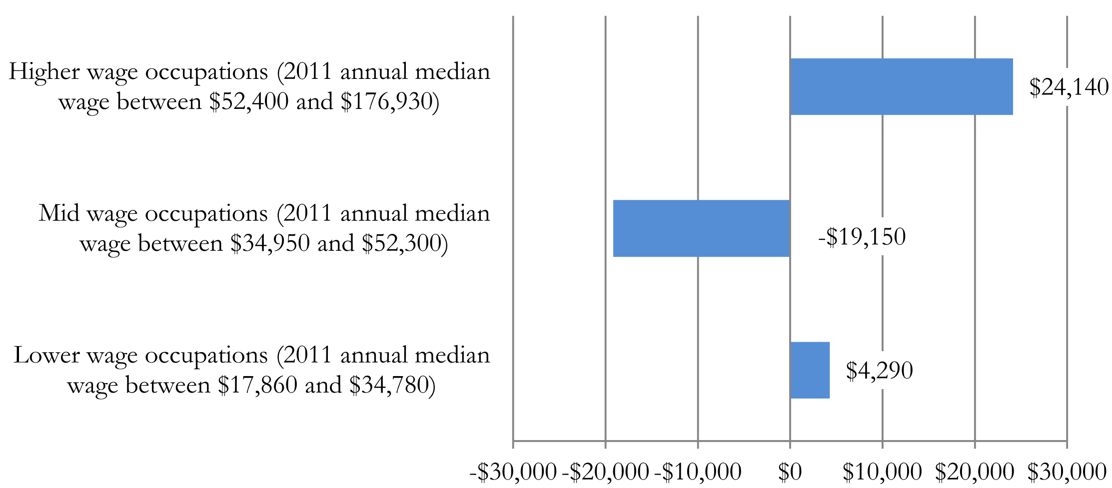
Unemployment rates of 8.0 percent and 7.8 percent are forecast for Colorado in 2012 and 2013, respectively. The national unemployment rate will be 8.1 percent and 7.9 percent in 2012 and 2013.

Potential reasons for the continued difficulties in the job market – There are likely several reasons for the continued weakness in the labor market, though the magnitude of each factor is difficult to ascertain. For one, businesses appear reluctant to hire additional employees in light of a higher level of caution about future economic conditions and sales. Also, more employers are seeking higher educated, skilled workers than ever before, making job seeking difficult for individuals without a college degree. The unemployment gap between workers with a college degree and workers with a high school education or less is wide. In October 2012, at the national level, the unemployment rate for individuals with a college degree was 8.4 percentage points lower compared with those with no high school diploma and 4.6 percentage points lower compared with those with a high school diploma.

Additionally, there is evidence that middle income jobs that involve more routine type tasks are disappearing as businesses increasingly turn to technology and new business practices. A recent study by the National Employment Law Project indicated that since 2001, employment in the United States in mid-wage occupations has *fallen* by 7.3 percent, while employment has *grown* by 8.7 percent in lower-wage occupations and by 6.6 percent in higher-wage occupations.

An analysis of Occupational Employment Statistics for 520 occupations in Colorado reveals a similar pattern. Between 2000 and 2011, occupations with an annual median wage in the top and bottom third of the wage distribution saw employment increases while occupations with wages in the middle third experienced declines.

Figure 18. Change in Employment by Occupation, Annual Median Wage, Colorado 2000-2011

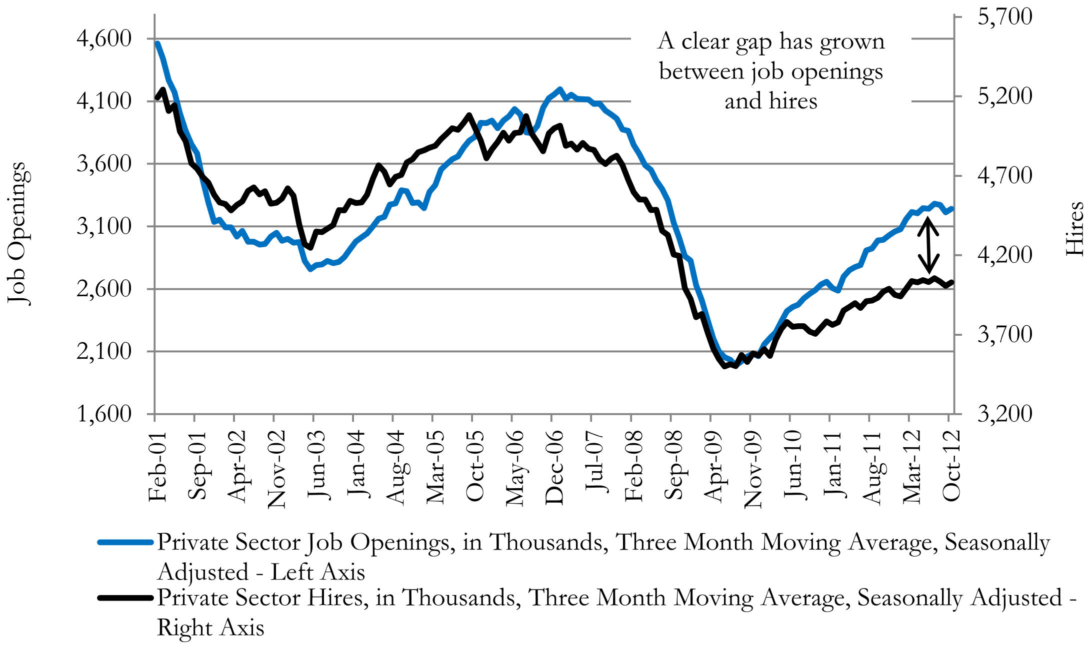


Source: U.S. Department of Commerce: Bureau of Economic Analysis

Another factor in continued high unemployment and lackluster growth appears to be the mismatch between the skills of workers and what is needed by employers. Manpower, a large employment services firm, recently conducted a survey of 1,300 employers regarding their workforce needs. Roughly half of the survey respondents indicated that they are experiencing difficulty filling important position openings. In addition to a lack of skills and experience as reasons for their difficulty, employers cited a lack of applicants as well as applicants looking for more pay. This last reason is likely another factor contributing to the high unemployment rate as some unemployed workers are currently unwilling to accept work with a lower wage than they earned prior to the recession.

Employment opportunities have continued to increase, yet unemployment remains elevated, suggesting an inability of the economy to match those seeking work with employers' needs. Figure 19 below provides an illustration of evidence that the job market is experiencing less success in matching job openings with the elevated number of individuals looking for work. Over time, the level of private sector job openings and hires generally trend very closely together. However, since the economy began to pick up after the recession, there has been a clear divergence in the level of openings and hires.

Figure 19. Change in Payroll Jobs Nationally and in Colorado, 2000 through October 2012



Source: U.S. Department of Commerce: Bureau of Economic Analysis

There is also evidence that the workforce is less mobile than was the case prior to the recession. This means that the economy is less flexible, as fewer workers have the ability to move from areas where job growth is weaker to areas where more jobs are available. The result is a shortage of job seekers in some parts of the country and a shortage of job postings in other parts of the country. The Census Bureau recently released a report finding that geographic mobility in 2011 was at an all-time low since the data were first tracked in 1948. Mobility picked up only slightly in 2012. The decline in mobility is likely an outcome of several factors, such as difficulty or inability of individuals to sell their homes, a perception of a lack of job opportunities in other areas, and a greater number of individuals preferring to remain in their usual surroundings. It is notable however that in-migration of people and workers to Colorado appears to be stronger than many other states. This is especially the case for higher skilled, young professionals and is likely another reason for the state's better economic performance.

