March | 2013

The Colorado Outlook

Economic and Fiscal Review

Governor's Office of State Planning and Budgeting

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Summary

- General Fund revenue is forecast to grow 7.1 percent, or $548.2 million, this budget year (FY 2012-13). This projection is 2.8 percent, or $227.9 million, higher than the revised December forecast that incorporated the impacts of the federal American Taxpayer Relief Act. For FY 2013-14, the forecast is 3.1 percent, or $256.1 million, higher than the prior projection. The increase in the revenue forecast is due to continued better-than-expected growth in individual and corporate income tax revenue.

- Under the March 2013 OSPB forecast and current law, General Fund revenue will be $1.0 billion above FY 2012-13 spending and reserve levels. With the one percentage point reserve increase (to 5%) in the Governor's budget request, General Fund revenue will be $959.3 million above the reserve requirement. Under current law, all of the FY 2012-13 excess reserves are earmarked for transfer to the State Education Fund.

- Several factors will cause General Fund revenue growth to slow to 2.0 percent in FY 2013-14. Although the state's economy has rebounded well since the deep recession, the pace of revenue growth over the past few years has been higher than the available data on the Colorado economy would indicate. Some of the increase in revenue is likely a result of "catch up" growth from the substantial drop during the recession. Additionally, a portion of the growth has been attributable to increases in volatile capital gains income taxes. Thus, the strong growth rates are not expected to be sustained, especially if economic growth moderates as expected. Tax policy changes under current law that reduce revenue by roughly $160 million will further contribute to the slower FY 2013-14 growth rate.

- Despite the lower revenue growth in FY 2013-14, General Fund reserves are still expected to be $255.3 million above the higher reserve level of five percent of appropriations under the Governor's budget request.

- While economic activity at the national level continues to be modest and uneven, Colorado has many attributes necessary for success in the post-Great Recession economy, fostering its position among the top states in economic performance. Economic growth is expected to moderate in 2013 due to recent federal tax rate increases and budget reductions, the heightened uncertainty surrounding the federal debt level, and headwinds from the European economic and financial crisis. Because the economy, particularly nationally, is still vulnerable, adverse outcomes relating to these events pose a downside risk to the forecast. Conversely, the economy could prove to be more resilient against these headwinds and continue to build on its recent momentum, causing growth to be higher than expected.

- OSPB's forecast of cash fund revenue subject to TABOR is $2.48 billion in FY 2012-13, a decrease of 3.1 percent from prior year collections. The decrease is primarily the result of a $99 million decline in severance tax revenue. Smaller declines will also occur in most other categories of cash fund revenue in FY 2012-13. A rebound in severance tax revenue next fiscal year and growth in most other revenue sources will cause cash fund revenue subject to TABOR to increase 2.8 percent to $2.55 billion in FY 2013-14.

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 March 2013 OSPB revenue forecast under current law, while Table 1a shows the overview incorporating the Governor's 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 General Fund revenue available, total spending, and reserve levels from FY 2011-12 through FY 2013-14 based on the March forecast and current law. It does not include the Governor's 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 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 through FY 2013-14, ($ in Billions)

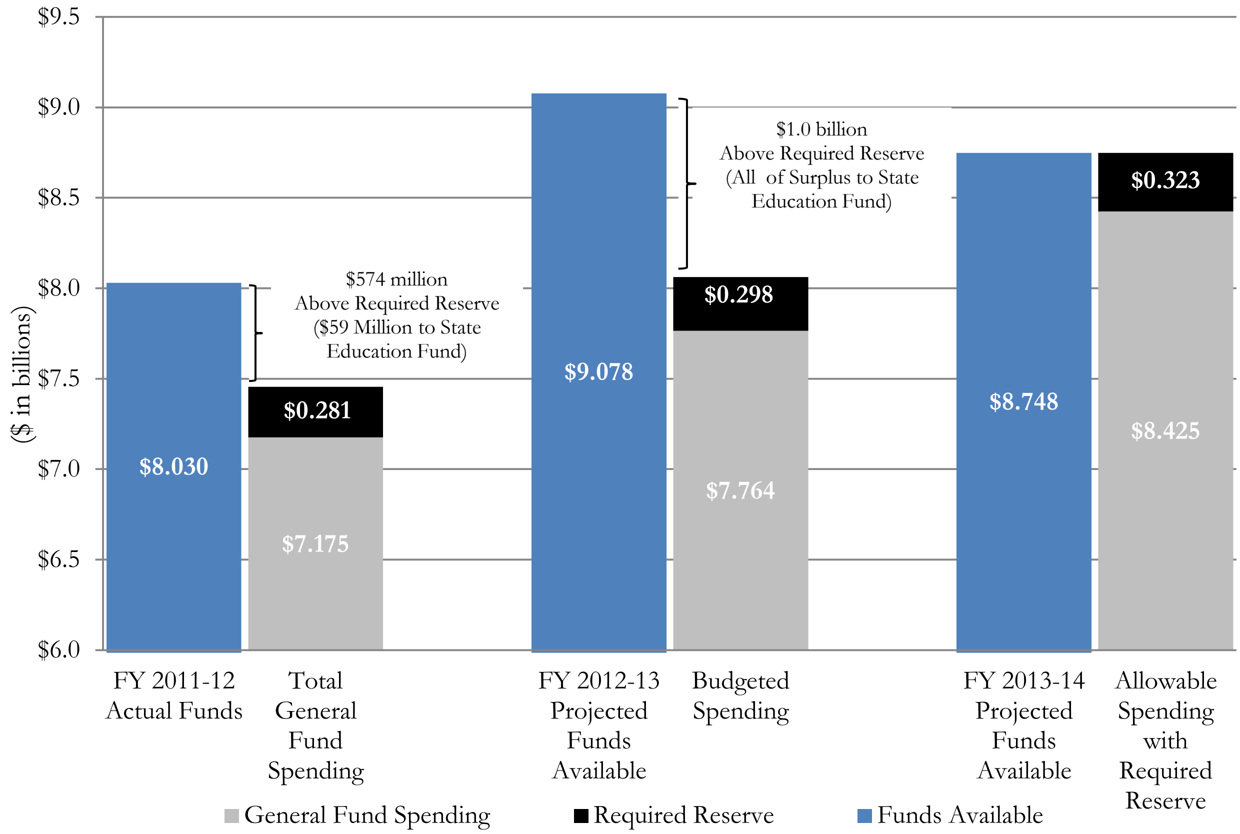
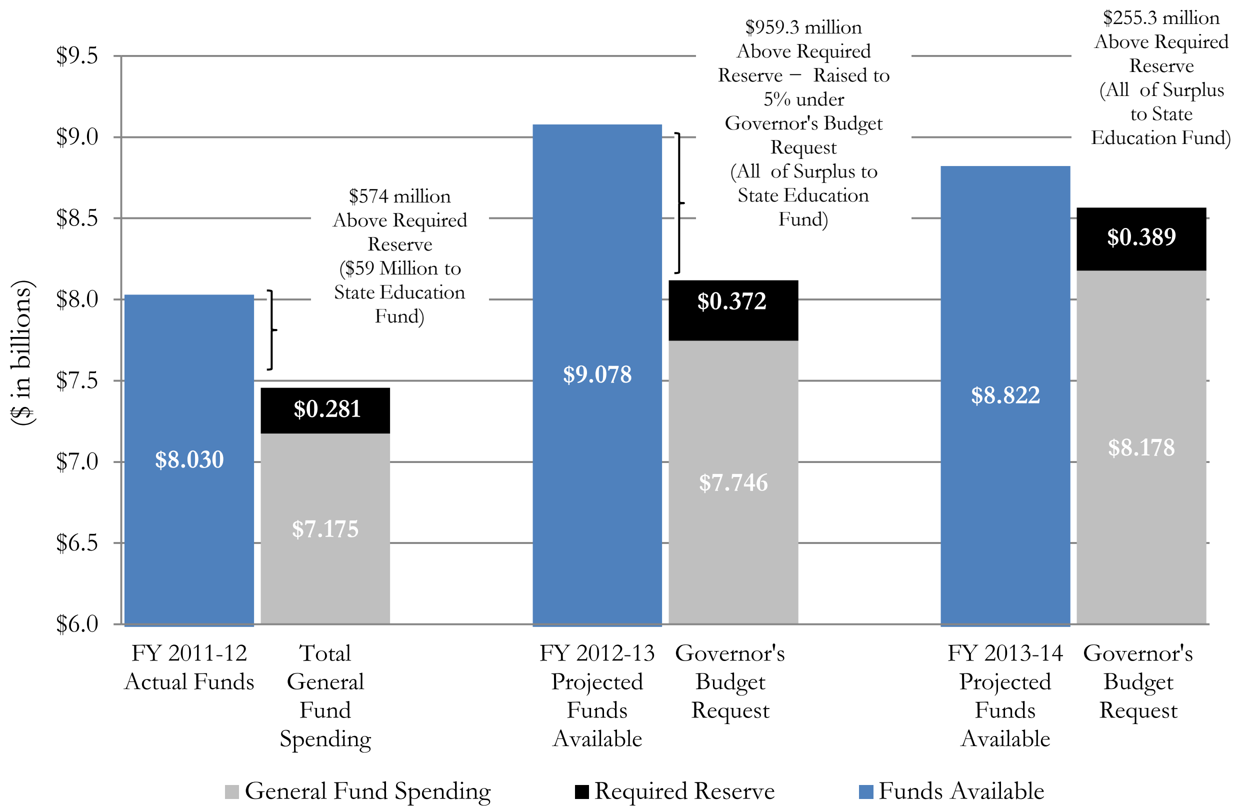


Figure 1a. General Fund Money, Spending, and Reserves *with the Governor's Budget Request*, FY 2011-12 through FY 2013-14, ($ in Billions)



Total General Fund spending under current law grows 8.2 percent, or by $589.6 million, in FY 2012-13. Based on this forecast and spending under current law, General Fund revenue available will be $1.0 billion above the required reserve amount in FY 2012-13. However, the Governor's 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 $959.3 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 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	$298.2	$323.1
General Fund Revenue	$8,284.2	$8,449.4	$8,962.1
Net Transfers to/(from) the General Fund	-$2.5	$0.6	$0.6
Total General Funds Available	**$9,077.6**	**$8,748.2**	**$9,285.8**
Dollar Change from Prior Year	$1,047.8	-$329.4	$537.6
Percent Change from Prior Year	13.0%	-3.6%	6.1%

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	$388.9
General Fund Revenue	$8,284.2	$8,449.4	$8,962.1
Net Transfers to/(from) the General Fund	-$2.5	$0.6	$0.6
Total General Funds Available	**$9,077.6**	**$8,821.8**	**$9,351.6**
Dollar Change from Prior Year	$1,047.8	-$255.7	$529.8
Percent Change from Prior Year	13.0%	-2.8%	6.0%

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 2012-13 in Table 1 reflect current law while the amount in Table 1a shows the Governor's budget request. Both 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 2014-15 amounts in Table 1 reflect 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 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 for FY 2012-13 and FY 2013-14, 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
Appropriations	**$7,455.8**	**$8,077.3**
Dollar Change from Prior Year	$428.1	$621.5
Percent Change from Prior Year	6.1%	8.3%

GF Spending Subject to the Appropriations Limit *with Governor's Budget Request* ($ in Millions)		
	FY 2012-13	FY 2013-14
Appropriations	**$7,437.7**	**$7,777.9**
Dollar Change from Prior Year	$410.0	$340.1
Percent Change from Prior Year	5.8%	4.6%

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 Pension 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 19.

The homestead property tax exemption (Line 12 in Tables 1 and 1a) reduces property tax liabilities for qualifying seniors, starting again in 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 $700 million below the cap in FY 2012-13 and just under $850 million below the cap in the next two years.

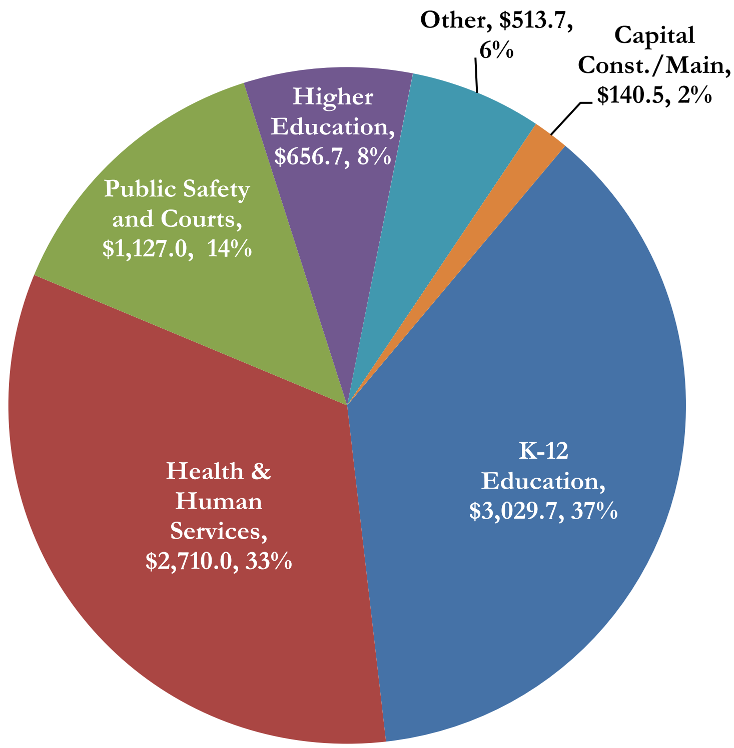
Finally, General Fund money transferred for State capital construction and facility maintenance as well as transportation projects are also not subject to the limit. The transfers can be made at the discretion of the General Assembly and Governor. The Governor's FY 2013-14 budget request includes a total transfer of $140.5 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	$147.1	$154.3	$147.4
Homestead Exemption	$100.1	$105.2	$112.0
Transfers to Capital Construction	$61.4	$88.3	$59.9
Transfers to Highway Users Tax Fund	$0.0	$0.0	$0.0
Total	**$308.6**	**$347.7**	**$319.3**
Dollar Change from Prior Year	$124.6	$39.1	-$28.4
Percent Change from Prior Year	67.7%	12.7%	-8.2%

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	$147.1	$154.3	$147.4
Homestead Exemption	$100.1	$105.0	$112.0
Transfers to Capital Construction	$61.4	$114.4	$59.9
Transfers to Controlled Maintenance	$0.0	$26.1	$0.0
Transfers to Highway Users Tax Fund	$0.0	$0.0	$0.0
Total	**$308.6**	**$399.7**	**$319.3**
Dollar Change from Prior Year	$124.6	$91.1	-$80.4
Percent Change from Prior Year	67.7%	29.5%	-20.1%

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. Under the request, total General Fund spending amounts to $8,177.6 million, a 5.6 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 19 in Table 1 and Line 20 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 $1.0 billion above the 4.0 percent of appropriations requirement under current law and $959.3 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 $255.3 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	$1,313.1	$323.1	$344.9
Balance as a % of Appropriations	17.6%	4.0%	4.0%
General Fund Required Reserve	**$298.2**	**$323.1**	**$344.9**
Money Above/Below Req. Reserve	**$1,014.9**	**$0.0**	**$0.0**
Excess Reserve to State Education Fund	**-$1,014.9**	**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	$1,331.2	$644.2	$430.1
Balance as a % of Appropriations	17.9%	8.3%	5.0%
General Fund Required Reserve	**$371.9**	**$388.9**	**$430.1**
Money Above/Below Req. Reserve	**$959.3**	**$255.3**	**$0.0**
Excess Reserve to State Education Fund	**-$959.3**	**-$255.3**	**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.

Pursuant to HB 12-1338, in FY 2012-13, the fund receives $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 $1,014.9 million as shown in Table 1. Assuming the Governor's budget request in Table 1a, a projected $959.3 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	$440.6	$448.6	$481.4
Money from Prior Year-end Excess Reserves	$59.0	$1,014.9	$0.0
Total Funds to State Education Fund	**$499.6**	**$1,463.4**	**$481.4**

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	$440.6	$448.6	$481.4
Money from Prior Year-end Excess Reserves	$59.0	$959.3	$255.3
Total Funds to State Education Fund	**$499.6**	**$1,407.9**	**$736.7**

Risks to the Budget Outlook

Economic conditions that differ appreciably from expectations will generate relatively large swings in the amount of General Fund money available. Even small changes in projected revenue growth rates resulting from higher or lower levels of economic activity can change the budget outlook considerably. For example, if revenue growth were to increase or decrease by just three percentage points in FY 2013-14 from the current projected growth rate, General Fund revenue would be approximately $250 million higher or lower.

Colorado's economy has shown positive momentum over the past couple years which has generated relatively strong revenue growth. This momentum could continue to build and cause revenue to outperform expectations. However, the state economy can still be adversely affected by outside factors that could cause State revenue collections to come in below forecast.

Of particular note to the current situation, we remain concerned that the amount of capital gains income earned by investors could drop more than expected in FY 2013-14. In this case, the amount of money available for appropriation would decline.

The national economy remains vulnerable to negative events, which could spillover and impact Colorado. The lack of a satisfactory agreement on federal budget issues surrounding spending and debt levels presents a downside risk. Disagreements over the lifting of the federal debt ceiling in the fall of 2011 almost pushed the economy into recession. Colorado could particularly be more negatively affected by reductions in federal spending because the state has ties to many federal agencies and programs, especially a concentration of defense-related facilities and research institutions that rely on federal funding. Further, the European economy is in recession, and though its debt and banking crisis has abated, there are indications that conditions could worsen again and strain the global financial system.

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

Line No.		Actual FY 2011-12	March 2013 Estimate by Fiscal Year FY 2012-13	FY 2013-14	FY 2014-15
Revenue					
1	**Beginning Reserve**	**$156.7**	**$795.8**	**$298.2**	**$323.1**
2	**Gross General Fund Revenue**	**$7,736.0**	**$8,284.2**	**$8,449.4**	**$8,962.1**
3	*Net Transfers to/(from) the General Fund*	**$137.1**	**($2.5)**	**$0.6**	**$0.6**
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$8,029.7**	**$9,077.6**	**$8,748.2**	**$9,285.8**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$7,027.8**	**$7,455.8**	**$8,077.3**	**$8,621.7**
6	*Dollar Change (from prior year)*	*$216.7*	*$428.1*	*$621.5*	*$544.3*
7	*Percent Change (from prior year)*	*3.2%*	*6.1%*	*8.3%*	*6.7%*
8	**Exemptions to Limit and Adjustments to Appropriations /B**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
9	**Spending Outside Limit**	**$184.0**	**$308.6**	**$347.7**	**$319.3**
10	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
11	*Rebates and Expenditures /C*	*$133.0*	*$147.1*	*$154.3*	*$147.4*
12	*Homestead Exemption*	*$1.8*	*$100.1*	*$105.2*	*$112.0*
13	*Transfers to Capital Construction /D*	*$49.3*	*$61.4*	*$88.3*	*$59.9*
14	*Transfers to Highway Users Tax Fund /D*	*N/A*	*N/A*	*$0.0*	*$0.0*
15	Reversions and Accounting Adjustments	*($36.9)*	*$0.0*	*$0.0*	*$0.0*
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,174.9**	**$7,764.5**	**$8,425.1**	**$8,941.0**
Reserves					
17	**Year-End General Fund Balance**	**$854.8**	**$1,313.1**	**$323.1**	**$344.9**
18	*Year-End General Fund as a % of Appropriations*	*12.2%*	*17.6%*	*4.0%*	*4.0%*
19	**General Fund Statutory Reserve /E**	**$281.1**	**$298.2**	**$323.1**	**$344.9**
20	**Money Above (Below) Statutory Reserve /F**	**$573.7**	**$1,014.9**	**$0.0**	**$0.0**
21	*Addendum: State Education Fund /G*	*$638.5*	*$499.6*	*$1,463.4*	*$481.4*

Totals may not sum due to rounding.

