Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff
Economics Section

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Photograph captures a view of the Spanish Peaks, courtesy of Simon Maghakyan.

Highlights

- Strong fundamentals in the U.S. and Colorado economies point to steady growth in 2014 and 2015, despite poor performance nationwide in the first quarter of 2014. Incremental improvements in the labor market, historically low household debt burdens, gains in wealth and business profits, and measured improvements in the global economy will support growth. The primary concern centers on the pace of the Federal Reserve's withdrawal of monetary support.

- Expectations for **General Fund revenue** were lowered by $135.3 million in FY 2013-14, $181.6 million in FY 2014-15, and $138.8 million in FY 2015-16, primarily as a result of lower expectations for income tax collections.

- The General Fund will end **FY 2013-14** with a $94.8 million surplus, of which $25 million will be retained in the fund. The remainder will be transferred to the Colorado Water Conservation Board Construction Fund ($30 million), the State Education Fund ($20 million), the Economic Development Fund ($1 million), the Hazardous Substance Site Response Fund ($10 million), and the Capital Construction Fund ($8.8 million).

- General Fund revenue is expected to be $31.4 million, or 0.3 percent, higher in **FY 2014-15** than the amount budgeted during the 2014 legislative session.

- The General Assembly will have $630.7 million, or 6.8 percent, more to spend or save in **FY 2015-16** than is budgeted for FY 2014-15.

- Revenue subject to TABOR is expected to be $354.3 million, $264.7 million, and $254.0 million lower than the **Referendum C cap** in FYs 2013-14, 2014-15, and 2015-16, respectively.

- Revenue from the excise and special sales taxes on **adult-use marijuana** will total $30.6 million in FY 2014-15. Total revenue subject to TABOR is expected to be $2.8 million higher than the amount published in the Proposition AA Blue Book, potentially requiring a $2.8 million TABOR election provision refund in FY 2015-16.

EXECUTIVE SUMMARY

This report presents the budget outlook based on current law and the June 2014 General Fund revenue, TABOR situation, and cash fund revenue forecasts. A summary of expectations for the national and Colorado economies and current economic conditions in nine regions around the state are also presented.

General Fund

FY 2013-14. The General Fund will end the year with a surplus of $94.8 million, of which $25 million will remain in the fund. The remaining $69.8 million will be distributed as follows:

- $30 million to the Colorado Water Conservation Board Construction Fund;
- $20 million to the State Education Fund;
- $1 million to the Economic Development Fund;
- $10 million to the Hazardous Substance Site Response Fund; and
- $8.8 million to the Capital Construction Fund.

More information about the **General Fund budget overview** begins on page 7 and is summarized in Table 3 on page 9

More information about the **General Fund revenue** forecast begins on page 17 and is summarized in Table 8 on page 22.

The forecast for General Fund revenue in FY 2013-14 was reduced by $135.3 million relative to expectations in March.

FY 2014-15. General Fund revenue is expected to be $31.4 million, or 0.3 percent, higher than the amount budgeted to be spent or retained in the 6.5 percent statutory reserve in FY 2014-15. The State Education Fund is expected to receive a total of $547.4 million in revenue (see page 11). Expectations for General Fund revenue were revised down by $181.6 million relative to the March forecast.

FY 2015-16. The General Assembly will have $630.7 million, or 6.8 percent, more to spend or save in FY 2015-16 than is budgeted for FY 2014-15. The forecast for General Fund revenue in FY 2015-16 was revised down by $138.8 million compared with expectations in March.

The five-year block of transfers to the Capital Construction Fund and Highway Users Tax Fund required by **Senate Bill 09-228** is expected to begin in FY 2015-16 (see page 11).

All **tax benefits** dependent on the collection of enough General Fund revenue to allow General Fund appropriations to increase by at least six percent are expected to be available through the forecast period or until their repeal (see page 12).

TABOR Outlook

Revenue subject to TABOR is expected to be:

- $354.3 million, or 3.0 percent, lower than the Referendum C cap in FY 2013-14;
- $264.7 million, or 2.1 percent, lower than the Referendum C cap in FY 2014-15; and
- $254.0 million, or 2.0 percent, lower than the Referendum C cap in FY 2015-16.

More information about the state's **TABOR outlook** begins on page 13 and is summarized in Figure 2 on page 13 and Table 6 on page 16.

Despite this, a potential exists for a **TABOR election provision refund** within the forecast period. Although revenue is not expected to be collected in excess of the Referendum C cap, this forecast anticipates that state fiscal year spending (or total revenue collections subject to TABOR) in FY 2014-15 will be $2.8 million above the estimate published in the Proposition AA Blue Book. According to a legal analysis by the Office of Legislative Legal Services, this forecast would anticipate that this $2.8 million excess would need to be refunded in FY 2015-16. For more information, please see page 13.

Cash Fund Revenue Subject to TABOR

Cash fund revenue subject to TABOR is expected to increase slightly from $2.55 billion in FY 2012-13 to $2.65 billion in FY 2013-14. Increases in transportation-related cash funds, severance tax collections, regulatory agencies cash funds, other cash funds, and capital construction-related funds were mostly offset by projected decreases in hospital provider fee revenue, gaming revenue, and insurance-related cash funds. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add another $15.2 million to cash fund revenue subject to TABOR in FY 2013-14.

More information about **cash fund revenue subject to TABOR** begins on page 23 and is summarized in Table 9 on page 24.

Total cash fund revenue subject to TABOR will increase 1.1 percent to $2.68 billion in FY 2014-15, as severance tax revenue is projected to continue to climb with increased oil and gas activity. For more information about forecasts for cash fund revenue subject to TABOR, please see page 23.

TABOR Exempt Cash Fund Revenue

Federal mineral lease revenue will total $172.8 million in FY 2013-14 and $180.0 million in FY 2014-15. The increase is the result of expectations for natural gas prices and higher than anticipated distributions year to date. For more information about federal mineral lease revenue, please see page 31.

The ***Unemployment Insurance Trust Fund*** will close FY 2013-14 with a fund balance of $580.5 million, a 6.1 percent increase from the previous fiscal year. The fund balance will continue to increase through the forecast period as unemployment declines and revenue increases. More information about the unemployment insurance trust fund can be found on page 31.

Marijuana Revenue. The combined taxes on adult-use and medical marijuana are expected to generate $31.1 million in FY 2013-14 and $47.9 million in FY 2014-15. Of these amounts, $15.9 in FY 2013-14 and $30.6 in FY 2014-15 will be collected as a result of the excise and special sales taxes approved by voters in Proposition AA. The marijuana revenue forecast is based on only four months of data, and there will likely be changes in the price and consumption of marijuana as the adult-use market matures. The forecast is only as accurate as the assumptions upon which it is based and will improve as more data become available. A more detailed discussion of marijuana taxes begins on page 29.

National Economy

Strong fundamentals in many sectors of the economy point to growth over the next several years, despite poor performance in the first quarter of 2014. The labor market is improving and employers are adding jobs at a faster rate. There are also signs that the decline in labor force participation has slowed. Consumers, buoyed by historically low household debt burdens and gains in income and wealth, have now increased spending for nineteen consecutive quarters. Business profits remain near all-time highs, and investors worldwide are relocating their portfolios from emerging markets back to advanced economies, especially the United States.

Summaries of the **national and Colorado economic forecasts** begin on pages 33 and 51, respectively.

Summaries of economic conditions in nine **regions** around the state begin on page 65.

Economic activity will grow through the remainder of 2014 and accelerate into 2015. Improvements in the labor market will catalyze advancement elsewhere, with inflation rates approaching the Federal Reserve's targets. Most economic uncertainty in 2014 and 2015 will center on the Federal Reserve's timeline for a few key monetary policy changes, including when it will begin to raise short-term interest rates and how quickly it will tighten the money supply. Expectations for the national economy are shown in Table 15 on page 49.

Colorado Economy

Colorado's economy performed better than the U.S. economy in 2013. Companies hired staff at the fastest rate since 2000. The state's unemployment rate remained below the national average, while total earnings from wages, investments, and other sources grew the sixth fastest of any state in the country. However, while the state's overall economy continues to improve, there is significant variation in growth across different regions of the state. The real estate markets in the metro Denver and northern regions are some of the strongest in the nation, while economic growth in Colorado Springs, Pueblo, the San Luis Valley, the western slope, and portions of the eastern plains has been slow.

The Colorado economy will continue to strengthen further in 2014 and 2015, as the state's diversified economy supports job growth and higher wages. The state's residential real estate market will continue to outperform the national market as the attractive labor market and low housing inventory spur activity. Nevertheless, Colorado is still vulnerable to the same risks as the nation's economy. Expectations for the Colorado economy are shown in Table 16 on page 63.

GENERAL FUND BUDGET OVERVIEW

Table 3 on page 9 presents the General Fund overview based on current law. Tables 2 and 4 on pages 8 and 10 provide estimates for General Fund rebates and expenditures (*line 8 of Table 3*) and detail for cash fund transfers to and from the General Fund (*lines 3 and 9 of Table 3*). This section also presents information on revenue to the State Education Fund, the outlook for Senate Bill 09-228 transfers to capital construction and transportation, and the availability of tax benefits dependent on the collection of sufficient General Fund revenue.

FY 2013-14. The General Fund is expected to end the year with $94.8 million in excess of the amount required to fully fund the budget and the 5.0 percent statutory reserve, of which $25 million will remain in the reserve. House Bills 14-1339 and 14-1342 and Senate Bill 14-223 required transfers from the excess reserve in the amounts and order of priority shown in Table 1. The $94.8 million surplus will be sufficient to fully fund all of the transfers except that to the Capital Construction Fund, which is expected to receive $8.8 million of $135.4 million authorized in House Bill 14-1342.

House Bill 14-1342 included a prioritized list of higher education capital expenditures to be funded from the money transferred out of the FY 2013-14 excess reserve. The $8.8 million transfer is sufficient to fund only the first capital expenditure listed: $5.0 million to renovate the Auraria higher education center library. The remaining $3.8 million will remain in the Capital Construction Fund for future use.

Table 1
Distribution of FY 2013-14 General Fund in Excess of the 5.0 percent Reserve

Bill #	Fund	Order of Priority	Estimated Amount Available
SB 13-260 & HB 14-1342	Water Conservation Board Construction Fund	First $30 million	$30 million
HB 14-1342	State Education Fund	Next $20 million	$20 million
HB 14-1342	General Fund	Next $25 million	$25 million
SB 14-223	Economic Development Fund	Next $1 million	$1 million
HB 14-1339	Hazardous Substance Site Response Fund	Next $10 million	$10 million
HB 14-1342	Capital Construction Fund	Next $135.4 million	$8.8 million /A
HB 14-1342	State Education Fund	All remaining surplus	-
		Total:	**$94.8 million**

/A This is sufficient revenue to fund the first item listed in House Bill 13-1342: $5.0 million to renovate the Auraria higher education center library.

Table 2
General Fund Rebates and Expenditures /A
(Dollars in Millions)

Category	Preliminary FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16
Senior & Veterans Property Tax Exemptions /B	$102.7	$109.8	$117.2	$125.0
Percent Change	*5607.1*	*6.9*	*6.7*	*6.7*
Cigarette Rebate	10.7	10.9	10.4	10.0
Percent Change	*-4.4*	*1.1*	*-4.0*	*-4.2*
Old-Age Pension Fund	104.8	103.3	102.6	106.6
Percent Change	*13.3*	*-1.4*	*-0.7*	*3.9*
Aged Property Tax & Heating Credit /C	6.6	5.5	7.7	7.6
Percent Change	*-9.3*	*-15.8*	*38.3*	*-0.4*
Older Coloradans Fund	8.0	10.0	10.0	10.0
Percent Change	*0.0*	*25.0*	*0.0*	*0.0*
Interest Payments for School Loans	0.7	0.7	0.9	1.2
Percent Change	*7.9*	*-3.9*	*22.6*	*41.2*
Fire and Police Pension Association	146.6	4.7	4.7	4.7
Percent Change	*1411.2*	*-96.8*	*0.0*	*0.0*
Amendment 35 Distributions	0.9	0.8	0.8	0.8
Percent Change	*2.5*	*-7.1*	*1.5*	*-3.1*
Marijuana Sales Tax Transfer to Local Govts		*1.8*	*3.1*	*3.0*
Percent Change			*0.7*	*-0.04*
TOTAL REBATES & EXPENDITURES	**$381.0**	**$247.6**	**$257.3**	**$268.9**

Totals may not sum due to rounding.

/A Excludes appropriations and transfers.

/B Includes the impact of House Bill 14-1373.

/C Includes the impact of Senate Bill 14-014.

The forecast for the amount of money available to be spent in the General Fund during FY 2013-14 was reduced by $135.3 million from expectations in March because income tax collections came in lower than expected during the April tax season.

FY 2014-15. General Fund revenue is expected to be $31.4 million, or 0.3 percent, higher than the amount budgeted to be spent or retained in the reserve in FY 2014-15. Pursuant to House Bill 14-1337, the required reserve will increase from 5.0 percent of General Fund appropriations in FY 2013-14 to 6.5 percent in FY 2014-15. Expectations for the amount of money available to be spent in the General Fund during FY 2014-15 were reduced by $198.0 million, a combination of reduced expectations for General Fund revenue and a lower than anticipated year-end reserve for FY 2013-14.

FY 2015-16. Because a budget has not yet been enacted for FY 2015-16, lines 26 through 29 of Table 3 show two alternative perspectives on the General Fund budget situation for the year. Perspective 1, shown in lines 26 and 27, assumes no growth in appropriations between FY 2014-15 and FY 2015-16 to illustrate the amount of money available to the General Assembly above the amount budgeted to be spent and retained in the reserve during FY 2014-15. This amount is expected to be $630.7 million, or 6.8 percent of budgeted expenditures in FY 2014-15.

Perspective 2, shown in lines 28 and 29, assumes a historical growth rate for General Fund appropriations over the last 15 years using only those years during which the economy

Table 3
June 2014 General Fund Overview
(Dollars in Millions)

		FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
FUNDS AVAILABLE		**Actual**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$795.8	$373.0	$435.9	$601.3
2	General Fund Revenue	$8,554.8	$8,868.7	$9,448.2	$9,982.2
3	Transfers from Other Funds *(Table 4)*	0.3	2.4	16.5	0.4
4	**Total Funds Available**	**$9,350.9**	**$9,244.1**	**$9,900.7**	**$10,583.9**
5	Percent Change	16.4%	-1.1%	7.1%	6.9%
EXPENDITURES		**Actual**	**Budgeted**	**Budgeted**	**Estimate**
6	General Fund Appropriations	$7,459.2	$8,218.7	$8,767.6	*
7	Adjustments to Appropriations	5.4	5.9	*	*
8	Rebates and Expenditures *(Table 2)*	381.0	247.6	257.3	268.9
9	Transfers to Other Funds *(Table 4)*	4.6	33.6	23.7	24.9
10	Transfers to the State Education Fund Pursuant to SB 13-234	0.0	45.3	25.3	25.3
11	Transfer for Highway Construction /A	0.0	0.5	0.0	199.6
12	Transfers to the Capital Construction Fund /A	61.4	186.7	225.5	96.9
13	**Total Expenditures**	**$7,911.7**	**$8,738.3**	**$9,299.4**	*****
14	Percent Change	9.6%	10.5%	6.4%	*
15	Accounting Adjustments	7.2	*	*	*
RESERVE		**Actual**	**Estimate**	**Estimate**	
16	**Year-End General Fund Reserve**	**$1,446.5**	**$505.8**	**$601.3**	*****
17	Year-End Reserve As A Percent of Appropriations	19.4%	6.1%	6.9%	*
18	**Statutorily-Required Reserve**	**373.0**	**410.9**	**569.9**	*****
	Transfers From the Reserve: /B				
19	Colorado Water Conservation Board Construction Fund		30.0	NA	*
20	State Education Fund	$1,073.5	20.0	NA	*
21	Economic Development Fund		1.0	NA	*
22	Hazardous Substance Site Response Fund		10.0	NA	*
23	Capital Construction Fund		8.8	NA	*
24	**Amount in Excess or (Deficit) of Statutory Reserve**	**$0.0**	**$25.0**	**$31.4**	*****
25	Excess Reserve as a Percent of Expenditures	NA	0.3%	0.3%	*
ALTERNATIVE PERSPECTIVES ON UNBUDGETED YEARS					**Estimate**
Perspective 1: Money Available in FY 2015-16 in Excess of FY 2014-15 Expenditures /C					
26	Amount in Excess of Statutory Reserve				$630.7
27	As a Percent of FY 2014-15 Expenditures				6.8%
Perspective 2: Assuming Appropriations Increase by the Historical Average Rate During Economic Expansions of 6.0% /D					
28	Amount in Excess of Statutory Reserve				$70.0
29	As a Percent of FY 2014-15 Expenditures				0.8%
ADDENDUM		**Actual**	**Estimate**	**Estimate**	**Estimate**
30	Percent Change in General Fund Appropriations	6.1%	10.2%	6.6%	*
31	5% of Colorado Personal Income Appropriations Limit	$10,530.4	$11,301.6	$11,873.1	$12,277.8
32	Transfer to State Education Fund Per Amendment 23	$486.3	$478.8	$502.0	$527.7

Totals may not sum due to rounding.

** Not estimated. NA = Not applicable.*

/A Colorado personal income is expected to increase by at least 5.0 percent in 2014 (see Table 16 on page 63). Thus, transfers from the General Fund to the Highway Users Tax Fund (line 11) and the Capital Construction Fund (line 12) include amounts equal to 2.0 percent and 0.5 percent of General Fund revenue, respectively, during FY 2015-16 pursuant to SB 09-228.

/B Transfers from the reserve are shown during the year in which they are generated but actually occur the following fiscal year.

/C This holds appropriations in FY 2015-16 equal to appropriations in FY 2014-15 to determine the total amount of money available above FY 2014-15 expenditures.

/D The average growth rate of appropriations over the last 15 years, only during years when the economy expanded: Fiscal Years 2000-01, Fiscal Years 2003-04 through 2007-08, and Fiscal Years 2011-12 and 2014-15.

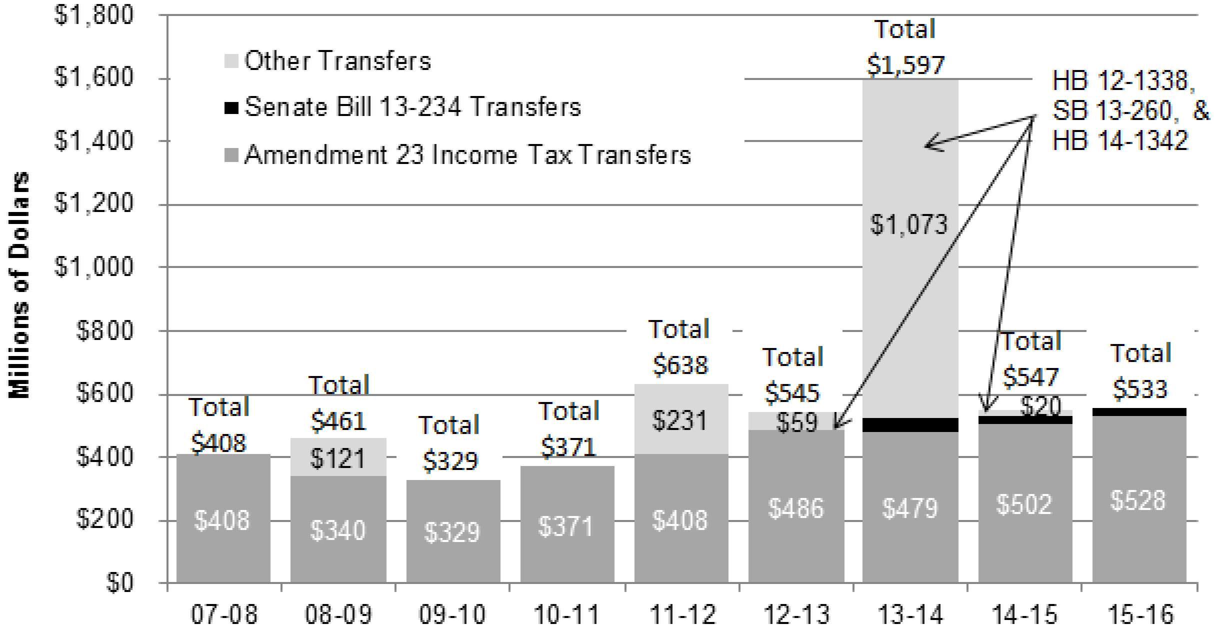
Table 4
Cash Fund Transfers /A
(Dollars in Millions)

Bill #	Cash Fund	2012-13	2013-14	2014-15	2015-16
Transfers to the General Fund					
HB 10-1325	Natural Resource Damage Recovery Fund	$0.08	$0.16	$0.16	$0.16
SB 11-225	Tobacco Litigation Settlement Funds	0.2	0.2	0.2	0.2
HB 13-1317 & SB 14-215	Marijuana Cash Fund		2.0		
SB 13-233	Repealed Health-Related Funds		0.01		
HB 14-1228	Defense Driving School Fund Balance			0.2	
SB 14-189	Controlled Maintenance Trust Fund			9.7	
SB 14-215	Marijuana Tax Cash Fund			6.3	
Subtotal: Transfers to the General Fund		***$0.3***	***$2.4***	***$16.5***	***$0.4***
Transfers from the General Fund					
HB 12-1286	Transfer for Film Incentives	$3.0			
HB 12-1315	Clean Renewable Energy Fund	1.6	1.6	1.6	1.6
HB 13-1001 & HB 14-1011	Advanced Industries Acceleration Fund		5.0		5.0
HB 13-1193	Advanced Industries Export Acceleration Fund		0.3	0.3	0.3
HB 13-1317 SB 14-215	85% of 10% Special Sales Tax Marijuana Cash Fund Marijuana Tax Cash Fund		 10.4 	 17.4	 16.8
SB 13-235	Colorado State Veterans Trust Fund		3.9		
SB 13-269	Wildfire Risk Reduction Fund		9.8		
SB 13-270	Wildfire Emergency Response Fund		0.5		
HB 14-1016 /B	Procurement Technical Assistance Cash Fund				0.2
HB 14-1276	School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Fund			0.3	
HB 14-1300	State Fair Cash Fund			0.3	
HB 14-1341	Department of State Cash Fund		2.2		
HB 14-1368	Child Welfare Transition Cash Fund			2.8	
SB 14-011	Energy Research Cash Fund			1.0	1.0
Subtotal: Transfers from the General Fund		***$4.6***	***$33.6***	***$23.7***	***$24.9***
Net Impact on the General Fund		**($4.3)**	**($31.2)**	**($7.2)**	**($24.5)**

/A Excludes transfers from the FY 2013-14 General Fund excess, which are shown in Tables 1 and 3, and Senate Bill 14-104, which diverted disputed tobacco Master Settlement Agreement payments away from the General Fund to the Tobacco Master Settlement Agreement Cash Fund.

/B This transfer is dependent on the receipt of at least $200,000 in gifts, grants, and donations by the relevant contractor.

Figure 1
Revenue to the State Education Fund
(Dollars in Millions)



Source: Colorado State Controller's Office and Legislative Council Staff.

expanded: FY 2000-01; FYs 2003-04 through 2007-08; and FYs 2011-12 through 2014-15. This average rate of growth is equal to 6.0 percent. If General Fund appropriations were increased each year by this amount, there would be $70.0 million, or 0.8 percent, more to spend in excess of the budget and required reserve during FY 2015-16 than is budgeted to be spent in FY 2014-15.

State Education Fund. The State Constitution requires the State Education Fund to receive one-third of one percent of taxable income (*see Table 3, line 32*). In addition, the General Assembly has authorized the transfer of additional moneys from the General Fund to the State Education Fund (*see Table 3, lines 10 and 20*). Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. However, additional revenue in the State Education Fund does not affect the overall flexibility of the General Fund budget. Figure 1 shows a history and forecast for these revenue sources through the end of the forecast period.

Senate Bill 09-228 transfers. Senate Bill 09-228 requires a five-year block of transfers to capital construction and transportation as soon as Colorado personal income increases by at least 5 percent in a calendar year during or after 2012. Colorado personal income is expected to increase 5.4 percent in 2014, triggering the first year of these transfers in FY 2015-16. An estimated $49.9 million, or 0.5 percent of General Fund revenue, is expected to be transferred to the Capital Construction Fund. The Highway Users Tax Fund will receive an estimated $199.6 million, or 2.0 percent of General Fund revenue.

These transfers will occur for five years unless the TABOR surplus reaches a certain level. If, during any particular year, the state incurs a TABOR surplus between 1 percent ($99.8 million in FY 2015-16) and 3 percent ($299.5 million in FY 2015-16) of General Fund revenue, these transfers will be cut in half. If the TABOR surplus is greater than 3 percent of General Fund revenue, these transfers will be eliminated. Transfers to the Highway Users Tax Fund remain at 2.0 percent of General Fund revenue for the full five years. Transfers to the Capital Construction Fund are equal to 0.5 percent of General Fund revenue for the first two years and 1.0 percent of General Fund revenue for the last three years of the five-year period.

Tax benefits dependent on sufficient General Fund revenue. Three tax benefits are only available when the Legislative Council Staff forecast indicates that General Fund revenue will be sufficient to allow General Fund appropriations to increase by at least 6 percent. Based on the current forecast, revenue will be sufficient for 6 percent appropriations growth through at least the end of the forecast period in FY 2015-16. Table 5 lists and describes the availability of these tax benefits.

Table 5
Tax Policies Dependent on Sufficient General Fund Revenue to Allow General Fund Appropriations to Increase by at Least 6 Percent

Tax Policy	Forecast that Determines Availability	Tax Policy Availability
Instream flow income tax credit	June forecast during the tax year the credit will become available.	Available in tax years 2013 and 2014. Repealed in tax year 2015.
Historic property preservation income tax credit	December forecast immediately before the tax year when the credit becomes available.	Available in tax years 2013 and 2014. Expected to be available in tax years 2015 through 2016.
Sales and use tax exemption for clean rooms	If the June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Currently available through at least June 2015. Expected to continue to be available through at least June 2016. Repealed July 1, 2018.

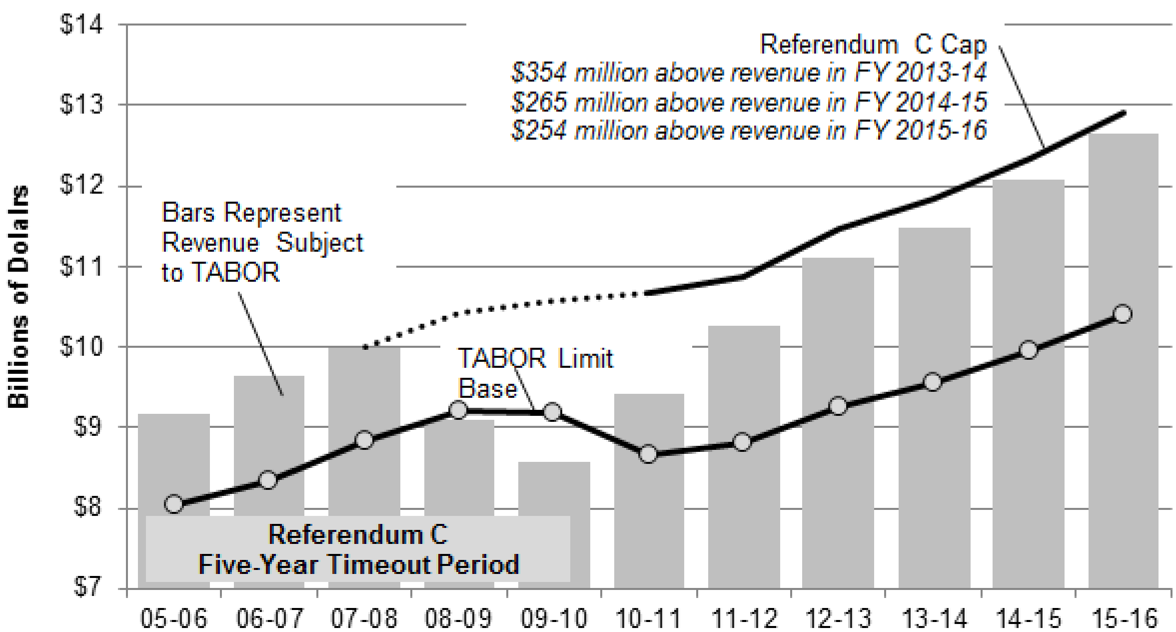
TABOR OUTLOOK

This section presents the outlook for the state's TABOR situation through FY 2015-16. Table 6 on page 16 illustrates the current status of the TABOR limit through FY 2015-16, six years after the Referendum C timeout period. Figure 2 shows a history and forecast of revenue subject to TABOR, the TABOR limit base, and the Referendum C cap.