Income and Wages

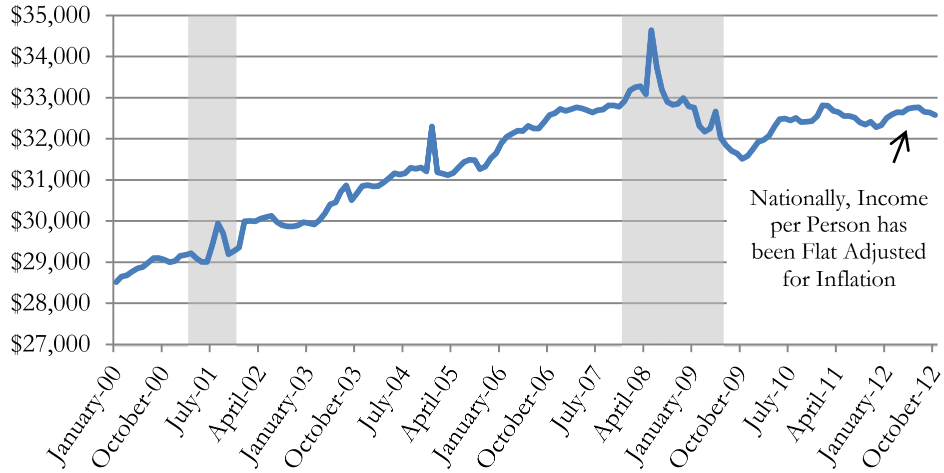
Personal income continues to grow modestly – Personal income includes wage and salary income, business income from proprietorships, government transfer receipts, rental income, and interest and dividends earned on assets. Personal income affects overall consumer spending, which impacts business earnings, imports, factory output, business investments, and job growth. The overall level of personal income has been negatively impacted by the continued elevated level of unemployment. However, Colorado experienced relatively strong personal income growth as a state in 2011, increasing 6.1 percent.

Personal income growth is expected to be more modest over the next year as it is impacted by economic headwinds. Also, federal policy changes such as the expiration of extended unemployment benefits and the ending of the temporary reduction in payroll taxes will affect personal income by reducing the amount of "take home" money that households earn or receive on a monthly basis.

Personal income will grow in Colorado at a rate of 4.3 percent in 2012 and 3.9 percent in 2013. Personal income for the nation will grow by 4.2 percent in 2012. The national growth rate will slow to 3.4 percent in 2013.

The weak performance of real disposable income is a telling indicator of the lackluster economy at the national level – After falling during the recession, real disposable personal income per person (capita), which is income after taxes and adjusted for inflation, has been essentially flat at the national level, according to the Bureau of Economic Analysis. The recent trend in real disposable income is depicted in Figure 20. As consumers have less real income, they cannot maintain spending levels without going into debt and/or dipping into savings. The level of real disposable income per capita for the nation has not yet reached pre-recession levels.

Figure 20. Change in U.S. Real Disposable Personal Income Per Capita, 2000 to October 2012

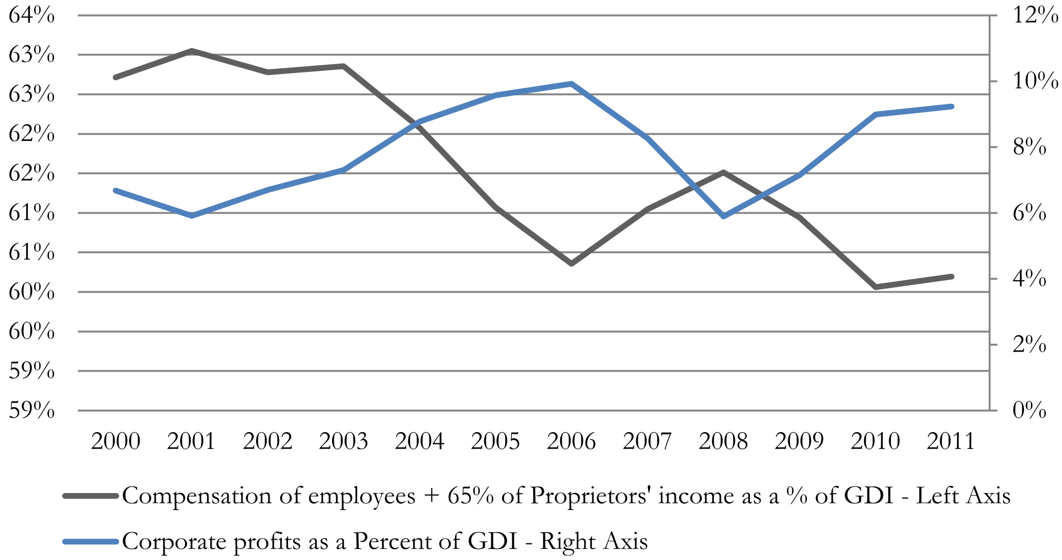


Source: U.S. Department of Commerce: Bureau of Economic Analysis
The gray shading represents recessionary periods as determined by the National Bureau of Economic Research.

Labor income has grown more slowly than in past recoveries and is comprising a smaller portion of overall income – A recent report by the Congressional Budget Office (CBO) indicates that labor income, which includes the wages and salaries of employees and a portion (65 percent) of proprietors' income, as a share of gross domestic income (GDI), has dropped since 2000. Conversely, capital income, measured as domestic corporate profits, has generated a larger share of total GDI. These trends are illustrated in Figure 21.

Employers have scaled back hiring over the past several years in comparison with previous periods and have invested in capital equipment rather than hiring labor. There are likely several reasons for this. Employers appear to be more averse to entering into long-term contracts with employees in the context of heightened uncertainty about the future. Employers also continue to develop innovative automation and managerial techniques that efficiently increase productivity while maintaining lean operations that involve less labor costs. This trend will be important to watch going forward as it is currently resulting in individuals having less income for spending, investing, and saving, which is likely one factor impeding a more robust economy.

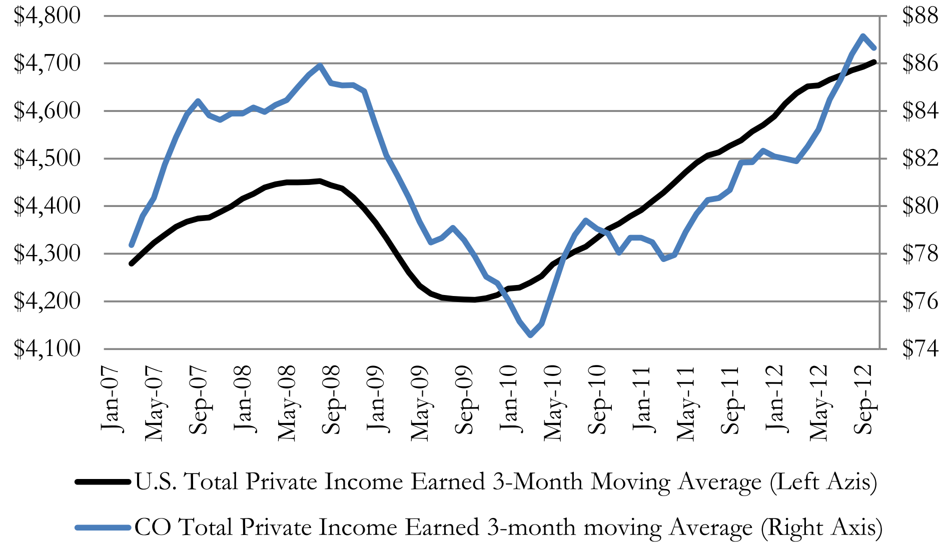
Figure 21. U.S. Labor Income and Capital Income as percent of GDI, 2000-2011



Source: U.S. Department of Commerce: Bureau of Economic Analysis

Wages and salaries are exhibiting modest growth, with Colorado outpacing the nation as a whole – Currently, wage and salary data is only available from the U.S. Bureau of Labor Statistics for the state through the first half of 2012. In order to generate more up to date information on total wages and salaries paid in Colorado, OSPB has calculated a proxy measure using total aggregate hours worked by employees and the state's average hourly wages. Based on this measure, Colorado's total private wages paid to workers grew 5.9 percent in October over a year ago. Thus, total wages paid are exceeding the pre-recession peak and outpacing the nation as a whole. Nationally, total wages earned by workers grew 3.6 percent over the same period, a slight slowdown from the prior year.