/A This limit equals 5.0% of Colorado personal income. The appropriation amount for FY 2012-13 reflects 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 projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement.

/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 projected to occur in 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 reserves and $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 $1,014.9 million.

Table 1a

General Fund Overview (with Governor's Budget Request)

(Dollar Amounts in Millions)

Line No.		Actual FY 2011-12	March 2013 Estimate by Fiscal Year FY 2012-13	FY 2013-14	FY 2014-15
Revenue					
1	**Beginning Reserve**	$156.7	$795.8	$371.9	$388.9
2	**Gross General Fund Revenue**	$7,736.0	$8,284.2	$8,449.4	$8,962.1
3	*Net Transfers to/(from) the General Fund*	$137.1	($2.5)	$0.6	$0.6
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	$8,029.7	$9,077.6	$8,821.8	$9,351.6
Expenditures					
5	**Appropriation Subject to Limit /A**	$7,027.8	$7,437.7	$7,777.9	$8,602.2
6	*Dollar Change (from prior year)*	*$216.7*	*$410.0*	*$340.1*	*$824.3*
7	*Percent Change (from prior year)*	*3.2%*	*5.8%*	*4.6%*	*10.6%*
8	**Exemptions to Limit and Adjustments to Appropriations /B**	$0.0	$0.0	$0.0	$0.0
9	**Spending Outside Limit**	$184.0	$308.6	$399.7	$319.3
10	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
11	*Rebates and Expenditures /C*	*$133.0*	*$147.1*	*$154.3*	*$147.4*
12	*Homestead Exemption*	*$1.8*	*$100.1*	*$105.0*	*$112.0*
13	*Transfers to Capital Construction /D*	*$49.3*	*$61.4*	*$114.4*	*$59.9*
14	*Transfers to Controlled Maintenance Trust Fund*	*$0.0*	*$0.0*	*$26.1*	*$0.0*
15	*Transfers to Highway Users Tax Fund /D*	*N/A*	*N/A*	*$0.0*	*$0.0*
16	Reversions and Accounting Adjustments	*($36.9)*	*$0.0*	*$0.0*	*$0.0*
17	**TOTAL GENERAL FUND OBLIGATIONS**	$7,174.9	$7,746.4	$8,177.6	$8,921.5
Reserves					
18	**Year-End General Fund Balance**	$854.8	$1,331.2	$644.2	$430.1
19	*Year-End General Fund as a % of Appropriations*	*12.2%*	*17.9%*	*8.3%*	*5.0%*
20	**General Fund Statutory Reserve /E**	$281.1	$371.9	$388.9	$430.1
21	**Money Above (Below) Statutory Reserve /F**	$573.7	$959.3	$255.3	$0.0
22	*Addendum: State Education Fund /G*	*$638.5*	*$499.6*	*$1,407.9*	*$736.7*

Totals may not sum due to rounding.

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for FY 2012-13 and FY 2013-14 reflect the Governor's most updated budget request. The FY 2014-15 amount represents 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 projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement.

/E The required reserve level is currently 4.0%. The Governor's budget request raises the reserve to 5.0% in FY 2012-13 and subsequent years. Current law requires the reserve to increase when personal income is projected to increase by more than 5 percent. This is projected to occur in 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 above the required reserve and all of the FY 2012-13 excess is transferrred to the State Education Fund. After the $59 million transfer, the remaining amount of the FY 2011-12 excess is carried forward and becomes part of the beginning FY 2012-13 balance. In FY 2014-15, under the Governor's request, all of the excess reserves, minus $3.0 million credited to the Controlled Maintenance Trust Fund, is transferred to the State Education Fund.

/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 reserves and $9.6 million from the tax amnesty program created by SB 11-184. In FY 2012-13, the fund received $59 million of the FY 2011-12 excess reserves. In FY 2013-14, it receives all of the FY 2012-13 excess reserves, or a projected $959.2 million, while in FY 2014-15, under the Governor's request, it receives all of the excess reserves, minus $3.0 million which is credited to the Controlled Maintenance Trust Fund in FY 2013-14. This equates to $255.3 million in excess reserves to the State Education Fund in FY 2014-15.

General Fund Revenue Forecast

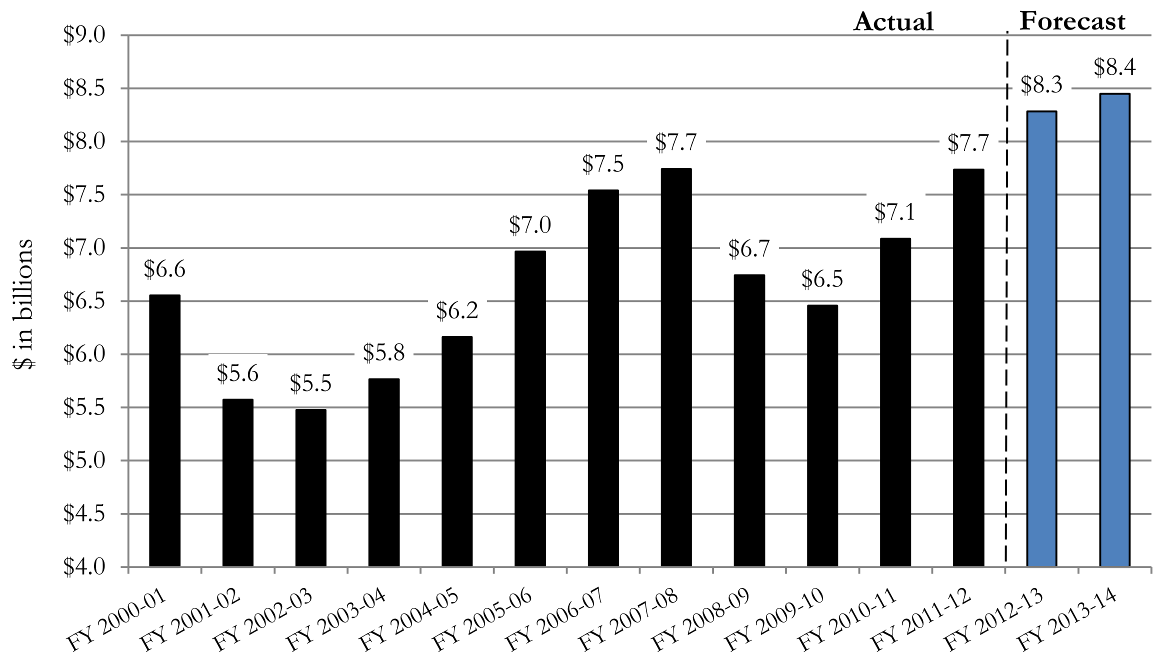
General Fund revenue for the current budget year (FY 2012-13) is forecast to be 2.8 percent, or $227.9 million, higher than the revised December forecast. For FY 2013-14, the forecast is 3.1 percent, or $256.1 million, higher than the prior projection. The December forecast was revised for the impacts of the federal tax policy changes from the January 2013 enactment of the American Taxpayer Relief Act (ATRA), which reduced State revenue by roughly $100 million. The increase in the revenue forecast is entirely due to continued better-than-expected growth in individual and corporate income taxes. Sales and use tax revenue has come in as expected in the December forecast.

General Fund revenue is now projected to grow 7.1 percent, or $548.2 million, in FY 2012-13. This growth rate is above the historical average and follows two strong years in FY 2010-11 and FY 2011-12 in which revenue grew 9.7 percent and 9.2 percent, respectively. One overall reason for the relatively high pace of revenue growth is that the economy continues to rebound from a very low level of activity during the recession. In fact, even after the three years of strong growth, FY 2012-13 General Fund revenue will still only be 7.0 percent higher than its level five years ago in FY 2007-08. Nevertheless, the pace of tax revenue growth is higher than the available data on the Colorado economy would indicate, suggesting that the strong growth rates will not be sustained. As reported in prior forecasts, OSPB believes a large portion of recent revenue growth is attributable to volatile capital gains income taxes.

Revenue growth is expected to slow to a 2.0 percent rate in FY 2013-14 as some of the factors that have led to the recent revenue gains are expected to diminish. First, the growth in income tax revenue that is coming from income from capital gains is not expected to be sustained. Economic growth is also expected to moderate in 2013 due to recent federal tax rate increases and budget reductions, the heightened uncertainty surrounding the federal debt level, and headwinds from the European economic and financial crisis.

Tax policy changes under current law that reduce revenue, discussed in more detail in the forecasts of individual General Fund sources below, will further contribute to the slower FY 2013-14 growth rate. OSPB estimates that these tax policy changes will reduce tax revenue by roughly $160 million in FY 2013-14. The tax policy changes will also affect FY 2014-15 revenue. Figure 2 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2013-14. A more detailed forecast of General Fund revenue is provided in Table 2 following page 19.

Figure 2. 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 – Individual income taxes represent the largest source of General Fund revenue. Beginning with FY 2010-11, when the economy began to recover, individual income tax revenue has grown at a brisk rate. Income tax revenue continues to post better-than-expected performance. Data on job and personal income growth shows relatively moderate growth. Thus, there is likely a higher level of economic activity that is generating income in the state than being captured in available data.

In addition, income tax revenue is being bolstered by the realization of capital gains from the strong stock market performance. Adding to this boost from capital gains is the 2013 increase in federal capital gains tax rates that likely caused many investors to realize their gains sooner than otherwise so their income would be subject to lower tax rates. In addition, income tax growth is being boosted from royalties paid to mineral rights owners that are coming from the growth in oil and gas production in the state, especially in northeast Colorado.

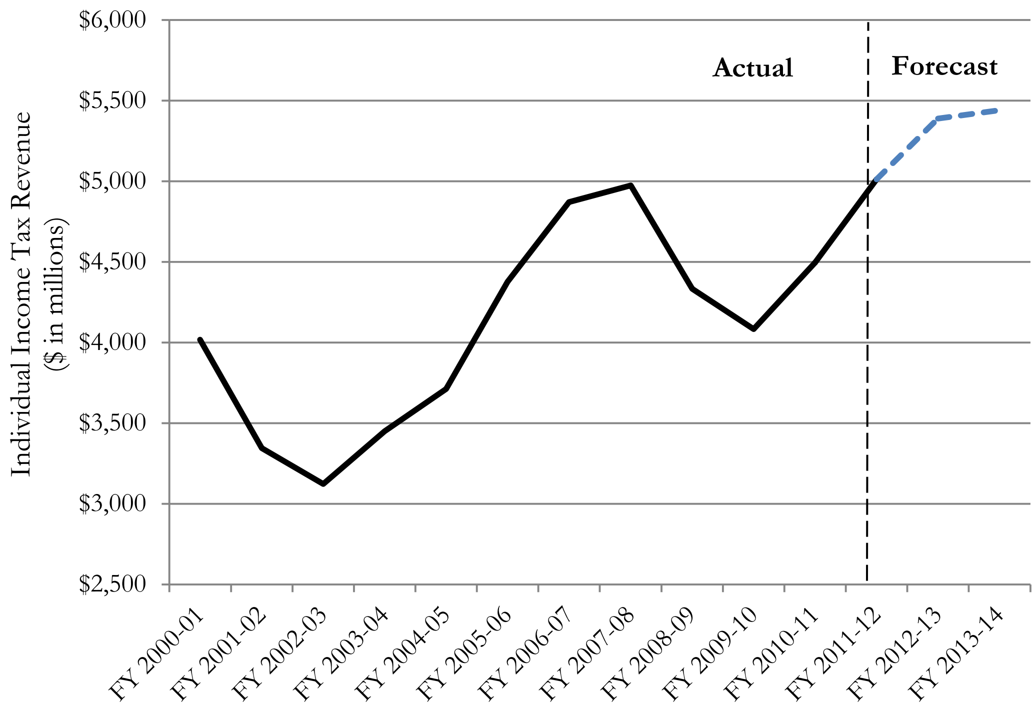
After growing 10.1 percent in FY 2010-11 and 11.5 percent in FY 2011-12, individual income tax revenue is expected to grow 6.5 percent in FY 2012-13. This fiscal year's growth rate is being tempered from a relatively large accounting adjustment to income taxes withheld from employee paychecks that pushed some money collected this year into last fiscal year.

In FY 2013-14, individual income tax collections will slow to a 0.8 percent growth rate as a result of several factors. First, OSPB expects a moderation in income and job gains as the economy is affected by national and global economic headwinds. Also, the acceleration of income into 2012 from capital gains discussed above will contribute to slower revenue growth as less income from such gains is available to be taxed in FY 2013-14.

Tax policy changes, both at the state and federal level will also, on net, reduce individual income tax revenue. The largest of these tax policy changes are the elimination of the cap on the amount of conservation easement state income tax credits that can be claimed, the reinstatement of the child care contribution income tax credit, and increased federal deductions and exemptions for business expenses that were included in ATRA. Because Colorado taxable income is tied to federal taxable income, these federal changes to tax deductions and exemptions will reduce taxable income to individuals and businesses that file through the State's individual income tax system. Offsetting some of the decrease in revenue from these tax policy changes are ATRA's provisions that reduced the amount of tax exemptions and deductions available to upper income households.

The strong pace of individual income tax revenue growth since the end of the recession as well as the slowdown in FY 2013-14 is depicted in Figure 3 below.

Figure 3. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2013-14

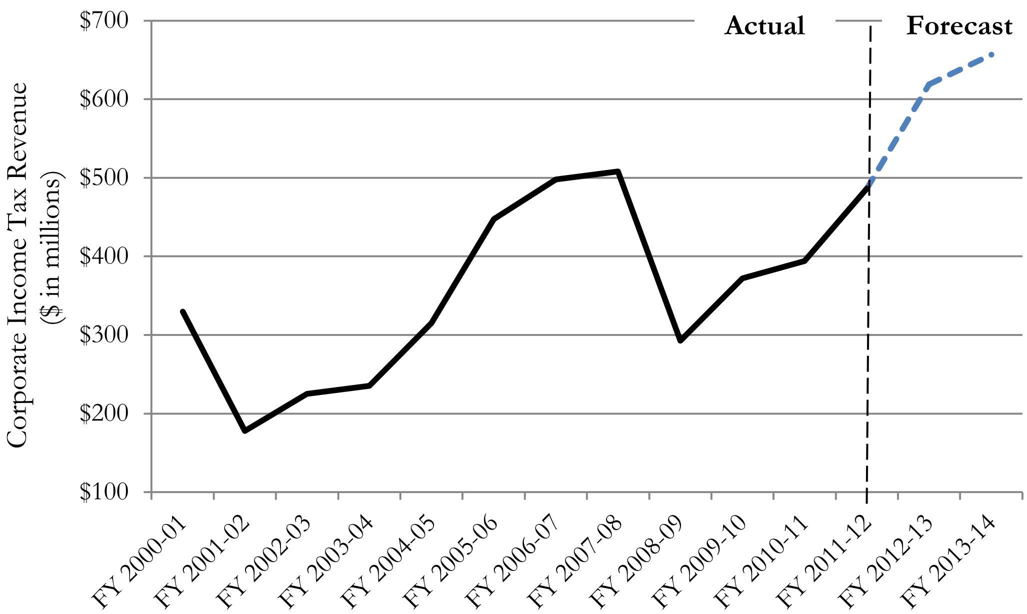


Corporate income tax – Corporate income tax revenue continues to post the most sustained robust growth among General Fund revenue sources. After increasing 23.5 percent in FY 2011-12, corporate income tax revenue will jump another 27.2 percent in FY 2012-13. With this high growth pace, the amount of corporate income tax revenue will be more than twice the level at the low point of the recession. Strong corporate profits from rising sales and leaner operations, 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 the fast rising tax receipts.

In FY 2013-14, however, corporate income tax revenue growth will moderate to a 6.1 percent rate. Corporate profits will be tempered by economic headwinds and as companies will likely not continue to benefit from the same efficiency gains that have increased their margins. Also, tax policy changes under current law will reduce corporate income tax revenue. Notably, the end of the cap on net operating losses in 2014 will slow revenue as certain companies will be able to deduct more losses than in previous years, resulting in lower taxable income. Also, the end of the cap on tax credits for investments in state enterprise zones will reduce revenue. Finally, the business expensing provisions in ATRA that will affect businesses filing through the individual income tax system will also reduce corporate tax revenue.

A graph of historical and forecast corporate income tax collections which illustrates the trends discussed above is provided in Figure 4.

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



Sales and use tax – After a strong rebound in FY 2010-11 from its recessionary low, sales tax revenue growth has been more modest than income tax revenue collections. After increasing 2.4 percent in FY 2011-12, sales tax revenue will grow 4.6 percent in FY 2012-13 and 3.0 percent in FY 2013-14. Because consumer spending has shown stronger growth than these rates, as discussed in the *Economy: Current Conditions and Forecast* section, a few factors are constraining sales tax revenue.

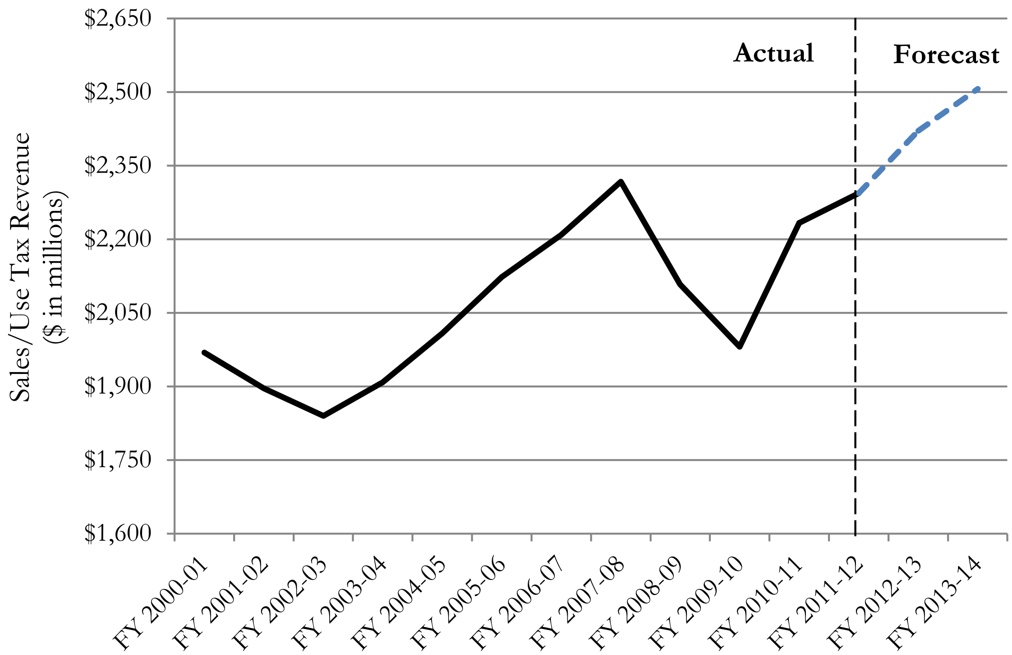
Elevated food and gas prices, which are not subject to the state sales tax, appear to be pulling from spending on other taxable items. This trend is expected to continue, especially due to the nationwide drought that is expected to raise food prices further. An increase in purchases online, where sales taxes are not collected for many transactions, may also be contributing to the modest revenue growth.