The **Referendum C cap** will equal $11.8 billion in FY 2013-14, $12.3 billion in FY 2014-15, and $12.9 billion in FY 2015-16. Revenue subject to TABOR is expected to be $354.3 million, $264.7 million, and $254.0 million below the cap in FYs 2013-14, 2014-15, and 2015-16, respectively.

Revenue is not expected to be sufficient to produce a **TABOR refund** of money in excess of the Referendum C cap through at least FY 2015-16, the end of the forecast period. However, it is important to note that the amount by which revenue subject to TABOR is below the Referendum C cap is within normal forecasting error. Thus, should the economy and revenue grow faster than currently expected, revenue could exceed the Referendum C cap as early as FY 2014-15.

Figure 2
TABOR Revenue, the TABOR Limit Base, and the Referendum C Cap
(Dollars in Billions)



Source: Colorado State Controllers Office and Legislative Council Staff.

Although revenue subject to TABOR is not expected to exceed the Referendum C cap during the forecast period, a potential exists for a **$2.8 million TABOR election provision refund** in FY 2015-16. According to a legal analysis by the Office of Legislative Legal Services, if the FY 2014-15 revenue from the excise and special sales taxes on adult-use marijuana or fiscal year spending for the year exceed the Proposition AA Blue Book estimates for the same, the combined excess must be refunded to the taxpayers in FY 2015-16. However, the amount of the refund is capped at the total amount of the taxes actually collected for the fiscal year, and no refund is required if the state receives voter approval to keep the revenue.

State fiscal year spending is expected to exceed the Proposition AA Blue Book estimate for FY 2014-15 by $2.8 million. Meanwhile, revenue from the excise tax and special sales tax on adult-use marijuana is expected to total $30.6 million in FY 2014-15, an amount lower than the Blue Book estimate of $67.0 million. Based on these expected amounts, a refund of $2.8 million may be required during FY 2015-16. Although three mechanisms exist to refund money collected in excess of the Referendum C cap, there is no refund mechanism that applies to this situation. It should also be noted that the forecast for marijuana tax revenue is uncertain.

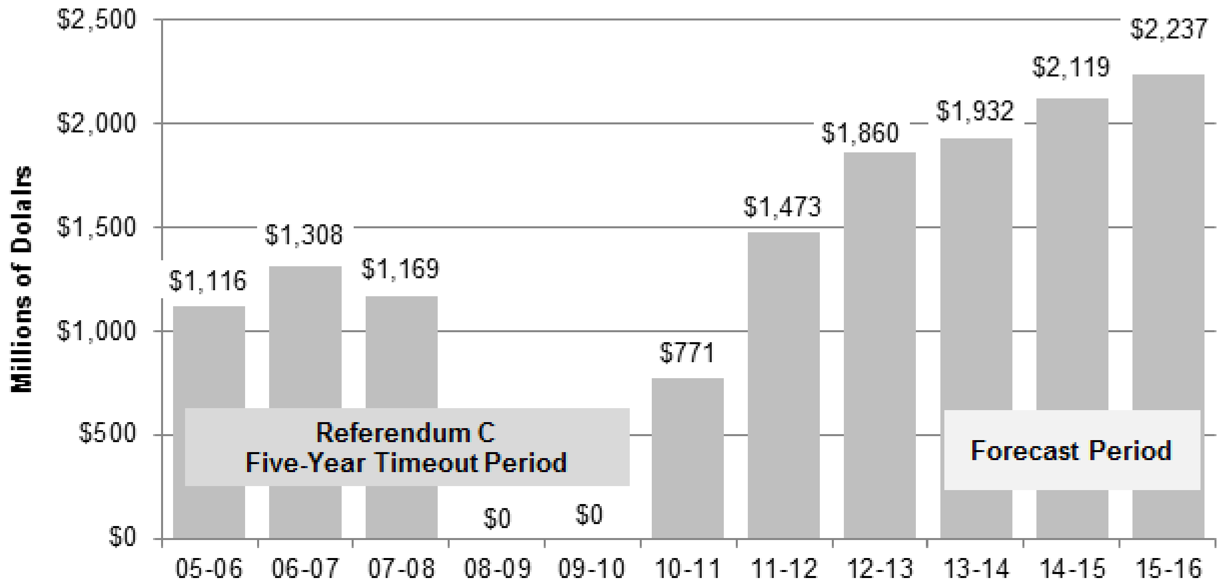
Taxpayer's Bill of Rights (TABOR) Constitutional Revenue Limit. Article X, Section 20 of the Colorado Constitution (TABOR) limits the amount of state revenue the state may retain and either spend or save. The limit is equal to the previous year's limit or revenue, whichever is lower, adjusted for inflation and population growth, plus any revenue changes approved by voters. Referendum C, approved by voters in 2005, is a voter approved revenue change that raises the limit.

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period between FY 2005-06 through FY 2009-10. Beginning in FY 2010-11, Referendum C allows the state to retain revenue collected above the TABOR limit base up to a capped amount. The cap was set to the highest total for state revenue for a fiscal year during the five-year timeout period, grown each year thereafter by inflation plus population growth. Because revenue collections peaked in FY 2007-08, that year became the starting base for the cap. The cap is adjusted annually for inflation, population growth, and changes in enterprise status exactly as the TABOR limit is adjusted. However, it is always grown from the prior year's cap, regardless of the level of revenue collected.

Revenue retained by Referendum C. Figure 3 shows the amount of money retained as a result of Referendum C. The state has retained a total of $7.7 billion since the passage of Referendum C during FYs 2005-06 through 2012-13. The state is expected to retain $1.9 billion in FY 2013-14, $2.1 billion in FY 2014-15, and $2.2 billion in FY 2015-16. State law requires this revenue to be spent on public kindergarten through twelfth grade education, higher education, health care, local fire and police pensions, and transportation projects.

TABOR Refund Mechanisms. TABOR requires that any revenue collected above the Referendum C Cap be refunded to taxpayers. Current law contains three refund mechanisms: the six-tier sales tax refund, the Earned Income Tax Credit, and a temporary income tax rate reduction from 4.63 percent to 4.50 percent. The size of the TABOR refund determines which refund mechanisms are available each year. For more information, please see the June 20, 2014, Legislative Council Staff Issue Brief 14-03B, titled "TABOR Refund Mechanisms."

Figure 3
History and Projections of Revenue Retained by Referendum C
(Dollars in Millions)



Source: Colorado State Controller's Office and Legislative Council Staff.

Table 6
June 2014 TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

		Actual FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16
	TABOR Revenue:				
1	General Fund /A	$8,561.8	$8,836.1	$9,406.9	$9,941.6
2	Cash Funds	2,545.6	2,648.0	2,675.9	2,707.5
3	**Total TABOR Revenue**	**$11,107.3**	**$11,484.1**	**$12,082.8**	**$12,649.09**
	Revenue Limit				
4	Allowable TABOR Growth Rate	5.4%	3.3%	4.3%	4.5%
5	Inflation (from prior calendar year)	3.7%	1.9%	2.8%	2.8%
6	Population Growth (from prior calendar year)	1.7%	1.4%	1.5%	1.7%
7	TABOR Limit Base	$9,247.5	$9,552.6	$9,963.4	$10,411.7
8	Voter Approved Revenue Change (Referendum C)	$1,859.9	$1,931.5	$2,119.4	$2,237.3
9	Total TABOR Limit / Referendum C Cap	$11,460.2	$11,838.4	$12,347.5	$12,903.1
10	TABOR Revenue Above (Below) Referendum C Cap	**($352.9)**	**($354.3)**	**($264.7)**	**($254.0)**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C /B	$1,859.9	$1,931.5	$2,119.4	$2,237.3
12	**Total Available Revenue**	**$11,107.3**	**$11,484.1**	**$12,082.8**	**$12,649.1**
13	Revenue To Be Refunded to Taxpayers	$0.0	$0.0	/C	$0.0
14	TABOR Reserve Requirement	$333.2	$344.5	$362.5	$379.5

Totals may not sum due to rounding.

/A These figures differ from the General Fund revenues reported in other tables because they net out revenue that is already in the cash funds to avoid double counting and include transfers of revenue from TABOR enterprises into TABOR district boundaries.

/B Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget and the General Fund overview.

/C An estimated $2.8 million may need to be refunded in FY 2015-16 from FY 2014-15 revenue as a result of the TABOR election reporting requirements of Proposition AA. Current expectation for state fiscal year spending exceeds the amount reported in the 2013 Blue Book by $2.8 million. Expectations for new tax revenue do not exceed those published in the Blue Book.

GENERAL FUND REVENUE

Table 8 on Page 22 illustrates General Fund revenue collections for FY 2012-13 and projections for FY 2013-14 through 2015-16. Table 7 on page 19 lists 2014 legislation affecting General Fund revenue for which the forecast was adjusted. Total legislative changes will reduce General Fund revenue by $3.8 million, $11.1 million, and $13.8 million, respectively, for FY 2013-14, FY 2014-15, and FY 2015-16.

General Fund revenue continues to grow amidst gains in employment, wages and wealth. General Fund revenue will total $8.9 billion in FY 2013-14, up 3.7 percent from the previous year. Individual income taxes, the largest source of revenue to the General Fund, will grow despite a significant amount of revenue shifted into the previous year due to changes in federal income tax policies. Revenue from sales taxes will increase 6.9 percent and corporate income taxes will grow 13.6 percent. In FY 2014 -15, General Fund revenue will grow 6.5 percent, before increasing another 5.7 percent in FY 2015-16 to almost $10 billion.

Compared with the March forecast, expectations for General Fund revenue were reduced by $135.3 million, or 1.5 percent, for FY 2013-14, and by $181.6 million and $138.8 million, respectively, for FYs 2014-15 and 2015 -16. The lower expectations do not imply a weakening of the overall economy, but are due to slower growth in income taxes than previously anticipated.

Sales taxes. As shown in Figure 4, sales tax collections are growing at a healthy rate. Revenue from sales taxes will continue to improve in the current fiscal year and through the forecast period as improving labor and housing markets support retail sales. In addition, several large one-time sales tax refunds that were issued in FY 2012-13 will not reoccur, contributing to stronger growth in FY 2013-14. Higher consumer spending, particularly from home furnishing and auto sales, is expected to drive growth in sales taxes collections of 5.7 percent and 6.5 percent in FY 2014-15 and FY 2015-16, respectively.

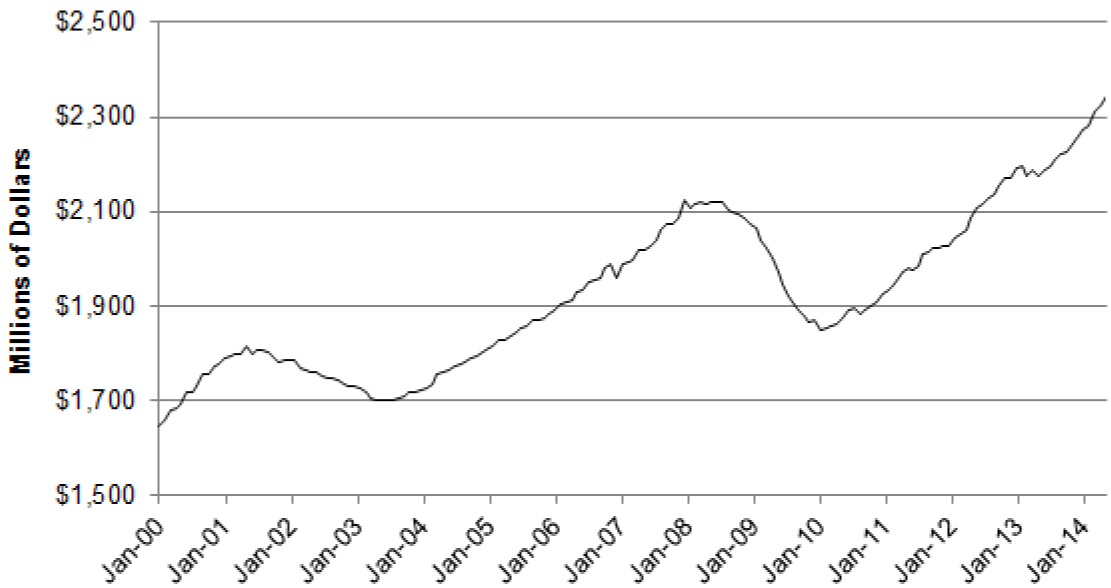
The sales tax forecast was revised upward by $23.7 million, $10.2 million, and $22.7 million for FYs 2013-14, 2014-15, and 2015-16, respectively, relative to expectation in March.

Use taxes. After increasing 21.0 percent in FY 2012-13, use tax collections will decline 1.0 percent to $240.2 million in FY 2013-14. Use tax collections are expected to increase 9.7 percent in FY 2014-15 to $263.5 million, which represents a revision of $13.2 million above the March forecast.

Individual income taxes. Receipts from the state's largest source of tax revenue totaled just under $5.6 billion in FY 2012-13, 11.7 percent higher than the previous year. Revenue gains were aided by federal tax changes that increased taxable income and caused many taxpayers to shift income from tax year 2013 to tax year 2012. Businesses paid dividends and bonuses earlier, and many taxpayers cashed out capital gains in advance of the capital gains tax increase on January 1, 2013.

Compared with the December forecast, expectations for individual income tax revenue were reduced by $156.0 million, or 2.7 percent, for FY 2013-14. The lower expectations do not signal a weakening in the economy. Withholding collections, a good indicator of the overall strength of the economy, came in higher than expected in March. The downward revision is due to slower growth from estimated payments and

Figure 4
Colorado State Sales Tax Revenue



Source: Colorado Department of Revenue.
Cash-accounting basis. Data through May 2014.

cash with returns than previously anticipated. Federal tax changes that became effective in 2013 caused taxpayers to shift income from tax year 2013 to tax year 2012 to minimize their federal tax liability. As a result, individual income tax revenue declined 4 percent in the first four months of calendar year 2014 compared with the same period one year ago. Figure 5, which shows annualized individual income tax revenue over the last two business cycles, illustrates this strong growth in 2012, followed by slower growth in 2013 and 2014. The effects from federal tax policy changes in 2012 should lessen collections moving forward. However, the reduced growth in FY 2013-14 resulted in downward revisions for the last two years of the forecast.

Individual income taxes are expected to grow by almost one percent in FY 2013-14. Improving labor market conditions, a rising stock market, and the continual recovery in the real estate market have all supported higher collections from income taxes. Individual income tax revenue will increase 6.3 percent in FY 2014-15 and 5.9 percent in FY 2014-15 as the economy continues to recover.

Table 7 shows major legislation passed in 2014 that will affect income taxes. The forecast for income tax revenue was adjusted downward by a total of $3.8 million in FY 2013-14, $16.6 million in FY2014-15 and $19.4 million in FY 2015-16 for these bills.

Corporate Income Taxes. Corporate profits are expected to continue to grow in the next several years, although at a slower pace than previously anticipated. With labor market conditions slowly improving, corporations are expected to begin facing pressures to raise wages and salaries. Coupled with stagnant or declining productivity growth, profit margins will be adversely affected.

In FY 2012-13, corporate income taxes increased 30.8 percent, reflecting a rebound in economic activity in the state. In FY 2013-14, corporate income tax collections are projected to increase 13.6 percent, totaling $722.9 million. In the following two years, corporate income taxes are expected to continue to grow, increasing 11.2 percent and 0.6 percent, respectively. Despite year-over-year growth, this forecast represents a downward revision

Table 7
Major 2014 Legislation Affecting General Fund Revenue
Millions of Dollars

		2013-14	2014-15	2015-16
Sales and Use Tax				
HB14-1326	Tax Incentives for Alternative Fuel Trucks		6.6	6.8
HB14-1178	Sales & Use Tax Exemption for Space Flight Property		(0.07)	(0.08)
HB14-1327	Broadband Deployment		(1.0)	(1.0)
HB14-1159	Biogas System Components Sales & Use Tax Exemption /A			
HB14-1269	Marketplace Fairness & Small Business Protection /B			
HB14-1350	Modifications to Regional Tourism Act /B			
HB14-1374	On-Demand Air Carrier Sales and Use Tax Exemption /C			
Total: Sales and Use Tax			*5.5*	*5.7*
Income Tax				
HB14-1072	Income Tax Credit for Child Care Expenses	(2.1)	(5.3)	(11.5)
SB14-073	Brownfield Contaminated Land Income Tax Credit	(1.5)	(3.0)	(3.0)
HB14-1012	Advanced Industry Investment Income Tax Credit	(0.2)	(0.6)	(0.8)
HB14-1014	Modify Job Growth Incentive Tax Credit	(0.001)	(0.022)	(0.121)
HB14-1017	Expand Availability of Affordable Housing	-	-	(1.5)
HB 14-1101	Community Solar Garden Business Personal Property Tax Exemption	-	-	0.0
HB14-1119	Tax Credit for Donating Food to Charitable Organization	-	(0.1)	(0.2)
HB14-1003	Nonresident Disaster Relief Worker Tax Exemption /C			
HB14-1279	Income Tax Credit for Business Personal Property	-	(2.6)	(5.3)
HB14-1311	Job Creation and Main Street Revitalization Act	-	-	(2.5)
HB14-1326	Tax Incentives for Alternative Fuel Trucks	-	(5.1)	(5.6)
HB14-1163	Clarify Enterprise Zone Investment Tax Credit Cap /D	-	6.4	14.5
Total: Income Tax		*(3.8)*	*(16.6)*	*(19.4)*
Total Sales, Use, and Income Tax		**(3.8)**	**(11.1)**	**(13.8)**

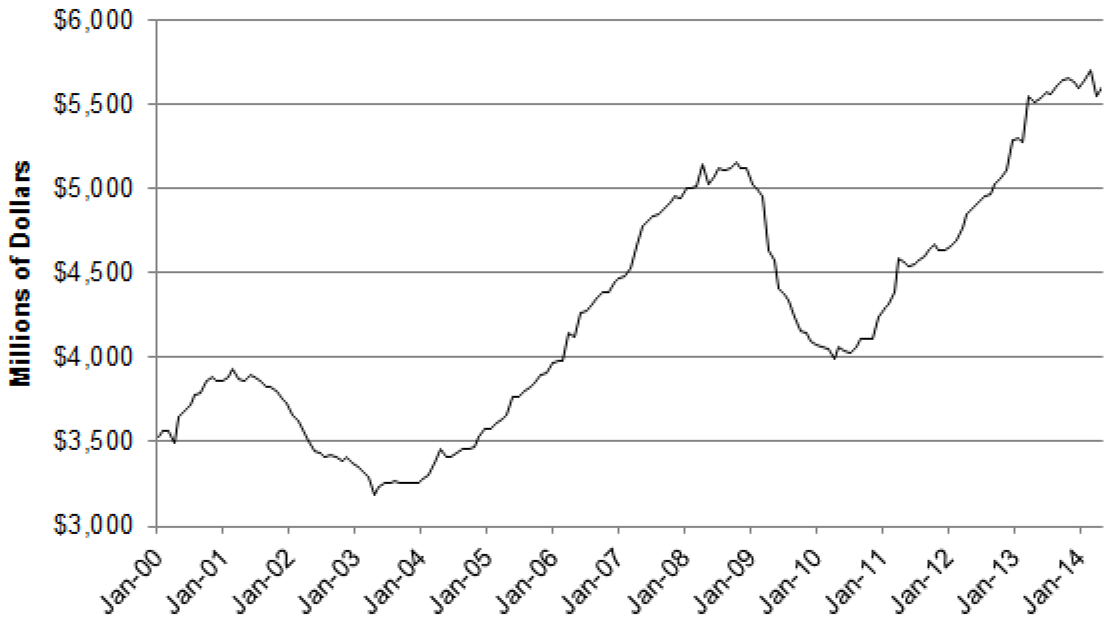
/A Reduction between $0 and $300,000 per year beginning in FY 2014-15.

/B Indeterminate revenue increase beginning in FY 2014-15.

/C Potential revenue decrease beginning in FY 2014-15.

/D The June 2014 forecast was not adjusted for HB14-1163 because its impact is already accounted for by adjustments made for House Bill 13-1142.

Figure 5
Colorado Individual Income Taxes
Annualized Data



Source: Colorado Department of Revenue.
Cash-accounting basis. Data through May 2014.

compared with March. Based on year-to-date collections through May, the corporate income tax forecast was reduced by about $29 million in FY 2013-14. In the following two years, the forecast was reduced by $54 million and $33 million, respectively, because of a slightly more pessimistic outlook for corporate profits.

Revenue growth will also be dampened by pent-up demand for a corporate income tax incentive that was capped during tax years 2011, 2012, and 2013. HB 10-1199 capped the amount of net operating losses a company could carry forward to $250,000. Corporations were allowed to carry forward whatever portion of this incentive they were unable to claim and begin claiming them in tax year 2014, subject to available tax liability.

Figure 6 shows total corporate income revenue for Colorado from January 2000 to May 2014. As the figure shows, corporate income tax revenue growth has slowed since mid 2013.

More recently, several bills adopted during the last legislative session will also impact corporate income taxes. Table 7 shows the estimated fiscal impact of these bills on income taxes deposited into the General Fund. Because businesses may file either individual or corporate income tax returns, depending on their organizational structure, this forecast has adjusted individual income taxes to account of the fiscal impact of these bills as opposed to adjusting corporate income taxes.

Finally, some federal tax breaks expired at the end of tax year 2013, which will exert a positive impact on corporate income taxes at the state level. In particular, bonus depreciation and increased expensing limits both expired at the end of 2013. These federal tax law changes are partly responsible for the relatively strong growth in corporate income taxes in FY 2014-15.

Figure 6
Colorado Corporate Income Taxes
Annualized Data

Source: Colorado Department of Revenue.
Cash-accounting basis. Data through May 2014.

Table 8

June 2014 General Fund Revenue Estimates

(Dollars in Millions)

	Category	Actual FY 2012-13	Percent Change	Estimate FY 2013-14	Percent Change	Estimate FY 2014-15	Percent Change	Estimate FY 2015-16	Percent Change
1	Sales	$2,211.7	5.7	$2,363.4	6.9	$2,497.0	5.7	$2,659.1	6.5
2	Use	242.7	21.0	240.2	-1.0	263.5	9.7	288.2	9.3
3	Cigarette	38.3	-3.1	37.1	-3.1	35.6	-4.0	34.1	-4.2
4	Tobacco Products	15.6	-2.9	16.9	8.7	17.4	2.8	17.9	3.1
5	Liquor	39.2	2.2	40.6	3.6	41.4	1.9	42.6	2.8
6	TOTAL EXCISE	$2,547.5	6.7	$2,698.3	5.9	$2,855.0	5.8	$3,041.9	6.5
7	Net Individual Income	$5,596.3	11.7	$5,646.5	0.9	$6,002.5	6.3	$6,354.1	5.9
8	Net Corporate Income	636.3	30.8	722.9	13.6	804.2	11.2	808.6	0.6
9	TOTAL INCOME TAXES	$6,232.6	13.4	$6,369.4	2.2	$6,806.7	6.9	$7,162.7	5.2
10	Less: Portion diverted to the SEF	-486.3	19.3	-478.8	-1.6	-502.0	4.9	-527.7	5.1
11	INCOME TAXES TO GENERAL FUND	$5,746.2	12.9	$5,890.6	2.5	$6,304.6	7.0	$6,635.0	5.2
12	Insurance	210.4	6.7	228.2	8.4	234.1	2.6	241.8	3.3
13	Pari-Mutuel	0.7	10.3	0.5	-28.0	0.4	-9.5	0.4	-7.0
14	Investment Income	17.4	28.6	16.4	-5.8	20.1	22.6	28.4	41.2
15	Court Receipts	2.3	-9.0	2.6	12.5	2.7	4.0	2.9	5.5
16	Gaming	12.1	-0.4	11.6	-4.0	12.1	4.4	12.2	0.4
17	Other Income	18.1	-21.6	20.5	13.0	19.1	-6.6	19.6	2.5
18	TOTAL OTHER	$261.1	1.3	$279.8	7.2	$288.6	3.2	$305.3	5.8
19	**GROSS GENERAL FUND**	**$8,554.8**	**10.6**	**$8,868.7**	**3.7**	**$9,448.2**	**6.5**	**$9,982.2**	**5.7**

Totals may not sum due to rounding. NA = not applicable. NE = not estimated.
SEF = State Education Fund.

CASH FUND REVENUE

Table 9 summarizes the forecast for revenue to cash funds subject to TABOR. The largest sources of this revenue are fuel taxes and other transportation-related revenue, the hospital provider fee, severance taxes, and gaming taxes. The end of this section also presents the forecasts for federal mineral leasing and unemployment insurance revenue, as well as the recently approved marijuana sales and excise tax revenue. These forecasts are presented separately because they are not subject to TABOR restrictions.

Cash fund revenue subject to TABOR is expected to increase slightly from $2.55 billion in FY 2012-13 to $2.65 billion in FY 2013-14. Increases in transportation-related cash funds, severance tax collections, regulatory agencies cash funds, other cash funds, and capital construction-related funds were mostly offset by projected decreases in hospital provider fee revenue, gaming revenue, and insurance-related cash funds. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add another $15.2 million to cash fund revenue subject to TABOR in FY 2013-14. Total cash fund revenue subject to TABOR will increase 1.1 percent to $2.68 billion in FY 2014-15, as severance tax revenue is projected to continue to climb with increased oil and gas activity.

Revenue to ***transportation-related*** cash funds continues to grow relative to last year in two key areas: fuel tax revenue and local grants to the State Highway Fund. Transportation revenue subject to TABOR is forecast at $1,134.8 million for FY 2013-14, a 3.3 percent increase over FY 2012-13. This total is up slightly from the March forecast. Growth is expected to slow during the next two years as growth in fuel tax revenue collections slows. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 10 on page 25.

Total revenue to the *Highway Users Tax Fund* (HUTF) is expected to reach $969.7 million in FY 2013-14, an increase of 3.6 percent over the previous year. Revenue is projected at $970.5 million in FY 2014-15 and $982.3 million in FY 2015-16. Growth in HUTF revenue during the current fiscal year is driven by the excise tax on motor fuels and special fuels, which represents the largest share of HUTF revenue collections. Fuel tax collections between July 2013 and April 2014 grew $16.6 million, or 3.6 percent, relative to the same period a year earlier. Higher collections are likely due to increased fuel purchases attributable to a strengthening economy and stable gas prices.

Registration fees, comprised of motor vehicle registration fees, the road safety surcharge, and late registration fees, are forecast at $336.4 million in FY 2013-14, an increase of 2.8 percent. The state's expanding population is expected to drive increased revenue from vehicle registrations over the duration of the forecast period.