Figure 22. U.S. and Colorado Total Wages Paid to All Private Sector Workers, 2007 through October 2012, $ in billions

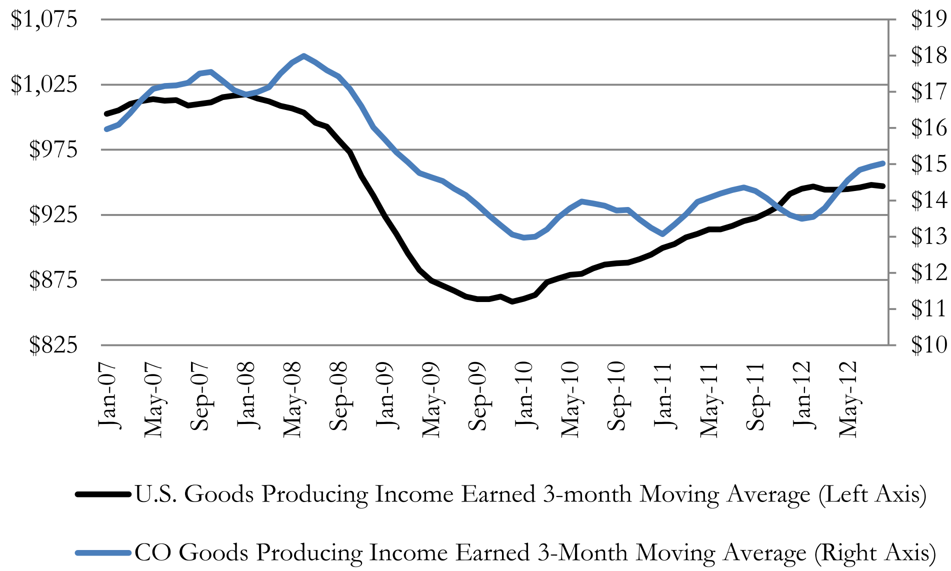


Source: U.S. Bureau of Labor Statistics. Total Private Income Earned is obtained by multiplying the aggregate hours worked total private sector workers by the average hourly salary by 52 weeks.

Growth in wages earned by goods-producing workers is a good sign for the economy – Wages paid to workers in goods-producing sectors, such as manufacturing, construction, and mining, grew nationally by 2.9 percent in October over a year ago, as depicted in Figure 23. The total wages paid to goods-producing workers in Colorado increased 4.7 percent over the same time period. These amounts were calculated in the same way as the above data on wages to all private sector workers.

This indicator serves as a good barometer for the health of the overall economy because the goods-producing sector tends to increase or decrease more substantially than other industries during changes in the economy. Continued growth in wages in this sector is a welcome indicator, though wages paid to these workers are still below pre-recession levels, likely in part because of the still lackluster labor market in construction.

Figure 23. U.S. and Colorado Total Wages Paid to All Goods Producing Workers, 2007 through October 2012, $ in billions



Source: U.S. Bureau of Labor Statistics. Total Income Earned from Goods Producing Workers is obtained by multiplying the aggregate hours worked total goods producing sector workers by the average hourly salary by 52 weeks.

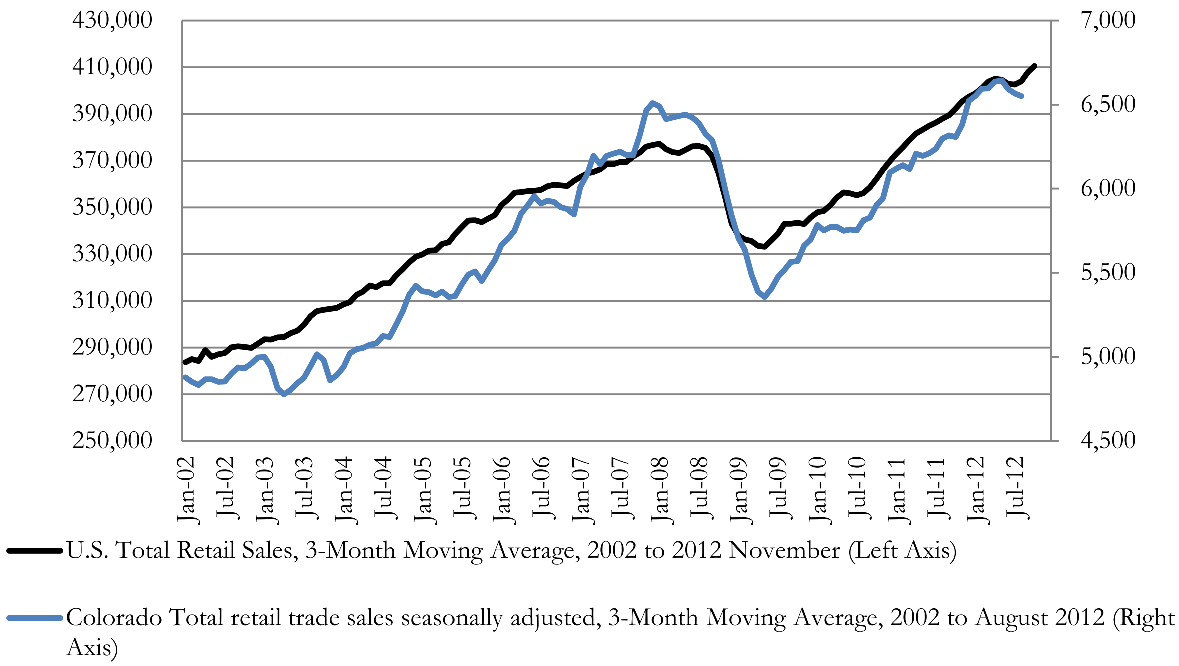
Total wages and salaries paid to all workers will grow in Colorado at a rate of 4.4 percent in 2012 and 3.3 percent in 2013 as job growth slows from the relatively strong pace in 2012. Similarly, total wages to workers nationwide will grow 4.2 percent in 2012. The national growth rate will slow to 3.1 percent in 2013.

Consumer Spending

Consumer spending continues to grow – Consumer spending continued to grow at higher-than-expected levels during the summer and fall of 2012 in the face of elevated unemployment, high food and gas prices, and modest wage and income growth. Continued pent up demand resulting from delayed purchases during the recession may account for some of the consumer spending over the past year. Additionally, as home prices continue to rise and household net worth is rebuilt in the aftermath of the Great Recession, homeowners are feeling wealthier. The net worth of U.S. households was at the highest level in the third quarter of 2012 since the fourth quarter of 2007 However, until income and job growth picks up, consumer spending will likely not be sustained at the same pace as over the past two years.

In Colorado, total retail trade growth increased 4.0 percent in August, the latest data available, compared to sales levels a year ago. The rate of growth slowed in June, July, and August as shown in Figure 24. Total retail sales for the nation grew 4.2 percent in November compared to the same period a year ago. Both nationwide and in Colorado, retail trade sales are above pre-recession peak levels on a nominal basis.