In addition, tax policy changes have impacted revenue. Most notably, the partial resumption of the vendor discount reduced revenue by about $50 million in FY 2011-12. The vendor discount allows a portion of sales tax collections to be retained by retailers. Further, the return of sales tax exemptions on certain software purchases and energy used in industrial processes reduced revenue this fiscal year. Under current law, the reinstatement of the tax exemption on the sales of cigarettes will lower sales tax revenue by just under $30 million starting in FY 2013-14. HB 13-1144, which is being debated in the General Assembly at the time of publication, permanently subjects cigarettes to the sales tax. Finally, the elimination of the cut in payroll taxes and higher taxes on upper income earners as a result of ATRA will cause in a slight slowdown in consumer spending. This will constrain sales tax revenue growth this fiscal year and next.

Use tax revenue has grown faster than sales tax revenue in recent years. Use taxes, which are mostly paid by businesses, are generally paid on taxable items in which the seller did not collect and remit sales taxes for the State. Many of these transactions occur with out-of-state sellers. Business investment has bolstered use tax revenue. In FY 2012-13, use tax revenue will grow 15.5 percent. Oil and gas investment is likely a large contributor to these collections. Although continued investment by oil and gas companies will cause use tax revenue to continue to grow, the moderation in economic activity expected in 2013 will temper overall business spending. As a result, use tax revenue will post a slower growth rate of 8.6 percent in FY 2013-14.

Total sales and use tax revenue from FY 2000-01 through FY 2013-14 is shown in Figure 5.

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



Other miscellaneous General Fund revenue sources – General Fund revenue from a group of miscellaneous sources will be essentially flat over the forecast period. These relatively small revenue sources include taxes paid by insurers on premiums, interest income, pari-mutuel taxes, court receipts, and excise taxes on cigarettes, tobacco, and liquor products. The scheduled reinstatement of the estate tax in 2013 that was assumed in the December forecast did not occur as a result of provisions in ATRA. In previous forecasts, the State was expected to receive $45 million in FY 2012-13 and $94 million in FY 2013-14 from this source.

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

Line No.	Category	Actual FY 2011-12	% Chg	March 2013 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%	$2,189.6	4.6%	$2,255.4	3.0%	$2,381.3	5.6%
2	Use	$200.6	5.6%	$231.7	15.5%	$251.5	8.6%	$263.8	4.9%
3	Cigarette	$39.5	0.5%	$36.9	-6.7%	$33.1	-10.3%	$31.8	-3.6%
4	Tobacco Products	$16.0	16.1%	$17.4	8.3%	$18.4	5.7%	$19.0	3.6%
5	Liquor	$38.4	5.3%	$38.7	0.9%	$39.0	0.6%	$39.8	2.1%
6	**Total Excise**	**$2,387.7**	**2.8%**	**$2,514.3**	**5.3%**	**$2,597.3**	**3.3%**	**$2,735.7**	**5.3%**
	Income Taxes:								
7	Net Individual Income	$5,011.6	11.5%	$5,336.1	6.5%	$5,380.6	0.8%	$5,698.5	5.9%
8	Net Corporate Income	$486.5	23.5%	$618.9	27.2%	$656.5	6.1%	$739.0	12.6%
9	**Total Income**	**$5,498.1**	**12.4%**	**$5,955.1**	**8.3%**	**$6,037.1**	**1.4%**	**$6,437.5**	**6.6%**
10	*Less: State Education Fund Diversion*	*$407.5*	*10.0%*	*$440.6*	*8.1%*	*$448.6*	*1.8%*	*$481.4*	*7.3%*
11	**Total Income to General Fund**	**$5,090.6**	**12.6%**	**$5,514.4**	**8.3%**	**$5,588.6**	**1.3%**	**$5,956.2**	**6.6%**
	Other Revenues:								
12	Insurance	$197.2	4.0%	$205.0	4.0%	$209.4	2.1%	$213.8	2.1%
13	Interest Income	$13.6	71.5%	$14.2	4.7%	$15.6	9.9%	$16.7	7.0%
14	Pari-Mutuel	$0.6	14.4%	$0.5	-25.0%	$0.4	-20.0%	$0.3	-10.0%
15	Court Receipts	$2.6	-27.6%	$1.1	-57.4%	$0.3	-72.7%	$0.3	0.0%
16	Gaming	$20.3	-0.5%	$11.6	-42.8%	$13.2	14.2%	$13.6	2.9%
17	Other Income	$23.1	8.8%	$23.1	0.2%	$24.6	6.2%	$25.5	3.8%
18	**Total Other**	**$257.6**	**5.9%**	**$255.5**	**-0.8%**	**$263.5**	**3.1%**	**$270.3**	**2.6%**
19	GROSS GENERAL FUND	$7,736.0	9.2%	$8,284.2	7.1%	$8,449.4	2.0%	$8,962.1	6.1%
	Rebates & Expenditures:								
20	Cigarette Rebate	$11.2	1.8%	$10.3	-8.0%	$9.3	-10.3%	$8.9	-3.6%
21	Old-Age Pension Fund	$103.3	1.1%	$114.1	10.4%	$106.9	-6.3%	$99.9	-6.5%
22	Aged Property Tax & Heating Credit	$7.2	5.1%	$7.1	-1.6%	$7.1	1.0%	$7.3	2.0%
23	Interest Payments for School Loans	$0.7	-16.3%	$0.6	-10.7%	$0.7	16.5%	$0.9	28.6%
24	Fire/Police Pensions	$9.7	125.4%	$14.3	47.4%	$29.6	107.2%	$29.7	0.3%
25	Amendment 35 General Fund Expenditure	$0.9	1.9%	$0.8	-9.1%	$0.7	-12.4%	$0.7	-4.4%
26	**Total Rebates & Expenditures**	**$133.0**	**5.5%**	**$147.1**	**10.6%**	**$154.3**	**4.9%**	**$147.4**	**-4.4%**

Cash Fund Revenue Forecast

Cash fund revenue subject to TABOR will decline in FY 2012-13 by approximately 3.1 percent to $2.48 billion. This decline is led by a $99 million drop in severance tax revenue as a result of lower natural gas prices combined with the claiming of larger tax credits compared with the year before.

Cash fund revenue will grow in FY 2013-14, totaling $2.55 billion, or 2.8 percent more than FY 2012-13. The increase is led by higher severance tax revenue due to a recovery in natural gas prices anticipated in 2013 and smaller severance tax credits. Most other cash fund sources will grow modestly. OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 3 on page 29.

Transportation-Related Cash Funds

Cash funds related to transportation include those which primarily receive revenue from fuel taxes, vehicle registrations and permits, or fines and fees for certain traffic law and road use violations. The four largest funds in this category are the Highway Users Tax Fund (HUTF), State Highway Fund (SHF), Aviation Fund, and Licensing Services Cash Fund, with the HUTF containing more than eighty percent of all revenue in this category. More than half of HUTF revenues are from excise taxes on gasoline and diesel fuel, roughly 20 percent comes from vehicle registration and other special permit fees, and the remainder is generated by interest on the fund's balance as well as various permits and fees. Revenue from the HUTF is distributed by statutory formula to the Colorado Department of Transportation (CDOT), local counties and municipalities, and the Colorado State Patrol.

Revenue to transportation-related cash funds subject to TABOR will decline by 0.9 percent to $1.102 billion in FY 2012-13. Transportation-related cash fund revenue will remain rather flat FY 2013-14 totaling $1.104 billion.

The decline for this category in FY 2012-13 is primarily attributed to the completion of several projects in partnership with local governments which generated revenue to the SHF in FY 2011-12. When CDOT partners with local governments to complete transportation projects, the funds for those projects are often deposited into a dedicated account in the SHF that is used to disburse project expenditures. Several projects of this type were completed in FY 2011-12, including three projects that together accounted for $14.3 million of revenues which will not be credited to the SHF in FY 2012-13.

Revenue to the HUTF is expected to grow slightly in FY 2012-13, in part from growing sales of motor vehicles, which generates registration fee revenue. Sales of cars and light trucks nationally grew by more than 20 million units to 173 million units in 2012, supported by low interest rates, improved consumer sentiment, and pent-up demand as households reduced spending in the wake of the Great Recession. OSPB expects vehicle sales to remain relatively strong in 2013, although small declines may be observed as consumers "catch up" to a natural replacement rate of older vehicles and as households become more cautious about spending and the economy.

Continued moderate economic activity coupled with the increased fuel efficiency of vehicles will maintain flat or only modest growth in revenue from fuel taxes. Data from the Federal Highway Administration (FHWA) indicates that diesel fuel consumption grew very slightly in 2012 from the prior year. Although the cost of diesel and gasoline has risen in recent months, price increases do not contribute to higher State revenue because fuel taxes are set as a specific amount per gallon rather than a percentage of the nominal value sold. As such, revenue from this category only increases when the actual volume of fuel consumption rises.

Increased economic activity leads both to more diesel consumption via transportation of more goods along highways, and to increased gasoline consumption as consumers choose to travel more and additional commuters use the roadways. Counteracting the effect of increased economic activity, the improving fuel economy of nearly all vehicle types is placing downward pressure on diesel and gasoline consumption as vehicles are able to travel farther using the same amount of fuel.

Limited Gaming

Total limited gaming revenue will rise by 0.4 percent to $105.2 million in FY 2012-13. This modest growth comes despite the reversal this year of the 5 percent gaming tax reduction that occurred in FY 2011-12. Household spending on gaming remains constrained by a lack of stronger growth in disposable income and a trend of more cautious household behavior. Higher federal taxes enacted at the beginning of 2013, including the payroll tax, and continued elevated gas prices are also expected to limit gaming activity. Limited gaming revenue is expected to grow modestly in FY 2013-14 to $108.5 million, an increase of 3.1 percent.

Of the $105.2 million in anticipated limited gaming revenue for FY 2012-13, $95.7 million will be subject to TABOR, and reflected in Table 3 on page 29. The majority of this sum is $93.0 million considered to be "base limited gaming revenue" with the rest being composed of interest earned on the balance of the Limited Gaming Cash Fund throughout the year. The remaining revenue will be classified as extended gaming revenue as permitted by Amendment 50 to the Colorado Constitution. Extended gaming revenue, determined according to a formula specified in State law, is exempt from TABOR and is thus not reflected in Table 3.

Distribution of limited gaming revenue is specified by Colorado law. Base limited gaming revenue is shared by the State General Fund, the State Historical Society, cities and counties that are impacted by gaming activity, and a number of additional state programs and funds. Senate Bill 13-133, signed into law on March 8, 2013, changed the calculation formula used to determine distribution of base limited gaming revenue to the General Fund and other smaller funds (together called the "State share"). Each of the smaller funds will now receive a set distribution of revenue rather than a percentage of the State share, and the General Fund will receive any remaining amount of the State share.

Extended gaming revenue allowed by Amendment 50 to the Colorado Constitution is distributed mostly to Community Colleges, Colorado Mesa University, and Adams State College, with the remaining 22 percent distributed to cities and counties impacted by gaming. Figure 6 below details the statutory distribution of anticipated limited gaming revenues, incorporating changes that result from SB 13-133.

Figure 6. 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**	**$105.2**	**$108.5**	**$113.2**
Annual Percent Change	-3.0%	0.4%	3.1%	4.3%
B. Base Limited Gaming Revenues (max 3% growth)	**$92.7**	**$93.0**	**$95.7**	**$97.2**
Annual Percent Change	-2.2%	0.3%	3.0%	1.5%
C. Gaming Revenue Subject to TABOR	**$95.2**	**$95.7**	**$98.6**	**$100.0**
Annual Percent Change	-2.2%	0.6%	3.0%	1.5%
D. Total Amount to Base Revenue Recipients	**$82.6**	**$83.2**	**$86.5**	**$87.3**
Amount to State Historical Society	*$23.1*	*$23.3*	*$24.2*	*$24.4*
Amount to Counties	*$9.9*	*$10.0*	*$10.4*	*$10.5*
Amount to Cities	*$8.3*	*$8.3*	*$8.6*	*$8.7*
Amount to Distribute to Remaining Programs (State Share)	*$41.3*	*$41.6*	*$43.2*	*$43.6*
Amount to Local Government Impact Fund	*$3.3*	*$5.0*	*$5.0*	*$5.0*
Colorado Tourism Promotion Fund	*$11.0*	*$15.0*	*$15.0*	*$15.0*
Creative Industries Cash Fund	*$0.9*	*$2.0*	*$2.0*	*$2.0*
Film, Television, and Media Operational Account	*$0.2*	*$0.5*	*$0.5*	*$0.5*
Bioscience Discovery Evaluation Fund	*$4.0*	*$5.5*	*$5.5*	*$5.5*
Innovative Higher Education Research Fund	*$1.5*	*$2.0*	*$2.0*	*$2.0*
Transfer to the General Fund	*$20.3*	*$11.6*	*$13.2*	*$13.6*
E. Total Amount to Amendment 50 Revenue Recipients	**$8.6**	**$8.3**	**$10.0**	**$10.6**
Community Colleges, Mesa and Adams State (78%)	*$6.7*	*$6.5*	*$7.8*	*$8.2*
Counties (12%)	*$1.0*	*$1.0*	*$1.2*	*$1.3*
Cities (10%)	*$0.9*	*$0.8*	*$1.0*	*$1.1*

Hospital Provider Fee

The Hospital Provider Fee (HPF) is a fee paid by Colorado hospitals, which is limited to a percentage of net patient revenue. The fee is calculated each year by the Department of Health Care Policy and Financing in cooperation with the Hospital Provider Fee Oversight and Advisory Board. The fee must be approved by the Medical Services Board and the federal Centers for Medicare and Medicaid Services. Revenue from the HPF is matched with federal government dollars and is used to fund and expand care under public health insurance programs, such as Medicaid, and to limit the shifting of costs for under- and uninsured patients into the private healthcare market. Revenue to the Hospital Provider Fee Cash Fund also includes interest that is earned on the fund's balance.

Revenue to the Hospital Provider Fee Cash Fund will increase in FY 2012-13 by 11.2 percent to $652.5 million. This growth is driven primarily by expected increases in the costs of the expansion populations funded by the HPF, with higher targeted supplemental payments to hospitals and slightly higher administrative expenditures also contributing to the increase.

Revenue from the HPF is expected to fall in FY 2013-14 to $629.2 million as Colorado implements expansion of the Medicaid program as allowed by federal healthcare reform legislation known as the Affordable Care Act. Under the expansion, federal funding will be made available to extend Medicaid coverage to a greater population of households with income up to 133 percent of the Federal Poverty Level (FPL). Currently, children and adults with dependent children in Colorado whose household income is up to 100 percent of FPL are eligible to enroll in Medicaid. As part of the expansion of Medicaid coverage, Colorado's Medicaid program will also provide coverage to adults without dependent children whose income is up to 133 percent of FPL.

Because the majority of the cost of Medicaid coverage for these expanded populations will be financed with federal funding starting on January 1, 2014, the amount that the State must collect in HPF revenue in FY 2013-14 will decrease. This will happen to a larger extent in FY 2014-15 as the impact of the federal dollars will occur over the entire fiscal year, resulting in a decrease in HPF revenue to approximately $581.7 million.

Senate Bill 13-200, which implements the expansion and financing of Medicaid as described above, has been introduced for debate in the Colorado General Assembly. This forecast assumes the passage of that legislation; however, because current law does not include provisions for Medicaid expansion in Colorado, OSPB has also included information about expected HPF revenue under current eligibility criteria. Under current law, HPF revenue would grow to $704.4 million in FY 2013-14 and again to $733.8 million in FY 2014-15. These increases are due to expected increases in the costs of the expansion populations funded by the Hospital Provider Fee.

Severance Tax

The largest share of severance tax by far is paid on oil and natural gas with other contributors including coal, metallic minerals, and molybdenum. Severance tax revenue will total $108.6 million in FY 2012-13, a decrease of $99.1 million, or 47.7 percent, from FY 2011-12. The large decline is a result of much lower natural gas prices in 2012 that reduced income to taxpayers and thus their tax liabilities, combined with the impact of severance tax credits applied against the lower liabilities. Revenue from severance taxes will increase in FY 2013-14 to $186.3 million, mostly due to a rebound in natural gas prices and smaller tax credits.

Natural gas production accounts for the largest portion of severance tax revenue in Colorado. Because severance tax on natural gas production is based on its value, price fluctuations have a large impact on State revenue. OSPB estimates that natural gas produced in Colorado had an average price of just below $3.00 per thousand cubic feet (Mcf) in 2012. Despite relatively low natural gas prices, supply has remained strong as producers continue exploration of new wells which often produce higher-priced natural gas liquids, such as propane, ethane, and butane, along with dry gas. Additionally, new technologies in the energy industry have made exploration for natural gas more economical at lower price levels. The strong supply of natural gas, combined with increased capacity to extract, transport, and refine the resource, will insulate against some of the price volatility seen in the past. OSPB expects the price of natural gas to remain below $4 per Mcf in the near-term, averaging about $3.50 per Mcf in calendar year 2013.

The low price of natural gas, combined with expectations for future production and various regulatory changes, have incentivized transition toward this resource throughout the economy. Many new power plants are constructed to use natural gas as their primary fuel source, and even some operators of existing power plants are choosing to switch from coal to natural gas as a fuel source. Additionally, vehicle manufacturers have increased production of vehicles that use a form of natural gas in place of gasoline. Increasing appetite for the resource will likely contribute to rising prices for natural gas in the medium-term, and higher-than-expected demand in the near-term would result in higher prices than OSPB's forecast.

As the second largest mineral resource produced in Colorado, the price of oil also plays a role in determining how much severance tax the State will collect. OSPB estimates that oil prices averaged $90 per barrel in 2012. The price of oil remains heavily influenced by the global economy and production levels. Below-capacity economic activity has prevented oil demand from rising enough to cause substantial sustained prices increases. Also, as new infrastructure comes online to transport increased production from the United States, the overall supply of oil will be bolstered, which could result in more relative price stability. OSPB forecasts that oil prices will remain near the $90 per barrel level in 2013.

Combined with the price of each resource, the production activity of oil and gas operators in Colorado drives severance tax receipts. Currently, expanded output is taking place most robustly in Weld County within the Niobrara shale formation. Although this specific expansion will not generate large increases in severance tax revenue to the State because higher property tax rates in Weld County generate larger ad valorem tax credits which reduce severance tax liability. Roughly 1,800 drilling permits were approved in Weld County in 2012, compared with just over 1,000 permits approved in Garfield County, the next most active county by new permits. Both Garfield County and Mesa County, the third most active county by new permits, sit above the Piceance Basin, another oil and gas formation that contains significant potential development opportunity. OSPB expects the trend of steadily growing output of oil and gas to continue for the foreseeable future.

Severance taxes collected on coal production comprise a much smaller portion of the revenue stream due to the small relative production of this resource compared with oil and gas. OSPB forecasts that severance tax from coal will grow to $11.4 million in FY 2012-13 and $12.1 million in FY 2013-14. These increases reflect growing global demand for coal, which can be exported to meet the needs of growing economies abroad even as the domestic appetite for this resource has diminished in response to new technologies, regulatory changes, and the relatively low price of natural gas. Increasing coal severance tax rates, which are tied to changes in the producer price index by State law, will also contribute to the growth in revenue.