A relatively small portion of the *State Highway Fund (SHF)* balance comes from revenue subject to TABOR. The largest sources of TABOR revenue to the SHF are local government grants and interest earnings on the fund balance, both of which are difficult to forecast. Over the first ten months of the current fiscal year, local government grants to the SHF increased $8.4 million, or 64.8 percent. Because of the volatile history of local government grants to the SHF, this forecast assumes that grant revenue will not continue to grow at this high rate. Driven by strong growth in the first half of the fiscal year, SHF revenue subject to TABOR is estimated to increase 22.8 percent in FY 2013-14. The forecast includes the assumption that 80 percent of the first statutory transfer required by

Table 9
June 2014 Cash Fund Revenue Subject to TABOR Estimates
(Dollars in Millions)

	Actual FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR *
Transportation-Related	**$1,098.6**	**$1,134.8**	**$1,141.2**	**$1,156.9**	
% Change	-1.0%	3.3%	0.6%	1.4%	**1.7%**
Hospital Provider Fee	**$652.6**	**$568.8**	**$532.3**	**$526.8**	
% Change	11.3%	-12.8%	-6.4%	-1.0%	**-6.9%**
Severance Tax	**$138.6**	**$258.9**	**$279.9**	**$270.8**	
% Change	-33.3%	86.8%	8.1%	-3.2%	**25.0%**
Gaming Revenue /A	**$98.1**	**$97.2**	**$98.5**	**$98.8**	
% Change	2.6%	-0.9%	1.3%	0.3%	**0.2%**
Insurance-Related	**$26.4**	**$20.0**	**$20.6**	**$21.2**	
% Change	16.6%	-24.1%	2.9%	3.0%	**-7.0%**
Regulatory Agencies	**$65.0**	**$73.5**	**$78.0**	**$78.8**	
% Change	0.1%	13.0%	6.2%	1.1%	**6.6%**
Capital Construction Related - Interest /B	**$1.0**	**$1.7**	**$2.9**	**$2.2**	
% Change	-11.1%	69.9%	72.1%	-25.2%	**29.8%**
2.9% Sales Tax on Marijuana /C		**$15.2**	**$17.3**	**$17.0**	
% Change			14.2%	-2.0%	**5.8%**
Other Cash Funds	**$465.2**	**$493.1**	**$522.6**	**$552.1**	
% Change	-1.6%	6.0%	6.0%	5.6%	**5.9%**
Total Cash Fund Revenue	**$2,545.6**	**$2,648.0**	**$2,675.9**	**$2,707.5**	
Subject to the TABOR Limit	-0.6%	4.0%	1.1%	1.2%	**2.1%**

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

/A Gaming revenue in this table does not include revenue from Amendment 50, which expanded gaming limits, because it is not subject to TABOR.
/B Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from the Canteen Fund into TABOR.

/C Includes revenue from the 2.9 percent sales tax subject to TABOR on medical and retail marijuana.

Table 10
Transportation Funds Revenue Forecast by Source, June 2014
(Dollars in Millions)

	Final FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor Fuel and Special Fuel Taxes	$552.2	$573.4	$566.2	$569.9	1.1%
% Change	-0.9%	3.8%	-1.3%	0.7%	
Total Registrations	$327.3	$336.4	$342.2	$348.8	2.1%
% Change	0.2%	2.8%	1.7%	1.9%	
Registrations	*$192.9*	*$198.3*	*$201.9*	*$205.9*	
Road Safety Surcharge	*$117.1*	*$120.8*	*$122.9*	*$125.4*	
Late Registration Fees	*$17.3*	*$17.4*	*$17.4*	*$17.5*	
Other HUTF Receipts /A	$56.5	$59.9	$62.1	$63.6	4.0%
% Change	-2.5%	5.9%	3.8%	2.4%	
Total HUTF	**$936.2**	**$969.7**	**$970.5**	**$982.3**	1.0%
% Change	-0.6%	3.6%	0.1%	1.2%	
State Highway Fund /B	$41.3	$50.7	$52.9	$53.3	8.9%
% Change	-22.3%	22.8%	4.4%	0.7%	
Other Transportation Funds	$121.2	$114.4	$117.8	$121.3	0.0%
% Change	5.8%	-5.6%	2.9%	3.0%	
Aviation Fund /C	*$44.9*	*$38.2*	*$39.3*	*$40.5*	
Law-Enforcement-Related /D	*$11.1*	*$11.1*	*$11.1*	*$11.1*	
Registration-Related /E	*$65.2*	*$65.2*	*$67.4*	*$69.7*	
Total Transportation Funds	**$1,098.6**	**$1,134.8**	**$1,141.2**	**$1,156.9**	1.7%
% Change	-1.0%	3.3%	0.6%	1.4%	

Totals may not sum due to rounding.
**CAAGR: Compound Average Annual Growth Rate.*

/A Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

/B Includes only SHF revenue subject to Article X of the Colorado Constitution (TABOR).

/C Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

/D Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

/E Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and P.O.S.T. board registration fees.

Addendum: TABOR-Exempt FASTER Revenue

	Final FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16
Bridge Safety Surcharge	$97.3	$100.0	$101.8	$102.3
% Change	1.5%	2.8%	1.8%	0.5%

Note: Revenue to the Statewide Bridge Enterprise from the bridge safety surcharge is TABOR-exempt and therefore not included in the table above. It is included as an addendum for informational purposes.

Senate Bill 09-228 will be deposited in the SHF via the HUTF on April 15, 2016, increasing the amount of interest earnings to the SHF in the final months of FY 2015-16.

The Colorado Department of Transportation (CDOT) reports that emergency-related federal assistance to the SHF will reach approximately $89 million in FY 2013-14, and is expected to be $100 million and $60 million in FY 2014-15 and FY 2015-16, respectively. Federal transportation assistance to the state has increased because of infrastructure damage suffered as a result of the fall floods. This revenue is exempt from TABOR and is not included in the forecast. Future receipts of federal transportation funding assume that Congress will act to stabilize the Highway Trust Fund, which contributes $50 billion to transportation projects annually and is projected to run dry late this summer.

Other transportation revenue is expected to decline 5.6 percent to $114.4 million in FY 2013-14, the result of a large one-time transfer of sales tax revenue to the Aviation Fund in FY 2012-13. Other transportation revenue is expected to increase 2.9 percent in FY 2014-15 and 3.0 percent in 2015-16.

Revenues generated from the *Bridge Safety Surcharge* are expected to reach $100.0 million in FY 2013-14, $101.8 million in FY 2014-15, and $102.3 million in FY 2015-16. Revenue from the fee is exempt from TABOR (see Addendum to Table 10).

The ***Hospital Provider Fee (HPF)*** is expected to generate $568.8 million in FY 2013-14, down from $652.6 million in the previous fiscal year. This projected total is essentially unchanged from the March forecast. The downward trend in fee collections is projected to continue with revenues falling to $532.3 million in FY 2014-15 and $526.8 million in FY 2015-16. Projected HPF revenues continue to decline as a result of **Senate Bill 13-200**, which allows the state to collect additional federal Medicaid funds following the implementation of the Patient Protection and Affordable Care Act. Under the new law, HPF revenues will decline during the forecast period as a portion of Colorado's healthcare burden shifts from the state government to the federal government.

Total **severance tax** revenue, including interest earnings, is projected to be $258.9 million in FY 2013-14, an upward revision of 24.2 percent from the March forecast. The revision is primarily due to higher than anticipated collections to date. Relative to the March forecast, projected coal receipts for FY 13-14 increased minimally, while projected molybdenum and metallic mineral receipts were slightly lower. In FY 2014-15, total severance tax collections are projected to increase 8.1 percent to $279.9 million, representing a 4.0 percent increase from the March forecast. The increase is the result of increased oil and natural gas price expectations for 2014. In FY 2015-16, collections are projected to fall to $270.8. The decline is the result of a projected increase in ad valorem tax credits.

Although the price of natural gas has been the largest determinant of state severance tax collections over the last decade, the industry has changed. Oil production increased rapidly over this period, while growth in natural gas production slowed and actually declined in 2013. Colorado oil and natural gas production were roughly equivalent in terms of overall production value in 2013, and it is possible that the value of oil production may surpass the value of natural gas production in 2014.

Oil prices declined moderately in the end of 2013, but they have rebounded this spring with local prices around $95 per barrel in May. Oil prices are expected to continue rising through the rest of 2014, and gradually increase over the remainder of the forecast period on an annual average basis. Colorado oil drilling activity has remained strong, especially in Weld County. The county is now responsible for over 80 percent of the state's oil production, and monthly production averaged over 4.3 million barrels in 2013. Many new wells have been completed, and in the first year of production, there is not an ad valorem tax credit to offset the severance tax liability. This forecast assumes oil production in Weld County and the broader Niobrara formation will continue to increase throughout the forecast period.

Daily natural gas prices spiked several times during the winter, including a few days over $8.00 per Mcf (thousand cubic feet). Regional prices were also extremely volatile during the winter, but the warmer temperatures of spring and summer have brought lower prices and more price stability. As of the first week in June, prices at regional hubs were around $4.50 per Mcf. Relative price stability is projected to continue at these levels through the remainder of 2014. For FY 2013-14, oil and gas severance tax collections are expected to total $240.2 million. Collections will then rise to 259.8 million in FY 2014-15 before falling to 250.8 million in FY 2015-16 due to an increase in the ad valorem tax credits taken by operators.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas. Relative to the March forecast, June's projected coal severance tax for FY 2013-14 was slightly increased. Colorado coal production decreased 13 percent in the first four months of 2014 compared with the same period in 2013. Of Colorado's top eight producing mines, only two increased production in the first four months of 2014 compared with the same period in 2013, and three had production declines of between 10 and 35 percent. The Elk Creek mine in Gunnison County remains closed until further notice. The market is soft as electric utilities continue to transition from coal to natural gas. In FY 2014-15 and FY 2015-16, collections are expected to drop to $7.1 million and $6.6 million, respectively, essentially unchanged from the March forecast.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. This component is expected to total $2.6 million annually over the three-year forecast period.

Finally, projected interest earnings for FY 2013-14 have been revised upward from the March forecast to $8.6 million. Over the remainder of the forecast period, interest earnings are expected to rise to $10.5 million in FY 2014-15 and $10.9 million in FY 2015-16.

Gaming tax revenue includes limited gaming taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. Table 11 summarizes the forecast for gaming revenue and its distribution, both subject to and exempt from TABOR.

Gaming tax revenue increased $1.4 million, or 1.7 percent, through April 2014 compared with the same period in FY 2012-13. Growth stalled in the fall as floods blocked highways used to access casinos in Gilpin County. However, gaming taxes rebounded over the past six months, with revenue growing 5.1 percent between November and April compared with the same period in FY 2012-13. Total gaming tax revenue is projected to reach $104.0 million in FY 2013-14, a decline of 0.1 percent from the previous fiscal year. Gaming tax revenues will grow in FY 2014-15 and FY 2015-16 as casinos build capacity and consumers spend more money.

Table 11 also shows the distribution of tax revenues collected from limited gaming subject to TABOR, as well as from extended limited gaming authorized by Amendment 50. Revenue from extended limited gaming is distributed to community colleges and local governments in the five gaming communities: Gilpin and Teller counties, Black Hawk, Central City, and Cripple Creek. Amendment 50 distributions will total $9.6 million in FY 2013-14 and $9.7 million in FY 2014-15. Community colleges will receive $6.6 million in gaming tax revenue in FY 2013-14 and are expected to receive a similar amount annually through the remainder of the forecast period.

Under legislation passed to implement Amendment 50, a set amount of gaming revenue adjusted from the amount collected in FY 2008-09 is considered "*Pre-Amendment 50*" revenue and is subject to TABOR. Total

Table 11
June 2014 Gaming Revenue and Distributions
(Dollars in Millions)

	Final FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16
Gaming Revenue				
Gaming Taxes				
Pre-Amendment 50 *(Subject to TABOR)*	94.5	94.4	95.7	96.1
Amendment 50 Revenue *(TABOR Exempt)*	9.6	9.6	9.7	9.8
Total Gaming Taxes	**$104.1**	**$104.0**	**$105.4**	**$105.9**
Fees and Interest Earnings *(Subject to TABOR)*				
To Limited Gaming Fund	1.4	0.6	1.2	1.2
To State Historical Fund	2.2	1.9	1.5	1.4
Total Gaming Revenue	**$107.71**	**$106.44**	**$108.21**	**$108.52**
% change	**2.0%**	**-1.2%**	**1.7%**	**0.3%**
Total Gaming Revenue Subject to TABOR	$98.1	$96.9	$98.5	$98.8
Distributions of Gaming Tax Revenue /A				
Amendment 50 Distributions				
Community Colleges	6.5	6.6	6.7	6.7
Gaming Counties and Cities	1.8	1.9	1.9	1.9
Amendment 50 Administrative Expenses	1.3	1.1	1.1	1.1
Total Amendment 50 Distributions	**$9.6**	**$9.6**	**$9.7**	**$9.8**
Pre-Amendment 50 Distributions				
State Historical Fund	23.6	23.3	23.6	23.6
Gaming Counties	10.1	10.0	10.1	10.1
Gaming Cities	8.4	8.3	8.4	8.4
General Fund	12.1	11.6	12.1	12.2
Economic Development Programs	30.1	30.0	30.0	30.0
Pre-Amendment 50 Administrative Expenses	10.1	11.2	11.5	11.8
Total Amendment 50 Distributions	**$94.5**	**$94.4**	**$95.7**	**$96.1**
Total Gaming Distributions	**$104.1**	**$104.0**	**$105.4**	**$105.9**

/A Distributions are made from gaming tax revenue, not total gaming revenue.

Pre-Amendment 50 distributions are expected to decline to $94.4 million in FY 2013-14 before rebounding the following year. After administrative expenses are paid, half of the remaining revenue is distributed to the State Historical Fund and local governments in the five gaming communities. The other half is set aside for appropriation at the discretion of the General Assembly, which established the current distribution in **Senate Bill 13-133**. Under this legislation, $30.0 million will be set aside annually to fund various economic development programs, including the Travel and Tourism Promotion Fund, the Advanced Industries Acceleration Fund, and the Creative Industries Cash Fund. Of this amount, $5.0 million is appropriated to the Local Government Limited Gaming Impact Fund, which provides financial assistance to local governments to offset documented gaming impacts and is used to combat gambling addiction. The remaining portion of the state share is transferred to the General Fund at the end of each fiscal year.

Table 12 presents total tax revenue forecasts for medical and adult-use ***marijuana*** sales, including revenue subject to and exempt from TABOR. Total tax revenue from marijuana sales is projected to be $31.1 million in FY 2013-14, $47.9 million in FY 2014-15, and $47.4 million in FY 2015-16. These totals include revenue from the 2.9 percent sales tax on medical and adult-use marijuana subject to TABOR, which is expected to be $15.2 million, $17.3 million, and $17.0 million over these three fiscal years. The 10 percent sales tax and 15 percent excise tax on the sale of marijuana was approved by voters and is thus exempt from TABOR. Over the three-year forecast period, this revenue is expected to total $15.9 million, $30.6 million, and $30.4 million, respectively.

Compared with the March forecast, marijuana tax revenue is expected to be $8.9 million lower in FY 2013-14 and $29.2 million lower in FY 2014-15. The forecast was lowered based on actual tax revenue collected for sales that occurred between January and April 2014. Revenue has grown each month, but initial demand did not meet expectations that were built into the previous estimates. One reason that revenue has lagged behind earlier estimates is that medical marijuana users have not converted to the adult-use market. Both the sales of medical marijuana and the number of red card holders have increased since January, when adult-use marijuana dispensaries opened.

The marijuana revenue forecast is based on only four months of data. This is

Table 12
Tax Revenue from the Marijuana Industry
(Millions of Dollars)

	FY 2013-14	FY 2014-15	FY 2015-16
Total Taxes on Marijuana	**$31.1**	**$47.9**	**$47.4**
2.9% Sales Tax on Medical Marijuana	$11.6	$11.3	$11.3
2.9% Sales Tax on Adult-Use Marijuana	$3.6	$6.0	$5.7
Taxes Subject to TABOR	**$15.2**	**$17.3**	**$17.0**
15% Excise Tax	$3.6	$10.1	$10.6
State Share of 10% Special Sales Tax	$10.4	$17.4	$16.8
Local Share of 10% Special Sales Tax	$1.8	$3.1	$3.0
Total 10% Sales Tax	$12.2	$20.5	$19.8
Proposition AA Taxes	**$15.9**	**$30.6**	**$30.4**

Table 13
Federal Mining Leasing Revenue Distributions
(Dollars in Millions)

Fiscal Year	June 2014 Forecast	Percent Change	March 2014 Forecast	Percent Change from Last Forecast
FY 2001-02	$44.6		$44.6	
FY 2002-03	$50.0	12.1%	$50.0	
FY 2003-04	$79.4	58.7%	$79.4	
FY 2004-05	$101.0	27.2%	$101.0	
FY 2005-06	$143.4	41.9%	$143.4	
FY 2006-07	$123.0	-14.3%	$123.0	
FY 2007-08	$153.6	25.0%	$153.6	
FY 2008-09	$227.3	47.9%	$227.3	
FY 2009-10	$122.5	-46.1%	$122.5	
FY 2010-11	$149.5	22.0%	$149.5	
FY 2011-12	$165.0	10.4%	$165.0	
FY 2012-13	$120.8	-26.8%	$120.8	
FY 2013-14	$172.8	43.1%	$153.2	12.8%
FY 2014-15	$180.0	4.1%	$174.2	3.3%
FY 2015-16	$184.1	6.5%	$182.5	0.9%

Note: FML distributions are federal funds and therefore not subject to TABOR.

more information than was available for the March forecast, but is still insufficient for reliable forecasting purposes. There will likely be changes in the price and consumption of marijuana as the adult-use market matures.

The first $40 million of the excise tax revenue will go to the BEST program, which funds K-12 education infrastructure. Beginning in FY 2014-15, all remaining marijuana tax revenue will be deposited in the Marijuana Tax Cash Fund and will be used to pay for substance abuse treatment, marijuana prevention programs, law enforcement, and studying the public health impacts of marijuana. Money in this fund can only be appropriated by the General Assembly beginning in the year after it has been collected. The Marijuana Enforcement Division in the Department of Revenue is funded with application and license fee revenue in the Marijuana Cash Fund, but additional money may be transferred from the Marijuana Tax Cash Fund to support the administration of Colorado's marijuana laws.

All ***other cash fund revenue*** subject to TABOR is expected to increase 6.0 percent to $493.1 million in FY 2013-14. This category includes revenue to a large number of sources credited to various other cash funds, such as revenue from court fines and fees, regulatory licensure fees, and fees paid for services provided by the Secretary of State's Office. For FY 2014-15, this total is expected to again increase by 6.0 percent to $522.6 million.

Table 13 presents the March 2014 forecast for **federal mineral leasing (FML)** revenue compared with the December forecast. FML revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production. Since FML revenue is not deposited into the General Fund and is exempt from the TABOR amendment, the forecast is presented separately from other sources of state revenue.

For FY 2013-14, FML revenue is anticipated to total $172.8 million, representing a 12.8 percent increase from the March forecast. The increase is the result of expectations for natural gas prices and higher than anticipated distributions year to date. Although national gas prices in the second quarter have fallen from their seasonally induced first quarter peaks, they remain well above 2013 levels. In the second quarter of 2014, Colorado natural gas prices are 15 percent higher than prices in the second quarter of 2013, and higher prices have raised expectations about future prices. In contrast, Colorado coal production continues to decline, and roughly 75 percent of this production occurs on federal lands. Coal production was down 13 percent in the first four months of 2014 compared with the same period in 2013, which will dampen future growth in FML revenue. FML revenue is expected to increase to $180.0 million in FY 2014-15 and $184.1 million in FY 2015-16.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and the UI balance are shown in Table 14. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 9 on page 24. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is still subject to TABOR and is included in the revenue estimates for other cash funds in Table 9.

In FY 2013-14, the UI fund will close the year at $580.5 million, a 6.1 percent increase from the previous year. The improvement is from higher employer contributions and a decline in the number of UI benefits paid. Total revenues will grow 1.8 percent and the amount of UI benefits paid will decline 5.2 percent in FY 2013-14. The UI fund balance will continue to increase through the forecast period as the unemployment rate declines and wages increase. The UI fund ending balance will be $745.9 million in FY 2015-16, the highest balance since FY 2007-08.

Higher premium rates, a one-time bond issuance and an improving economy have all contributed to the recovery of the state's UI trust fund after experiencing significant declines in revenue between 2008 and 2010. On June 30, 2012, the fund became solvent for the first time since FY 2008-09. It took a one-time $640 million special revenue bond issuance in FY 2011-12 to make the UI fund solvent. In addition, since the fund was solvent by the end of FY 2012-13 a new premium rate table became effective in calendar year 2013, as required by state law. By FY 2012-13, the UI fund had a positive starting balance, the first time since FY 2009-10.

In order to restore the UI fund balance to a desired level of solvency and repay outstanding federal loans, the Colorado Housing and Finance Authority issued $640 million in bonds on behalf of the Colorado Unemployment Insurance Trust Fund in 2012. The proceeds were used to pay back all outstanding federal loans with the remaining balance deposited into the UI trust fund. On June 28, 2012 the UI fund had paid all remaining federal debt. The terms of finance are five years at 1.4 percent total annual interest. There will be two interest payment assessments per year; the first payment of $4.2 million was paid on November 15, 2012, and the second payment of $4.5 million was paid on May 15, 2013. There will be five principal repayments of approximately $125 million each due May 15 every year through 2017. The principal will be repaid through a bond principal surcharge assessed against employers and incorporated into their base UI premium rate beginning in 2013.

Table 14
Legislative Council Staff
Unemployment Insurance Trust Fund Forecast, June 2014
Revenue, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Actual FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR*
Beginning Balance	$512.9	$546.8	$580.5	$646.1	
Plus Income Received					
UI Premium & Premium Surcharge /A	$637.5	$687.7	$685.5	$701.4	3.2%
Solvency Surcharge	$97.5	$0.0	$0.0	$0.0	
Interest	$13.7	$11.9	$13.2	$14.1	
Plus Special Revenue Bonds					
Total Revenues	**$748.6**	**$699.6**	**$698.7**	**$715.5**	-1.5%
% Change	-55.3%	-6.5%	0.5%	2.3%	
Less Benefits Paid	($570.7)	($540.9)	($508.1)	($490.7)	-4.9%
% Change	-7.4%	-5.2%	-6.1%	-3.4%	
UI Bonds Principal Repayment	($125.0)	($125.0)	($125.0)	($125.0)	
Accounting Adjustment	($19.0)	$0.0	$0.0	$0.0	
Ending Balance	**$546.8**	**$580.5**	**$646.1**	**$745.9**	10.9%
Solvency Ratio:					
Fund Balance as a Percent of Total Annual Private Wages	0.60%	0.61%	0.77%	0.94%	

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

/A This includes the regular UI premium, 30 percent of the premium surcharge, penalty receipts, and the accrual adjustment on premiums.

/B When the solvency ratio exceeds 0.5 percent of total annual private wages, the solvency surcharge is triggered off.

Note: The Unemployment Insurance Trust Fund is not subject to TABOR starting in FY 2009-10.

NATIONAL ECONOMY

Strong fundamentals in many sectors of the economy point to growth over the next several years, despite poor performance in the first quarter of 2014. The labor market is improving and employers are adding jobs at a faster rate. There are also signs that the decline in labor force participation has slowed. Consumers, buoyed by historically low household debt burdens and gains in income and wealth, have now increased spending for nineteen consecutive quarters. Business profits remain near all-time highs, and investors worldwide are relocating their portfolios from emerging markets back to advanced economies, especially the United States.

Economic activity will grow through the remainder of 2014 and accelerate into 2015. Improvements in the labor market will catalyze advancement elsewhere, with inflation rates approaching the Federal Reserve's targets. Most economic uncertainty in 2014 and 2015 will center on the Federal Reserve's timeline for a few key monetary policy changes, including when it will begin to raise short-term interest rates and how quickly it will tighten the money supply. Expectations for the national economy are shown in Table 15 on page 49.

Gross Domestic Product

The nation's gross domestic product (GDP), the broadest measure of total economic activity, increased 1.9 percent in 2013. Last year's growth rate was slower than in 2012, when GDP grew 2.8 percent. While reductions in government spending and investment dragged down growth in 2013, business spending was a bright spot as companies invested in equipment and built up inventories. Consumer spending also continued its recovery.

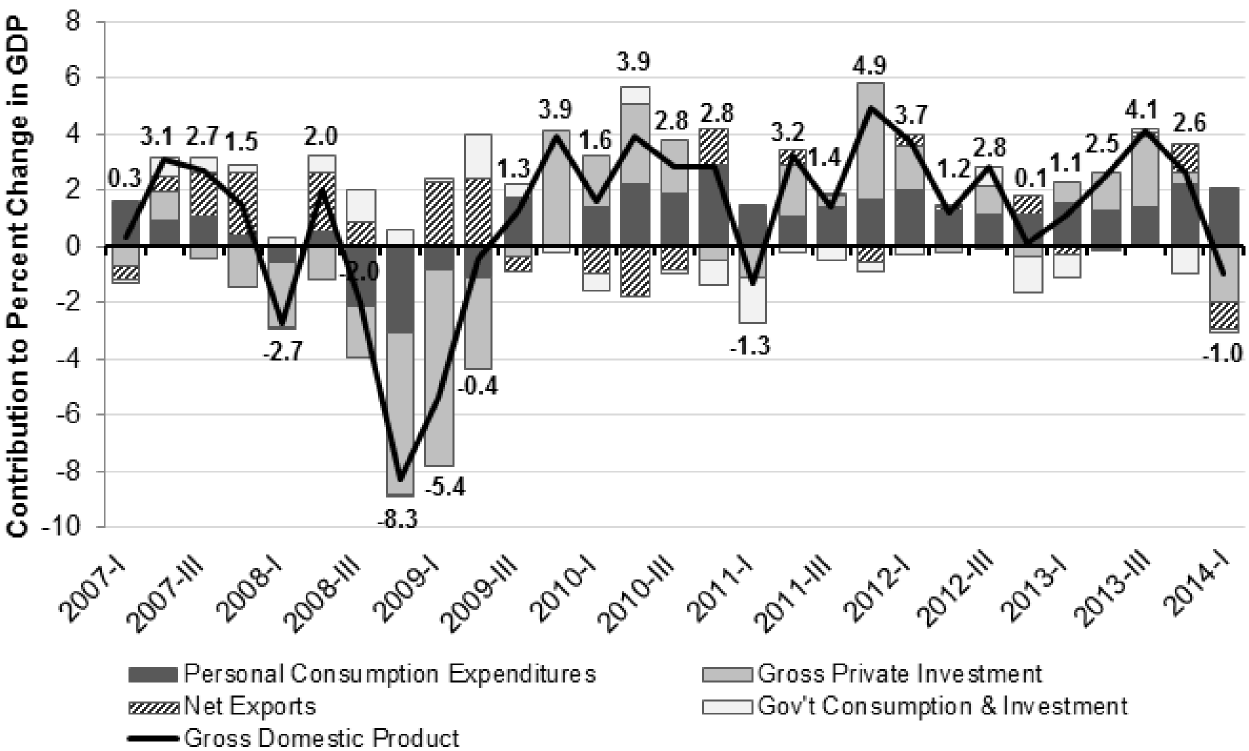
The economy stalled in the first three months of 2014, contracting at a 1.0 percent annual pace. A deceleration in housing construction and business investment were principal causes of the weak performance. Several reports attribute the slowdown to inventory accumulation at the end of December, an unusually large trade deficit, and a particularly harsh winter; none of these conditions are expected to continue throughout 2014. Meanwhile, consumer spending improved for the nineteenth consecutive quarter, growing at a 3.0 percent annual rate. Figure 7 shows quarterly contributions to GDP growth since 2007.

- The nation's economy will rebound strongly from a disappointing start to 2014 with sustained growth through the forecast period. The economy will accelerate in 2014 and 2015, with GDP increasing 2.2 percent and 2.9 percent, respectively. Growth will be driven by household consumption and business investment.