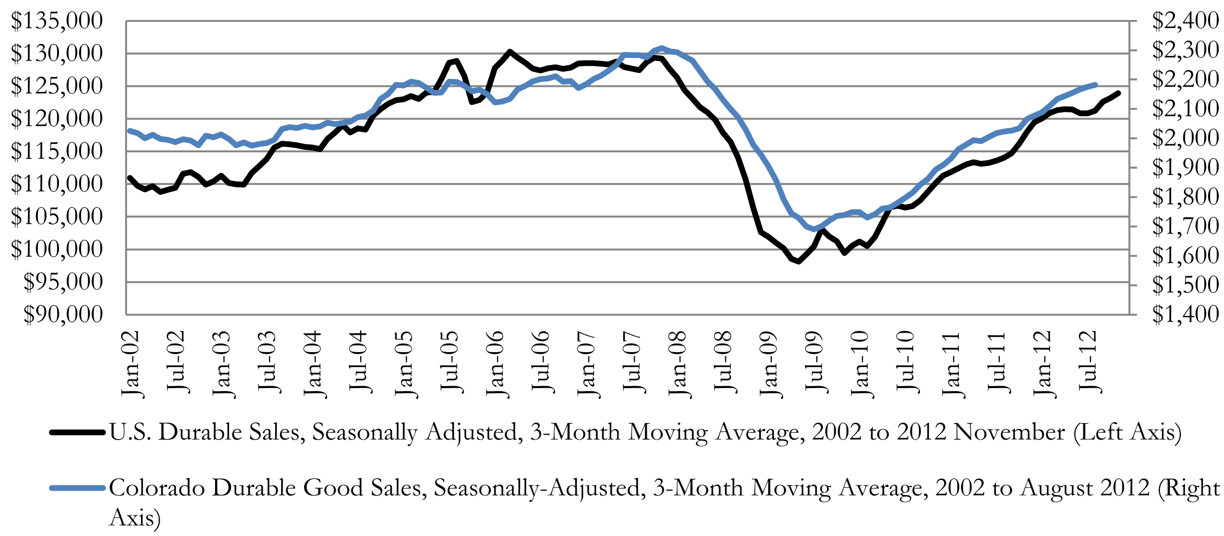
Figure 24. U.S. and Colorado Total Retail Trade, Seasonally Adjusted, 3-Month Moving Average, 2002-2012 YTD, $ in millions



Source: U.S. Census Data and Colorado Department of Revenue

***Spending on consumer durable goods also continues to grow, a good sign for economic conditions in the near term*–** Nationally, the three-month moving average of spending on durable goods, such as vehicles, appliances, electronics, and furniture, grew 5.0 percent in November over a year ago. In Colorado, such sales grew 7.9 percent in August, the latest data available, compared with the same month a year prior. Trends in spending on durable goods are shown in Figure 25.

Figure 25. U.S. and Colorado Durable Goods Sales
Seasonally Adjusted, 3-Month Moving Average, 2002-2012 YTD, $ in millions



Source: U.S. Census Data and Colorado Department of Revenue

Much of the annual increase in spending on durable goods has been generated by growth in vehicle purchases, which reflects improving employment and continued low interest rates. Durable goods, a bellwether for the near-term performance of the economy, indicate consumers' willingness to purchase high value goods that can be delayed during times of household belt tightening. Thus, the continued growth in durable goods spending is an indicator that households feel better about financial positions and the future.

Retail trade sales in Colorado will grow 5.6 percent in 2012 after increasing 7.3 percent in 2011. Growth will slow further in 2013 to 3.8 percent. Nationwide retail trade will grow at similar rates of 5.0 percent in 2012 and 3.4 percent in 2013.

Price Levels

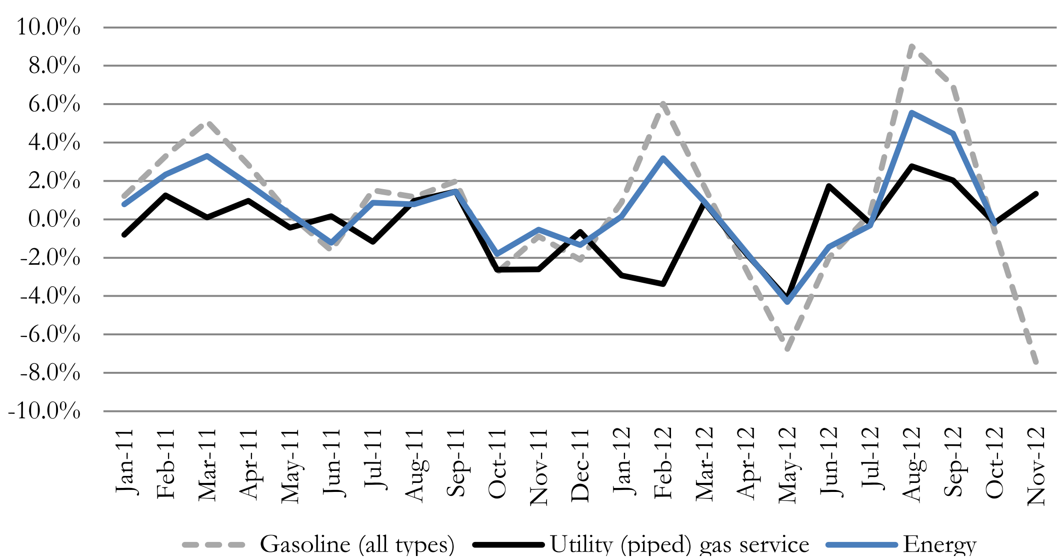
Overall price levels in Colorado and the nation were muted in 2012; price levels are expected to rise more in 2013 due to of higher food costs from the nationwide drought and rising housing costs – The consumer price index (CPI) measures the change in overall prices for a basket of consumer goods and services. Over time, the levels in the U.S. CPI and the Denver-Boulder-Greeley CPI tend to follow the same pattern. The U.S. Bureau of Labor Statistics reported that CPI nationally fell 0.3 percent in November. The Denver-Boulder-Greeley CPI rose 1.8 percent in the first half of 2012 from a year ago.

After anemic home building over the past several years and a downward trend in rental vacancies, greater demand for housing is putting upward pressure on home prices and rents. This is expected to push the CPI upward in 2013 because costs for "shelter" comprise the largest component of the index.

The nationwide drought in 2012 thinned livestock herds, increased feed prices, and reduced crop production. The greatest effect of these changes is expected to be realized in 2013; typically, changes in commodity prices take several months to feed into retail prices. The United States Department of Agriculture projects that the food component of the CPI will rise by up to 4.0 percent in 2013.

The energy component of the consumer price index declined by 4.1 percent for the nation in November compared to a year ago, after rising sharply in the spring and summer as illustrated in Figure 26. A large drop in the price of gasoline offset the increase in electricity and fuel oil. Lower demand, cheaper winter-blend gasoline, and slowing global economies have put downward pressure on gasoline prices. However, increased geopolitical uncertainty in the Middle East may put upward pressure on prices as well as the potential for a weakened dollar that may result from recent monetary policy actions of the Federal Reserve. Higher fuel and food prices can hurt the economy as fewer resources are available for other uses.

Figure 26. Change in U.S. CPI in Gasoline, Utility Gas, and Energy, 2011 through October 2012



Source: U.S. Bureau of Labor Statistics Data

The Denver-Boulder-Greeley Consumer Price Index is forecast to increase 2.1 percent in 2012 and 2.9 percent in 2012; nationally, consumer prices will increase 2.0 percent in 2012 and 2.6 percent in 2013.