Federal Mineral Leasing Revenue

Certain federal lands are leased to mineral producers for extraction of underlying natural gas, oil, coal, and other resources. Proceeds from these land leases and the royalties from production, called Federal Mineral Leasing (FML) Revenue, are divided roughly evenly between the federal government and the State of Colorado. About fifty percent of Colorado's FML revenue is generated by natural gas production with the remainder being driven by oil, coal, and carbon dioxide output.

Like severance tax revenue, the dominant nature of natural gas as a proportion of total FML revenue means that the price of natural gas is highly influential to FML revenue collections, although the impacts of price fluctuations are not exaggerated by tax credits in the same manner as severance tax revenue.

FML revenue is expected to decline 19.3 percent to $133.1 million in FY 2012-13 due to lower natural gas prices in 2012 and the Bureau of Land Management's decision to grant royalty rate reductions to three coal mines in Colorado. The rate reductions were back-dated to include royalties already paid by the coal mines from 2009 to 2012 and will result in a net loss of roughly $9.2 million in Colorado's share of FML revenues this fiscal year. Additional FML revenue reductions of approximately $3.4 million will also occur in the next two fiscal years. FML revenue will rebound in FY 2013-14 and grow 18.6 percent to $157.9 million as production grows, resource prices generally increase, and the impact of the coal mine royalty rate reductions is reduced.

Figure 7. Federal Mineral Leasing (FML) Payments

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2011-12	$2.49	$162.45	$164.94	10.3%
FY 2012-13	$4.90	$128.21	$133.11	-19.3%
FY 2013-14	$3.95	$153.94	$157.89	18.6%
FY 2014-15	$4.42	$172.21	$176.62	11.9%

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

Other Cash Funds

The Colorado Department of Regulatory Agencies (DORA) is responsible for regulatory oversight of several industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers by regulated entities. The overwhelming majority of DORA funding comes from cash funds that draw revenue from fees paid by regulated entities. Some of these cash funds are exempt from TABOR while others are not. OSPB forecasts that regulatory agency-related cash funds subject to TABOR will decline 1.6 percent to $63.9 million in FY 2012-13, reflecting the state's moderate economic growth. As regulated entities are slow to expand, the volume of fees paid for licenses and other services from DORA falls because fewer licenses are sought by professionals and businesses. This category of cash fund revenue is expected to grow 3.0 percent to $65.8 million in FY 2013-14 as business activity strengthens.

Insurance-related cash fund revenue shown in Table 3 includes revenue generated by a premium surcharge on Workers' Compensation insurance policies that is used in funding the Division of Workers' Compensation within the Colorado Department of Labor and Employment. The surcharge also funds the Major Medical Insurance Fund and Subsequent Injury Fund. Revenue from the surcharge will decline by 2.7 percent to $22 million in FY 2012-13 and will grow slightly to $22.7 million in FY 2013-14.

The category of Other Miscellaneous Cash Funds in Table 3 represents a large variety of smaller individual cash funds. These funds hold revenue collected in the form of various fines and fees that are not exempt from TABOR as well as interest earnings on the balance of many cash funds. Interest rates that have been at historic lows for a prolonged period of time are having a significant influence on the interest-related funds in this category. Additionally, the relatively moderate pace of business, employment, and overall economic growth has contributed to sluggish revenue performance among many of the miscellaneous cash funds that received fees paid for services to businesses and households. As a result of these factors, OSPB forecasts a decline in revenue in FY 2012-13 followed by relatively slow growth in the next two years. Total revenue to the miscellaneous cash funds will decline 7.2 percent to $438.6 million in FY 2012-13 and will then grow 1.5 percent to $445 million in FY 2013-14.

Table 3
Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amount in millions)

Category	Actual FY 2011-12	March 2013 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	$1,101.7	$1,103.9	$1,112.7	
Change	2.7%	-0.9%	0.2%	0.8%	0.0%
Limited Gaming Fund /B	$95.6	$95.7	$98.6	$100.0	
Change	-2.4%	0.1%	3.0%	1.5%	1.5%
Capital Construction - Interest	$1.1	$0.7	$0.6	$1.0	
Change	-62.5%	-36.4%	-14.0%	69.4%	-2.5%
Regulatory Agencies	$64.9	$63.9	$65.8	$67.5	
Change	-6.6%	-1.6%	3.0%	2.5%	1.3%
Insurance-Related	$22.6	$22.0	$22.7	$23.5	
Change	-14.5%	-2.7%	3.0%	3.3%	1.2%
Severance Tax	$207.7	$108.6	$186.3	$217.5	
Change	39.0%	-47.7%	71.5%	16.7%	1.6%
Hospital Provider Fees /C	$586.5	$652.5	$629.2	$581.7	
Change	32.5%	11.2%	-3.6%	-7.6%	-0.3%
Other Miscellaneous Cash Funds	$472.9	$438.6	$445.0	$456.5	
Change	-4.5%	-7.2%	1.5%	2.6%	-1.2%
TOTAL CASH FUND REVENUE	***$2,563.6***	***$2,483.7***	***$2,552.1***	***$2,560.3***	
Change	8.3%	-3.1%	2.8%	0.3%	0.0%

* 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 Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in HB 09-1272.

/C Figures assume expansion of Colorado's Medicaid program as allowed by the federal law known as the Affordable Care Act, beginning on January 1, 2014. A forecast of Hospital Provider Fee revenue under an alternate scenario in which Medicaid coverage is not expanded in Colorado provides the following projections of revenue to the Hospital Provider Fee Cash Fund (in millions): FY 2012-13: $652.5; FY 2013-14: $704.4; FY 2014-15: $733.8.

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 $700 million below the Referendum C cap this fiscal year and just under $850 million 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.		Actual FY 2011-12	March 2013 Estimate by Fiscal Year FY 2012-13	FY 2013-14	FY 2014-15
	TABOR Revenues:				
1	General Fund /A	$7,709.6	$8,272.6	$8,436.1	$8,948.5
	Percent Change from Prior Year	*9.2%*	*7.3%*	*2.0%*	*6.1%*
2	Cash Funds	$2,563.6	$2,483.7	$2,552.1	$2,560.3
	Percent Change from Prior Year	*8.3%*	*-3.1%*	*2.8%*	*0.3%*
3	**Total TABOR Revenues**	**$10,273.2**	**$10,756.3**	**$10,988.2**	**$11,508.8**
	Percent Change from Prior Year	*9.0%*	*4.7%*	*2.2%*	*4.7%*
	Revenue Limit Calculation:				
4	Previous calendar year population growth	*0.1%*	*1.7%*	*1.4%*	*1.5%*
5	Previous calendar year inflation	*1.9%*	*3.7%*	*1.9%*	*2.8%*
6	**Allowable TABOR Growth Rate**	***2.0%***	***5.4%***	***3.3%***	***4.3%***
7	TABOR Limit	$8,799.8	$9,274.9	$9,581.0	$9,993.0
8	General Fund Exempt Revenue Under Ref. C /B	$1,473.4	$1,481.4	$1,407.2	$1,515.9
9	**Revenue Cap Under Ref. C /C**	**$10,871.4**	**$11,458.5**	**$11,836.6**	**$12,345.6**
10	*Amount Above/(Below) Limit*	*($598.2)*	*($702.2)*	*($848.4)*	*($836.7)*
11	TABOR Reserve Requirement	$308.2	$322.7	$329.6	$345.3

/A Amounts differ from the General Fund revenues reported in Table 2 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 timeout period.

The Economy: Current Conditions and Forecast

Economic and job growth for the nation continues to be modest and uneven. Individuals and businesses are discovering ways to succeed in the post-Great Recession economy. Some sectors and regions of the country are finding more success than others, most notably areas with energy production, manufacturing, professional and business services, advanced technological-related industries, entrepreneurial hubs, skilled and creative workforces, and growth in international trade. Colorado's favorable mixture of these ingredients is fostering its position among the top states in economic performance.

Continued improvement in the housing market is also finally contributing more to the economy. Additionally, consumers continue to spend and the financial well-being of households has improved as debt levels have fallen and asset values have risen. Further, financial institutions have begun channeling more credit into the economy. Business spending, a concern in the December forecast when it had been weakening, appears to have stabilized.

Despite positive trends, economic growth is expected to moderate in 2013 and downside risks remain, mostly as a result of federal fiscal issues – The economy continues to live with the legacies of the debt-fueled boom and bust over the past decade that produced massive disruptions in fundamental economic activities. It is still not apparent that the nation as a whole has a strong foundation to support more robust growth. This is evident in the continued elevated level of unemployment and the uneven pattern of economic activity over the past couple years. Moreover, the recent growth is coincident with substantial monetary expansion by the Federal Reserve. The lack of a more robust foundation leaves the economy more vulnerable to negative forces and events as well as the eventual cessation of monetary easing.

Recent federal tax increases, especially combined with elevated gas prices, and federal budget reductions through the so-called "sequester," will create headwinds for the economy in 2013. Colorado is susceptible to the budget reductions due to its relatively high number of federal jobs and its strong concentration of defense-related activities and research entities dependent on federal funding. Further, heightened uncertainty and lower expectations for the future − impediments to productive risk taking − will likely accompany discussions over federal spending and debt levels later this year. The disagreements over the lifting of the federal debt ceiling in the fall of 2011 almost pushed the economy into recession. Economic and financial conditions in Europe have also not improved, which will weigh on growth.

Once these headwinds begin to abate, economic growth will pick up again. However, because the economy is still vulnerable, any adverse outcomes related to the aforementioned events and issues, most notably disruptions in the financial system or a pullback in business investment and hiring across the economy, are a downside risk to the forecast.

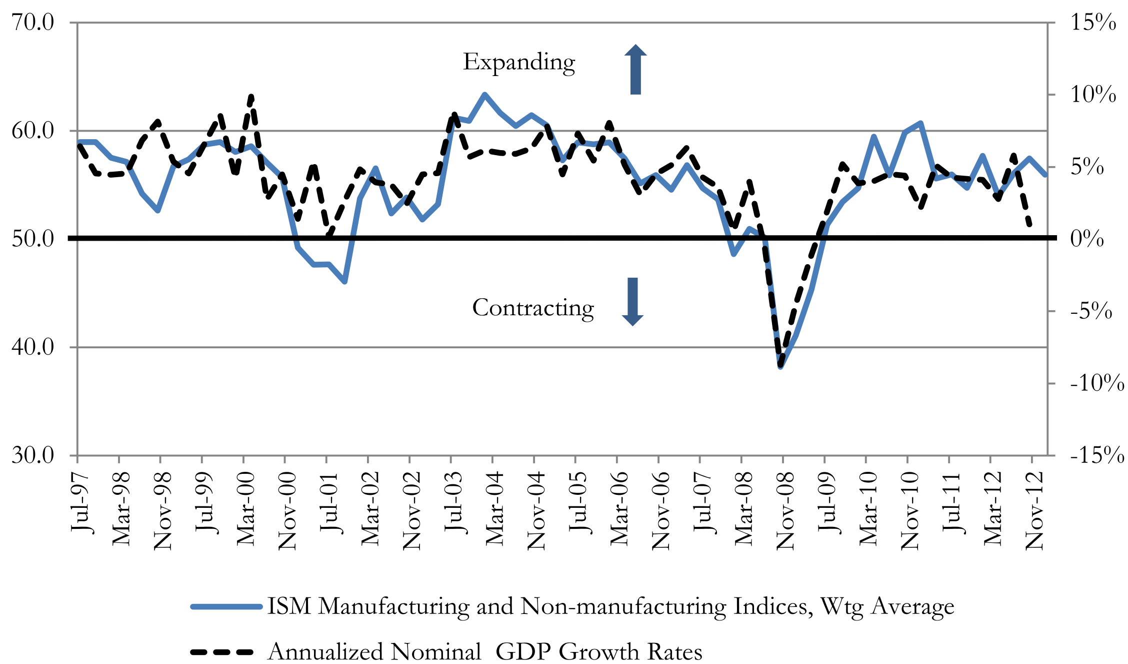
Positive forces could converge to generate better-than-expected economic performance – It is possible that the economy, especially Colorado's, will prove to be more resilient against these headwinds. The economy may be developing stronger roots to support more sustained growth. The improvement in the housing market - traditionally a strong contributor to expansions - could become more robust and generate larger positive ripple effects throughout the economy. Further, continued repair of the financial system could finally channel sustained funding to more productive activities, a trend that data suggests is emerging. Businesses and consumers may also look past the federal government's fiscal issues and have heightened expectations about future prospects, which would increase current economic activity. Finally, businesses and entrepreneurs could start finding more successes that will generate profits and income to help create more growth throughout the economy.

Overall Economic Conditions

Overall economic output continues to grow at an uneven pace – The Institute for Supply Management (ISM) surveys businesses to gauge economic conditions and trends. ISM surveys businesses in manufacturing, which represents about 23 percent of the nation's total private sector output, and in a separate survey, business in all other sectors. Index readings calculated from the surveys above 50 indicate that business activity is expanding, while levels below 50 indicate contraction.

Figure 8 shows a weighted average of the manufacturing and non-manufacturing ISM indices based on their respective contributions to overall economic output. It compares the ISM survey trends with growth in the nation's gross domestic product (GDP). The manufacturing index was alarmingly weak over much of 2012, while the non-manufacturing index stayed stronger. The figure shows how the weighted average of the ISM indices closely tracks the trend in GDP.

Figure 8. Comparison of Change in Weighted Average of ISM Manufacturing and Non-manufacturing Indices and Gross Domestic Product



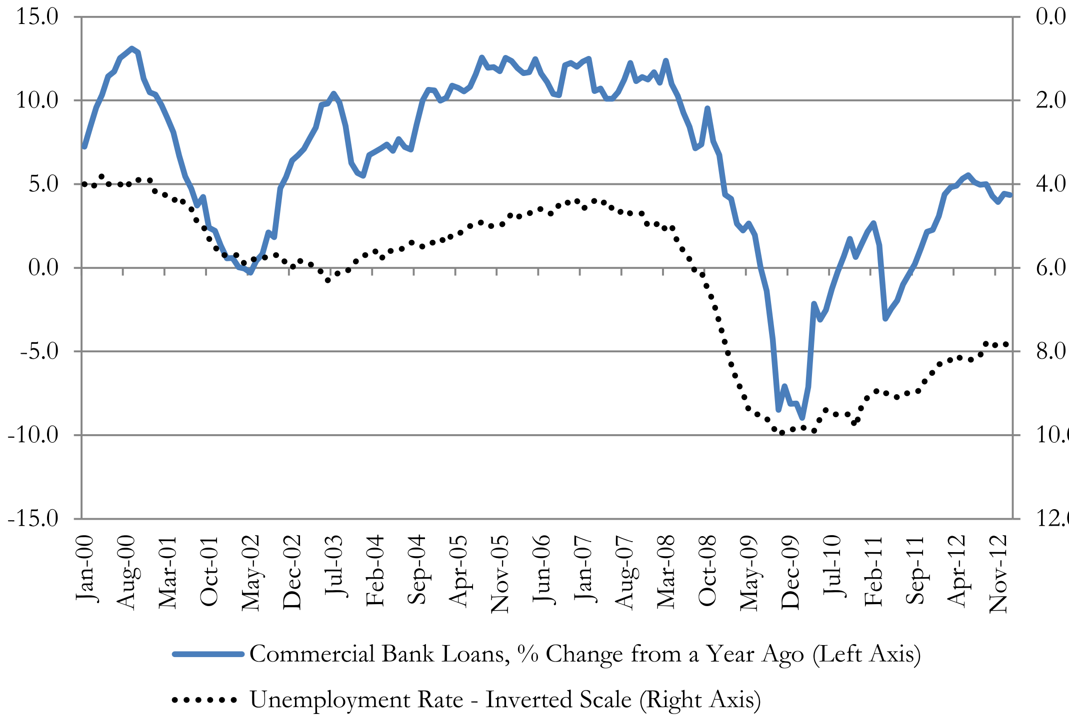
Source: Institute for Supply Management and the U.S. Bureau of Economic Analysis, OSPB calculations

Despite its weakness during most of 2012, manufacturing activity has picked up in the first few months of 2013, according to the ISM index. February's manufacturing index reading of 54.2 was the highest since June 2011, with most manufacturing sectors indicating expansion. Unfortunately for Colorado, the computer and electronics manufacturing sector, the state's biggest manufacturing industry which generates its largest value of exports, is one of the few manufacturing sectors that has not improved. It has been struggling due to uncertainty surrounding federal defense spending, weak export demand in Europe and Asia, and slower business investment.

Colorado is a regional hub for professional, scientific, and technical services, such as engineering, accounting, legal services, and consulting. Thus, the ISM non-manufacturing business activity index can be a useful bellwether for the state economy. This index registered 56.9 in February, the 43rd consecutive month that the reading has been above the 50 mark that indicates growth.

Banks are injecting more money into the economy which can help fuel economic expansion – One of the main goals of the Federal Reserve's monetary policy is to boost money in circulation though credit from commercial banks. This new money can be used for household spending and new business ventures, expansions, and projects that will generate economic activity. Banks tend to lend money when they believe the economy is picking up and cut back when they are less optimistic about the future. Because of the powerful impacts new money can have on the economy, trends in bank lending are important to monitor. Figure 9 shows bank lending is finally showing sustained growth after the severe credit crunch that accompanied the Great Recession. This trend, if it continues, poses upside risk to the economic outlook. Figure 9 also shows the close relationship between unemployment levels, an important indicator of economic health, and bank lending.

Figure 9. Comparison of Change in Bank Credit from Commercial Banks Nationwide and the National Unemployment Rate



Source: Federal Reserve and the U.S. Bureau of Labor Statistics

Entrepreneurship Activity and Colorado's Emergence as an Entrepreneurial and Innovation Hub

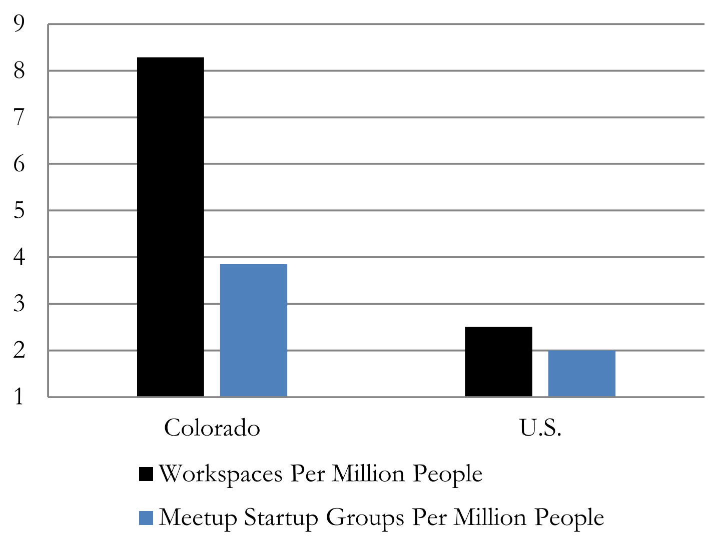
Growing entrepreneurial activity is helping propel the Colorado economy – Entrepreneurship and innovation are vital to economic and job growth. They foster a more dynamic economy and create more capacity to grow. As entrepreneurs and businesses discover growth and profit opportunities, they help direct society's resources to their most productive and valued uses. Historically, entrepreneurs and new businesses are responsible for most of the new industries and new jobs that come with them. In fact, new and young businesses create a high proportion of new jobs every year.