Monetary Policy and Inflation

Much of the discussion about the economy over the rest of 2014 and in 2015 will center on the Federal Reserve's timeline for key monetary policy changes, including when it will begin to raise short-term interest rates. The Federal Reserve has held the effective federal funds rate, the rate at which banks lend money to each other overnight, close to zero since late 2008. Previously, the Federal Open Market Committee (FOMC) had indicated that it would move to tighten financial conditions by raising the target federal funds rate when the unemployment rate fell below 6.5 percent. The FOMC moved away from that schedule in March as unemployment began to approach the 6.5 percent threshold; it has since fallen to 6.3 percent.

Figure 7
Contributions to Gross Domestic Product
Inflation-adjusted, Seasonally Adjusted Annual Rates



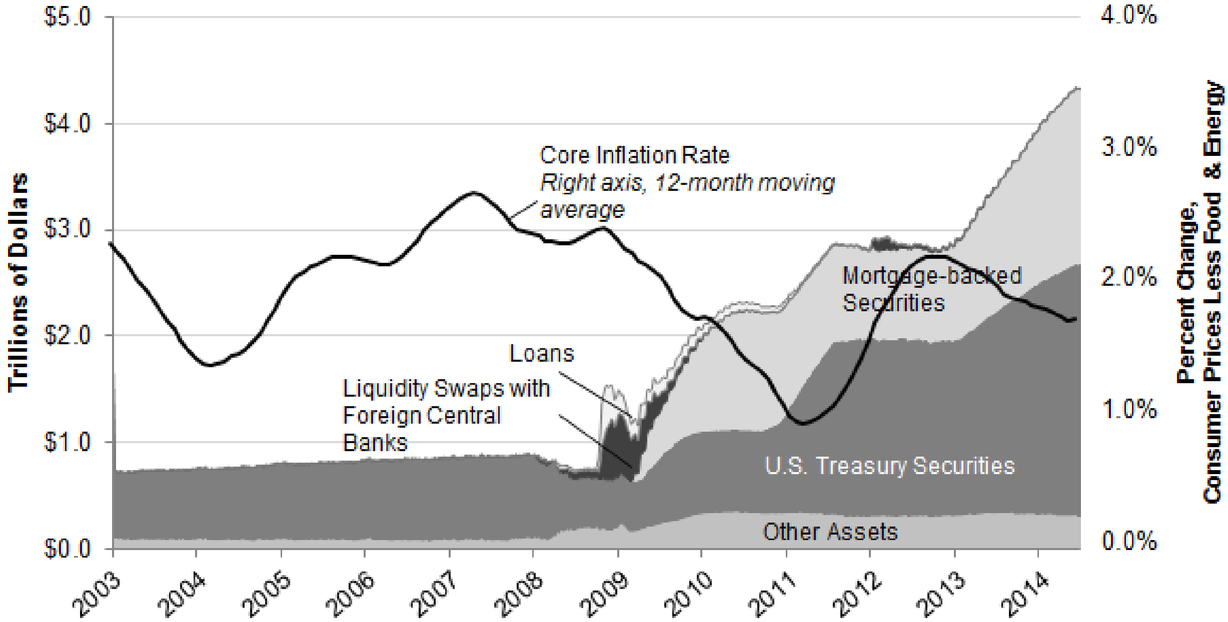
Source: Bureau of Economic Analysis.

The Federal Reserve has supported the nation's recovery over the last five years with an unprecedented expansion of assets on its balance sheet. Figure 8 shows the Federal Reserve's asset portfolio. The Federal Reserve is currently purchasing $35 billion in bonds each month to hold down long-term interest rates, down from $85 billion per month in late 2013. The Federal Reserve is tapering its asset purchases at a rate of $10 billion per month and is expected to continue doing so through the summer.

In April, the FOMC announced that it would keep the federal funds rate near zero after asset purchases end, especially if inflation remains below 2 percent. Core consumer inflation, the change in consumer prices excluding the volatile food and energy sectors, is also plotted in Figure 8. It last exceeded 2 percent in February 2013 and currently sits at about 1.8 percent. Any increase in inflation will be driven largely by the service sector, with higher food prices also exerting upward pressure.

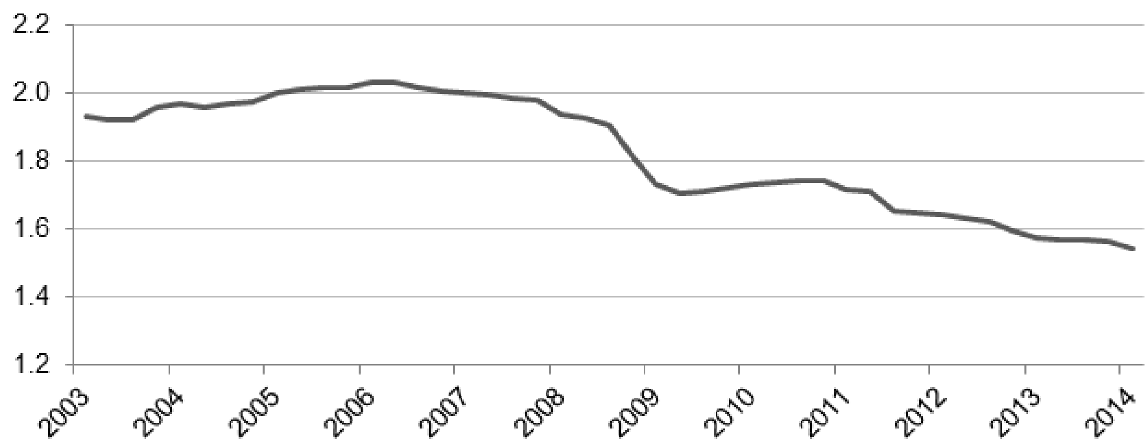
A significant contributor to low inflationary pressure is the increasingly slow rate at which money moves through the economy. As shown in Figure 9, the velocity of money has continued to fall throughout the recovery. Velocity has been restricted relative to before the recession by lower household debt obligations and higher rates of savings by both households and businesses. Banks are holding more money in their reserves in response to new regulations and financial conditions.

Figure 8
Federal Reserve Assets and Inflationary Pressure



Source: Federal Reserve Assets: Federal Open Market Committee, nominal data through early June 2014. Consumer Price Index, U.S. Bureau of Labor Statistics, data through April 2014.

Figure 9
Velocity of M2 Money Stock
(Rate at which Money Changes Hand During a Period of Time)
Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis. Data through the first quarter of 2014.

In a fully mature economic expansion, the Federal Reserve's balance sheet would be close to $1 trillion and the federal funds rate would be around 4 percent. Many analysts do not expect monetary policy to return to these levels until 2017 or 2018. This requires the economy to recover gradually and assumes that long-term interest rates rise steadily and in an orderly fashion.

- Inflationary pressure will begin to rise slowly as the labor market improves. As the recovery continues, the Federal Reserve will tighten monetary policy, keeping inflation in check throughout the forecast period. Consumer prices will increase 2.1 percent in 2014 and 2.4 percent in 2015.

Global Conditions

The global economy is beginning to improve more earnestly, driven by investor confidence in the advanced economies. The International Monetary Fund (IMF) forecasts global output growth at 3.6 percent in 2014 and 3.9 percent in 2015, up from 3.0 percent in 2013. The Organization for Economic Co-operation and Development (OECD) anticipates 3.4 percent growth in 2014.

Two-thirds of world growth is attributable to emerging market economies, including those in Asia and Latin America. However, this share is decreasing. With prospects of improved returns in advanced economies, investor sentiment is now less favorable toward emerging market risks including volatile exchange rates, lax regulations, and unreliable corporate governance systems. Policymakers in emerging markets, particularly China, face the challenge of realigning growth away from investment and toward consumption.

Many advanced economies can look forward to stronger performances in 2014 than in 2013. Output growth in the United States outperformed both the euro area and Japan in 2013, and investment in physical assets is returning more quickly to pre-crisis levels at home than abroad. Nevertheless, Europe is showing some signs of improvement. After nine euro area counties saw negative growth rates in 2013, only one, Cyprus, is expected to experience contraction this year, according to forecasts by the European Commission. At 12.0 percent, unemployment in Europe remained stubbornly high in 2013 relative to both the United States (7.4 percent) and Japan (4.0 percent).

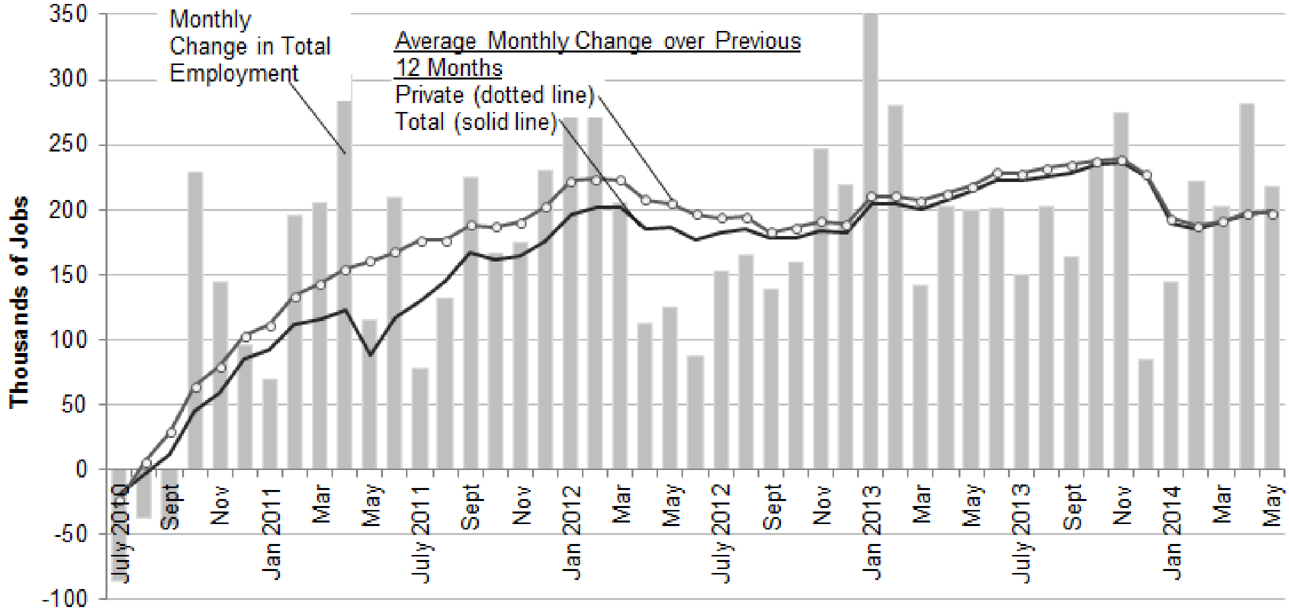
Expectations for the future hinge on continued confidence among investors, particularly in the fragile euro area. Monetary policy decisions made at the European Central Bank (ECB) will be aimed at boosting Europe's very low inflation rate. The outlook for emerging markets is less certain. The explosion of credit to private firms in Brazil, Russia, India, and China has given rise to questions about the sturdiness of the banking sectors in those countries.

The situation in Ukraine will damage Russia's growth prospects for the rest of 2014. Investors are fleeing Russia as Europe and the United States push for further sanctions, and the IMF now forecasts $100 billion in capital outflows this year. Energy prices could spike if Russia were to restrict oil and gas shipments, but this appears less likely as Russia and China close their $400 billion gas pipeline deal.

Labor Market

After a disappointing start to the year, the labor market is showing signs of improvement. Job growth in April was especially robust, beating most economists' expectations. Since the end of the Great Recession, the economy has added over 8.0 million jobs, knocking the unemployment rate from 10.0 percent to 6.3 percent. Employers have created an average of 214,000 new jobs each month since January. However, people continue to leave the labor force, and the number of people working part-time for economic reasons remains stubbornly high.

Figure 10
Monthly Change in Nonfarm Employment
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics. Data through May 2014.

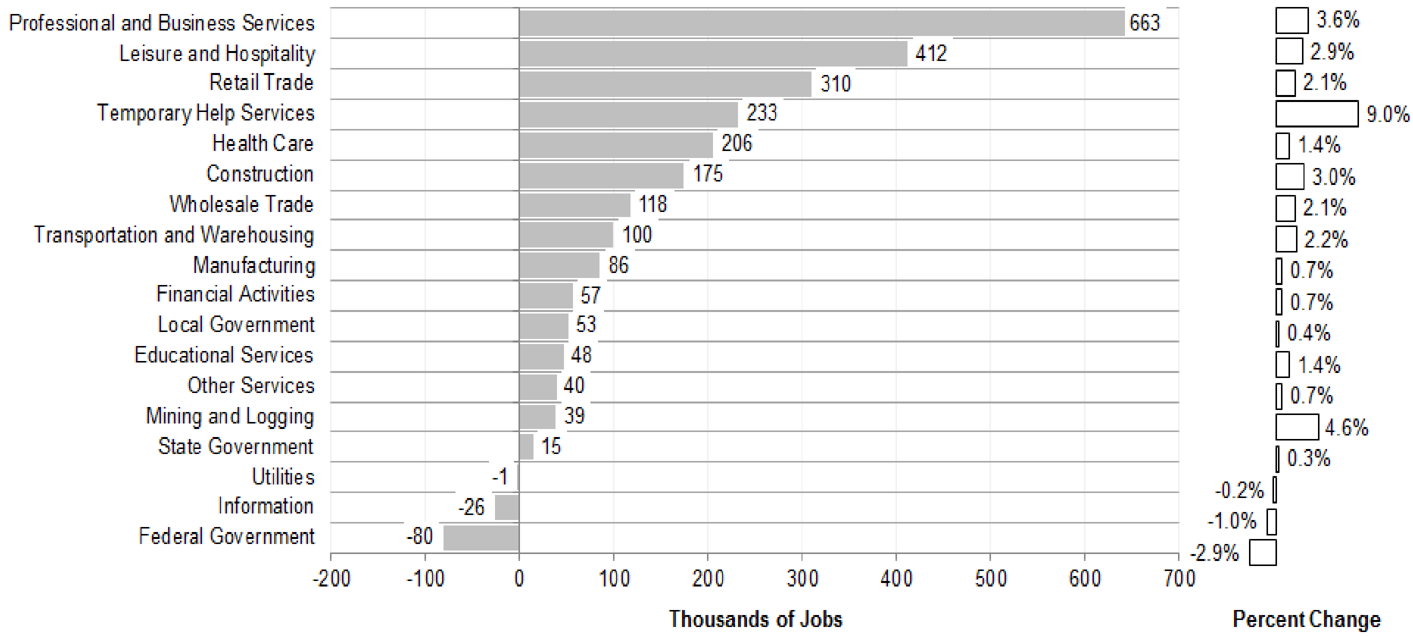
Figure 10 tracks monthly changes in nonfarm employment since July 2010, when the nation began to add jobs following the recession. The bars represent monthly changes in total nonfarm employment, while the lines represent the average monthly change over the previous 12-month period for the private sector and total nonfarm employment. In 2013, the nation averaged 225,000 new jobs per month. Throughout the recovery, government employment has been a drag on total employment. That drag has disappeared with improvements in the fiscal conditions of state and local governments.

As shown in Figure 11, job gains at the start of 2014 have been broad-based, with only the federal government, information, and utilities sectors showing losses. Leading the way in new jobs is the professional and business services sector, which has added about 663,000 new jobs, on average, through May of this year. The strongest growth rate was in temporary help services, which boosted its total employment 9.0 percent between January and May compared with the same period in 2013.

The nation's unemployment rate fell to 6.3 percent in April, as shown in Figure 12. Unemployment is now only about one percentage point higher than the Federal Reserve's estimate for structural unemployment, which, if achieved, would be a strong indicator of a maturing expansion. The underemployment rate, a broader measure of the share of people who are looking for full time work, fell to 12.2 percent in May. The size of the gap between the two rates is an excellent indicator of the strength of the recovery in the labor market. During years of full employment, the gap is generally about 4 percent. The gap spiked to over 7 percent during the recession and has fallen very slowly throughout the recovery. As of May, it is still at 5.9 percent.

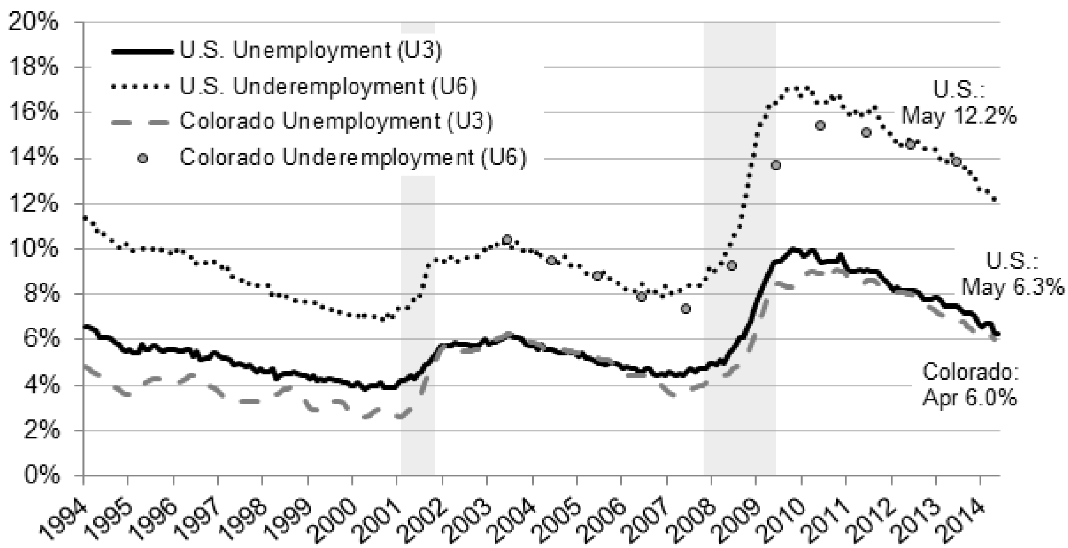
Individuals in the gap between unemployment and underemployment include

Figure 11
U.S. Nonfarm Employment Gains/Losses in 2014
Year-to-Date through April 2014 Over Year-Ago Levels



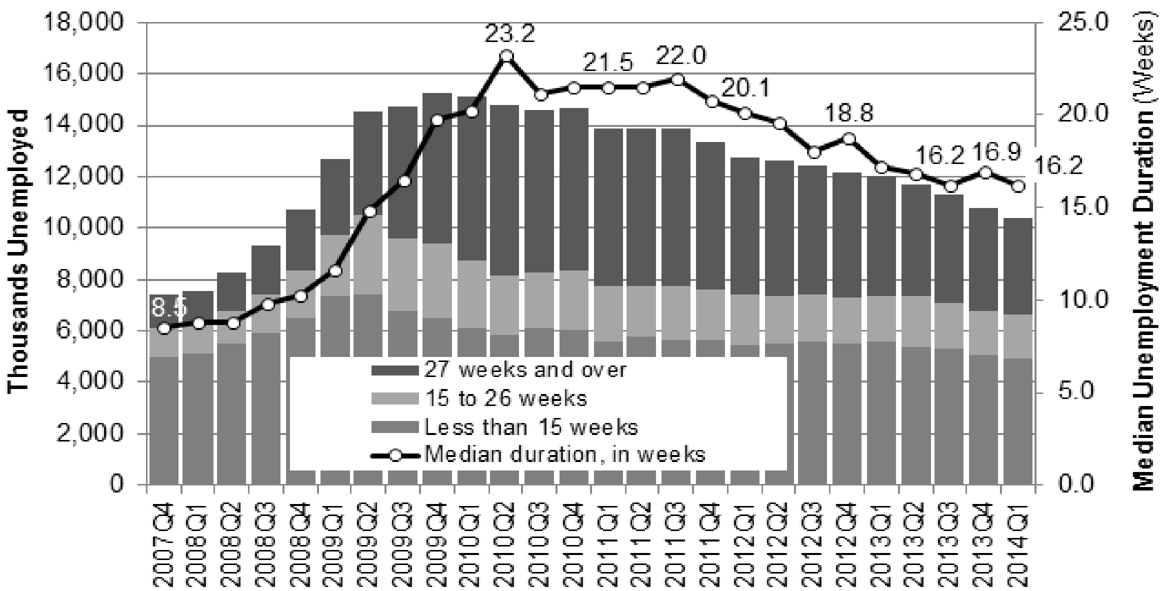
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics. Data through May 2014.

Figure 12
Unemployment and Underemployment Rates in Colorado and the Nation
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, National data through May 2014. Colorado data through April 2014. Shaded areas represent periods of recession.

Figure 13
Duration of Unemployment
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Current Population Statistics. Data through the first quarter of 2014.

discouraged workers, or people who would like to work but have stopped looking because they have become discouraged, and people who work part-time for economic reasons. The number of discouraged workers has remained high throughout the recovery, and is expected to fall slowly as the labor market improves over the next few years. As discouraged workers reenter the labor market, the decline in the unemployment rate will slow and the gap between the unemployment and underemployment rates will narrow.

The median duration of unemployment, shown in Figure 13, has stagnated since the first quarter of 2013 after falling quickly in 2012. Among the unemployed, the share of individuals who have been without a job for 27 weeks or more is continuing to decline. Some of this decline is attributable to job growth, while some is due to discouragement and withdrawal from the labor force. Also, businesses have invested in capital, which increases productivity and requires fewer workers.

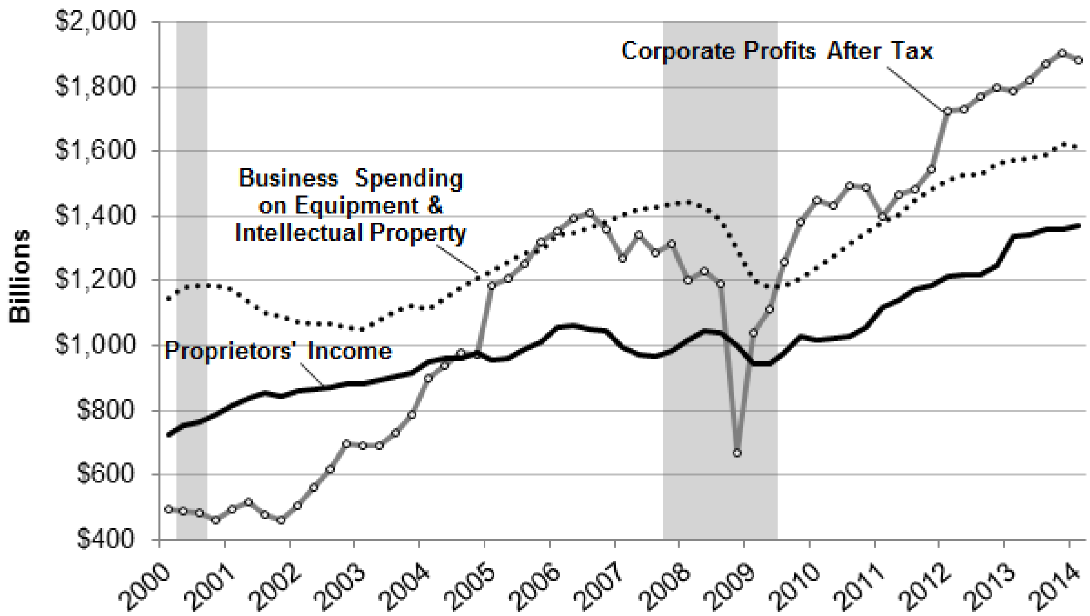
- Nonfarm employment is expected to grow 2.0 percent in 2014 and 2.3 percent in 2015. Total nonfarm employment, including the government sectors, is expected to grow at its current pace of just better than 200,000 jobs per month.

- The unemployment rate will average 6.3 percent in 2014. The rate will drop to around 6.1 percent in 2015 as job growth continues.

Business Income and Activity

Corporate profits are near all-time highs and are expected to continue to grow. By the first quarter of 2014, U.S. corporations were making $1.88 trillion annually after taxes, up 180.0 percent from the low point of the Great Recession. Income to proprietors, including self-employed individuals and unincorporated business owners, is growing at a consistent but slower rate. Businesses

Figure 14
Business Income and Spending
Seasonally Adjusted Annualized Data



Source: Bureau of Economic Analysis. Data through the first quarter of 2014.

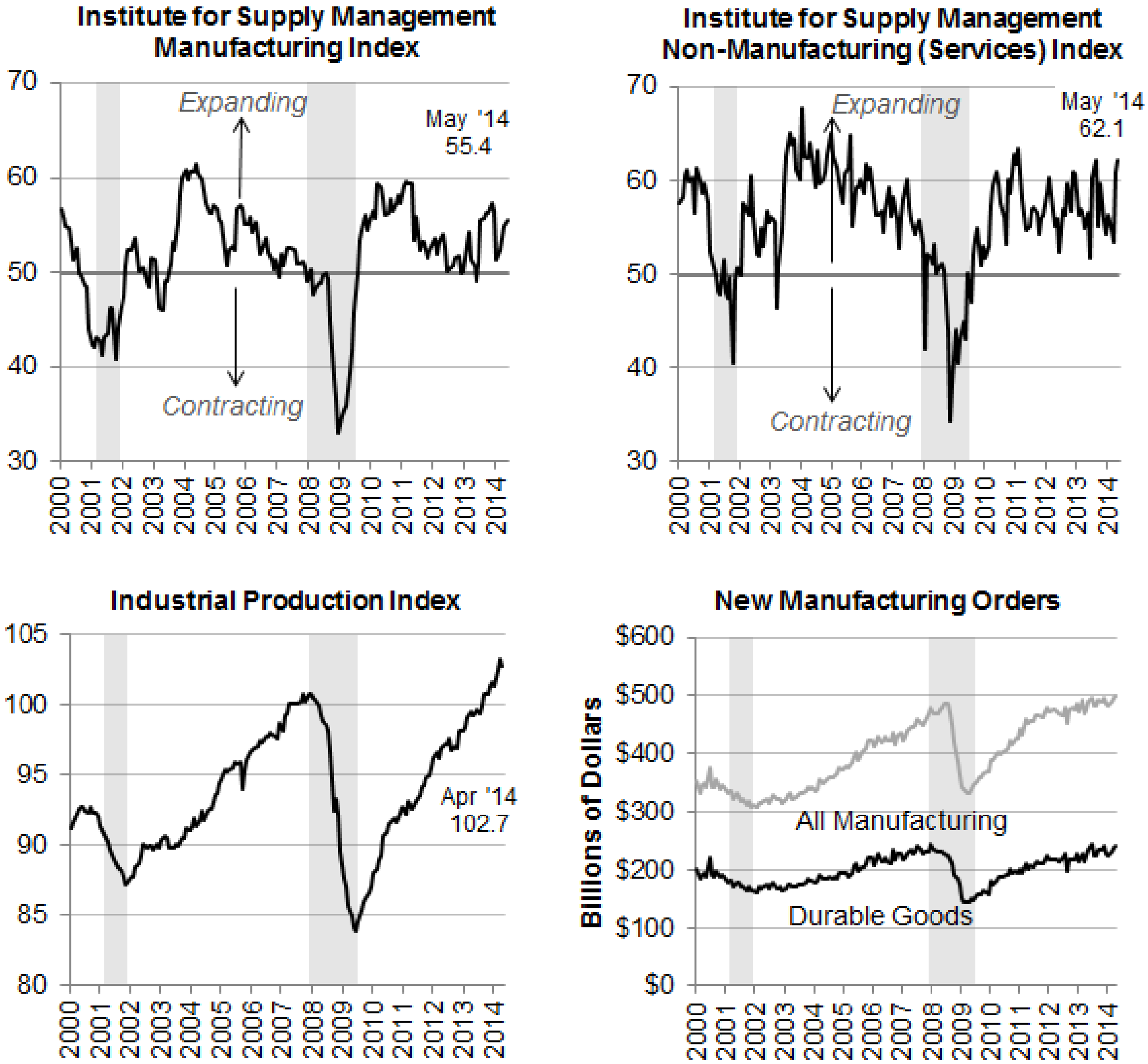
benefit from long-term trends toward improved worker productivity and higher exports of American goods and services. Although profits fell slightly in the first quarter of 2014, they are expected to rebound in the second quarter as businesses profit from the end of weather-driven distortions to consumption. Figure 14 shows proprietors' income and corporate profits after tax.