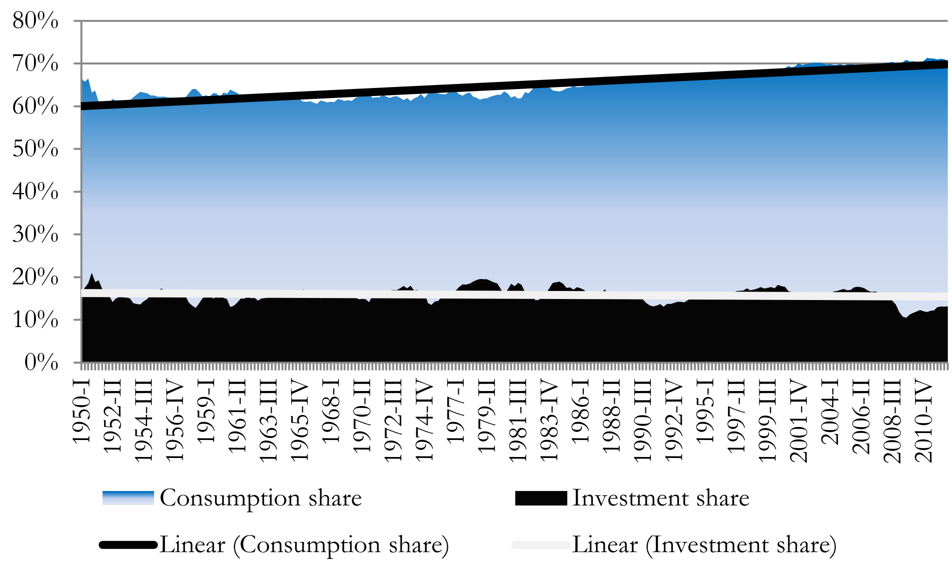
Producer prices slowly increased over the year showing minimum inflationary pressure – The Producer Price Index (PPI) measures price changes from the perspective of businesses. Producer and consumer prices often differ as a function of various factors, most notably the extent to which producers can pass changes in their costs onto customers. As the cost of energy fell in November, U.S. producer prices dropped 0.8 percent, the largest monthly drop since 2009. According to the Bureau of Labor and Statistics, year-to-date producer prices through November increased only 1.4 percent over a year ago, indicating little price pressure in the economy.

Business Investment

Business spending to add to the nation's capital stock, an important ingredient for economic growth, has been lacking –Higher business investment levels are usually associated with and precede periods of more robust economic growth. This finding was supported recently in a study from the Federal Reserve Bank of St. Louis, which reported a positive relationship between private investment spending as a share of GDP and economic growth. The study found that a higher portion of GDP accounted for by consumption correlated with a lower level of growth.

In the US since 1950, consumption as a share of GDP has trended upward and investment's share slightly downward. This trend accelerated somewhat since 2000. In the first quarter of 2000, consumption's share of GDP was 68.8 percent and investment's share was 17.3 percent. In the third quarter of 2012, those shares were 70.6 percent and 13.2 percent, respectively. In 1950, the quarterly average of the same shares was 65.5 percent and 18.3 percent, respectively. Figure 27 shows the consumption and investment shares of the economy since 1950.

Figure 27. U.S. Consumption and Investment, Share of GDP, 1950 – 2012



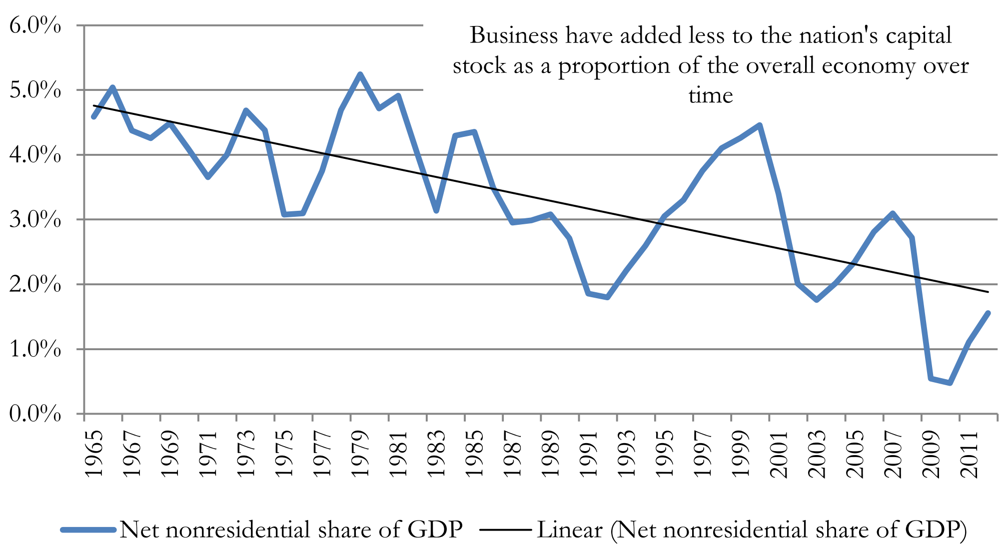
Source: U.S. Department of Commerce: Bureau of Economic Analysis

As discussed in the overall economic conditions section above, the weak recovery can likely be attributed, at least in part, to insufficient business investment over the past several years, including before the recession. Businesses must both replace outdated equipment and add equipment in order for economies to grow. Net investment represents investment over what is needed to replace outdated and depleted equipment. Thus, lower levels of net investment indicate that businesses are not adding much to the economy's capital stock, or its "productive capacity," which helps sustain economic growth.

While private net investment as a share of GDP has rebounded from the recession, it remains at historic lows. This is likely the product of a multitude of phenomena such as lower levels of business confidence with respect to the strength of the recovery, uncertainty about government policy, lower levels of available financing, and the longer discovery process of how to satisfy consumer demand in the emerging post-recession economy. Figure 28 shows the level of net investment as a share of the overall economy since 1965. It is noteworthy that the trend of net investment has declined over that period.

It is possible that trends in the economy and labor market resulting from the use of technology have contributed to the dampening rate of business investment. Individuals and businesses are able to produce more as a result of continuing technological advances and by discovering new uses of such technology. Further, the economy is increasingly an information- and ideas-based economy in which the productive capital is more difficult to measure.

Figure 28. U.S. Net Nonresidential Investment as a share of GDP, 1965 to the 3rd Quarter of 2012