Colorado has long had an entrepreneurial culture, and it appears the state is well-positioned to adapt to fundamental economic changes resulting from several emerging forces and trends. Colorado recently ranked fourth among states with the highest level of entrepreneurial activity by the Kauffman Foundation, an organization dedicated to advancing entrepreneurship. The state also ranked seventh highest in the 2012 State New Economy Index published in December by the Information Technology and Innovation Foundation. This index is based on a state's level of knowledge jobs, globalization, economic dynamism, digital economy, and innovation capacity. Colorado's strong and growing entrepreneurial and innovative activity is an integral reason why its economy is outperforming much of the nation.

Colorado has increasing ingredients for a more robust entrepreneurial and innovative environment, or "ecosystem" - A thriving entrepreneurial and innovative ecosystem helps to generate more robust, self-sustaining activity and growth. An entrepreneurial ecosystem is characterized by a pool of diverse, talented, and creative people, incubators and accelerators that help new ventures bring their ideas to the market, research institutions, a cluster of firms in advanced technical industries, and access to capital for new and expanding businesses.

Also, co-working spaces (locations that individuals associated with different ventures use to perform their work) and networking events for entrepreneurs and mentors to foster interaction, collaboration, and the exchange of ideas are integral to such ecosystems. Colorado has the fourth highest amount of entrepreneurial-related networking groups that use the social networking website, Meetup, and the second highest amount of co-working spaces, according to Deskwanted, GmbH, a global network of co-working spaces. Figure 10 below compares the level of entrepreneurial-related networking groups and co-working spaces in Colorado with the nation.

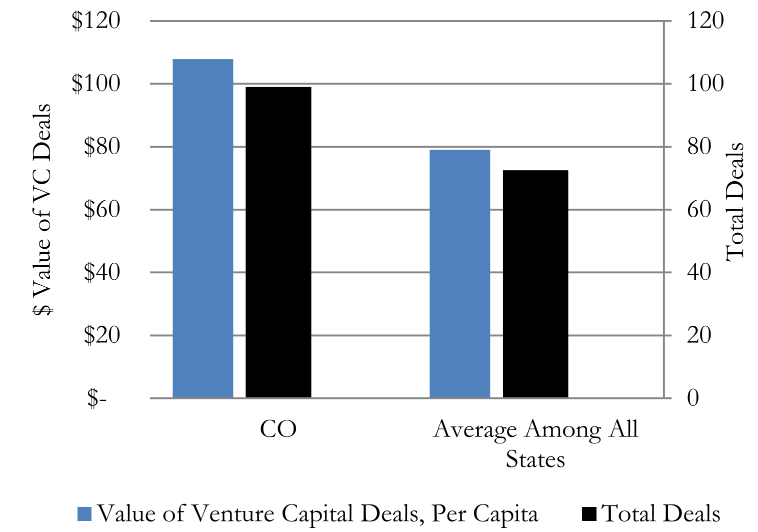
Figure 10. Co-Workspaces and Meetup 'Startup' Groups Per Million Individuals, January 2012



Source: Meetup; Deskwanted, GmbH; United States Census Bureau, Population Division.

More evidence of Colorado's high positioning among states in entrepreneurial and innovative activity is the level of venture capital that goes to companies in the state. It is important to note that there are many other sources of financing used by new ventures, such as personal funds, angel investments, and bank loans. However, complete data on these financing sources is not readily available. According to the PricewaterhouseCoopers National Venture Capital Association MoneyTree Report, Colorado ranked fourth nationally in 2012 for per capita venture capital by dollar value and seventh for the most deals. Figure 11 shows the level of venture capital going to Colorado in comparison with the nation.

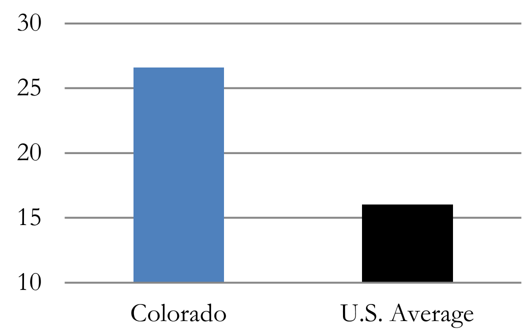
Figure 11. Venture Capital, Total Deals and Value of Deals Per Capita for Colorado vs. National Average, 2012



Source: PricewaterhouseCoopers National Venture Capital Association MoneyTree™ Report 2012.

Evidence suggests that Colorado's favorable mix of entrepreneurial attributes is generating economic opportunities and growth – Available data on the formation of new businesses as well as on business success shows that Colorado's entrepreneurial activity is bolstering the state's economy. Data from Inc. 5000's list of the fastest growing privately held companies, an indicator of entrepreneurial success and business strength, ranks Colorado at sixth in the nation for the highest number of these companies per million people. Figure 12 compares Colorado's number of fast growing companies with the nation as a whole. Expansion of advertising and marketing, business products and services, software, and information technology businesses in Colorado signal widespread business success in the state.

Figure 12. Number of Listings on the Inc. 5000 List of Fastest Growing Privately Held Companies, Per Million Individuals

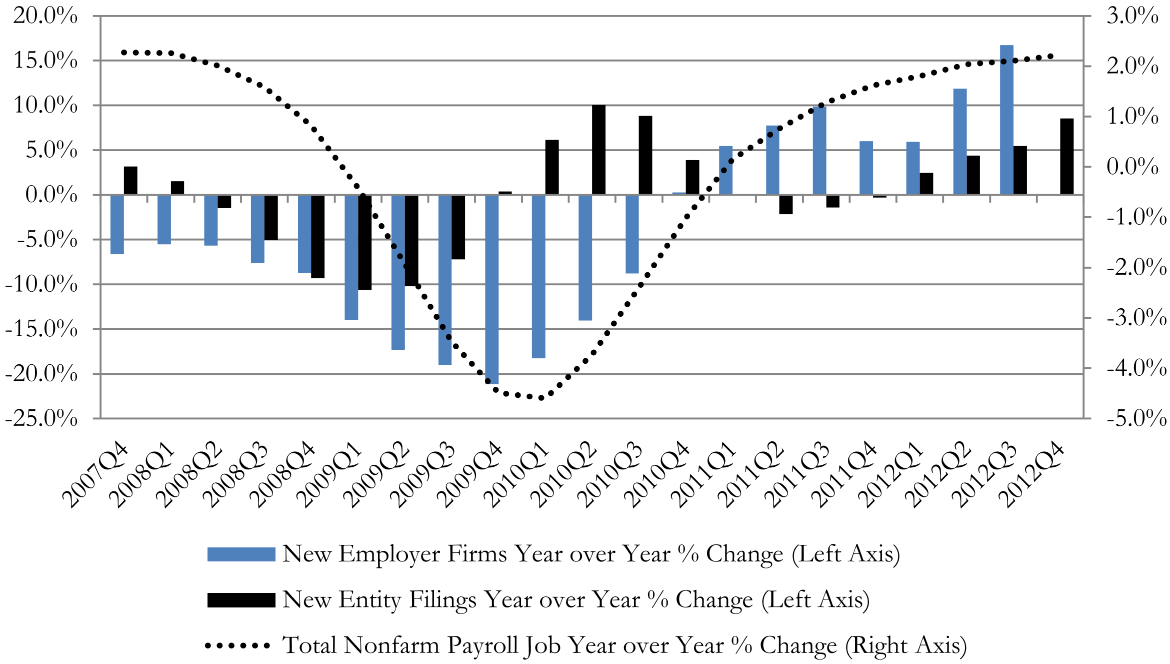


Source: Inc. 5000 data Mansueto Ventures LLC and United States Census Bureau, Population Division

The level of new business activity in the state has picked up markedly since its nadir at the end of 2009. This is important due to the role of new and young firms in job creation. Start-up activity can be particularly important when the economy is lagging. If new businesses discover ways to profitably produce goods and services, they can provide opportunities for the unemployed or underemployed. This will spur further activity to help the economy perform better.

Employment from new and young firms is strongly associated with a state's overall employment growth. In other words, the higher the level of entrepreneurship in a state, the higher the rate of job growth. Figure 13 shows the relationship between the level of new businesses with employees formed each quarter that file with the State's unemployment insurance system, the level of new business entities filing with the Secretary of State's Business Division, and the level of overall nonfarm payroll jobs. The rebound in new business ventures and entrepreneurial activity helps explain the faster pace of overall job growth in Colorado compared with the nation, as discussed in the labor market section on page 39 and shown in Figure 14.

Figure 13. Growth in New Businesses and Nonfarm Payroll Jobs, 2007Q4 to 2012Q4



Source: Colorado Secretary of State, Colorado Department of Labor and Employment, and U.S. Bureau of Labor Statistics. The Colorado nonfarm payroll 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.

Labor Market Conditions and Trends

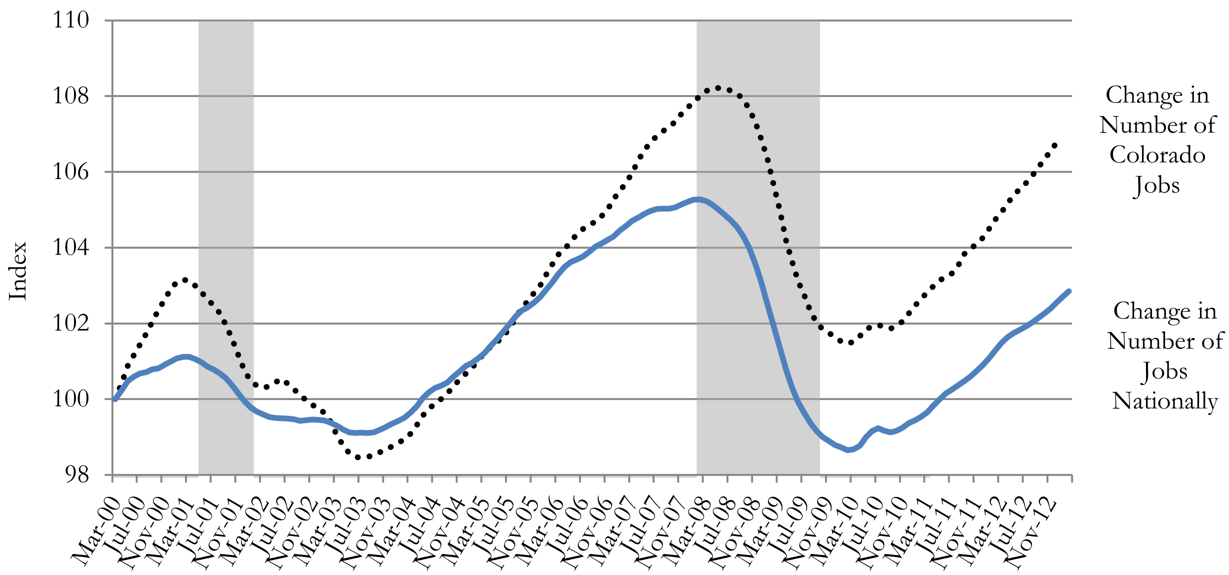
Labor market conditions continue to be mixed as job growth continues but unemployment remains elevated – The job market situation continues to improve slowly for both the nation and Colorado, though the state's job growth has been stronger. The pickup in job growth is encouraging; however, unemployment remains a challenge for many.

The continued elevated unemployment rate and a smaller workforce indicate lingering problems in the labor market. The current economy is different from the one before the Great Recession. Many individuals who were laid off during the downturn from industries with unsustainable growth, such as housing-related sectors, are struggling to find employment in the new economy. Further, companies have found ways to achieve leaner operations with more automation and technology and are more cautious about adding employees. This has constrained job growth and kept unemployment elevated.

The number of jobs in Colorado is nearing its pre-recession peak, with 2012 job growth at the fastest pace in five years – Colorado is close to reaching the same level of payroll jobs that it had before the Great Recession, while the nation lags behind. Based on newly revised data, the state added close to 52,000 payroll jobs in 2012, a growth rate of 2.3 percent. This was the strongest job growth the state has experienced in five years. In comparison, the growth in payroll jobs for the nation in 2012 was 1.7 percent.

Job growth has increased more recently, especially in Colorado. This indicates that businesses and individuals are finding more success and have increased confidence. These successes need to build on each other to sustain the momentum that is necessary to reduce the unemployment rate. Trends in payroll jobs for Colorado and the nation are shown in Figure 14 below.

Figure 14. Change in Payroll Jobs Nationally and in Colorado, 2000 through 2012



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

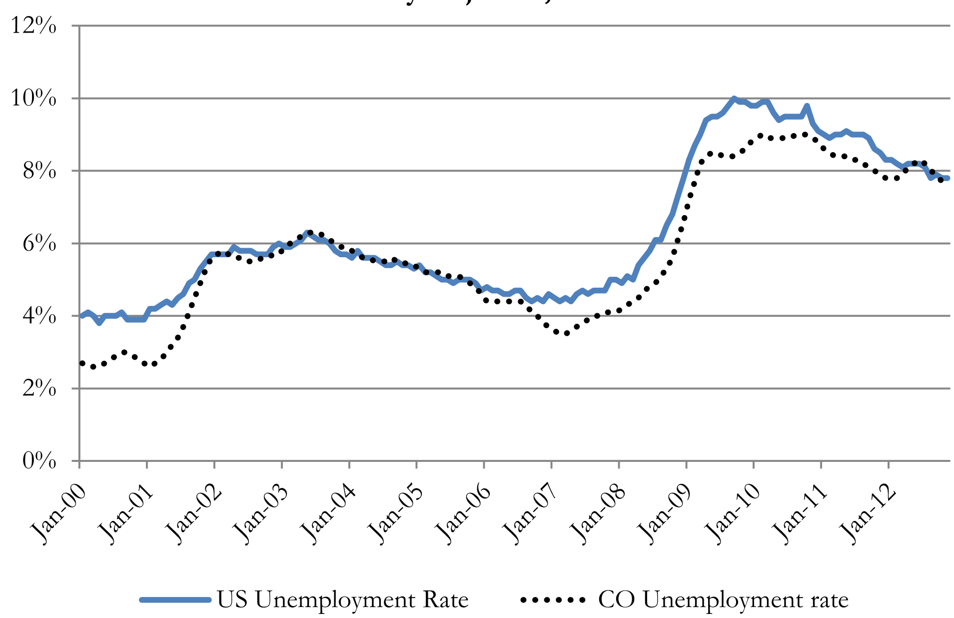
Source: U.S. Bureau of Labor Statistics. The Colorado jobs level includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be rebenchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs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

Continued uneven economic activity and headwinds will moderate job growth in 2013 – The pace of job growth is expected to temper in 2013 due to a moderation in economic activity. Also, some of the recent pickup in job gains may be a result of "catch up" growth that will not be sustained unless economic prospects improve more markedly. The economy is expected to continue on its uneven growth path and recent federal tax hikes and budget reductions will cut into job growth. In addition, heightened uncertainty that is likely to accompany debate later this year on the federal budget and its debt limit, coupled with a rekindling of problems in Europe's economies and financial system will cause businesses to be more cautious in their hiring decisions.

Payroll jobs from Colorado employers will increase 1.7 percent in 2013, and pick up in 2014 to a 1.9 percent growth rate. Nationally, job growth will follow a similar pattern but will be somewhat slower.

The unemployment situation remains a challenge, though it is showing gradual improvement – Unemployment-related labor market indicators show that the pace of improvement in the state and nation's labor market is less positive than the appearance given by job growth figures alone. As shown in Figure 15 below, unemployment in both Colorado and the Nation overall remains at elevated levels after spiking during the Great Recession. The figure shows the most commonly reported measure of unemployment, called the "U-3" rate by the U.S. Bureau of Labor Statistics (BLS).

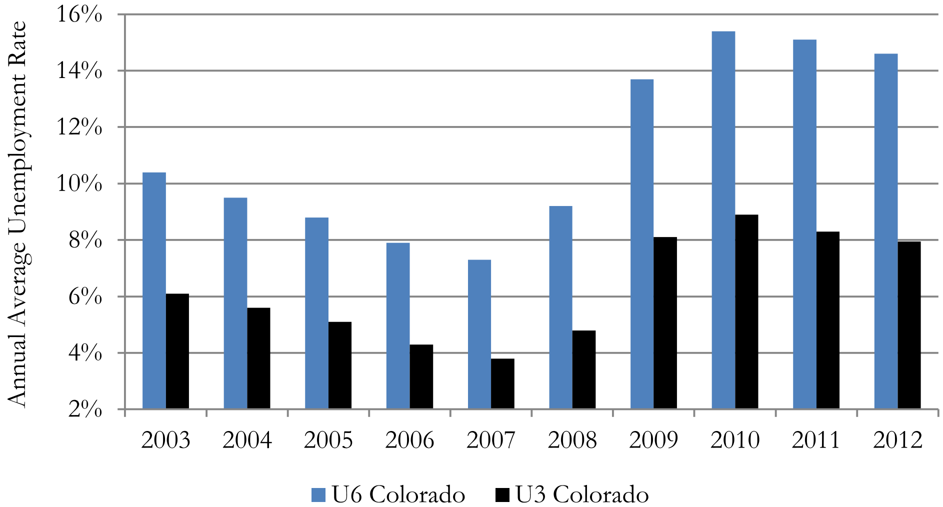
Figure 15. Colorado and US Unemployment Rate, Seasonally Adjusted, 2000 – 2012



Source: US Bureau of Labor Statistics

Further, a broader measure of labor underutilization, officially called "U-6" by the BLS, remains stubbornly elevated. U-6 is the measure of unemployment that counts the total unemployed measured in U-3, plus individuals who want to be employed but who have not recently looked for work, often because they are discouraged by their job prospects (called "marginally attached workers"), plus individuals who want to work full time but who are only employed part time for economic reasons. At the end of 2012, U-6 in Colorado was at 14.6 percent, only slightly lower than its high of 15.4 percent in 2010. The state's U-6 rate has tracked closely to the nation's. Figure 16 shows the annual U-6 and U-3 rates for Colorado since 2003. The gap between U-3 and U-6 rates has been widening, suggesting that the recovery in the commonly reported U-3 rate is at least partially due to underemployment and workers in Colorado not fully participating in the labor force.

Figure 16. U3 and U6 for Colorado, 2003 to 2006



Source: US Bureau of Labor Statistics

The unemployment rate is not only influenced by changes in employment, but also by changes in the number of individuals in the labor force, which includes those who are working or who are actively looking for work. Because of the prolonged weakness in the labor market, a growing number of would-be job seekers have become marginally attached or have altogether stopped looking for a job. Thus, the unemployment rate will likely be slow to come down even with sustained stronger levels of job growth. This will especially be the case if a better economy prompts previously discouraged workers to reenter the labor force in larger numbers. In a positive end to 2012, a fairly robust increase in the labor force was accompanied by a decline in the unemployment rate as job growth picked up.

Unemployment rates of 7.5 percent and 7.0 percent are forecast for Colorado in 2013 and 2014, respectively. The national unemployment rate will be higher in those years, at 7.8 percent and 7.4 percent.