Figure 14 also shows that businesses have chosen to invest in new equipment and intellectual property, which includes software, research and development, and the creation of entertainment, literary, and artistic originals. These types of investment generally enhance productivity and profitability while, in some cases, slowing growth in employment. Spending on equipment and intellectual property continues to grow but has decelerated for two consecutive years as investment approaches its pre-recession trend.

Figure 15 shows four measures of business activity, including the Institute for Supply Management's (ISM) indices for manufacturing and non-manufacturing activity, the Federal Reserve's industrial production index, and new orders from manufacturers. All four measures indicate improving conditions for business activity. A level of 50 or higher for the ISM indices represents expansion, while a value below 50 represents contraction.

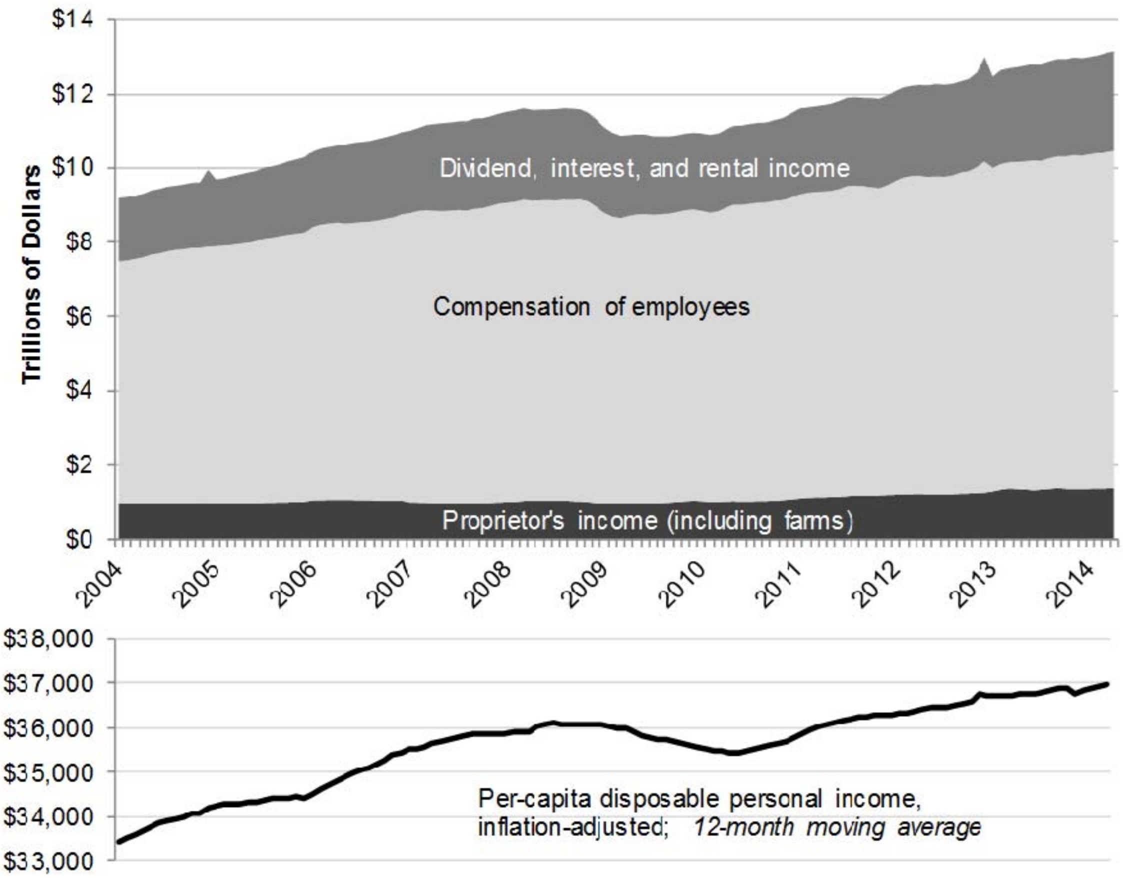
After dipping at the start of the year, the ISM Purchaser's Manufacturing Index has gained for five consecutive months, pointing to improving conditions in the manufacturing sector. The ISM survey is better at predicting the direction of activity than the pace of expansion. The industrial production index and new orders from manufacturers also indicate continued gains in manufacturing, but at a slow pace. Growth in new orders has been dominated by durable goods, while nondurable goods orders have remained flat.

Figure 15
Indicators of Business Activity
Seasonally Adjusted



Source: Institute for Supply Management, Federal Reserve, and U.S. Census Bureau. Shaded areas represent periods of recession.

Figure 16
Major Components of U.S. Personal Income



Source: Bureau of Economic analysis, data through April 2014.
Compensation of employees includes wages and salaries and supplements to wages and salaries.

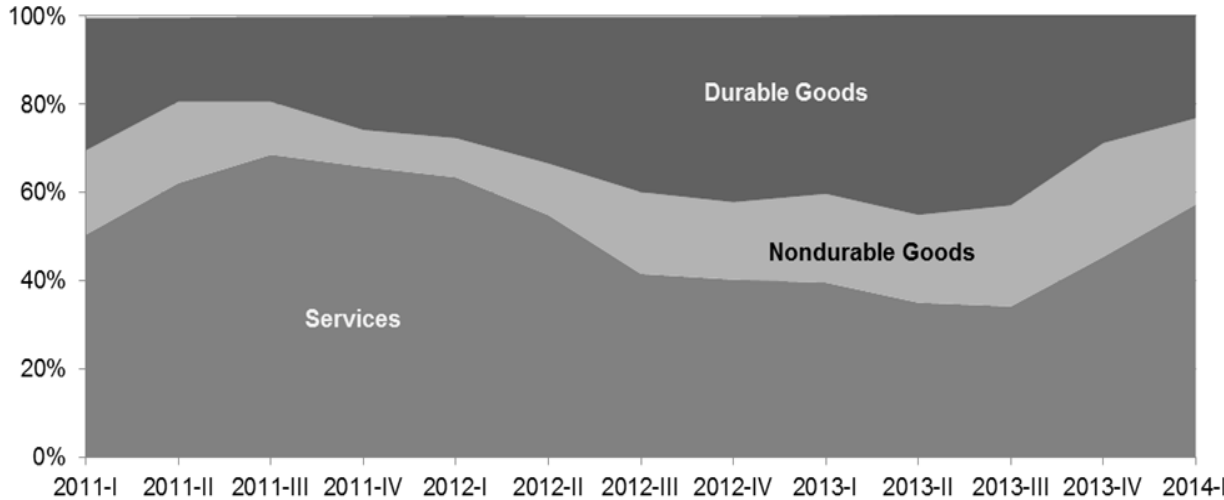
The ISM Purchaser's non-manufacturing index, a proxy for conditions in the services sector, has consistently indicated moderate expansion since the middle of 2011 and is expected to continue to do so throughout the forecast period.

Households and Consumers

Households are slowly recovering from the recession and appear to be adjusting their financial decision making as a result. As shown in Figure 16, annualized personal income grew $1.5 trillion, or 3.6 percent, in the first quarter of 2014 over the first quarter of last year. Personal income strengthened in all major areas but was most pronounced in dividends, interest, and rents. While total household receipts are up, real per capita disposable income remains flat. Taken as a twelve-month moving average, real per capita disposable income increased by only $225, or 0.6 percent, in the past year.

Improvements in household income have not yet resulted in quicker rates of consumer spending. On a twelve-month moving average basis, retail trade nationwide slowed in the first few months of 2014, partially the result of bad winter weather in the eastern part of the country. Since February, retail trade has picked up; year-over-year growth rates in March and April were at 4.0 percent and 4.1 percent, respectively.

Figure 17
Share of Consumer Spending on Goods and Services
Inflation Adjusted, Four-quarter Moving Average of Seasonally Adjusted Annualized Data



Source: Bureau of Economic Analysis, National Income Product Accounts.

These data indicate that the slowdown in the first quarter was weather related. Nationwide, vehicle sales showed healthy gains in March and April. Consumers have ample reasons to feel more confident, including modest growth in employment and income, historically low debt-to-obligation ratios, strong equity markets, and fewer perceived risks from federal fiscal policy and the global economy.

Figure 17 shows the share of consumer spending dedicated to durable goods, nondurable goods, and services since the first quarter of 2011. The share of consumer spending on services has grown over the past two quarters at the expense of spending on durable goods, a shift attributable to increased spending on health care, housing and utilities, and financial services. Consumers are expected to steadily gain confidence in 2014 and 2015, barring unforeseen shocks.

Figure 18 tracks household debt service obligations as a percentage of disposable personal income since 1980. Total debt service obligations are at historical lows only six years after hitting their all-time high in late 2007, reflecting aversion to overleveraging in the wake of the Great Recession.

- Personal income will increase 4.2 percent in 2014. In 2015, personal income will gain momentum, increasing 5.1 percent with gains in employment and continued growth in interest and dividends.

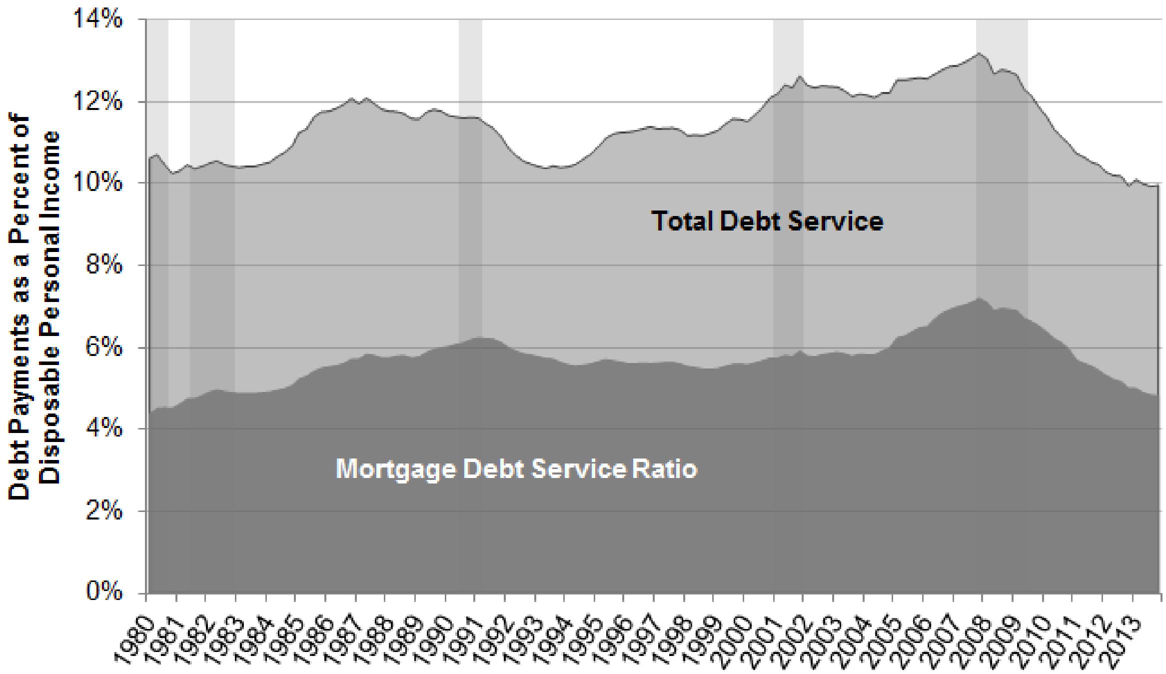
- Improvements in the labor market will help increase wage and salary income, which will grow 4.5 percent in 2014 and 5.4 percent in 2015.

Housing Market and Construction

The housing market was an important contributor to expansion in 2013, when residential investment contributed 0.3 percentage points to real GDP growth. Decelerating prices, flatter housing demand, and slow residential construction suggest that the housing market is beginning to settle into a new post-bubble equilibrium.

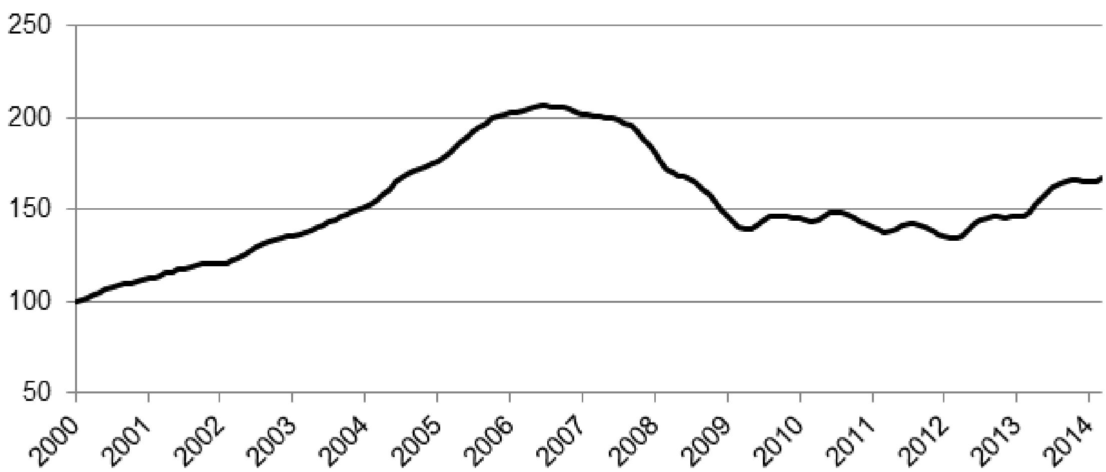
Figure 19 tracks the 20–city composite Case-Shiller index for home prices since 2000. Prices have regained 45.4 percent of the value lost between the apex of the real estate bubble in April 2006 and the trough in January 2012.

Figure 18
Household Debt Payments as a Percent of Disposable Personal Income



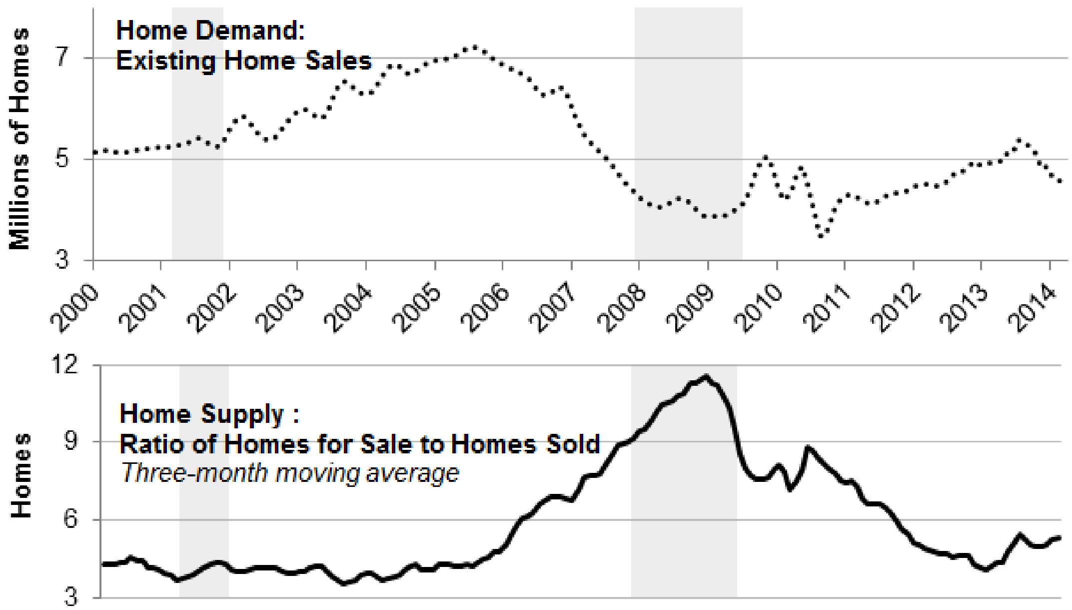
Source: Federal Reserve Board. Data through the fourth quarter of 2013.
Shaded areas represent periods of recession.

Figure 19
Case-Shiller 20 City Composite Home Price Index



Source: Standard and Poor's. Data through March 2014.

Figure 20
Housing Inventory and Home Sales
Three-Month Moving Average



Source: Existing home sales, National Association of Realtors, home supply ratio, U.S. Census Bureau. Data through April 2014. Shaded areas represent periods of recession.

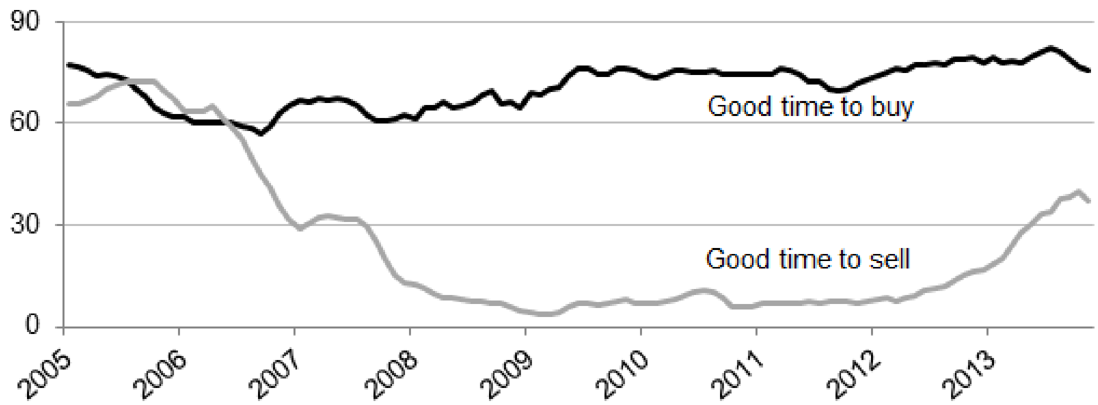
However, there is some evidence that prices are starting to level out. The year-over-year rate at which home prices are increasing has decelerated for four consecutive months after accelerating for each of the 23 months prior, a trend dating back to the beginning of 2012. Growth in housing prices will continue to slow as the market returns to its long-run trajectory.

Figure 20, which tracks housing supply and demand since 2000, provides further evidence that the housing market is approaching equilibrium. After rising steadily for two years, demand for housing has fallen in seven of the last eight months and looks to be settling near pre-bubble levels. Fixed mortgages are being offered at 4.2 percent interest, nearly 0.7 percentage points higher than a year ago.

The memory of the bubble continues to affect the way that prospective sellers, purchasers and mortgage brokers behave in the housing market. Recalling inflated prices in the early 2000s, would-be sellers are reluctant to list their homes because of a perception that market prices do not capture the full value of their investment. Figure 21, which summarizes the University of Michigan consumer sentiment survey for homebuyers and sellers, shows that seller confidence is improving but remains well below pre-crisis levels. Confidence should continue to improve slowly as sellers recalibrate their expectations.

Would-be purchasers are also behaving differently than in the past. Historically, first-time homebuyers have accounted for about 40 percent of home purchases, but their share has fallen during the recovery. Stricter borrowing requirements and concerns about high household debt obligations, combined with high unemployment and low income among young adults, have resulted in fewer purchases by first-time buyers.

Figure 21
Share of Respondents who Believe it is a Good Time to Buy or Sell a House
Three-Month Moving Average



Source: Thomas Reuters/University of Michigan Consumer Surveys. Data through November 2013.

Figure 22 shows the number of permits issued for residential construction, which has also begun to flatten. Annualized residential permits issued in April 2014 were up 40,000, or 3.8 percent, from year-ago levels. All of the increase was attributable to permits issued for multi-family residential properties, while single family permits have fallen slightly on a year-over-year basis since January. Multi-family permits are now being issued at approximately prerecession rates, while single family permits have recovered to only about 35 percent of their prerecession value.

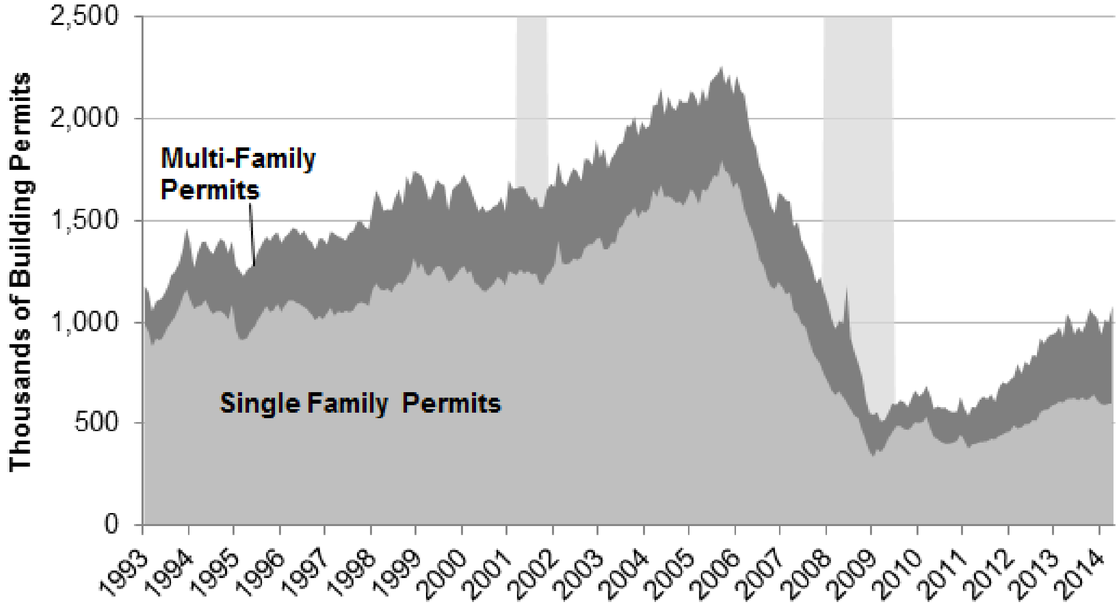
Figure 23 shows the value of private nonresidential construction spending by sector. The recovery in nonresidential construction continues to outpace the recovery in home construction. Two of the six sectors tracked in Figure 23, power and manufacturing, are generating more private construction investment than in 2006, and two more, health care and the uncategorized sector, are within ten percent of pre-recession levels. Lending standards for investment in industrial and commercial real estate have been loosened more quickly than in the housing market, allowing for a speedier recovery.

Summary

Economic activity will gain momentum through 2014 and into 2015. Although growth stalled in the first quarter of 2014, the data suggest that the quarterly GDP number represents a one-time stumble rather than the beginning of a trend. Significant improvements occurred in most areas of the economy, placing it on healthier footing for stronger expansion in the coming years. Among the most notable improvements were those in the labor market, which is now adding jobs at an accelerating rate; household income, which continues to grow and stimulates additional consumption; and business income, the best-performing indicator in the economy. Last year's headwinds resulting from fiscal and monetary policy uncertainty have dissipated, allowing growth in the private sector to gain momentum.

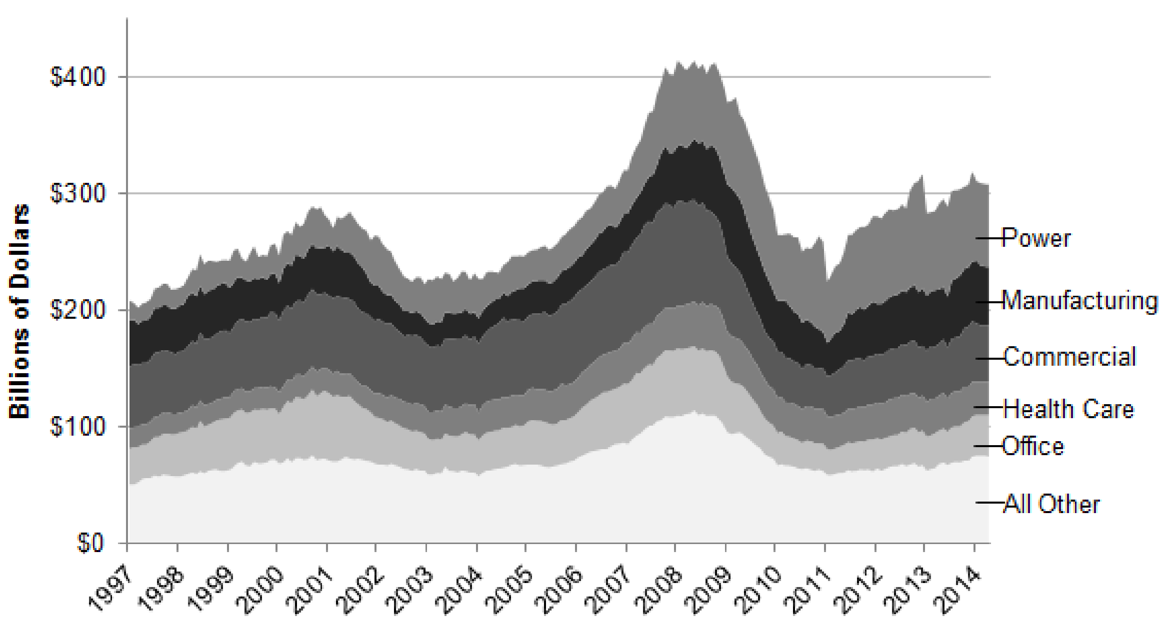
The outlook for the forecast period is positive but hinges on a few key developments. Most importantly, some uncertainty over monetary policy will remain until the Federal Reserve releases a new schedule for monetary policy changes, including the end of its asset purchases and its plan for raising interest rates.

Figure 22
Residential Construction Permits
Seasonally Adjusted Annual Rate



Source: U.S. Census Bureau. Data through April 2014.

Figure 23
Private Nonresidential Construction Spending
Seasonally Adjusted Annual Rate



Source: U.S. Census Bureau. Data through April 2014.

Risks to the Forecast

Upside risks. Consumers and businesses may unleash more pent-up demand, causing the economy to grow more quickly than forecast. Young adults may enter the housing market at a faster rate than projected if they find jobs and decide to take out mortgages. Labor force participation could rise quickly if new jobs continue to accelerate and the unemployment rate continues to fall.

Downside risks. The Federal Open Market Committee will need to continuously balance the pace of monetary adjustment with the pace of the economy. Should the economy recover too slowly relative to the pace of adjustment, credit markets could be adversely affected and the recovery would lose momentum. Should the economy expand too quickly, inflationary pressure and disruptions in bond markets could cause long-term yields to rise too quickly. If this were to occur, housing and stock markets would be affected, causing the recovery to lose momentum. Finally, housing construction and business investment could continue to decelerate, keeping growth in economic activity in check.

Table 15
National Economic Indicators, June 2014 Forecast
(Calendar Years, Dollar Amounts in Billions)

	2009	2010	2011	2012	2013	Forecast 2014	Forecast 2015	Forecast 2016
Inflation-adjusted GDP	$14,417.9	$ 14,779.4	$15,052.4	$15,470.7	$15,761.3	$16,108.0	$16,575.2	$17,055.9
percent change	-2.8%	2.5%	1.8%	2.8%	1.9%	2.2%	2.9%	2.9%
Nonagricultural Employment (millions)	131.2	130.3	131.8	134.1	136.4	139.1	142.3	145.7
percent change	-4.3%	-0.7%	1.2%	1.7%	1.7%	2.0%	2.3%	2.4%
Unemployment Rate	9.3%	9.6%	8.9%	8.1%	7.4%	6.3%	6.1%	5.7%
Personal Income	$12,082.1	$12,435.2	$13,191.3	$13,743.8	$14,134.7	$14,728.4	$15,479.5	$16,284.4
percent change	-2.8%	2.9%	6.1%	4.2%	2.8%	4.2%	5.1%	5.2%
Wage and Salary Income	$6,252.2	$6,377.5	$6,638.7	$6,926.8	$7,137.5	$7,458.7	$7,861.5	$8,286.0
percent change	-4.3%	2.0%	4.1%	4.3%	3.0%	4.5%	5.4%	5.4%
Inflation (Consumer Price Index)	-0.3%	1.6%	3.1%	2.1%	1.5%	2.1%	2.4%	2.4%

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve Board, and Legislative Council Staff.