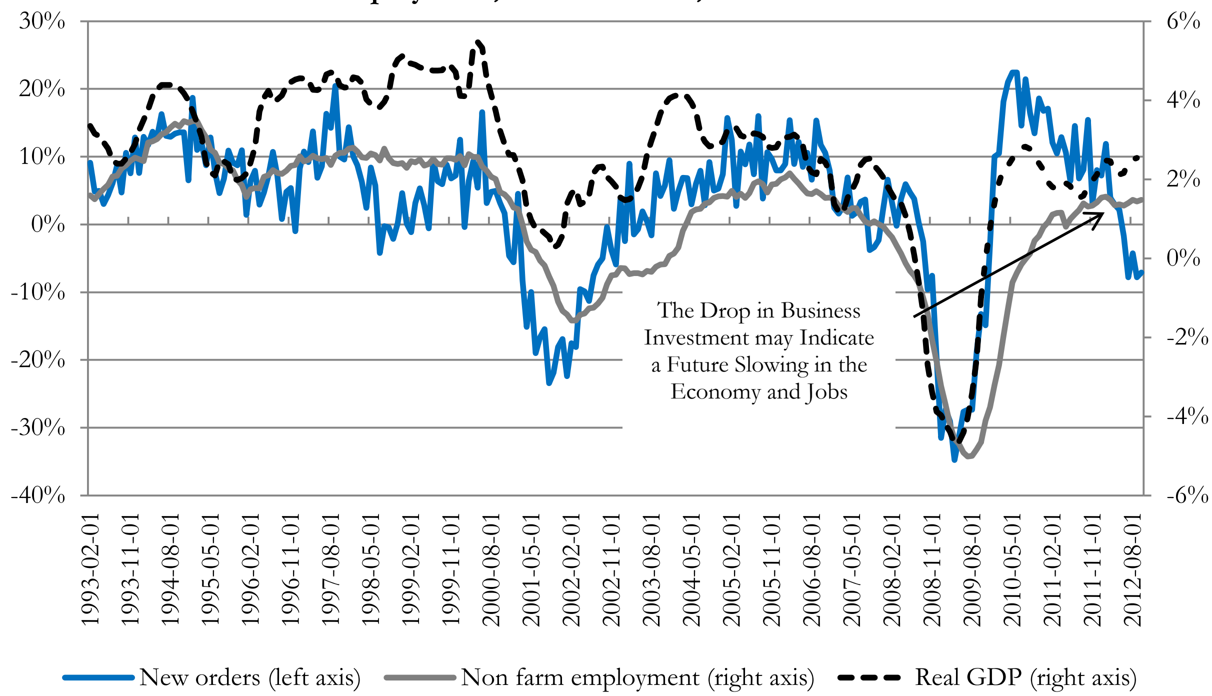


Source: U.S. Department of Commerce: Bureau of Economic Analysis

Investment is weakening, which will likely slow economic and job growth in the near term – Since July 2012, the year-over-year change in new orders for non-defense capital goods (excluding aircraft), called "core capital goods," has been negative and is now at its lowest level since the end of 2009. New orders are a leading indicator of investment in business capital goods.

Activity in new orders for core capital goods historically correlates strongly with changes in the overall economy and employment. However, this relationship may have begun to change recently as businesses have invested more in capital rather than labor, as discussed in the earlier description of the labor market. The decline in new orders may largely reflect the business community's uncertainty regarding the policy outcomes of the federal budget. However, the downward trend in new orders may also reflect the increasing business community's caution concerning the strength of the economic recovery, foretelling a slowdown of employment and GDP growth into the first half of 2013.

Figure 29. Change in U.S. New Orders, Employment, and Real GDP, Year-Over-Year



Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics, and the U.S. Bureau of Economic Analysis

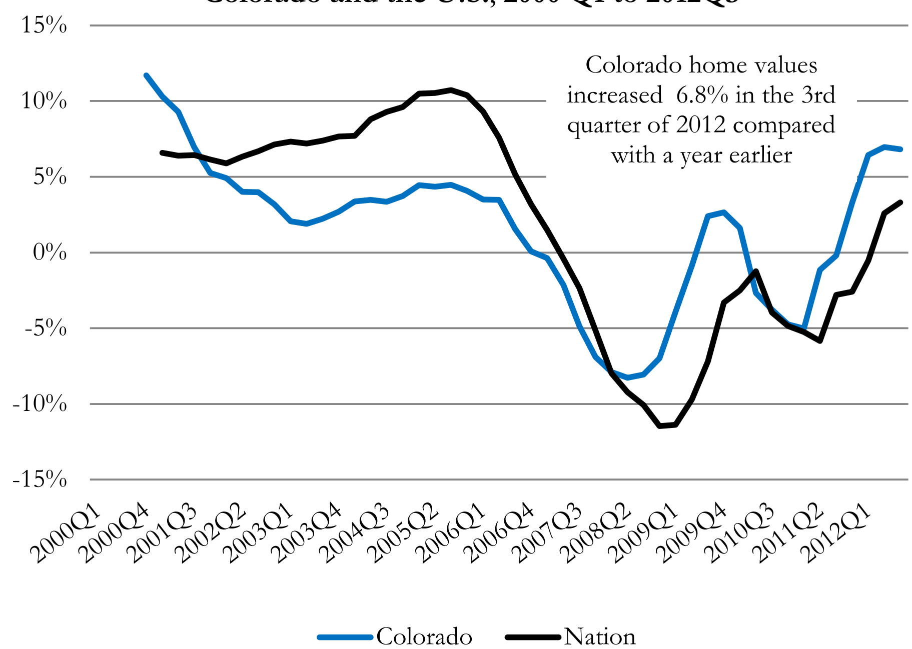
The Housing Market

The housing market is now a bright spot in the economy – Continued increased sales and construction activity over the year has contributed to much welcome strengthening in the housing market both nationally and in Colorado. Improving job numbers, record-low interest rates, and stabilizing prices have created a more conducive environment for buying and selling. However, the boost in home buying, selling, and building activity may not be sustained if job and income growth do not pick up more.

The performance of the economy and the housing and construction markets are highly interrelated. Both households and businesses are impacted by the performance of markets for real estate and structures, whether they are homes, office spaces, or manufacturing facilities. In the case of households, changes in home values significantly impact consumers' perception of their own wealth, as real estate is typically their most valuable asset, which can cause positive reverberations throughout the economy.

Home values trend upward for both the nation and Colorado – Colorado and the nation have seen consistently increasing sales and price activity through the second and third quarter of 2012. Home values measured by the Federal Housing and Finance Agency in Colorado rose 6.8 percent and home values for the nation rose 3.3 percent in the third quarter of 2012 compared with the same quarter the prior year, as shown in Figure 30 below. This upward trend in home prices is an outcome of the housing market re-balancing as very low interest rates and market-clearing house prices attract a larger number of buyers. According to the National Association of Realtors, the national median of existing home prices is 11.1 percent above 2011 levels and is in the eighth consecutive month of year-over-year increases, which has not happened since 2005.

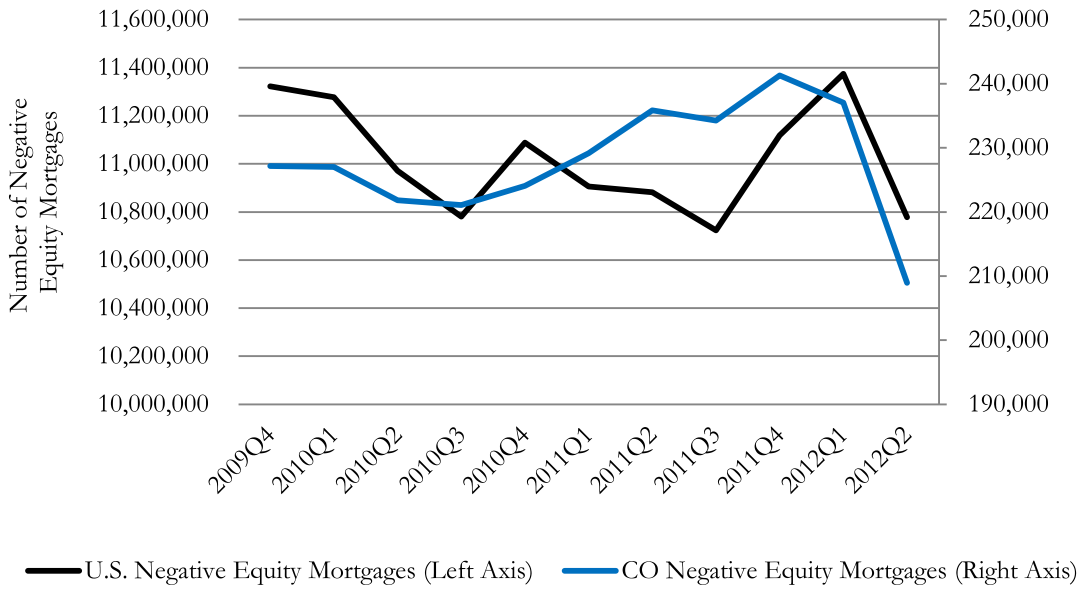
Figure 30. FHFA House Price Index Percent Change, Colorado and the U.S., 2000 Q1 to 2012Q3



Source: Federal Housing Finance Agency House Price Index Estimated using Enterprise, FHA, and Real Property County Recorder Data Licensed from DataQuick

The number of underwater homes is decreasing as homes appreciate, although negative equity remains above historic norms - The recent appreciation of home prices is a major contributing factor to the decline of residential properties in negative equity. Thus, importantly, there are less borrowers "underwater", or homeowners whose outstanding principal balance is greater than the value of the mortgaged property. Figure 31 show the trends in the number of mortgages underwater for both the state and nation.