Income and Wages

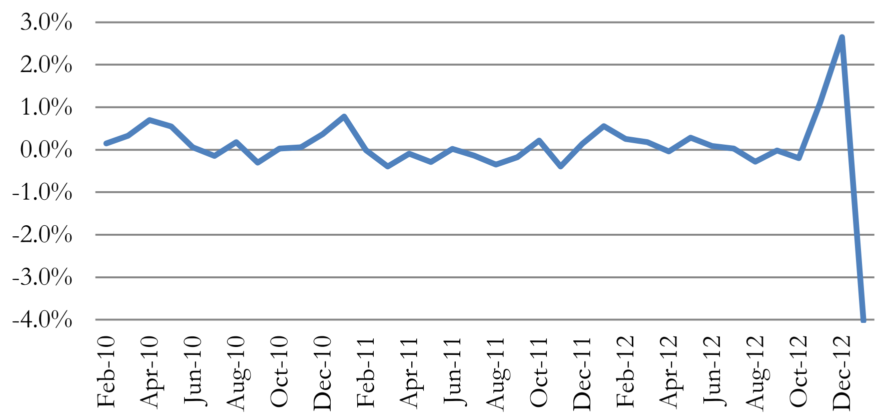
Personal income consists of wage and salary income, proprietors' (or business) income, government transfer receipts, and interest and dividend income. Personal income growth is an important indicator of economic health, as it shows that households are earning more from economic activity, which improves their finances and supports spending across the economy. Thus, personal income is often monitored as one of the key economic indicators used to gauge the overall state of the economy.

After two years of moderate personal income growth both nationally and in Colorado − though the state's income growth to households was markedly stronger than the nation's − growth will moderate in 2013 due to economic headwinds and the expiration of the federal payroll tax break. The Federal

Insurance Contributions Act (FICA) tax, imposed on both employees and employers, has returned to the pre-tax holiday rate of 6.2 percent from 4.2 percent for all American workers. OSPB estimates that total personal income will be $120 billion less for the nation as a whole and $2.3 billion less for Colorado than would have been the case without the payroll tax break expiration.

Income was pulled forward into 2012 from 2013 in response to anticipated tax changes – As depicted in Figure 17, there was a large spike in real personal income in the fourth quarter of 2012, followed by a larger drop at the beginning of 2013. This was a result of tax planning strategies in advance of expected federal tax increases starting in January. In order to be taxed at the lower 2012 rates, individuals elected to receive accelerated dividend payments and bonuses before 2013. Because of this pulling forward of income, real disposable per capita income dropped four percent in January, according to the Bureau of Economic Analysis (BEA). It is expected that personal income will level out in February and grow modestly throughout the rest of 2013.

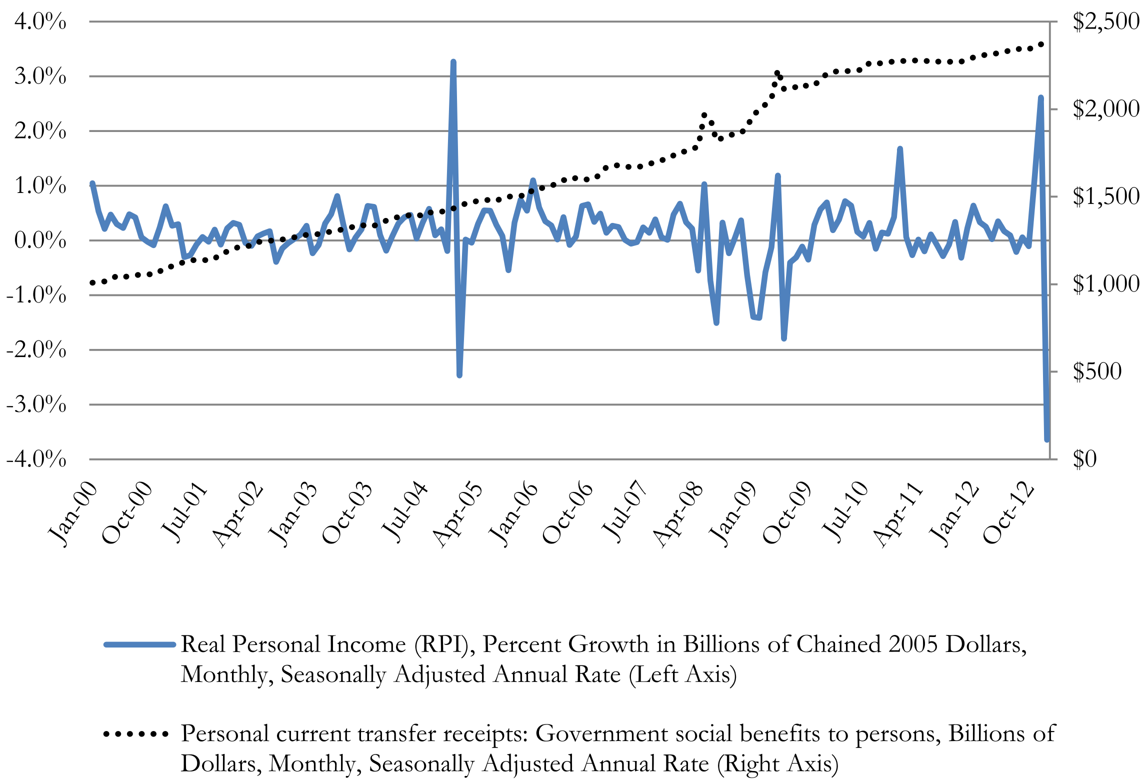
Figure 17. Real Disposable Personal Income Per Capita, Monthly Percent Change Since the Beginning of 2010



Source: Bureau of Economic Analysis and Federal Reserve Economic Data

Real personal income excluding government transfers has been relatively weak – Real personal earnings less government transfers is a telling indicator that provides information on actual earnings from economic activities. Thus, it is one of the key indicators used by the National Bureau of Economic Research to determine recessionary and expansionary periods. Figure 18 below shows the trends in real or inflation-adjusted, personal income to households excluding public assistance since 2000. It also shows the increasing level of government transfers over the same period. Like in Figure 17 above, the graph shows the pulling forward of income into 2012 and the subsequent drop as 2013 began. As unemployment remains persistent and income growth only modest, demand for government social benefits will likely stay elevated.

Figure 18. Real Personal Income Excluding Current Transfers and Growth of Total Government Social Benefits

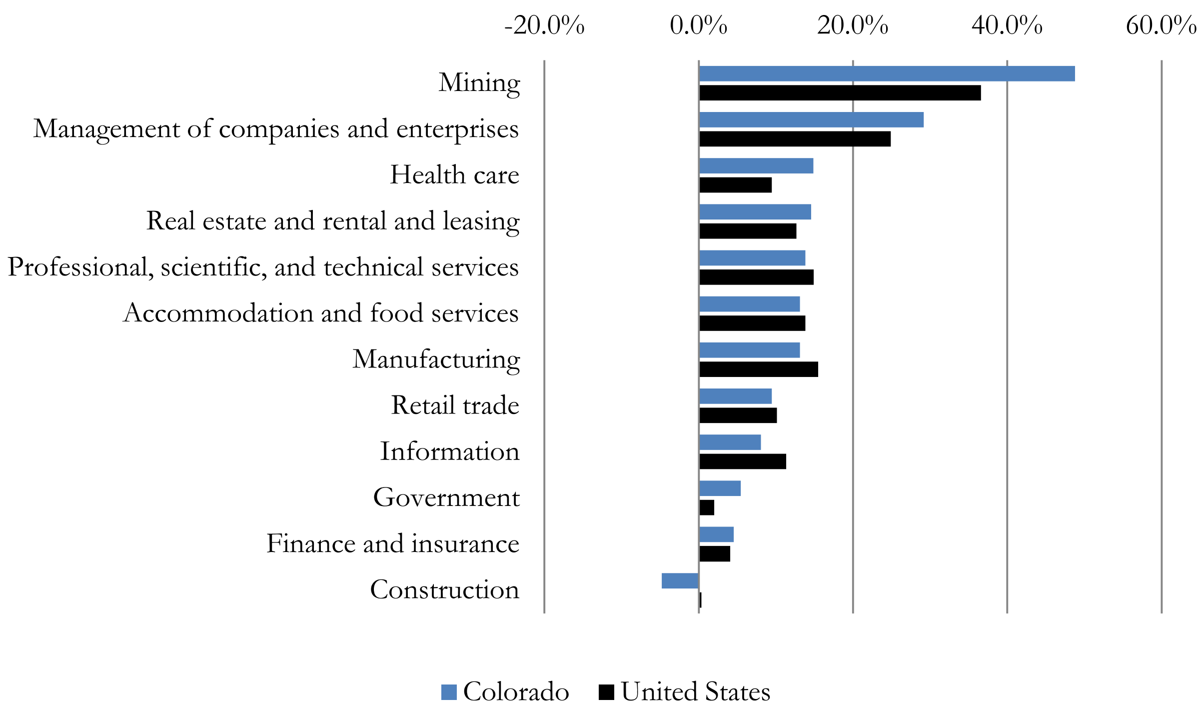


Source: Bureau of Economic Analysis and Federal Reserve Economic Data

OSPB estimates that personal income for Colorado increased 4.5 percent in 2012. Personal income for the state will slow to a rate of 3.6 percent in 2013 but rebound to 5.2 percent growth in 2014. Personal income will grow slightly less for the nation over this period.

The largest wages and salary growth has occurred in economically beneficial industries in Colorado and the U.S. and the state's wage growth in these industries has been stronger than the nation's – Since the end of 2009, mining, manufacturing, utilities, professional and technical services, and management industries have seen the largest growth in total wages out of all major industries for both Colorado and the nation as a whole. The growth in these industries reflects both job and wage gains and indicates continued demand for these sectors' products. This is a good sign for Colorado as many of these industries' goods and services are sold outside the state which brings in new money to help the economy expand. The goods-producing sectors of mining and manufacturing can serve as a good barometer for the health of the overall economy because they tend to increase or decrease more substantially than other industries during changes in the economy. Figure 19 shows the change in total wages paid to employees in a selection of major industries for both the U.S. and Colorado since the end of the recession through the third quarter of 2012. Colorado has particularly outperformed the nation in mining, management, and health care.

Figure 19. Growth in Wages and Salaries by Industry in the U.S. and Colorado, from Q3 of 2009 through Q3 of 2012



Source: Bureau of Economic Analysis and Federal Reserve Economic Data

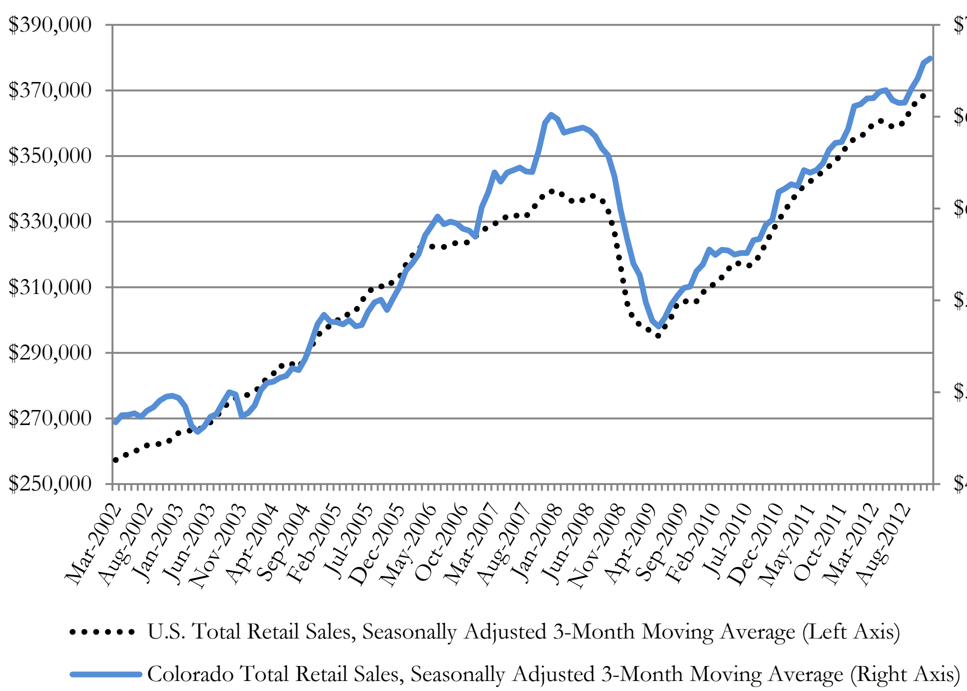
OSPB forecasts estimates that wages and salaries grew 5.1 percent for Colorado in 2012 - the fastest pace of growth since 2007. Wages and salaries in Colorado will increase 4.1 percent in 2013 and 4.8 percent in 2014. The slower growth in 2013 is due to a moderation in job growth.

Consumer Spending

Consumer spending remains strong despite headwinds facing households – Retail trade maintained a strong growth trend throughout 2012 and into the beginning of 2013. This occurred despite concerns surrounding federal fiscal negotiations and persistently high unemployment. After consecutive slowdowns in December and January, national retail trade rose five percent in February 2013, at least temporarily alleviating some concerns that the most recent federal budget negotiations and the resulting payroll tax break expiration and tax increases for upper-income earners had caused households to cut back spending.

Retail trade data for Colorado demonstrates that the state's consumer spending trend is similarly strong. Though much of the increase was from a higher purchase volume of various items, it is notable that a portion of the most recent increase in consumer spending is attributed to higher prices for some goods like food and gasoline. Figure 20 shows the three-month moving average of total retail trade in the United States and Colorado.

Figure 20. U.S. and Colorado Total Retail Trade, Seasonally Adjusted 3-Month Moving Average, 2002-2012, $ in Millions

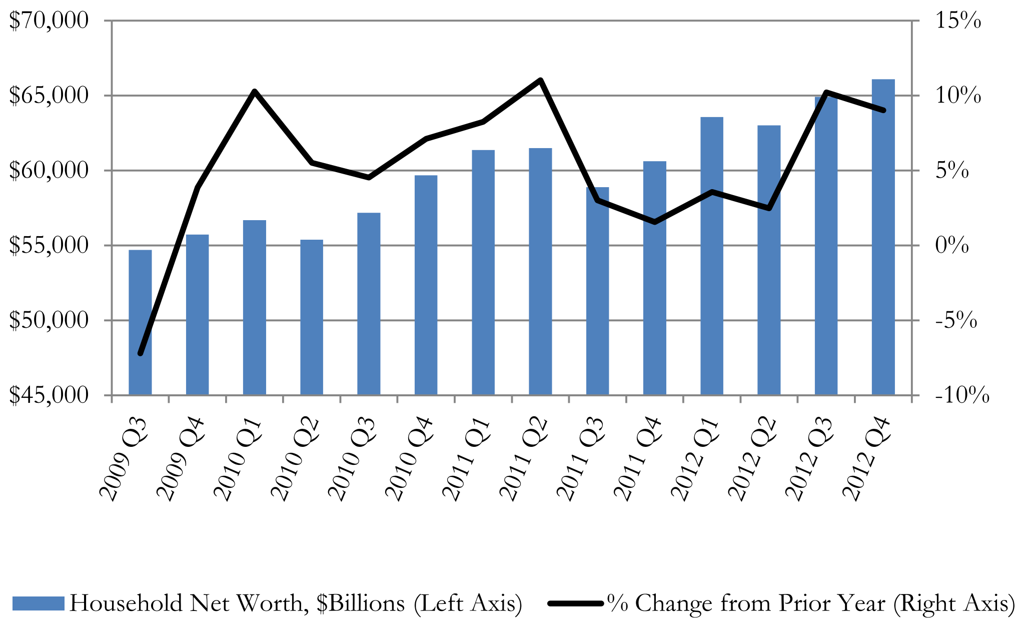


Source: U.S. Census Data and Colorado Department of Revenue

Growing household net worth is supporting spending – Among the factors contributing to the upward consumer spending trend is an increase in household net worth resulting from rising asset prices, especially homes and stocks, as well as a reduction in debt. As home and stock values rise, households feel wealthier and have a greater willingness to spend.

Figure 21 shows the growth in net worth of American households since the third quarter of 2009. In addition to the wealth effect, it is also likely that continued pent-up demand – a result of consumer spending cutbacks during the recession – is supporting retail trade. More consumers appear to be going forward with purchases because of a perception of improved economic prospects or because they cannot put off certain purchases any longer.

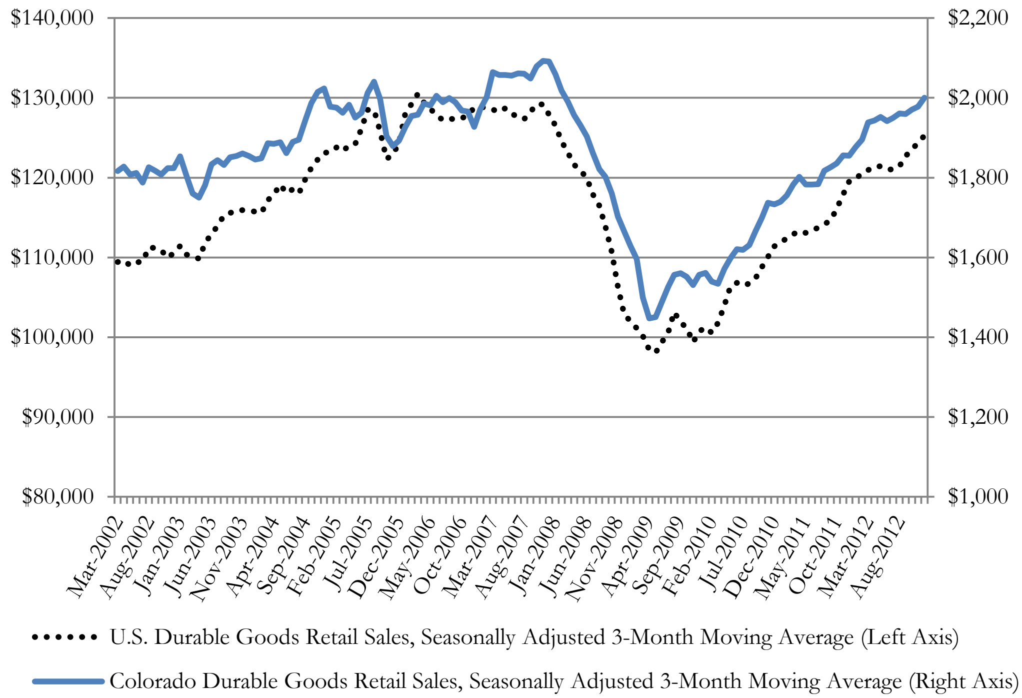
Figure 21. U.S. Household Net Worth and Year-over-Year Percent Change



Source: Board of Governors of the Federal Reserve System

Strength in durable goods and household borrowing data suggests growing consumer confidence, though key factors will constrain spending in 2013 – Durable goods includes items that generally are more expensive – sometimes requiring the use of credit – and that last a long period of time, such as automobiles and home appliances. Because purchases of these items are both expensive and long-term, they are often the first purchases that consumers delay in times of higher economic uncertainty and the last purchases that consumers make after regaining confidence. Thus, spending on durable goods can be a leading indicator for the overall economy. Figure 22 shows a recent upward trend in durable good purchases in both the nation and Colorado, suggesting that consumers' outlook on the economy has been relatively positive.