COLORADO ECONOMY

The Colorado economy ended 2013 with solid momentum. Companies hired staff at the fastest rate since 2000. The state's unemployment rate remained below the national average, while total earnings from wages, investments, and other sources grew the sixth fastest of any state in the country. Colorado retail sales improved and the residential real estate market continues to be one of the best in the country amidst rising home prices and increasing residential construction activity. The nonresidential construction market is also growing, helping boost jobs in the construction industry.

While the state's overall economy continues to improve, there is significant variation in growth across different regions of the state. Employment growth in the metro Denver is solid, and low housing inventories continue to push up housing prices in the regions. The northern region has the fastest job growth and lowest unemployment rate in the state due to a robust real estate market, a diverse economy, high agricultural prices, and booming oil development. The mountain and southwest mountain regions have also shown positive signs of improvement. A good winter buoyed tourism in these regions, boosting employment, retail sales, and building activity.

Economic growth in Pueblo, Colorado Springs, and the western slope has been slow. In addition, the continued drought is also still having an impact on the San Luis Valley and portions of the eastern plains.

The Colorado economy will continue to strengthen further in 2014, as the state's diversified economy supports job growth and higher wages. The state's residential real estate market will continue to outperform the national market as the attractive labor market and low housing inventory spur activity. In addition, rising home prices will help support retail trade sales. Table 16 on page 63 shows the Colorado economic forecast.

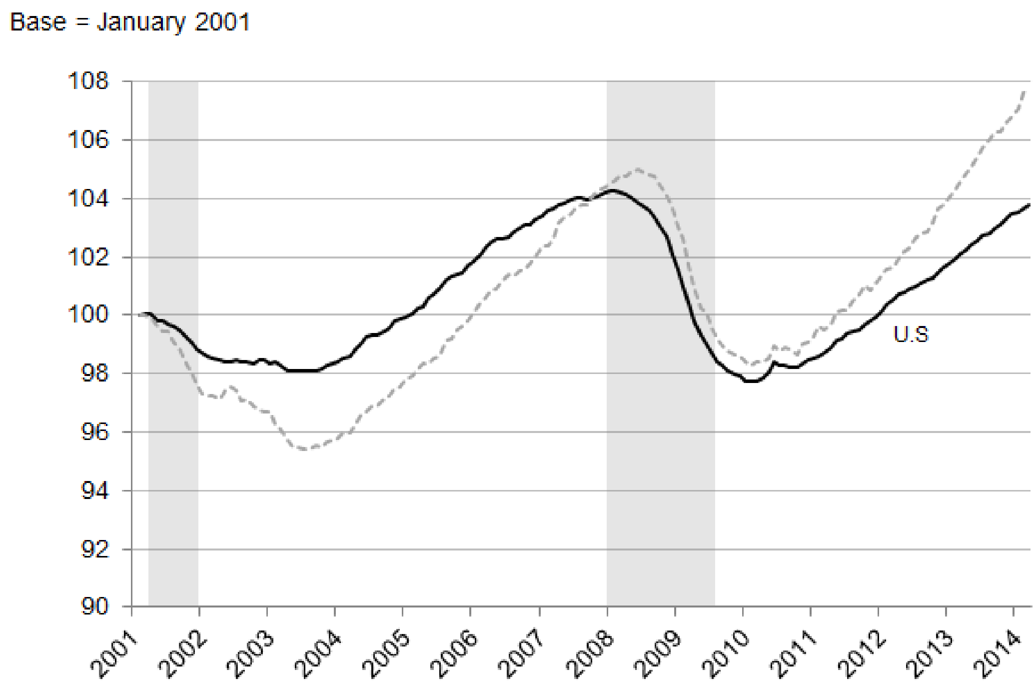
Colorado Labor Market

Colorado closed the 2013 year with the fourth highest job growth of the 50 states. Job growth has also continued through the first four months of 2014. Compared to the nation, Colorado's employment growth has been growing faster since May 2011. The energy, mining, and technology industries have contributed to growth in the Colorado labor market. Figure 24 compares employment growth in Colorado and the nation since 2001. Colorado's unemployment rate dropped to 6.0 percent in April. The state's unemployment rate remains below the national unemployment rate at 6.3 percent. Colorado's unemployment rate peaked in October 2010 at 9.1 percent. However, since the last recession the state's unemployment rate has consistently stayed below the national rate. Figure 25 compares Colorado's unemployment rate with the national rate.

Figure 26 shows the change in nonfarm employment by industry between December 2012 and April 2013. Employment grew in 15 out of 20 sectors. The largest gains during this period were in accommodation and food services; professional, scientific, and technical services; and construction. The largest declines in jobs were in transportation, utilities, and administrative support. The number of federal jobs in Colorado continued to decline through the first quarter of 2014.

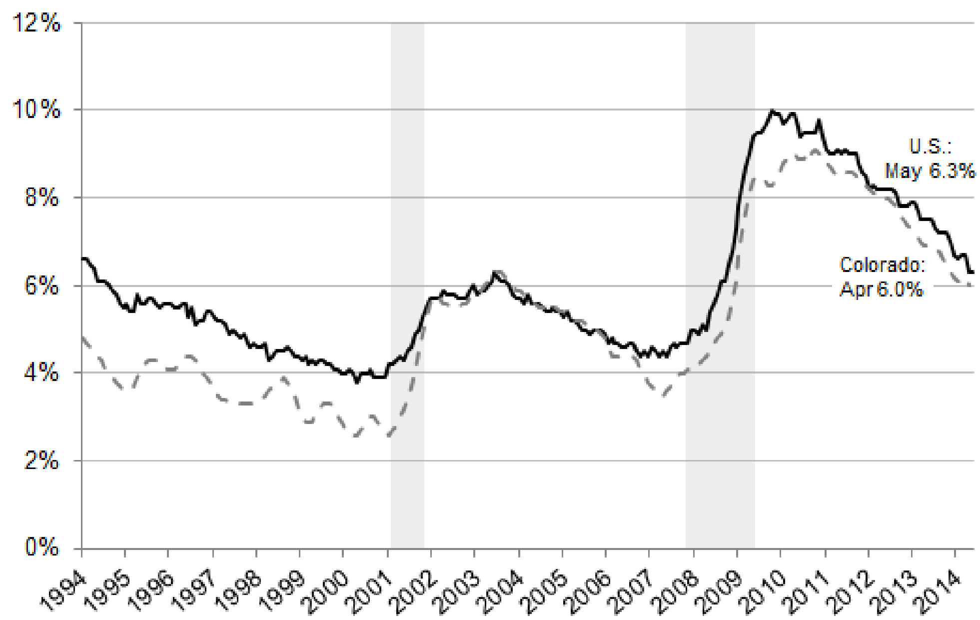
The Colorado labor market continues to improve five years since the end of the last recession. However,

Figure 24
Colorado Continues to Outpace National Employment Trends
Seasonally Adjusted Data



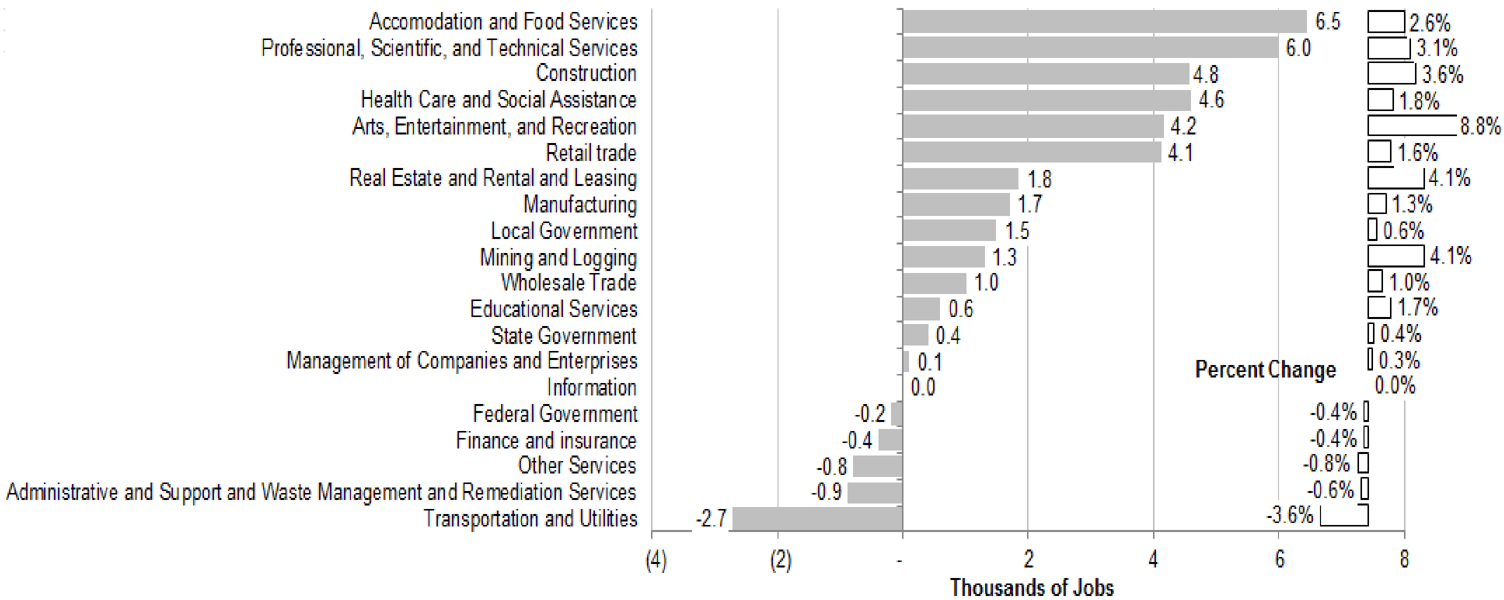
Source: U.S. Bureau of Labor Statistics, Seasonally adjusted; data through April 2014.

Figure 25
Unemployment Rates in Colorado and the Nation
Seasonally Adjusted Data



Source: U.S. Bureau of Labor Statistics, Seasonally adjusted; data through April 2014.

Figure 26
Change in Nonfarm Employment by Sector
Seasonally Adjusted Data, December 2013 to April 2014



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics. Data through April 2014.

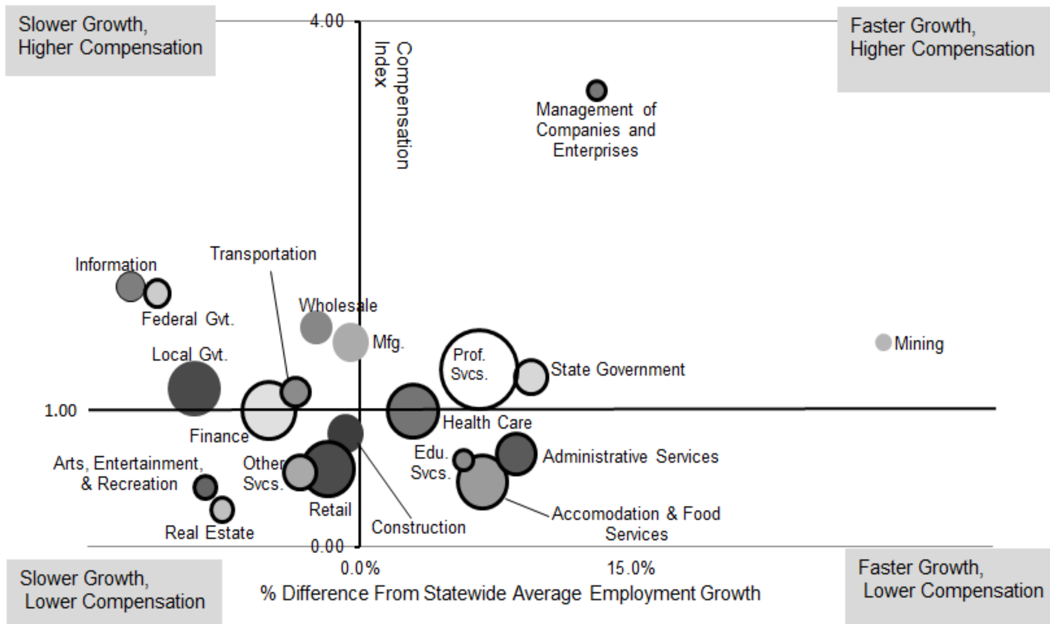
not all industries are equally recovering. Between May 2008 and January 2010, 154,800 jobs were lost in Colorado. Since January 2010, the post-recession employment trough, 183,100 jobs have been added, a gain of 8.3 percent. Figure 27 illustrates which sectors have grown the least and the most since the employment trough and their compensation levels relative to the statewide average.

Figure 27 plots employment growth and compensation growth in 2012 across sectors. The vertical axis shows each industry's average 2012 compensation indexed to the average compensation for all industries. An industry at 1.00 on the vertical axis had compensation equal to $46,243, the average statewide compensation for all industries in 2012. The horizontal axis shows the employment growth of each industry relative to statewide employment growth since January 2010. An industry at 0 percent on the horizontal axis has grown at exactly the same rate as total statewide employment since January 2010, 8.3 percent. The size of the dot shows the relative number of people employed by each industry.

Industries can be grouped into four broad categories within Figure 27. Industries in the top right quadrant have higher total compensation than the state as a whole and their employment has grown faster than the state average. Industries in the bottom right quadrant have experienced faster job growth than average, but the average compensation in the industry is lower than the statewide average. Employment in industries at the bottom left of the figure has grown slower than average and have lower than average compensation. Industries in the top left have not grown as quickly than total employment, and had higher than average compensation in 2012.

The mining sector had the fastest employment growth in percentage terms since January 2010, growing 37.6 percent, and had average compensation of $71,945 in 2012. However, mining is one of the smaller

Figure 27
Employment Growth and Average Compensation by Industry



Source: Average 2012 compensation calculated based on Bureau of Economic Analysis data. Employment growth U.S. Bureau of Labor Statistics incorporates revisions in 2013 expected by Legislative Council Staff. Seasonally adjusted; data through April 2014.

industries in the state accounting for 1.3 percent of Colorado's employment. In contrast, health care and social assistance employs the largest number of people in Colorado, and it has been growing slightly faster than average, but pays slightly less than average. The information industry is one of three employment sectors that had fewer jobs in December 2013 than in January 2010, and compensation in the sector in 2012 was $91,489 nearly twice the statewide average.

- Nonfarm employment in Colorado is expected to grow 2.7 percent in 2014 and 2.9 percent in 2015.

- As the labor market improves, people are expected to return to the labor force, keeping the unemployment rate fairly steady. The unemployment rate will average 6.0 percent in 2014 and 5.7 percent in 2015.

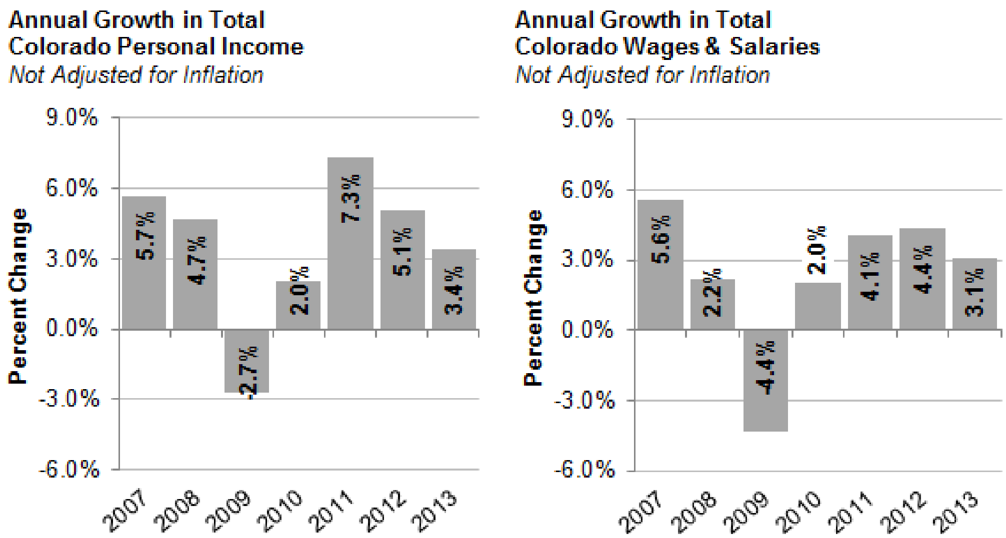
Personal Income

Colorado personal income grew 3.4 percent in 2013, the sixth fastest rate in the country. Wages and salaries, the largest component of personal income, grew 4.0 percent. Professional and technical services, construction, state and local governments and the natural resources sectors were the big drivers of personal income growth in 2013. Colorado personal income growth slowed in 2013 relative to 2012 because of the expiration of the payroll tax holiday at the beginning of the year. Figure 28 shows annual growth rates in Colorado personal income, and wages, and salaries since 2007.

- Colorado personal income growth is expected to increase 5.4 percent in 2014 and another 5.4 percent in 2015 as the economy continues to improve.

- The improving labor market will contribute to an expected 5.7 percent increase in

Figure 28
Personal Income Growth in Colorado
Seasonally Adjusted Data



Source: U.S. Bureau of Economic Analysis, data through third quarter of 2013.

wage and salary income in 2014 and a 6.0 percent increase in 2015. Although an improvement over 2012 and 2013, these growth rates represent essentially flat wage growth after adjusting for job gains and inflation.

Retail Sales

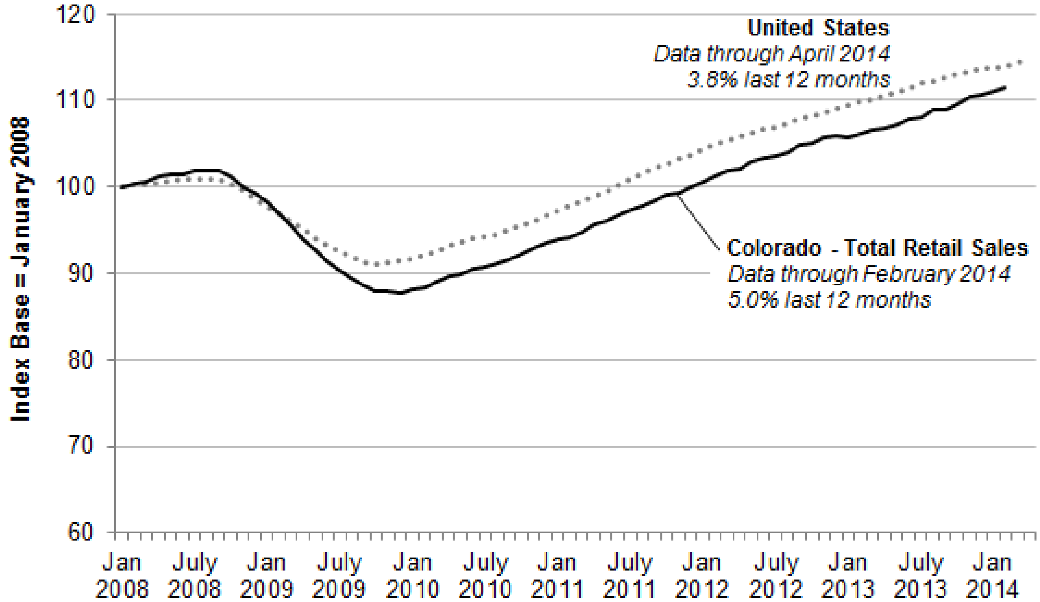
Seasonally adjusted retail sales increased 4.3 percent from in 2013. Although sales grew in most major sectors of the economy, they were led by growth in building material stores and auto dealerships. The growth in sales of building materials is partially due to the improvement in the housing market. In addition, retail sales improved across all the regions in the state last year. The northern and mountain regions of the state grew the fastest, while the Pueblo and San Luis Valley region of the state grew the slowest. The year-over-year growth in retail sales in 2013, however was lower than in 2012. Much of the deceleration in retail sales growth can be explained by the expiration of the payroll tax holiday, which reduced consumers' disposable income. Figure 29 shows Colorado and national retail sales indexed to show the change in sales since January 2008.

- Retail sales are expected to increase 5.6 percent in 2014 and 5.4 percent in 2015. These gains are consistent with improvements in the labor market and moderate rates of inflation.

Inflation

Consumer prices increased 2.8 percent in the Denver-Boulder-Greeley area in 2013. Colorado is already exhibiting inflation rates closer to historical norms for economic expansions, and most economists expect inflation rates nationwide to return to more historical norms by late 2014 as the economic expansion strengthens. Global economic conditions are also strengthening, which could apply some inflationary pressure. However, the velocity of money remains low and there is still significant slack in the labor market. Labor

Figure 29
Colorado and National Retail Trade Growth
Index of Three-Month Moving Average, Seasonally Adjusted



Sources: U.S. Census Bureau and Colorado Department of Revenue, data through February 2014.

costs show no sign of accelerating; the employment cost index slowed in the first quarter of 2014. The biggest risk to the inflation outlook is the reaction of markets and individual economic agents to Federal Reserve policies. Figure 30 shows the change in prices for individual categories of goods in the Boulder-Denver-Greeley area during 2013.

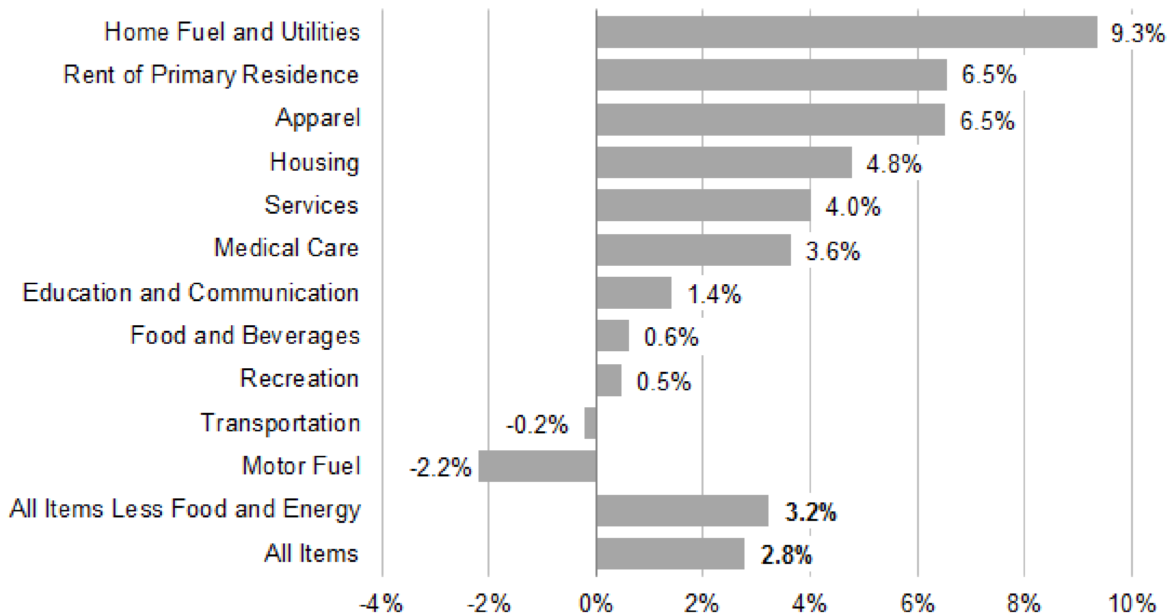
- Inflationary pressures will be moderate as long as slack remains in the labor market. Inflation in Colorado is expected to be 2.8 percent in 2014 and 2.4 percent in 2015.

Housing Market

The Colorado housing market continued to improve in 2013. Robust job growth, low mortgage interest rates, and a slim inventory of homes for sale contributed to the improvement of the state's residential real estate market. In 2013, the state median home price was $240,000, a 7.3 percent increase from one year ago. However, the recovery remains uneven across the state. Figure 31 shows the change in home prices for all seven MSAs in the state, and the rural areas of Colorado, plotted against an index of where prices are relative to their pre-recession peak. Home prices in Boulder, Fort Collins, Greeley, and the Denver area are gaining and have exceeded their pre-recession peak. Prices in Colorado Springs, Pueblo, and Grand Junction, are also gaining, but have not yet reached pre-recession levels. In addition, home prices within areas with a population of less than 50,000, indicated in the figure as "Non-MSA's", are also improving but below pre-recession peaks.

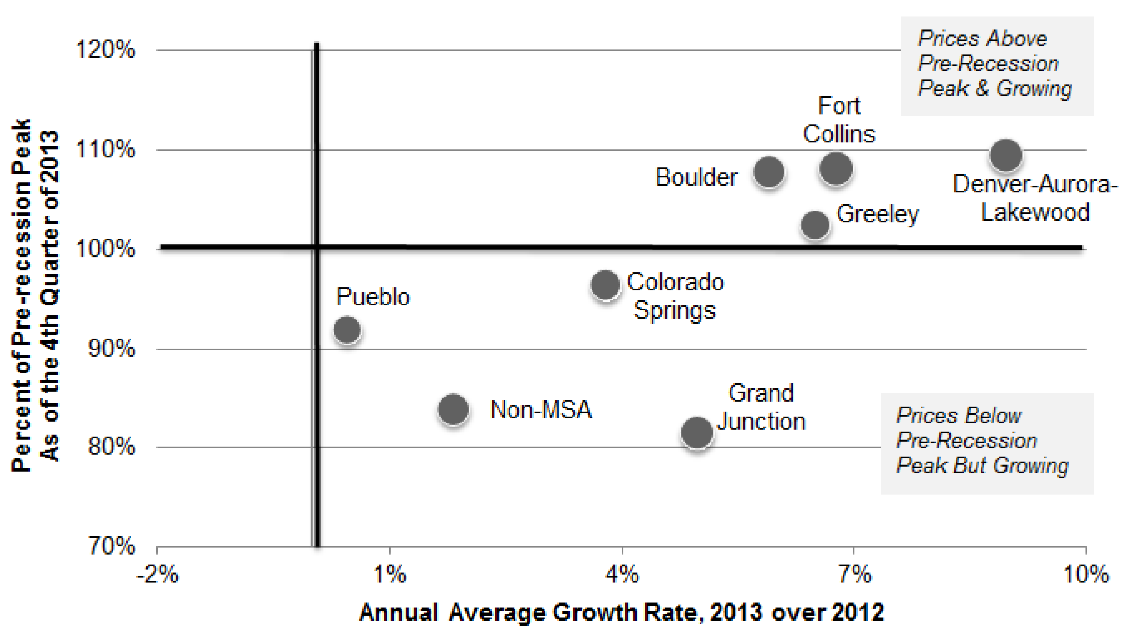
Mortgage interest rates are still extremely low by historical standards even after an increase in the summer of 2013. The rise in mortgage rates was primarily driven by speculation that the Federal Reserve would reduce its bond purchases. The Federal Reserve did start reducing its monthly bond purchases in December. However, mortgage interest rates have been steadily declining

Figure 30
Components of Inflation for Boulder-Denver-Greeley CPI
2013 over 2012



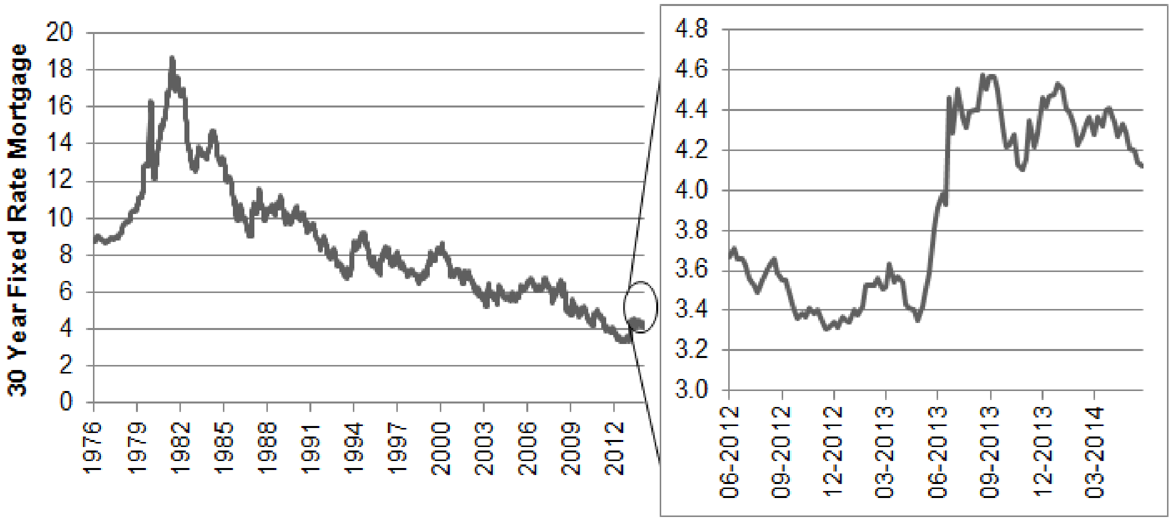
Sources: Bureau of Labor Statistics.