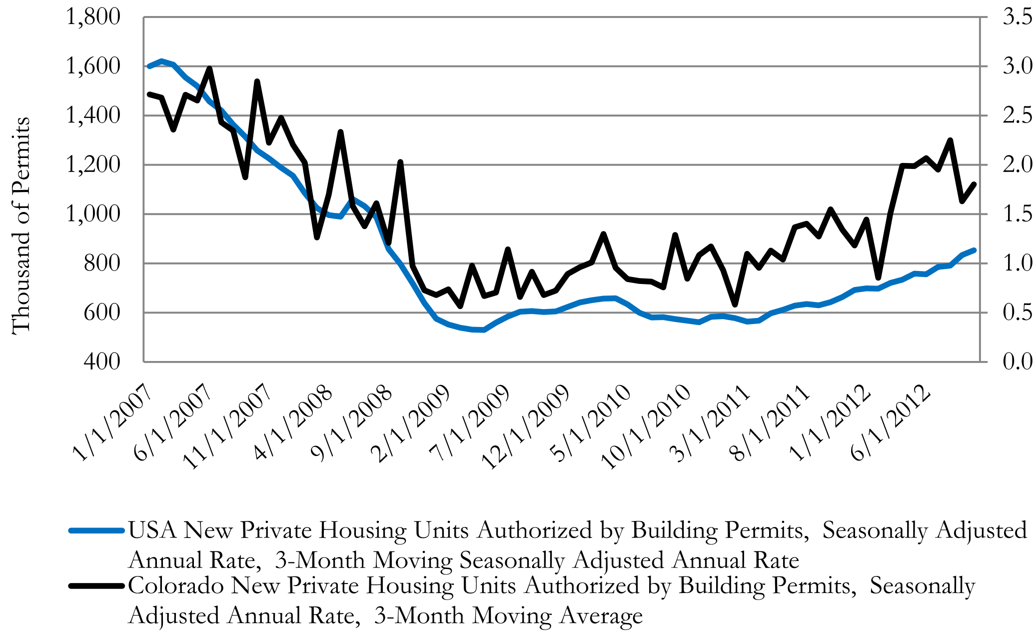
Figure 31. U.S. and Colorado Properties with Negative Equity Mortgages, 2009 Q4 to 2012 Q2



Source: Corelogic Reports, Number of Residential Properties in Negative Equity

Housing construction activity has shown sustained increases in both the nation and Colorado – Figure 32 shows the three-month moving average of building permits issued for new private housing units in the nation and Colorado. Housing permit growth in Colorado is outpacing the national level, likely as a consequence of Colorado's relatively strong economic prospects and population growth. As home prices rise, construction of new homes becomes more attractive. This has positive ripple effects throughout the economy since increased construction activity benefits other areas of the economy and helps employment growth. However, given that housing construction is still at historically low levels, the economic impacts will likely not be substantial.

Figure 32. New Private Housing Units Authorized By Building Permit, U.S. and Colorado, 2007 through October 2012



Source: U.S. Census Bureau

Housing permits in Colorado will increase to 21,800 in 2012 and 26,300 in 2013 as builders respond to stabilizing home prices and demand for housing increases. National residential permits will experience slightly slower growth.

International Trade

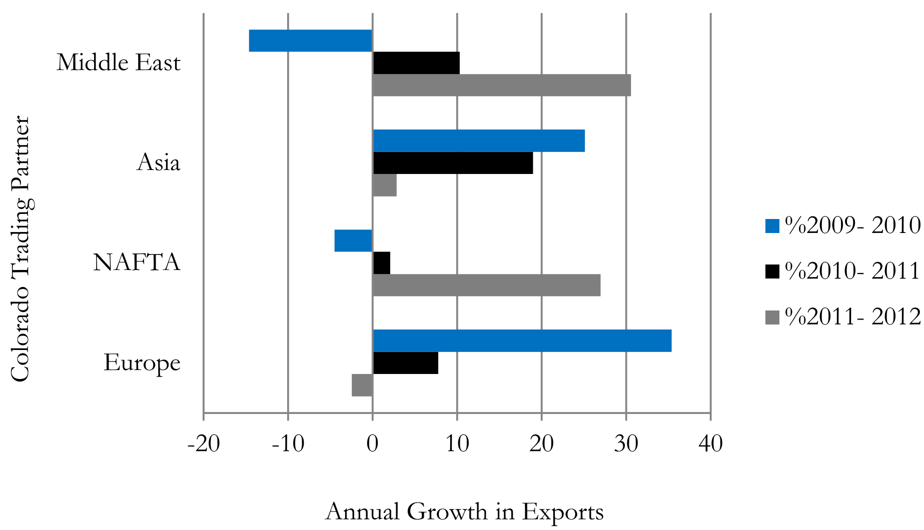
U.S. and Colorado export growth continues to be a bright spot for the economy, though trade has slowed for the nation as a whole – International trade data reflects U.S. and Colorado competitiveness in world markets. Additionally, increases in trade signal higher levels of overall economic activity. International trade benefits businesses, workers, and consumers by promoting competitive regions specializing in goods and services and by fostering access to a greater variety goods and services. Year-to-date U.S. exports through October grew by 4.7 percent from the same period a year ago, and Colorado's exports were up 10.5 percent over the prior year.

Imports have slowed – Total year-to-date imports to the U.S. through October decreased by 1.0 percent in from a year ago and Colorado imports of goods increased 0.6 percent over that same period. Nationally, imports of goods excluding petroleum decreased by 0.1 percent from October 2011 through October 2012, and petroleum imports decreased 1.7 percent over that same period. The drop in non-petroleum imports reflects diminished consumer demand and slower economic activity.

Free Trade Agreements are helping expand market access - Free Trade Agreements (FTA's) are important tools for increasing trade between nations and can include mechanisms for lowering or eliminating tariffs or "duties" on products. This year, the United States signed FTA's with Panama, Colombia, and Korea and continues to pursue others with Asian countries and the European Union. The value of Colorado export goods to Panama, including health and medical supplies and equipment as well as food and beverage products, almost tripled in September compared with the same period a year ago. The Korean Free Trade Agreement reduces import duties on American beef products, Colorado's largest export to Korea. Also, a newly established trade agreement with Columbia benefits Colorado's agricultural industry, as well as other Colorado industries that produce technological, scientific, and medical equipment already traded with Columbia. Canada and Mexico, members of the North American Free Trade Agreement, remain the top export markets for both U.S. and Colorado goods, comprising roughly 30 percent of total U.S. exports and 35.5 percent of Colorado's goods exports.

Figure 33 shows the trends in Colorado's goods exports to major trading partners over the past several years. Colorado's year-to-date trade with Europe through October decreased 2.5 percent from a year ago, reflecting economic wseakness surrounding the region's severe sovereign debt and financial crisis.