Figure 22. U.S. and Colorado Durable Goods Spending, Seasonally Adjusted 3-Month Moving Average, 2002-2012, $ in Millions

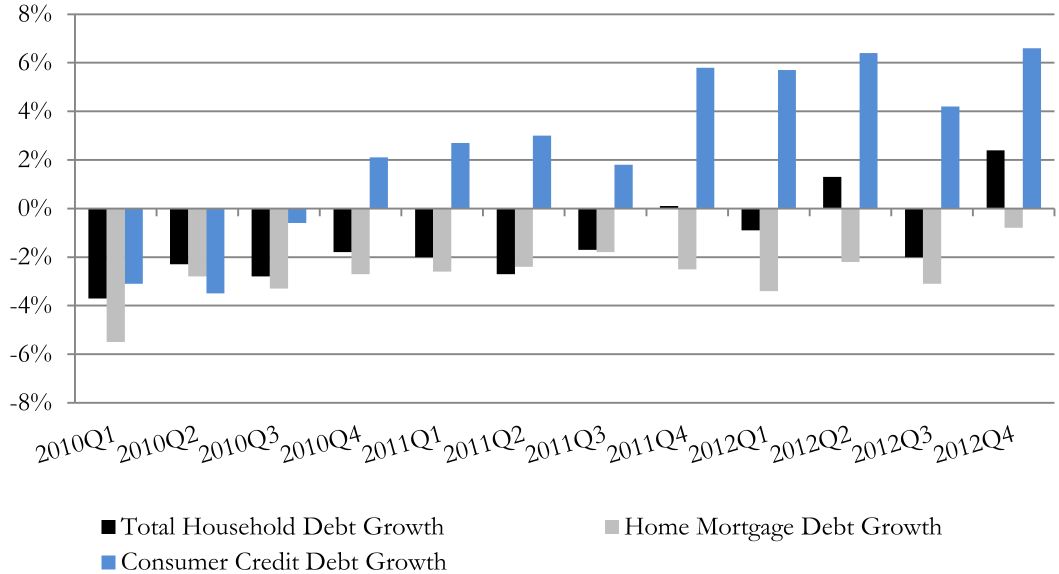


Source: U.S. Census Data and Colorado Department of Revenue

Another indicator of consumer sentiment about the economy is household borrowing behavior. Data published by the Federal Reserve shows changes in household debt over time. Figure 23 illustrates this data since the first quarter of 2010. Overall home mortgage debt has declined every quarter since 2010, largely due to fewer people obtaining mortgages and while others have paid down their balances, or modified or defaulted on their mortgages. However, the rate of home mortgage debt reduction has slowed recently.

Consumer credit debt has grown every quarter since the end of 2010 and has recently accelerated, causing total household debt to grow in the second and fourth quarters of 2012. Growing consumer credit debt indicates that households are electing to borrow in order to make purchases. This trend suggests a greater willingness and ability of households to take on new financial obligations. Due to only modest job growth, the trend may also be fostered by households who can no longer put off purchases and are resorting to borrowing in order to buy necessary items in the absence of increased income.

Figure 23. Household Debt, Seasonally Adjusted Annualized Growth Rate, 2010-2012



Source: Board of Governors of the Federal Reserve System

OSPB predicts a slight slowdown in consumer spending during 2013 that will result from economic factors, including higher prices for necessities such as gasoline and food, the elimination of the cut in payroll taxes, higher taxes on upper income earners, and a slowdown in pent-up demand. Additionally, an expected moderation in growth in employment and wages will constrain retail trade in 2013.

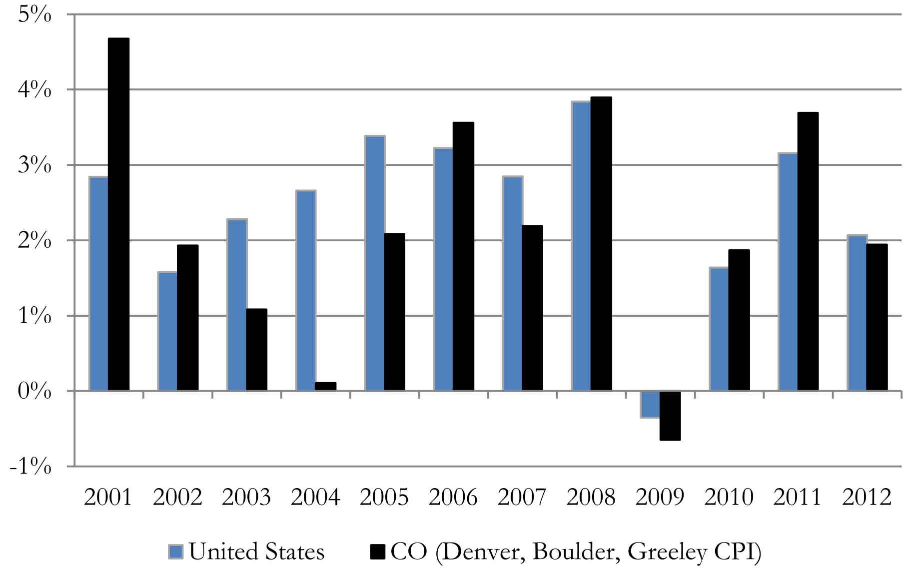
Retail trade sales in Colorado will grow 4.3 percent in 2013 after increasing 5.5 percent in 2012. Growth will accelerate in 2014 to 5.0 percent. Nationwide retail trade will grow by 3.3 percent in 2013 and accelerate to 4.2 percent growth in 2014.

Price Levels

Consumer price levels are most commonly tracked by the Consumer Price Index (CPI) which measures the change in the price for a representative market basket of household expenditures. Major components in the market basket are weighted to represent their relative importance in household budgets.

The CPI in both Colorado and the US abated in 2012 but is expected to increase in 2013 as certain important index components, notably housing and food, will experience upward price pressure – The overall CPI rose by 2.1 percent nationally and 1.9 percent in the Denver-Boulder-Greeley area in 2012 as compared with 3.2 percent and 3.7 percent, respectively in 2011. Figure 24 shows changes in the CPI for the nation and for the Denver-Boulder-Greeley area.

Figure 24. Change in CPI, Colorado and US, 2001-2012



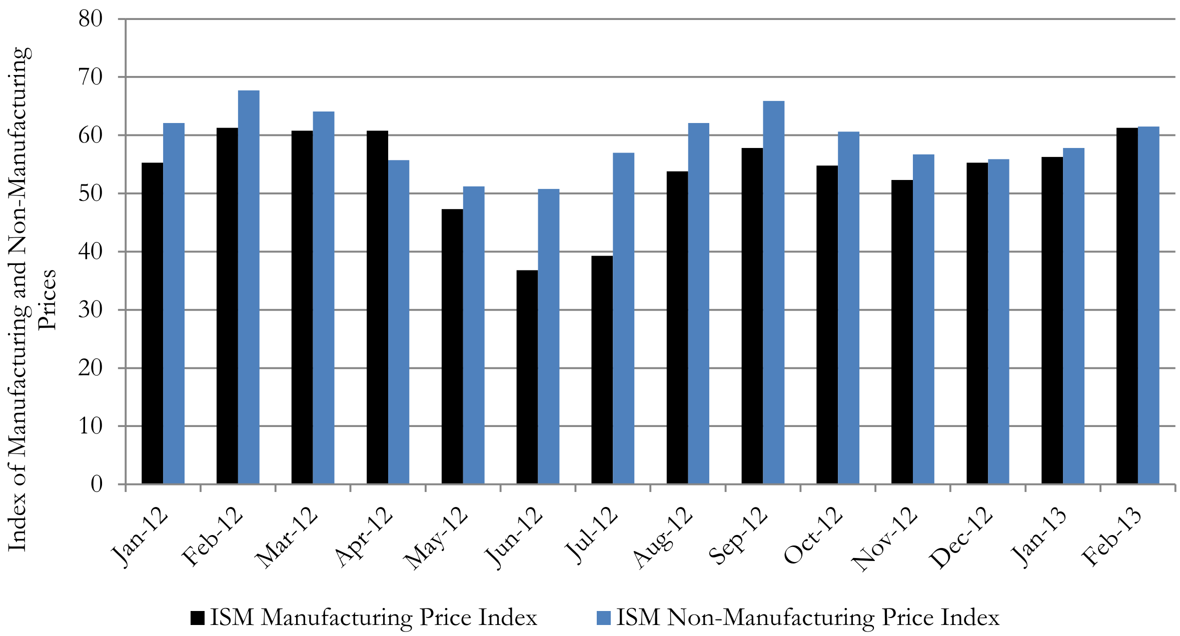
Source: US Bureau of Labor Statistics

Recent vacancy data for the state suggest that there will be upward pressure on the rental portion of the housing component of the Denver-Boulder-Greeley CPI. Because this is the largest of the CPI components, it will be a main contributor to an overall CPI increase in 2013. Further, the US Department of Agriculture, Economic Research Service is forecasting a higher increase in food prices in 2013 resulting from drought conditions and their negative impact on the food supply and agricultural costs. The combined price increases in these components along with elevated fuel costs will lead to a higher, though still relatively modest increase in the overall CPI for Colorado and the nation in 2013. However, at a time when wage growth is anemic for many individuals, even modest price increases place strain on household budgets.

The Denver-Boulder-Greeley Consumer Price Index is forecast to increase 2.8 percent in 2013 and 2.4 percent in 2014; nationally, consumer prices will increase 2.7 percent in 2013 and 2.4 percent in 2014.

Prices paid by businesses have been rising recently – According to business surveys from the Institute of Supply Management (ISM), businesses have experienced a trend of rising input prices since the middle of 2012, a departure from the trend of falling input prices that started near the beginning of 2011. In the February 2013 ISM survey, of the 18 manufacturing industries surveyed, 14 reported an increase in input prices paid. For non-manufacturing businesses, 15 of the 18 industries reported an increase in input prices. Increases in input prices at the producer level can precede increases in prices at the consumer level. However, if the prices cannot be passed on, continued upward price pressure leaves fewer resources for other business activities. Figure 25 show the trend in prices paid by businesses since November of 2012.

Figure 25. Index of Manufacturing and Non-Manufacturing Input Prices

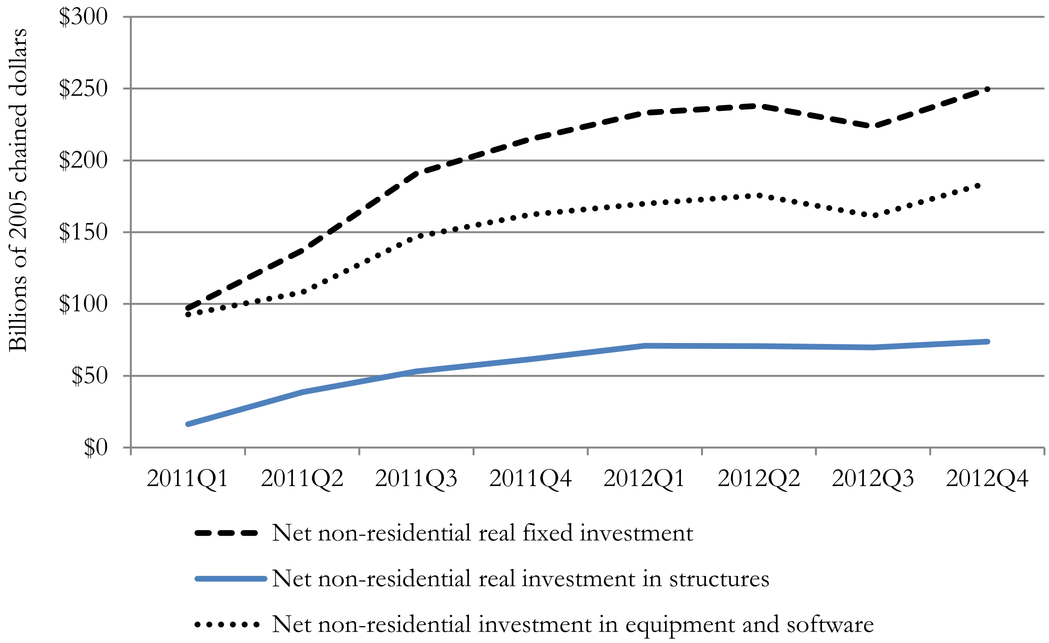


Source: Institute of Supply Management

Business Investment

After rising throughout 2011, real *net* non-residential fixed investment − a measure of the rate at which private businesses add to their stock of business equipment − declined in the third quarter of 2012. However, data from the last quarter of 2012 and early analysis of new manufacturing orders in early 2013 suggest investment may rebound or at least stabilize in the current year. Figure 26 shows investment in new structures or structural improvements to nonresidential buildings which continues to remain rather flat. However, firms are beginning to invest in new equipment and software, which dipped in the third quarter of 2012 as there was greater uncertainty regarding the fiscal policy and the overall economy.

Figure 26. US Seasonally Adjustment Real Net Investment, 2011 - 2012

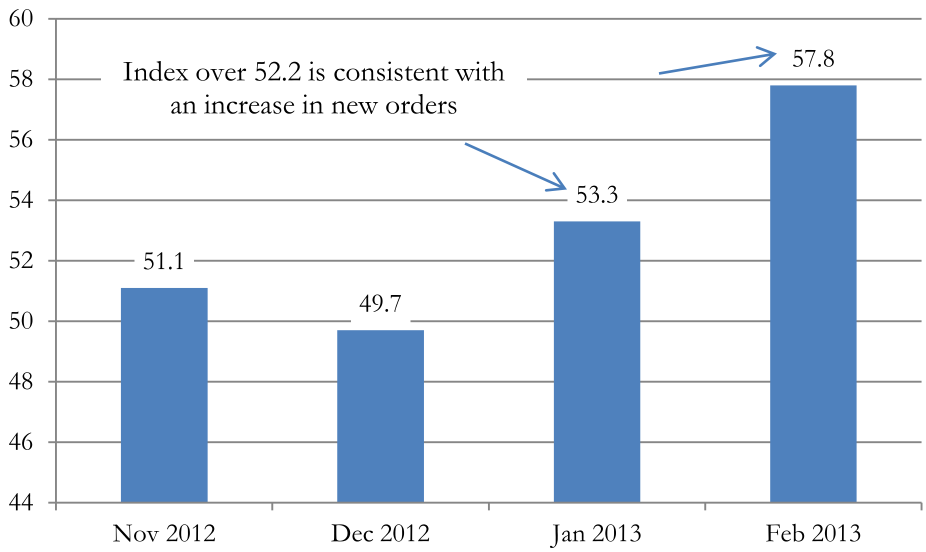


Source: US Bureau of Economic Analysis

Business investment rebounded in the early part of 2012 after dampening at the end of 2012 – The Institute for Supply Management's (ISM) index of new orders increased in January and February of this year as shown in Figure 27. An ISM index value greater than 52.2 generally means that orders for durable goods, a proxy for business investment levels, are increasing. Of the 16 industries responding to the ISM survey, only wood products manufacturing reported a decline in new orders.

After indications of a concerning slowdown in business investment over the last part of 2012, the recent more positive indicators of business investment are a welcome development. Non-residential business investment is an important barometer of overall economic health. Increases in non-residential investment generally signal that US businesses have confidence in the growth potential of the economy. And over longer periods, expansion of non-residential investment usually has been accompanied by periods of GDP or overall economic growth in the US economy.

Figure 27. ISM New Orders Index



Source: Institute for Supply Management

Housing and Construction

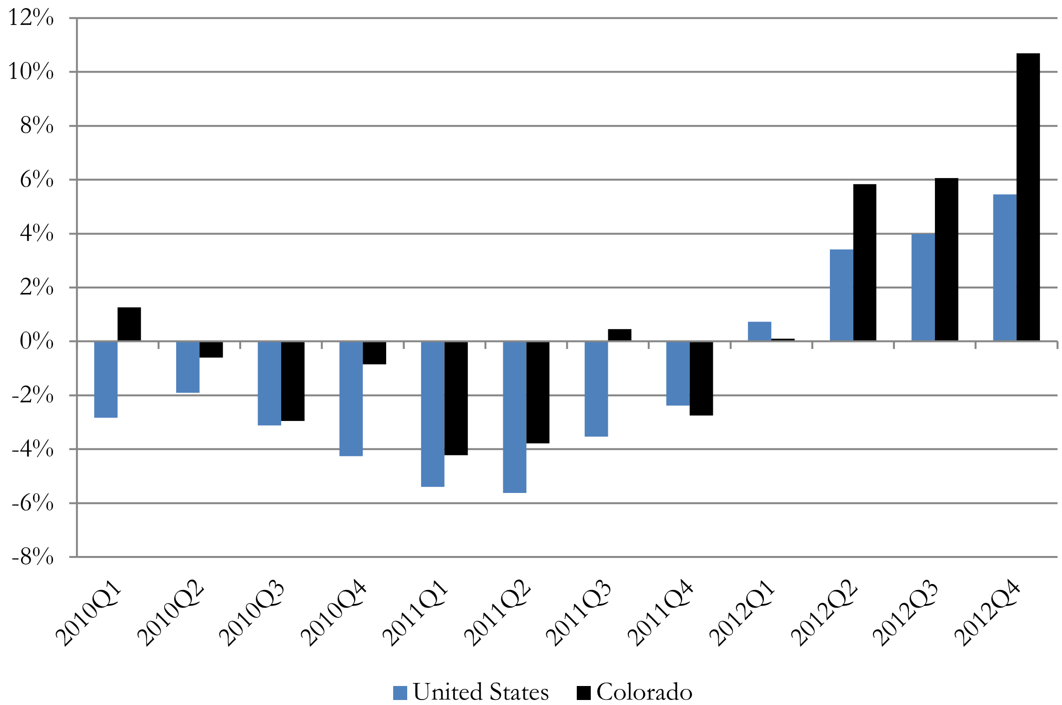
Housing has become a tailwind for economic recovery – During and after the Great Recession, weakness in the housing market was an important factor holding back economic growth. However, since the beginning of 2012, the housing market has continued to improve both nationally and in Colorado. Consistent with other economic trends, Colorado's housing market is showing more strength than the nation overall.

The stronger housing market is providing a boost to the economy through increased construction activity, a larger volume of home sale transactions, and the wealth effect associated with rising home prices. Households and individuals tend to undertake more economic activity when the value of their homes rise and, in some cases, tap into home equity to finance purchases or entrepreneurial endeavors. Further, increased home values improve the balance sheets of financial institutions, which can result in increased lending activity to help boost overall economic activity.

It is important to note that the uptick in home values is coming from the low levels reached during the downturn. The housing market is still well below pre-recession levels. Sustained improvement will depend on increases in employment and economic growth that support household formation and continued home purchases.

Home prices continued to rise through the fourth quarter of 2012 – Home values are bolstered by low mortgage interest rates and continuing declines in the inventory of homes for sale. Low mortgage interest rates have played a key role in facilitating recovery in the housing market. Thus, any sustained increases in mortgage rates present a downside risk to the housing market outlook. Figure 28 shows the year-over-year percent change in the Federal Housing Finance Agency (FHFA) Home Price Index for both Colorado and the United States as a whole.