Figure 31
Change in Home Value in 2013 and Percent of Pre-recession Peak Value
Federal Housing Finance Authority Home Price Index—All Transactions



Sources: Federal Housing Finance Authority. Data as of the fourth quarter of 2013.
**In general, a Non-MSA I an area with a population less than 50,000.*

Figure 32
Average U.S. 30-Year Fixed Rate Mortgage



Sources: Freddie Mac, Primary Mortgage Market Survey. Weekly data through May 29, 2014.

despite this since the beginning of the year because of global uncertainties, which have increased demand for U.S. treasuries, pushing rates down. Mortgage interest rates will remain near record low levels as demand for U.S. treasures continue, assuming the Federal Reserve maintains its policy of keeping its benchmark short-term rate low. Figure 32 shows the 30-year fixed rate mortgage interest rate since 1976, highlighting interest rate changes since June 2012.

The improvement in the housing market has restored confidence for home builders. Total housing permits in Colorado increased for the fourth year in a row, rising 26.8 percent in 2013. Most of the increase remained in the multi-family market, as single family permits increased 20.7 percent and multifamily housing permits increased 36.5 percent. Figure 33 shows single and multifamily residential building permits since 2000.

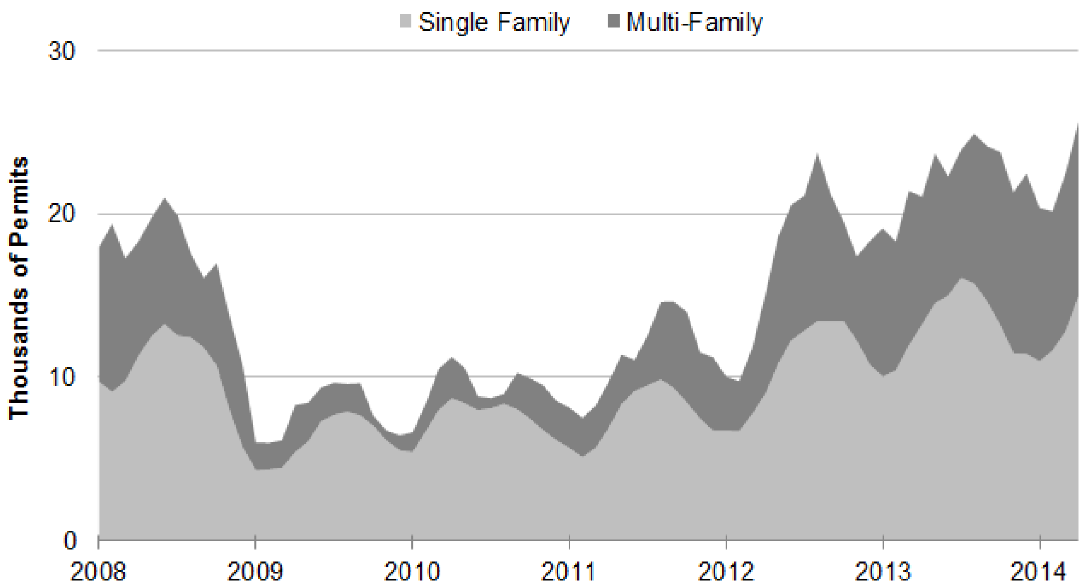
- After strong growth in the previous four years, residential construction permits are expected to continue to grow, although at more moderate rates of 15.1 percent in 2014 and 12.7 percent in 2015.

Non-residential Construction

Colorado's nonresidential construction sector continues to show improvement. Robust oil and gas production, combined with metro Denver's attractiveness to young professionals, have contributed to improvement in the value of nonresidential construction in the state. Through the first quarter of 2014, the value of nonresidential construction increased 7.1 percent compared with the first quarter of 2013. Although the value of nonresidential construction declined 15.7 percent in 2013, the decrease was mostly the result of several large hospital projects in 2012. Excluding hospital and health treatment facilities, the value of nonresidential construction increased 21.1 percent in 2013. Figure 34 shows the value of nonresidential construction activity since December 2009 by category of nonresidential construction project.

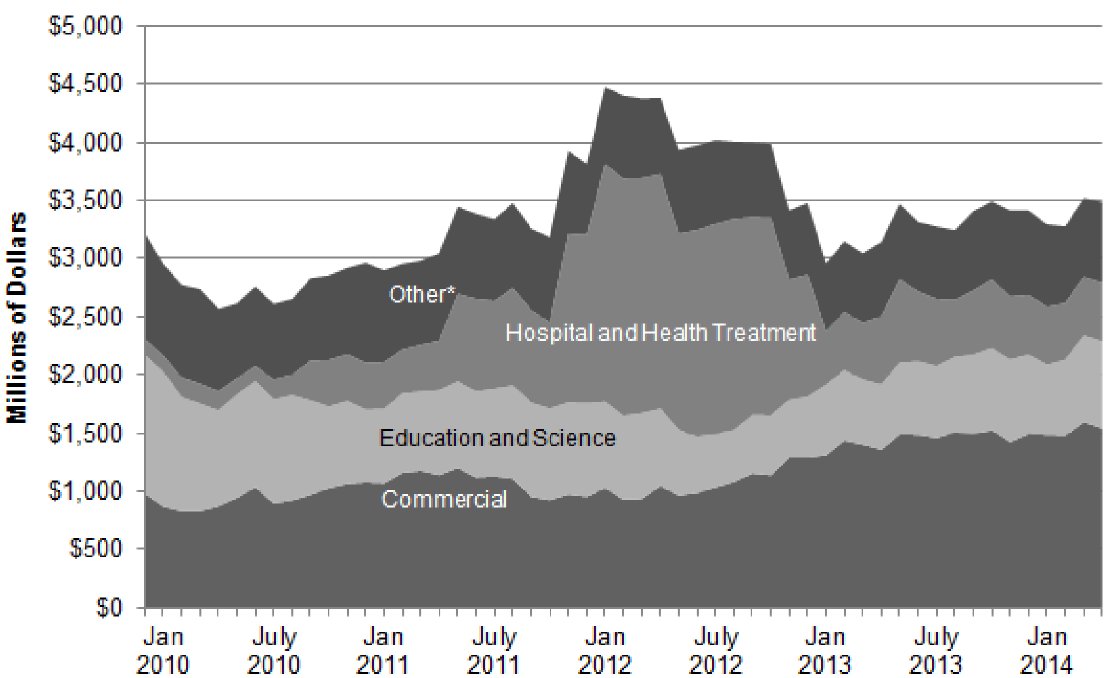
- The value of nonresidential construction activity is expected to increase in 2014, growing 19.3 percent, and increase 4.2 percent in 2015.

Figure 33
Monthly Colorado Residential Construction Permits
Three-Month Moving Average, Seasonally Adjusted Data



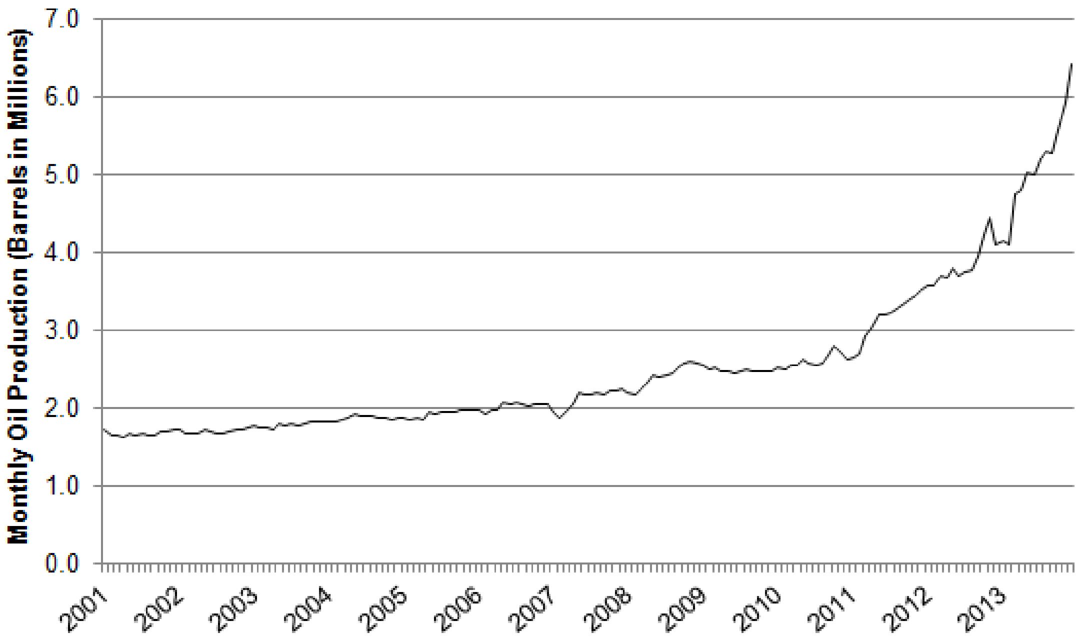
Sources: U.S. Census Bureau, Three Month moving Average. Data through December 2013.

Figure 34
The Value of Nonresidential Construction Activity
Annualized Data



Sources: F.W. Dodge. Data through April 2014.

Figure 35
Colorado Oil Production, 2001 to 2013
Three-Month Moving Average



Sources: Colorado Oil and Gas Conservation Commission. Data through December 2013.

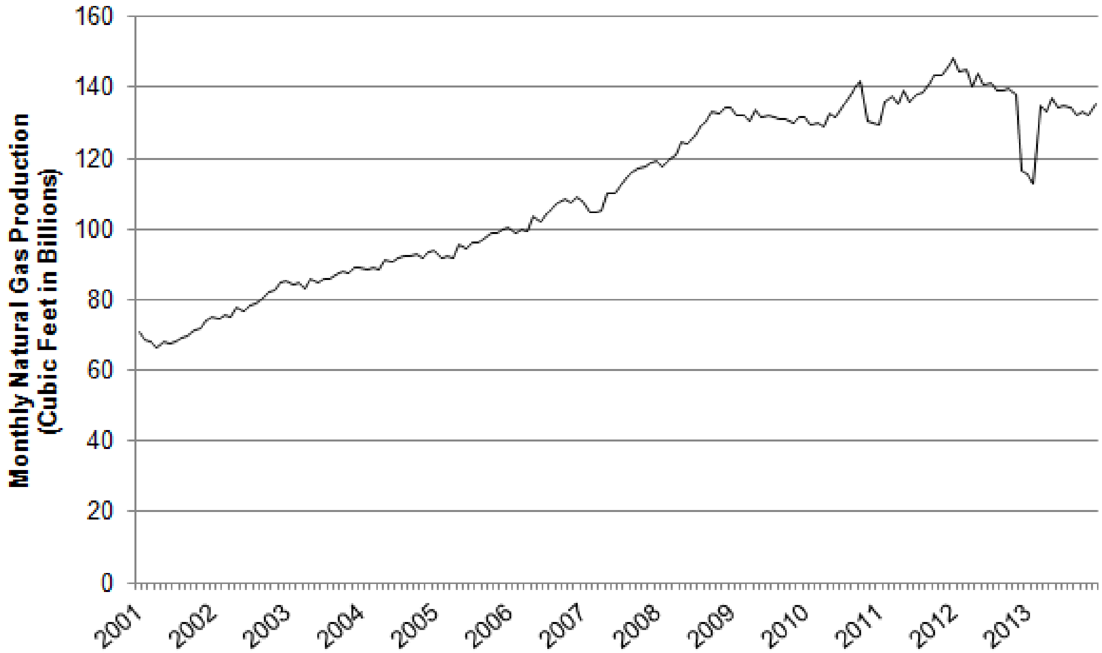
Oil and Natural Gas

Oil and natural gas production is an important industry in the state. In percentage terms, mining sector employment (which includes oil and gas) grew 4.1 percent in 2013, the second largest increase in the state. On average, employee wages in the oil and gas sector are greater than the overall state average. The western and southwest regions produce mostly natural gas from the Piceance and San Juan basins, while the northern region produces shale oil from the Niobrara formation in the Denver-Julesberg basin. Since November 2009, drilling activity has shifted to the northern region. Relatively higher oil prices and advances in horizontal drilling techniques have contributed to the shift. In 2003, oil accounted for 12 percent of oil and gas production value in Colorado. By 2013, oil accounted for 49 percent of total value, and may account for more than 50 percent in 2014.

Oil production, particularly in the northern region of the state, is growing quickly. In 2013, the state produced an estimated 64 million barrels of oil, an increase of 117 percent since 2009. Weld County accounted for 81 percent of total state oil production in 2013. Figure 35 shows Colorado oil production from 2001 to 2013.

Natural gas production in the state declined in 2013 for the first time. Production in the western region, which has historically been the leading natural gas producing region in the state, declined 11.1 percent in 2013 over 2012. The strength of oil prices has contributed to the decline in natural gas production. However, hydraulic drilling techniques have also made it possible to tap shale rocks in the northern region, which produce natural gas as a by-product. As a result, gas production in the northern region grew by nearly 14 percent in 2013 on a year-over-year basis. Figure 36 shows statewide natural gas production through December, 2013.

Figure 36
Colorado and Western Region Natural Gas Production
Three-Month Moving Average



Sources: Colorado Oil and Gas Conservation Commission. Data through December 2013.

Agriculture

Challenging weather conditions contributed to a decline in agricultural production in Colorado during 2013. High prices for hay tightened profit margins for livestock and dairy producers, which are major contributors to the Colorado agricultural industry. These industries were forced to change their feed rations or reduce the size of their herds. As result, cattle on feed averaged 942,500 head in 2013, a decline of 8.7 percent compared with 2012.

According to the United States Department of Agriculture, Colorado's corn crop was 130 million bushels in 2013, 3 percent below 2012 production levels. Wheat production in Colorado was 45.0 million bushels, a decrease of 40 percent in 2013 compared with 2012. Colorado potato growers produced 20.3 million hundredweight of potatoes, a 9 percent decline from 2012. The USDA estimates that the value of field crops produced in Colorado was $2.1 billion in 2013, a decline of 24.6 percent from 2012.

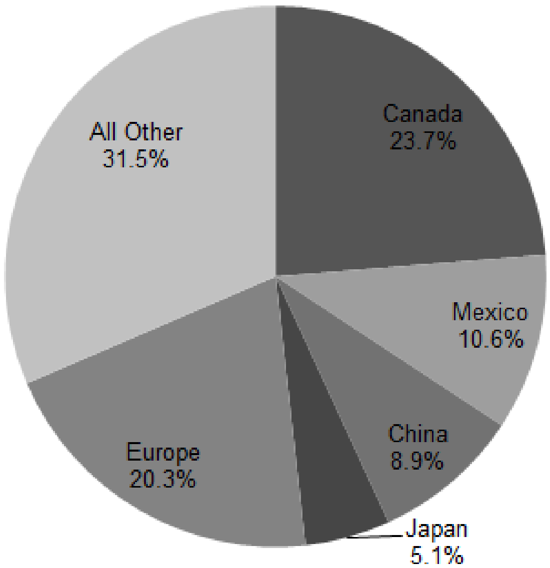
Many areas in the state are seeing some relief from the drought, which is helping reduce hay prices. A recent report from the U.S Department of Agriculture showed hay prices in the northern region area of the state have been declining and are almost at 2011 levels, which was the year before the widespread drought in the country. Nevertheless, many farmers and ranchers in Colorado are still experiencing severe drought conditions and have not seen hay prices ease. Hay prices in southwest Colorado and San Luis valley have not declined to the extent they have in the northern region of the state.

Colorado Exports

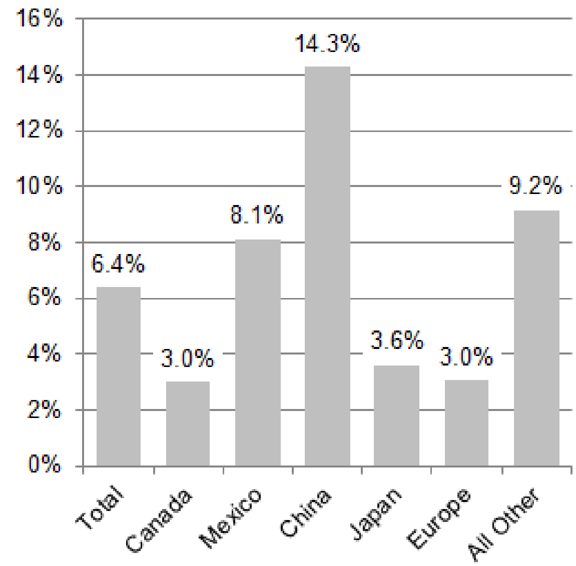
Colorado exports to other countries increased 6.4 percent in 2013 compared with 2012. Canada was the state's largest trading partner, accounting for 23.7 percent of the state's exports. Exports to all of the state's major trading partners increased in 2013, but China grew the fastest at 14.3 percent.

Figure 37

Share of State Exports, 2013



Colorado Export Growth, 2013



Sources: U.S. Department of Commerce, International Trade Administration.

Figure 37 shows the share of 2013 exports with Colorado's five largest trading partners and the rate of export growth in 2013 for each of those countries.

Colorado's export sector is driven by sales of scientific and precision instruments. Taken together, four such sectors—optical, medical and surgical instruments; industrial machinery and computers; electronic, audio, and television equipment; and photographic or cinematographic goods—represent nearly half of the state's total exports. All of these sectors exhibited slight to moderate declines in the first three months of 2014 compared with the same period in 2013. Other major sectors, including meat and leather exports, are continuing to grow.

In the first quarter of 2014, Colorado exports to other countries fell 5.3 percent compared with the same period in 2013. Canada and Mexico continue to be the state's largest trading partners, purchasing a combined 35.9 percent of Colorado exports thus far this year.

Summary

The Colorado economy ended 2013 with strong momentum. The labor market continued to add jobs and the unemployment rate declined through the year. This will help to boost personal and disposable income for Colorado residents in 2014, which in turn will help boost retail sales and continue to strengthen the housing market.

Overall, Colorado's economy performed better than the U.S. economy in 2013. These trends are likely to continue in 2014 and 2015. Nevertheless, Colorado is still vulnerable to the same risks as the nation's economy. Specifically, the Federal Reserve's monetary policy remains an area of concern, which could cause some volatility in the stock markets. In addition, housing prices increased rapidly in 2013 and it is not clear that this rate of price appreciation will continue at the same pace. Finally, even though the state's economy continues to improve, there is significant variation in economic growth across the different regions of the state.

Table 16
Colorado Economic Indicators, June 2014 Forecast
(Calendar Years)

	2009	2010	2011	2012	2013	Forecast 2014	Forecast 2015	Forecast 2016
Population (thousands, July 1)	4,976.9	5,045.9	5,116.2	5,187.3	5,266.1	5,356.0	5,448.2	5,544.5
percent change	1.5%	1.4%	1.4%	1.4%	1.5%	1.7%	1.7%	1.8%
Nonagricultural Employment (thousands)	2,245.5	2,222.3	2,258.6	2,312.8	2,381.2	2,445.5	2,516.4	2,591.9
percent change	-4.5%	-1.0%	1.6%	2.4%	3.0%	2.7%	2.9%	3.0%
Unemployment Rate	8.1	9.0	8.5	7.8	6.8	6.0	5.7	5.4
Personal Income (millions)	$206,423	$210,608	$226,032	$237,461	$245,556	$258,816	$272,792	$288,069
percent change	-2.7%	2.0%	7.3%	5.1%	3.4%	5.4%	5.4%	5.6%
Wage and Salary Income (millions)	$112,294	$113,783	$118,740	$125,055	$130,020	$137,432	$145,677	$154,710
percent change	-3.8%	1.3%	4.4%	5.3%	4.0%	5.7%	6.0%	6.2%
Retail Trade Sales (millions)	$66,345	$70,738	$75,548	$80,073	$83,569	$88,249	$93,015	$98,037
percent change	-11.3%	6.6%	6.8%	6.0%	4.4%	5.6%	5.4%	5.4%
Home Permits (thousands)	9.4	11.6	13.5	23.3	27.5	31.7	35.7	38.3
percent change	-50.8%	23.9%	16.5%	72.6%	18.1%	15.1%	12.7%	7.3%
Nonresidential Building (millions)	$3,354	$3,147	$3,923	$3,692	$3,566	$4,255	$4,433	$4,571
percent change	-18.5%	-6.2%	24.7%	-5.9%	-3.4%	19.3%	4.2%	3.1%
Denver-Boulder Inflation Rate	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	2.4%	2.4%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, F.W. Dodge, Colorado State Demography Office, and Legislative Council Staff.

Colorado Economic Regions

Metro Denver Region
Northern Region
Colorado Springs Region
Pueblo — Southern Mountains Region
San Luis Valley Region
Southwest Mountain Region
Western Region
Mountain Region
Eastern Region

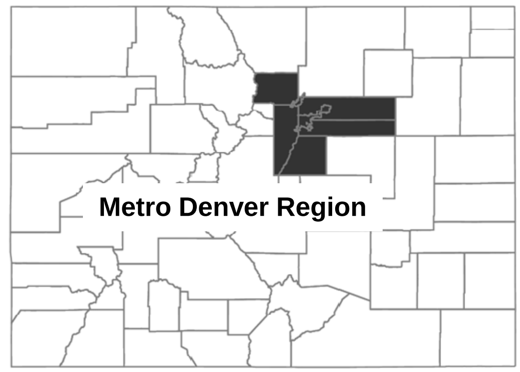
Data revisions. Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data is based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data is based on the surveys received at the time of data publication and this data is revised over time as more surveys are collected to more accurately reflect actual employment conditions. Because of these revisions, the most recent months of employment data may reflect trends that are ultimately revised away. Additionally, employment data undergoes an annual revision, which is published in March of each year. This annual revision may effect one or more years of data values.

Like the employment data, residential housing permits and agriculture data are also based on surveys. This data is revised periodically. Retail trade sales data typically has few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year reflects reported construction activity, which is revised the following year to reflect actual construction activity.

Metro Denver Region

The Denver metropolitan area continues to experience strong economic conditions in 2014. Employment, housing permits, nonresidential construction, and retail trade have all exhibited growth in the first several months of 2014. Table 17 shows economic indicators for the region.

The metro Denver region added approximately 50,000 jobs in 2013 and another 41,000 in the first four months of 2014. Figure 38 shows seasonally adjusted nonfarm employment in the metro Denver area since January 2006. Unemployment in the Denver region fell from an average of 6.4 percent in 2013 to an average of 6.0 percent through March 2014. The reduction in the unemployment rate can be attributed to job growth as the labor force has increased in the first three months of 2014 relative to the average for all of 2013. The declining unemployment rate and the growth in the labor force are shown in Figure 39.



Residential building permits in the Denver region continue to exhibit strong growth. Single-family permits in Denver-Aurora are up 23.3 percent in the first quarter of 2014 compared with the same period in 2013, and single-family permits in Boulder are up 46.2 percent. These

Table 17
Metro Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-0.5%	1.8%	2.9%	3.5%	2.8%
Unemployment Rate /2	8.8%	8.3%	7.5%	6.4%	6.0%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	-1.1%	6.6%	57.9%	19.3%	23.3%
Single-Family (Boulder)	104.3%	-31.1%	-31.1%	16.4%	46.2%
Growth in Value of Nonresidential Const. /4					
Value of Projects	8.4%	36.5%	-8.6%	-10.7%	-2.9%
Square Footage of Projects	-1.5%	24.7%	14.2%	20.8%	-1.5%
Level (1,000s)	8,156	10,174	11,616	14,028	4,084
Number of Projects	-35.8%	-2.5%	5.9%	21.5%	9.3%
Level	591	576	610	741	258
Retail Trade Sales Growth /5	6.9%	4.3%	8.0%	4.6%	5.4%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey for Denver-Aurora-Broomfield and Boulder MSAs. Seasonally adjusted. Data through April 2014.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014.

3/ U.S. Census. Growth in the number of residential building permits. Data through March 2014.

4/ F.W. Dodge. Data through April 2014.

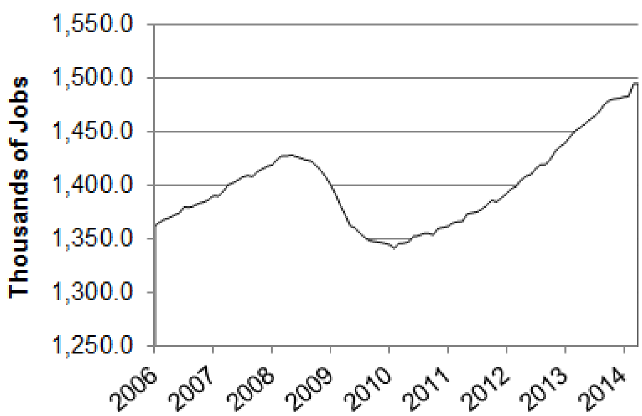
5/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

increases are on top of relatively strong growth in 2013, as the number of housing permits grew 19.3 percent in Denver-Aurora and 16.4 percent in Boulder relative to 2012. Higher home prices and low inventory combined to make the Denver area housing market favorable to sellers at a time when many metropolitan housing markets continue to favor buyers. Demand for housing in the metro area continues to outpace supply, and prices are expected to continue to rise in 2014. Figure 40 shows the number of residential housing permits issued in the Denver region since 2005.

In the first four months of 2014, the metro Denver area's nonresidential construction market is experiencing mixed results. The number of projects is up 9.3 percent, but the value and square footage of nonresidential projects fell 2.9 percent and 1.5 percent, respectively, through April 2014 compared with the same period in 2013. Denver and its suburbs continue to host many of the state's most valuable construction projects, including the Charles Schwab Colorado Campus in Lone Tree and the new Exempla St. Joseph hospital in central Denver. Figure 41 shows the volatility in the square footage of nonresidential building permits from 2008 through April 2014.

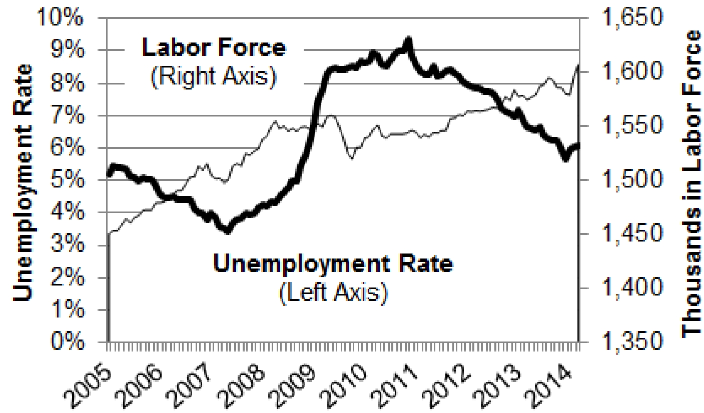
Retail trade sales in the metro Denver region grew 5.4 percent in the first two months of 2014, compared with the same period in 2013. For all of 2013, retail trade sales increased 4.6 percent, on a year-over-year basis. The slightly higher rate of growth in the beginning of 2014 may be due to continued employment growth in the metro area, higher wages and salaries, and a strengthening housing market. These positive trends tend to fuel greater consumer confidence, which could also lead to more consumer spending.