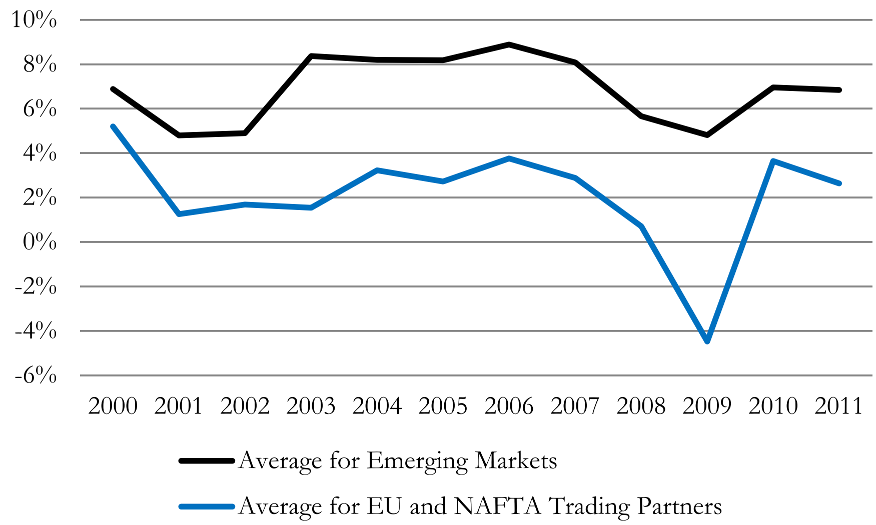
Figure 33. Annual Growth in Exports with Major Colorado Trading Partners, 2011 to 2012 through October YTD



Source: World Institute for Strategic Economic Research (WISERTrade) based on Data from the U.S. Census Bureau

In light of continued higher levels of economic growth than more developed regions, Middle Eastern and Asian markets will be important for U.S. and Colorado companies that export higher value goods and services. Major partners in these markets include China, India, Vietnam, the United Arab Emirates, and Saudi Arabia. As illustrated in Figure 34 below, the economies of China, Vietnam, India, Saudi Arabia, and the United Arab Emirates grew an average of 6.9 percent since 2000 based on data from the World Bank. During this same period, European Union and NAFTA trading partners' economic growth averaged 2.0 percent.

Figure 34. Average Economic Growth in Select Emerging Markets and EU and NAFTA Trading Partners, 2000 - 2011



Source: World Bank Database of World Development Indicators & Global Development Finance

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

Line No.		Actual				December 2012 Forecast		
		2008	2009	2010	2011	2012	2013	2014
	Income							
1	Personal Income (Billions) /A	$216.0	$204.6	$212.5	$225.4	$235.1	$244.3	$256.9
2	Change	5.3%	-5.3%	3.9%	6.1%	4.3%	3.9%	5.2%
3	Wage and Salary Income (Billions)	$117.0	$112.6	$114.2	$119.148	$124.4	$128.5	$134.9
4	Change	3.6%	-3.8%	1.4%	4.3%	4.4%	3.3%	4.9%
5	Per-Capita Income ($/person)	$44,180	$41,154	$42,107	$44,053	$45,306	$46,371	$47,998
6	Change	3.4%	-6.8%	2.3%	4.6%	2.8%	2.4%	3.5%
	Population & Employment							
7	Population (Thousands)	4,901.9	4,976.9	5,049.7	5,118.5	5,189.2	5,267.8	5,352.5
8	Change	1.7%	1.5%	1.5%	1.4%	1.4%	1.5%	1.6%
9	Net Migration (Thousands)	39.7	36.4	36.9	34.7	34.7	42.5	48.2
10	Unemployment Rate	4.8%	8.1%	8.9%	8.3%	8.0%	7.8%	7.0%
11	Total Nonagricultural Employment (Thousands) /B	2,350.4	2,245.2	2,222.4	2,257.6	2,305.6	2,333.8	2,371.8
12	Change	0.8%	-4.5%	-1.0%	1.6%	2.1%	1.2%	1.6%
	Construction Variables							
13	Total Housing Permits Issued (Thousands)	19.0	9.4	11.6	13.8	21.8	26.3	32.9
14	Change	-37.5%	-50.8%	23.9%	19.1%	57.9%	20.5%	25.1%
15	Nonresidential Construction Value (Millions) /C	4,114.0	3,354.0	$3,147.5	$3,931.2	$3,673.1	$3,750.2	$3,958.9
16	Change	-21.8%	-18.5%	-6.2%	24.9%	-6.6%	2.1%	5.6%
	Prices & Sales Variables							
17	Retail Trade (Billions) /D	$74.8	$66.5	$70.5	$75.7	$79.9	$82.9	$87.1
18	Change	-0.7%	-11.1%	6.0%	7.3%	5.6%	3.8%	5.0%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	209.9	208.5	212.4	220.3	224.9	231.5	237.8
20	Change	3.9%	-0.6%	1.9%	3.7%	2.1%	2.9%	2.7%

/A 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 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.

/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 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.		Actual				December 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	$12,757.9	$13,063.0	$13,299.1	$13,583.7	$13,841.8	$14,174.0
2	Change	-0.3%	-3.1%	2.4%	1.8%	2.1%	1.9%	2.4%
3	Personal Income (Billions) /B	$12,451.7	$11,852.7	$12,308.5	$12,949.9	$13,493.8	$13,952.6	$14,650.2
4	Change	4.5%	-4.8%	3.8%	5.2%	4.2%	3.4%	5.0%
5	Per-Capita Income ($/person)	$40,947	$38,637	$39,791	$41,560	$42,829	$43,861	$45,612
6	Change	3.7%	-5.6%	3.0%	4.4%	3.1%	2.4%	4.0%
	Population & Employment							
7	Population (Millions)	304.5	307.2	309.8	312.0	$315.1	$318.1	$321.2
8	Change	0.9%	0.9%	0.8%	0.7%	1.0%	1.0%	1.0%
9	Unemployment Rate	5.8%	9.3%	9.6%	9.0%	8.1%	7.9%	7.6%
10	Total Nonagricultural Employment (Millions)	136.8	130.8	129.9	131.3	133.4	134.6	136.2
11	Change	-0.6%	-4.4%	-0.7%	1.1%	1.6%	0.9%	1.2%
	Price Variables							
12	Consumer Price Index (1982-84=100)	215.3	214.5	218.1	224.9	229.5	235.4	241.2
13	Change	3.8%	-0.4%	1.6%	3.2%	2.0%	2.6%	2.5%
14	Producer Price Index - All Commodities (1982=100)	189.6	172.9	184.7	$201.0	$203.5	$211.8	$222.3
15	Change	9.8%	-8.8%	6.8%	8.8%	1.2%	4.1%	4.9%
	Other Key Indicators							
18	Corporate Profits (Billions)	1,248.4	1,342.3	1,702.4	$1,827.0	$1,933.0	$1,956.5	$2,090.6
19	Change	-17.4%	7.5%	26.8%	7.3%	5.8%	1.2%	6.9%
20	Housing Permits (Millions)	0.905	0.583	0.605	0.607	0.794	0.942	1.165
21	Change	-35.3%	-35.6%	3.7%	0.3%	30.9%	18.6%	23.6%
22	Retail Trade (Billions)	$4,409.5	$4,078.7	$4,307.5	$4,647.6	$4,881.4	$5,047.8	$5,275.4
23	Change	-0.9%	-7.5%	5.6%	7.9%	5.0%	3.4%	4.5%

/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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