Figure 28. FHFA Home Price Index
Percent Change from Prior Year, United States and Colorado

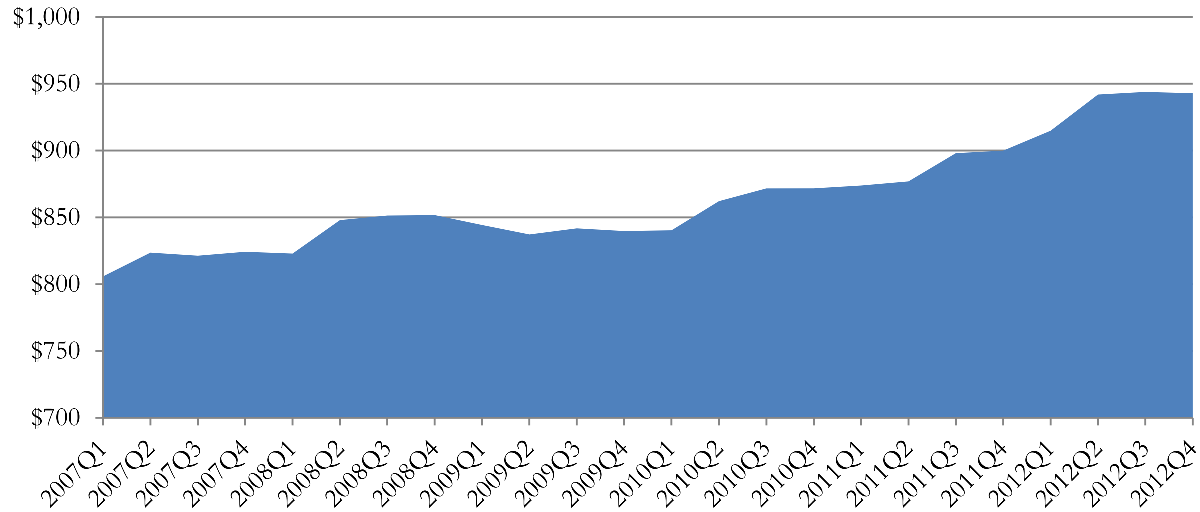


Source: Federal Housing Finance Agency State Home Price Index

While many factors are supporting stable prices and modest appreciation, home values remain substantially below those observed at the peak of the housing market. As a result, many would-be sellers are likely electing not to list their homes for sale, waiting for further price appreciation contributing to the trend of falling inventories. As prices rise, more homeowners may list properties for sale, which will increase supply and put downward pressure on prices. Supply growth will also continue as banks move foreclosed properties through the process that ends in listing and selling the home. The balancing dynamic driven by inventories will tend to support steady home price appreciation in the coming months.

Rent prices remain above historical trends in Colorado – Increased market rents continued during 2012 as many consumers continued to rent, rather than buy homes either out of necessity or preference in the wake of the mortgage and housing crisis. Rent growth is also being driven by the formation of new households as employment and household expectations have modestly improved. The ongoing conditions in the labor and housing markets indicate that the demand for rental housing will remain relatively strong, supporting above-average rent rates over the coming months, and contributing to growth in the CPI, as discussed under *Price Levels* on page 49.

Figure 29. Colorado Statewide Average Rent

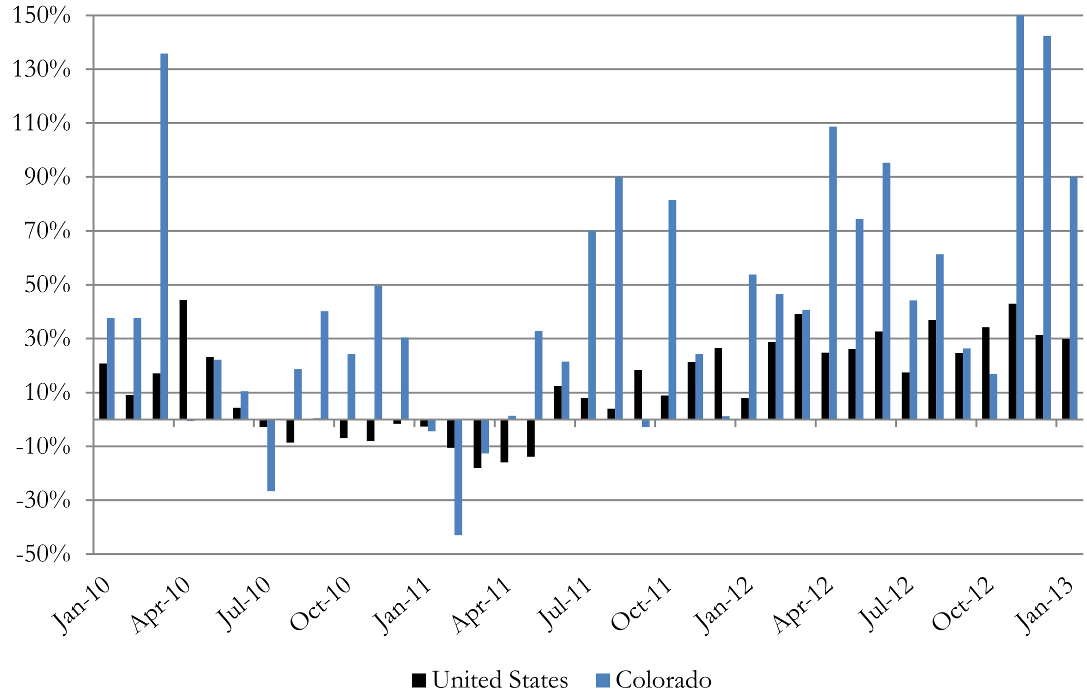


Source: Colorado Division of Housing

Residential construction continues its strong growth trend – In response to falling inventories of homes on the market, combined with stable and growing prices, home builders increased new construction starts throughout 2012 and into the first month of 2013. However, it is important to note that new housing starts fell dramatically during the housing bust and are thus coming from a very low level.

Steady growth in building permits for single-family homes has been combined with positive growth in permits for multi-family dwellings. Multi-family permits have experienced periods of substantial growth recently as many households elect to purchase smaller attached homes or condos, or to rent housing in multi-family structures. Homebuilder activity is expected to remain strong throughout the summer 2013 construction season as overall home prices remain stable and existing home inventory stays at low levels.

Figure 30. New Private Housing Units Authorized By Building Permit, U.S. and Colorado, Year-over-Year Percent Change



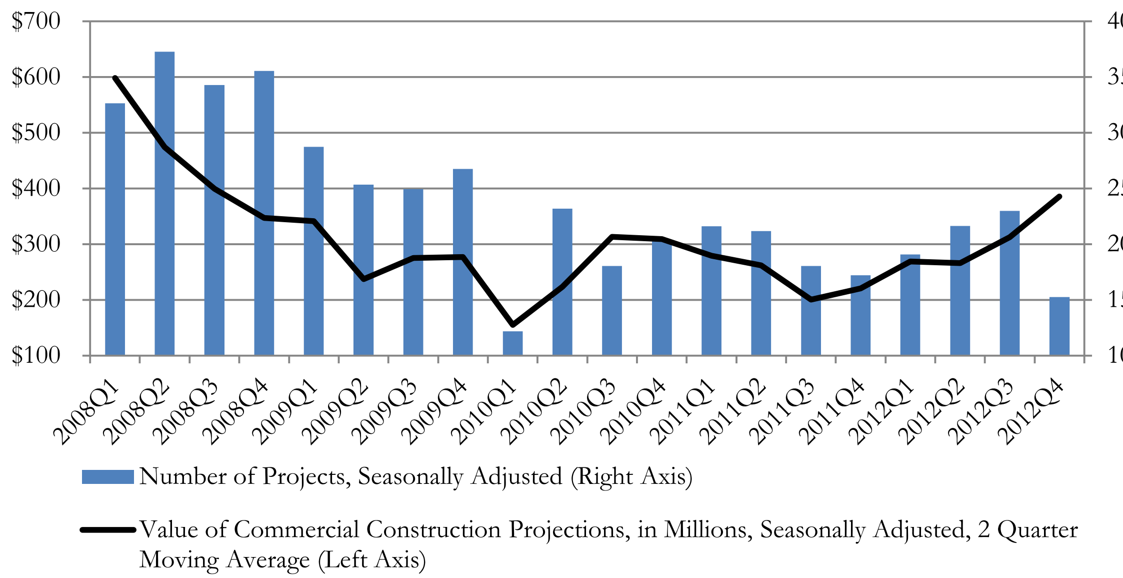
Source: U.S. Census Bureau

Housing permits in Colorado will increase to 30,800 in 2013 and 37,600 in 2014. National residential permits will grow to 1,020,000 in 2013, marking the first time since 2007 that more than 1 million new housing permits has been issued during a year.

Commercial construction is not as strong as residential construction – Commercial construction has not shown the same growth trend as new home construction, having remained relatively flat throughout 2011 and 2012. Despite healthier corporate balance sheets and low interest rates, the modest pace of recovery coupled with the higher levels of uncertainty about future economic conditions has prevented many businesses from making large investments into capital and facilities.

Additionally, the work space needs of business have been changing as technology facilitates greater use of remote work arrangements and new workforce structures. This results in less need for buildings and infrastructure to support new offices and commercial facilities. Figure 31 shows the number and value of construction projects started in Colorado each quarter since 2008.

Figure 31. New Commercial Construction Project Starts
Colorado, 2008 - 2012

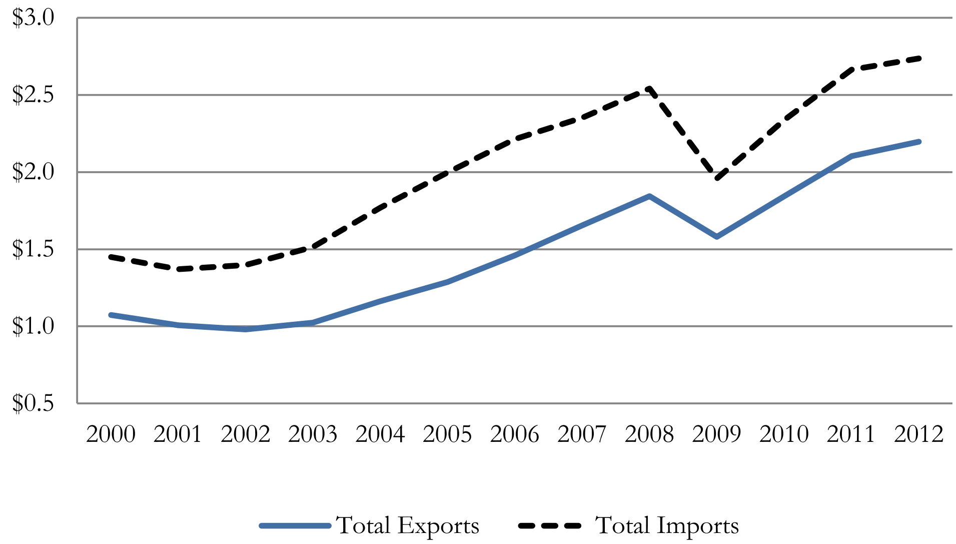


Source: McGraw-Hill Construction

International Trade

***International trade continues to be a positive for the state and national economy* –** Growth in exports generates business income and helps job creation, while increasing imports indicates a growing economy. Much of what is imported is used by domestic businesses in their production process and as households increase spending. U.S. goods and services exports reached a record high in 2012, totaling $2.2 trillion. The trends in U.S. trade with the world are shown in Figure 32. Trade has been strong across a variety of sectors, such as capital goods, automotive vehicles, parts, and engines, consumer goods, and travel and tourism. In January of this year, U.S. exports declined slightly, while imports increased, mostly from higher oil prices.

Figure 32. U.S. Total Exports and Imports of Goods and Services, 2000 through 2012, $ in Trillions

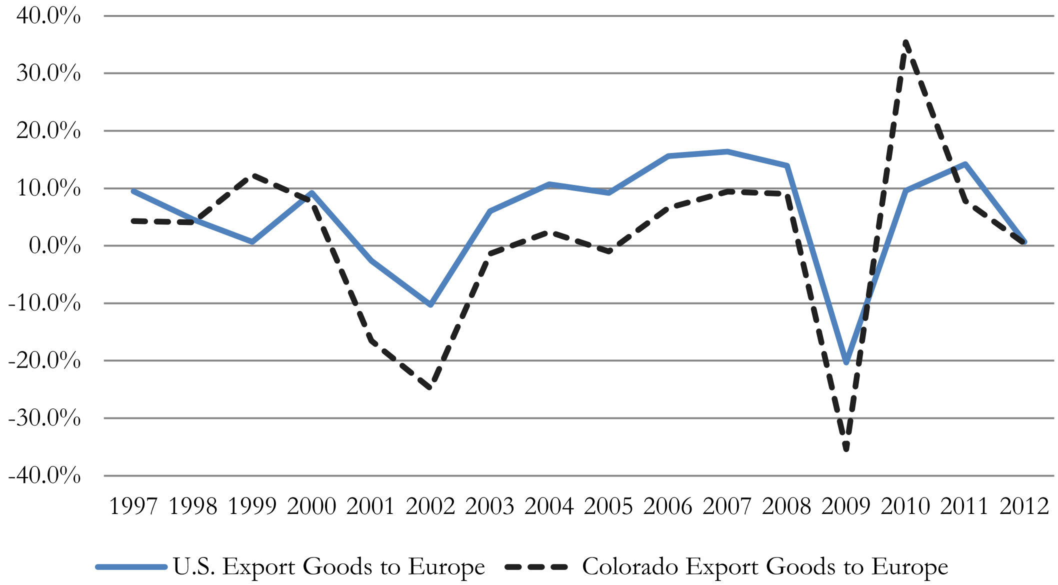


Source: World Institute for Strategic Economic Research (WISERTrade) based on data from the U.S. Census Bureau

Colorado's exports of goods grew 11.3 percent in 2012, outpacing the nation's overall goods export growth rate of 4.3 percent. Currently, no data is available on the export of services from business in the state. However, given Colorado's competitive advantage and high intensity in business and professional services, it is likely that Colorado's total exports of both goods and services had an even larger growth rate of total exports than the nation's.

Despite the relative strong performance in international trade overall, weak trade with European countries persists – As many European economies remain in recession, exports to Europe – a major trading partner for both Colorado and the U.S. − remain weak. U.S. goods exports to Europe were essentially flat in 2012, and Colorado's exports fell 2.4 percent. The trends in goods exports to Europe are shown in Figure 33**.** With weak European consumer demand and weak business investment, trade with Europe will remain lackluster. The most of the growth in Colorado and U.S. exports has occurred with North American Free Trade Agreement partners.

Figure 33. Change in U.S. and Colorado Exports of Goods to Europe, 1997 through 2012



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

Table 5
History And Forecast For Key Colorado Economic Variables
Calendar Year 2007 - 2015

Line No.		Actual						March 2013 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
	Income									
1	Personal Income (Billions) /A	$205.2	$216.0	$205.8	$212.5	$225.4	$235.6	$244.0	$256.7	$270.4
2	Change	5.6%	5.3%	-4.7%	3.3%	6.1%	4.5%	3.6%	5.2%	5.4%
3	Wage and Salary Income (Billions) /A	$113.0	$117.0	$112.6	$114.2	$119.148	$125.2	$130.4	$136.7	$143.1
4	Change	6.7%	3.6%	-3.8%	1.4%	4.3%	5.1%	4.1%	4.8%	4.7%
5	Per-Capita Income ($/person)	$42,724	$44,070	$41,154	$42,107	$44,053	$45,393	$46,326	$47,951	$49,732
6	Change	4.5%	3.2%	-6.6%	2.3%	4.6%	3.0%	2.1%	3.5%	3.7%
	Population & Employment									
7	Population (Thousands)	4,821.8	4,901.9	4,976.9	5,049.7	5,118.5	5,189.2	5,267.8	5,352.5	5,438.1
8	Change	1.6%	1.7%	1.5%	1.5%	1.4%	1.4%	1.5%	1.6%	1.6%
9	Net Migration (Thousands)	34.8	39.7	36.4	36.9	34.7	34.7	42.5	48.2	48.9
10	Unemployment Rate	3.8%	4.8%	8.1%	9.0%	8.6%	8.0%	7.5%	7.0%	6.2%
11	Total Nonagricultural Employment (Thousands) /B	2,331.3	2,350.3	2,245.6	2,222.3	2,257.8	2,308.7	2,348.5	2,393.8	2,442.3
12	Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.3%	1.7%	1.9%	2.0%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	30.4	19.1	9.4	11.6	13.5	23.4	30.8	37.6	44.4
14	Change	-20.7%	-37.2%	-51.0%	23.9%	16.5%	57.9%	31.5%	22.1%	18.1%
15	Nonresidential Construction Value (Millions) /C	5,259.5	4,114.0	3,354.5	$3,147.4	$3,925.6	$3,634.0	$3,790.2	$4,016.2	$4,239.7
16	Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-7.4%	4.3%	6.0%	5.6%
	Prices & Sales Variables									
17	Retail Trade (Billions) /D	$75.3	$74.8	$66.5	$70.5	$75.9	$80.1	$83.5	$87.7	$92.3
18	Change	6.9%	-0.7%	-11.1%	6.0%	7.7%	5.5%	4.3%	5.0%	5.3%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	202.0	209.9	208.5	212.4	220.3	224.6	230.9	236.5	243.0
20	Change	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.4%	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. The 2012 personal income and wages and salaries amounts are estimates as full year data is not yet available.

/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 2007 - 2015

Line No.		Actual						March 2013 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$13,206.4	$13,161.9	$12,757.9	$13,063.0	$13,299.1	$13,597.0	$13,868.9	$14,201.8	$14,556.8
2	Change	1.9%	-0.3%	-3.1%	2.4%	1.8%	2.2%	2.0%	2.4%	2.5%
3	Personal Income (Billions) /B	$11,912.3	$12,451.7	$11,852.7	$12,321.9	$12,947.3	$13,402.4	$13,817.9	$14,467.3	$15,205.1
4	Change	5.7%	4.5%	-4.8%	4.0%	5.1%	3.5%	3.1%	4.7%	5.1%
5	Per-Capita Income ($/person)	$39,484	$40,914	$38,578	$39,777	$41,492	$42,539	$43,437	$45,043	$46,886
6	Change	4.7%	3.6%	-5.7%	3.1%	4.3%	2.5%	2.1%	3.7%	4.1%
	Population & Employment									
7	Population (Millions)	301.7	304.5	307.2	309.8	312.0	$315.1	$318.1	$321.2	$324.3
8	Change	1.0%	0.9%	0.9%	0.8%	0.7%	1.0%	1.0%	1.0%	1.0%
9	Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.8%	7.4%	6.7%
10	Total Nonagricultural Employment (Millions)	137.6	136.9	130.9	129.9	131.5	133.7	135.4	137.3	139.5
11	Change	1.1%	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.2%	1.4%	1.6%
	Price Variables									
12	Consumer Price Index (1982-84=100)	207.3	215.3	214.5	218.1	224.9	229.6	235.8	241.5	248.1
13	Change	2.9%	3.8%	-0.4%	1.6%	3.2%	2.1%	2.7%	2.4%	2.8%
14	Producer Price Index - All Commodities (1982=100)	172.6	189.6	172.9	184.7	201.0	202.2	210.7	221.0	232.1
15	Change	4.8%	9.8%	-8.8%	6.8%	8.8%	0.6%	4.2%	4.9%	5.0%
	Other Key Indicators									
18	Corporate Profits (Billions)	1,510.6	1,248.4	1,342.3	1,702.4	$1,827.0	$1,938.0	$1,959.6	$2,080.8	$2,223.5
19	Change	-6.1%	-17.4%	7.5%	26.8%	7.3%	6.1%	1.1%	6.2%	6.9%
20	Housing Permits (Millions)	1.398	0.905	0.583	0.605	0.607	0.805	1.020	1.312	1.654
21	Change	-24.0%	-35.3%	-35.6%	3.7%	0.3%	30.9%	26.6%	28.6%	26.1%
22	Retail Trade (Billions)	$4,446.3	$4,393.9	$4,080.1	$4,306.4	$4,650.8	$4,883.7	$5,045.4	$5,257.7	$5,494.8
23	Change	3.3%	-1.2%	-7.1%	5.5%	8.0%	5.0%	3.3%	4.2%	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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