Figure 38
Metro Denver Employment
Seasonally Adjusted



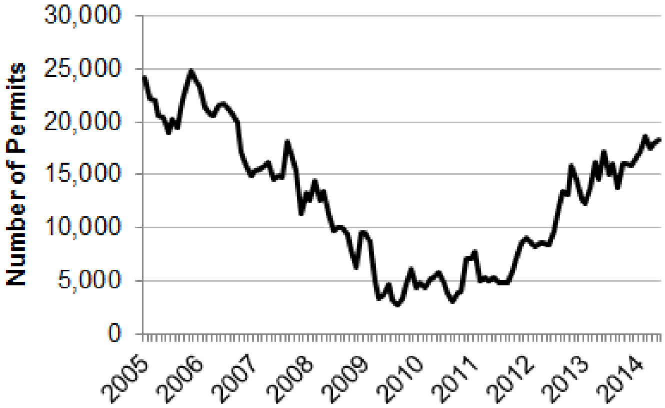
Source: U.S. Bureau of Labor Statistics; CES.
Data through April 2014.

Figure 39
Metro Denver Labor Force and Unemployment Rate
Seasonally Adjusted



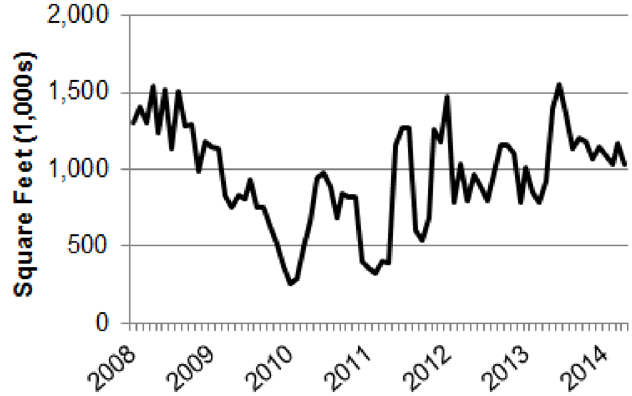
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2014.

Figure 40
Metro Denver Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted Data



Source: U.S. Census Bureau. Data through March 2014.

Figure 41
Metro Denver Nonresidential Building Permits: Square Feet
Three-Month Moving Average;
Non-Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2014.

Northern Region

The northern region's economy, which encompasses Weld and Larimer counties, continues to be one of the strongest in the state. The unemployment rate for the Fort Collins-Loveland area is the lowest in the state, consumer spending continues to outpace the rest of the state, and new construction, especially in the Greeley area, continues to be strong. Growth in the energy sector, however, is the real story. Over the last three years, while regional natural gas production has grown rapidly, regional oil production virtually exploded, growing by more than 30 percent annually. Table 18 shows economic indicators for the region.

Table 18
Northern Region Economic Indicators
Weld and Larimer Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1					
Fort Collins-Loveland MSA	0.4%	1.9%	2.7%	3.1%	3.2%
Greeley MSA	-0.6%	4.0%	4.9%	5.1%	5.6%
Unemployment Rate /2					
Fort Collins-Loveland MSA	7.5%	6.9%	6.2%	5.4%	5.0%
Greeley MSA	10.2%	9.5%	8.5%	7.1%	6.2%
State Cattle and Calf Inventory Growth /3	-1.2%	10.2%	-3.4%	-8.7%	-3.5%
Natural Gas Production Growth /4	1.1%	10.7%	11.3%	13.7%	NA
Oil Production Growth /4	7.7%	30.6%	32.3%	45.8%	NA
Housing Permit Growth /5					
Fort Collins-Loveland MSA Total	685.7%	-79.4%	36.9%	34.6%	-46.1%
Fort Collins-Loveland MSA Single-Family	18.5%	57.9%	-79.4%	32.1%	-32.3%
Greeley MSA Total	-2.0%	18.9%	-76.8%	44.7%	39.7%
Greeley MSA Single-Family	-22.4%	36.9%	18.9%	35.7%	23.1%
Growth in Value of Nonresidential Construction/ 6					
Value of Projects	-48.8%	-11.8%	12.0%	54.9%	-49.4%
Square Footage of Projects	-11.6%	-36.4%	42.1%	39.5%	70.3%
Level (1,000s)	1,802	1,145	1,627	2,270	577
Number of Projects	-15.5%	-5.1%	23.3%	-3.1%	70.3%
Level	136	129	159	154	63
Retail Trade Sales Growth /7					
Larimer County	7.7%	7.9%	5.8%	6.2%	2.7%
Weld County	9.9%	26.3%	5.6%	7.9%	11.1%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2014.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014.

3/ National Agricultural Statistics Service. Cattle and calves on feed through April 2014.

4/ Colorado Oil and Gas Conservation Commission. Seasonally adjusted. Data through December 2013.

5/ U.S. Census Bureau. Growth in the number of residential building permits. Data through March 2014.

6/ F.W. Dodge. Data through April 2014. Prior forecasts reported Weld and Larimer Counties separately.

7/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

The region's labor market continues to be the strongest in the state. Nonfarm employment grew 3.2 percent in the Fort-Collins-Loveland area and 5.6 percent through the first four months of 2014 compared with a similar period in the prior year. Through the first quarter, the unemployment rate for the Fort Collins-Loveland area was 5.0 percent, the lowest of all the MSAs in the state, while the Greeley area's unemployment rate was slightly higher at 6.2 percent. Figure 42 shows total employment for both major metro areas in the region between January 2006 and March 2014.

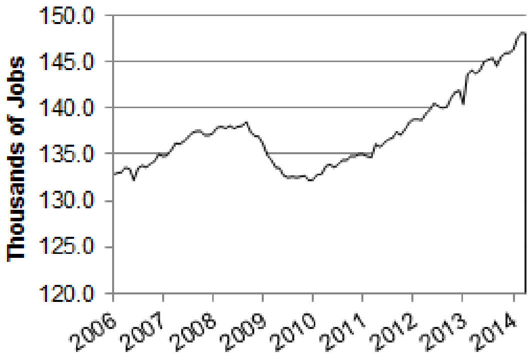
Growth in the northern region's real estate market was mixed through the first quarter of 2014. New residential construction permits for all properties fell 46.1 percent compared with the first quarter of 2013. The decline in permits may reflect the increase in interest rates that occurred over the last year. In the Greeley area, however, growth in permits continued apace. Total residential construction permits grew 39.7 percent compared with the first quarter of 2013 as the continued boom in oil and gas development in Weld County is driving up demand for residential construction.

The value of nonresidential projects in the northern region fell 49.4 percent in the first four months of 2014 compared with the same period a year earlier. However, the number and total square footage of projects increased about 70 percent. This, along with housing growth, has also helped maintain steady growth in construction jobs for the region's labor market. In both Larimer and Weld Counties, the largest number of projects in the spring of 2014 occurred in the commercial sector.

Retail sales continue to be strong in both Larimer and Weld County. As Figure 43 shows, consumer spending in both counties has outperformed the state.

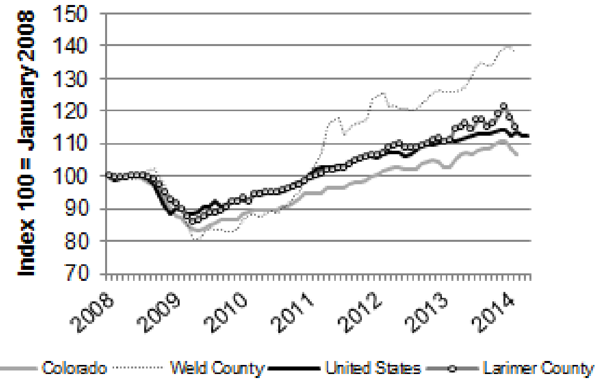
The northern region continues to be, by far, Colorado's most productive region for oil and gas development. On a year-over-year basis, regional natural gas production increased by 13.7 percent and oil production increased by 45.8 percent in 2013. The region is now home to nearly 20 percent of the state's natural gas production and over 80 percent of the state's oil production. This concentrated growth is the result the continued success of plays in the Wattenberg field within the Denver-Julesberg Basin. Figure 44 shows the northern region's oil production compared with production statewide.

Figure 42
Fort Collins-Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted



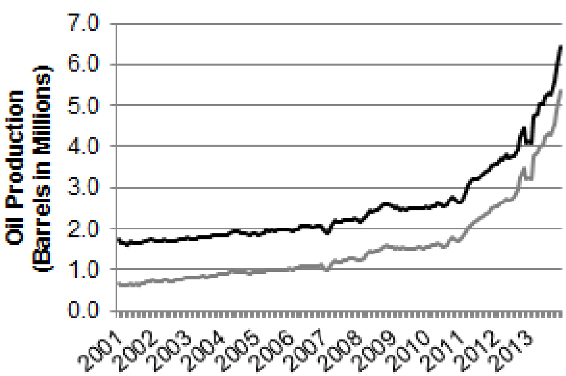
Source: U.S. Bureau of Labor Statistics; CES. Data through April 2014.

Figure 43
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through February 2014; U.S. data through April 2014.

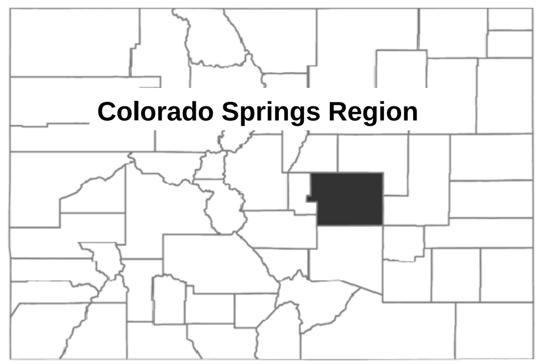
Figure 44
Colorado and Northern Region Oil Production, 2001 to 2013
(Monthly Data)



Source: Colorado Oil and Gas Conservation Commission. Data through December 2013.

Colorado Springs Region

The pace of economic recovery in Colorado Springs has been slower than in other urban areas along the Front Range, most notably metro Denver and the northern region. Thus far in 2014, Colorado Springs has seen slower employment growth than in 2013. Jobs increased 2.0 percent in 2013, but are up only 1.3 percent in the first four months of 2014. Similarly, growth in retail trade sales has slowed and residential housing permits have fallen relative to 2013. The region's most promising indicator in 2013 was nonresidential construction, with increases in both the value and square footage of nonresidential construction projects; but those are also growing more slowly in 2014. Table 19 shows economic indicators for the region.



Nonfarm employment in Colorado Springs grew 2.0 percent in 2013, up from 1.0 percent the previous year. Through April 2014, employment growth has slowed to 1.3 percent. Last year's growth in employment, while modest, was the fastest rate the region had experienced since 2006. The region's unemployment rate declined steadily throughout 2013, averaging 8.0 percent for the year. Through March 2014, the unemployment has averaged 7.7 percent. This decrease is attributable both to new jobs and to a lower workforce participation rate. Figure 45 shows the unemployment rate and the labor force since 2005.

Table 19
Colorado Springs Region Economic Indicators
El Paso County

	2010	2011	2012	2013	YTD 2014
Employment Growth /1					
Colorado Springs MSA	-1.0%	1.3%	1.0%	2.0%	1.3%
Unemployment Rate /2	9.8%	9.5%	9.2%	8.0%	7.7%
Housing Permit Growth /3					
Total	10.5%	-8.5%	-8.5%	35.0%	-26.4%
Single-Family	4.5%	-12.9%	100.7%	19.4%	-11.1%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-12.7%	16.8%	0.5%	6.3%	2.8%
Square Footage of Projects	-35.2%	17.5%	-1.6%	25.6%	2.0%
Level (1,000s)	1,467	1,723	1,696	2,119	585
Number of Projects	24.6%	10.5%	-11.7%	-2.5%	2.0%
Level	370	409	361	352	101
Retail Trade Sales Growth /5	7.8%	8.3%	5.5%	4.1%	1.9%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. Seasonally adjusted. Data through April 2014.

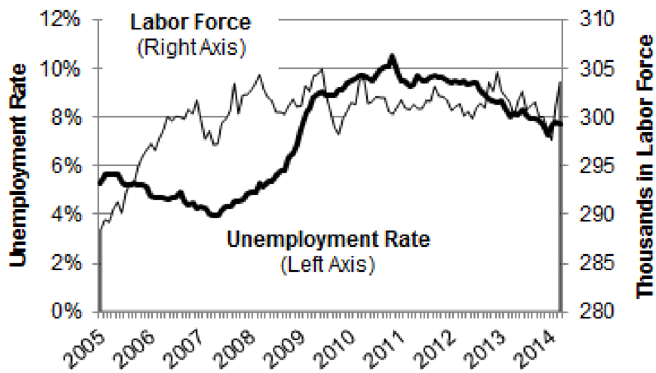
2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through March 2014.

4/ F.W. Dodge. Data through April 2014.

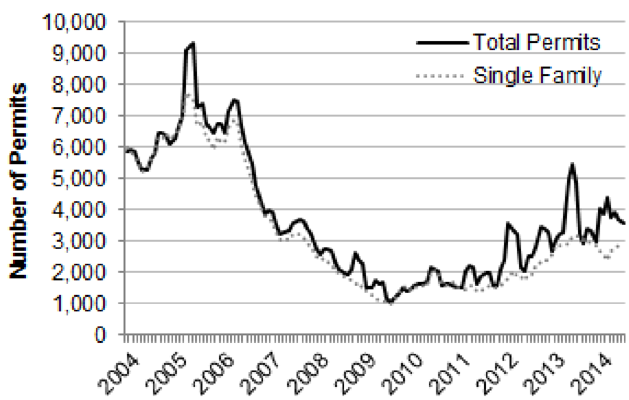
5/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

Figure 45
Colorado Springs MSA
Unemployment Rate and Labor Force
Seasonally Adjusted Data



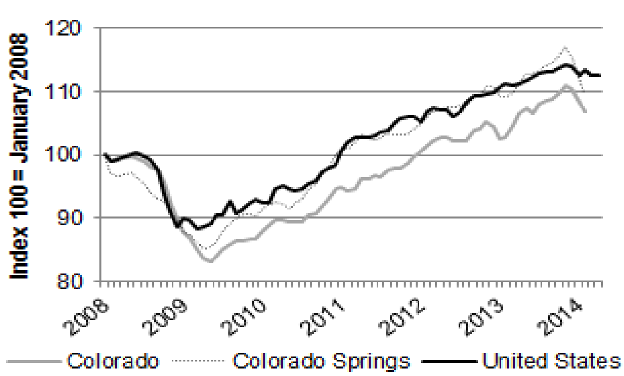
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2014.

Figure 46
Colorado Springs MSA
Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Data



Source: U.S. Census Bureau. Data through March 2014.

Figure 47
Colorado Springs MSA Retail Sales Indexed to January 2008
Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February 2014; U.S. data through April 2014.

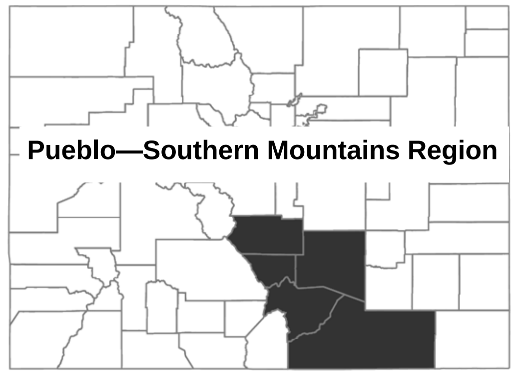
Housing permits are off to a sluggish start in 2014, declining 26.4 percent in the first three months of the year compared with the same period in 2013. The past two years saw relatively rapid growth in single-family housing permits, but these have fallen 11.1 percent so far in 2014. Multi-family permits have decreased at an even faster pace. Figure 46 shows residential building permits in the Colorado Springs region.

Nonresidential construction in Colorado Springs rebounded in 2013 after a disappointing year in 2012. In the first four months of 2014, the number of nonresidential construction projects is up 2.0 percent, the value of projects increased 2.8 percent, and square footage is up 2.0 percent on a year-over-year basis. Several of the larger Colorado Springs projects remain active construction sites in 2014, including renovation of the Kinder Morgan corporate campus, renovation and buildout of the St. Francis Medical Center, and construction of a new facility for the Rocky Mountain Classical Academy, which, when complete, will be the largest charter school facility in the state.

After growing 5.5 percent in 2012, retail sales growth slowed to 4.1 percent in 2013, and 1.9 percent in the first two months of 2014. Figure 47 indexes seasonally adjusted retail sales for Colorado Springs, the state, and the nation.

Pueblo — Southern Mountains Region

In contrast to much of the rest of the state, the Pueblo region's recovery is lagging. While employment indicators have shown slight improvements, the region's unemployment rate remains the highest in the state. Construction activity appears to be rebounding, but retail sales are essentially flat. Table 20 shows economic indicators for the region.



While nonfarm employment in the region decreased 1.0 percent in 2013, employment in Pueblo County increased 1.1 percent. Much of the gain in Pueblo County was because of Vestas hiring 300 new workers in 2013. The same disparity continued in the beginning of 2014, but job growth has accelerated. Employment in Pueblo County is up 2.4 percent and jobs increased 0.8 percent throughout the entire region. Unemployment in the region fell from an average of 9.5 percent in 2013 to an average of 9.0 percent in the first three months of 2014. Some of this decline reflects Pueblo's shrinking labor force as well as new jobs. The Pueblo region's seasonally adjusted unemployment rate and labor force are shown in Figure 48.

Table 20
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth					
Pueblo Region /1	-1.3%	0.1%	-1.1%	-1.0%	0.8%
Pueblo MSA /2	-0.1%	1.5%	-0.2%	1.1%	2.4%
Unemployment Rate /1	10.4%	10.4%	10.3%	9.5%	9.0%
Housing Permit Growth /3					
Pueblo MSA Total	23.4%	-77.7%	78.3%	-37.9%	38.6%
Pueblo MSA Single-Family	24.9%	-76.8%	-77.7%	-5.7%	37.4%
Growth in Value of Nonresidential Construction /4					
Value of Projects	-71.5%	3.9%	386.2%	-72.0%	148.8%
Square Footage of Projects	-62.2%	-58.1%	717.4%	-75.3%	100.0%
Level (1,000s)	125	52	428	106	77
Number of Projects	-20.4%	5.1%	-34.1%	7.4%	100.0%
Level	39	41	27	29	20
Retail Trade Sales Growth /5	6.8%	9.5%	3.0%	1.4%	1.2%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2014.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through March 2014.

4/ F.W. Dodge. Data through April 2014. Prior forecast documents only had nonresidential construction data for Pueblo County.

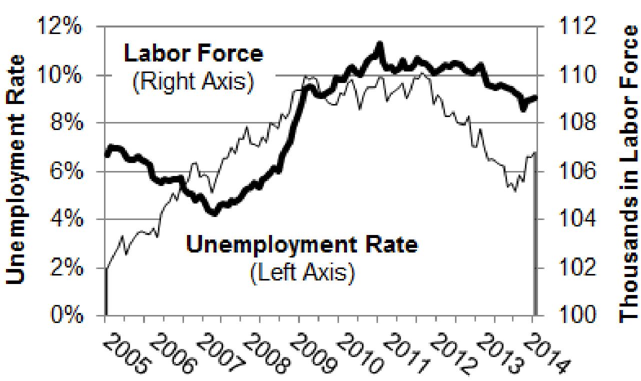
5/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

After beginning to rebound in 2010 and 2011, growth in consumer spending has stalled. Retail sales grew just 1.4 percent in 2013 and 1.2 percent in the first two months of 2014 on a year-over-year basis. Figure 49 indexes retail trade sales for the Pueblo region, the state, and the nation to January 2008 levels.

On a positive note, residential and nonresidential construction appear to be rebounding. The total number of housing permits issued in Pueblo County increased 38.6 percent through March 2014 compared with the same period in 2013. However, the increase in permits is from relatively low levels. Pueblo's seasonally adjusted single-family and overall residential building permits are shown in Figure 50.

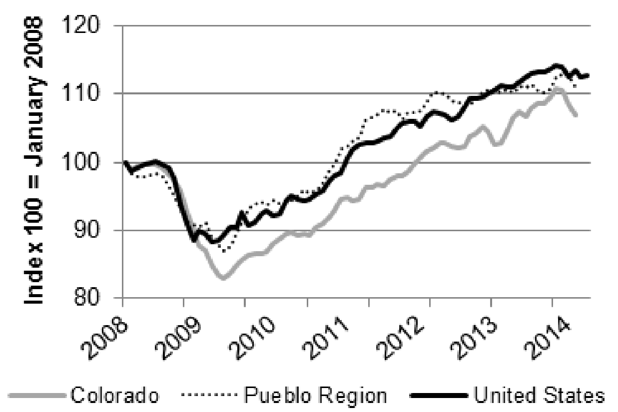
Nonresidential construction is also up in the region in 2014 compared with 2013. Both the value of nonresidential construction projects and the square footage of projects increased considerably in the first three month of 2014 compared with the same period in 2013.

Figure 48
Pueblo Region Unemployment Rate and Labor Force
Seasonally Adjusted



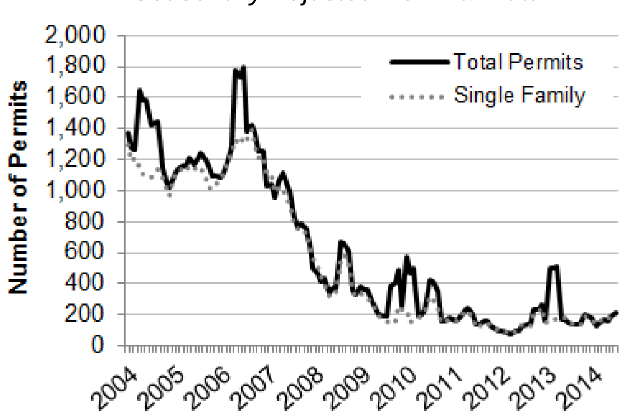
Source: U.S. Bureau of Labor Statistics; LAUS. Data through March 2014.

Figure 49
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through February 2014; U.S. data through April 2014.

Figure 50
Pueblo Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Nominal Data

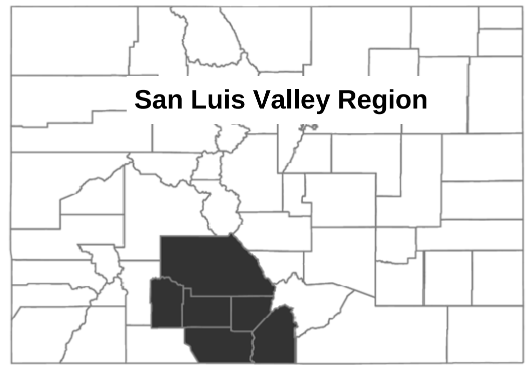


Source: F.W. Dodge. Data through April 2014.

San Luis Valley Region

The economy in the San Luis Valley continues to lag behind other parts of the state. After slowing in the second half of 2013, the region's labor market and consumer spending have begun to make gains through the few months of 2014. Agricultural price data have been mixed, while the value of both residential and nonresidential construction activity has declined. Table 21 shows economic indicators for the region.

After falling 2.6 percent in 2013, the region's nonfarm employment was 1.7 percent higher in the first quarter of 2014 compared with the same period the previous year. As shown in Figure 51, the area's unemployment rate remained high even amidst a falling labor force for much of 2013. The unemployment rate averaged 9.1 percent in 2013. Job growth brought the rate down to an average of 8.7 percent during the first three months of 2014. It is important to note that labor market data for rural areas can contain meaningful measurement error and are frequently revised. In addition, due to the reliance on agriculture, the region experiences different economic trends than more urban areas of the state.



Consumer spending, as measured by retail trade sales, increased only 0.4 percent in 2013. However, spending has begun to recover somewhat this year, increasing 1.2 percent in January and February compared with the first two months of 2013. Figure 52 shows changes in the region's consumer spending relative to changes in the nation and the state.

Table 21
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-2.0%	-1.5%	-0.6%	-2.6%	1.7%
Unemployment Rate /1	8.7%	9.4%	9.4%	9.1%	8.7%
Statewide Crop Price Changes /2					
Wheat	-7.6%	41.7%	4.2%	0.8%	-9.4%
Alfalfa Hay (baled)	-15.9%	40.9%	37.0%	-0.1%	-8.7%
Potatoes	-7.8%	67.4%	-33.5%	13.2%	34.8%
Dry Beans	-14.5%	28.5%	30.0%	-17.3%	5.6%
Housing Permit Growth /3	14.0%	-8.5%	41.5%	15.0%	-33.8%
Growth in Value of Nonresidential Construction /3					
Value of Projects	-55.1%	92.4%	-45.9%	-27.8%	-71.4%
Square Footage of Projects	-61.0%	65.3%	-51.1%	40.7%	-33.3%
Level (1,000s)	130	215	105	148	30
Number of Projects	-15.4%	0.0%	-27.3%	0.0%	-33.3%
Level	11	11	8	8	2
Retail Trade Sales Growth /4	3.7%	5.8%	2.8%	0.4%	1.2%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014.

2/ National Agricultural Statistics Service. Prices through April 2014.

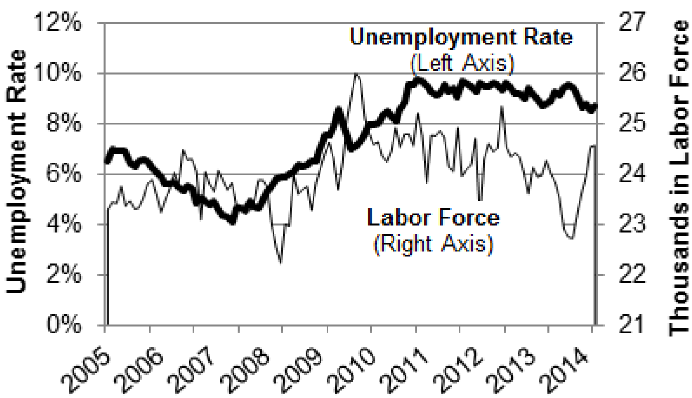
3/ F.W. Dodge. Data through April 2014. Prior forecasts only used data for Alamosa County.

4/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

Agriculture is integral to the San Luis Valley economy, where most of Colorado's seed potatoes are grown. Figure 53 shows potato production in Colorado in terms of dollar value and quantity, measured by hundredweight (Cwt) over the past five years. The quantity of production fell in 2013, partially because weather conditions were dry for much of the growing season and some crops were lost as a result of hail. The value of production, however, increased as a result of higher prices. So far in 2014, the price of potatoes is 34.8 percent higher than it was in 2013 and the weather is wetter, which may help production.

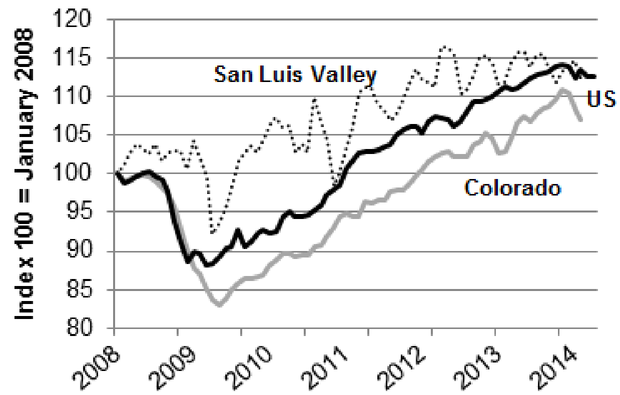
The number of permits for residential construction activity increased 15.0 percent in 2013, but has declined 33.8 percent through the first four months of 2014 compared with the same period a year ago. The value of nonresidential construction projects continues to fall, declining 71.4 percent in the first four months of this year after falling 27.8 percent in 2013. It is important to remember, however, that economic data related to the region's construction industry tends to be particularly volatile in smaller regions.

Figure 51
San Luis Valley
Unemployment Rate and Labor Force
Seasonally Adjusted



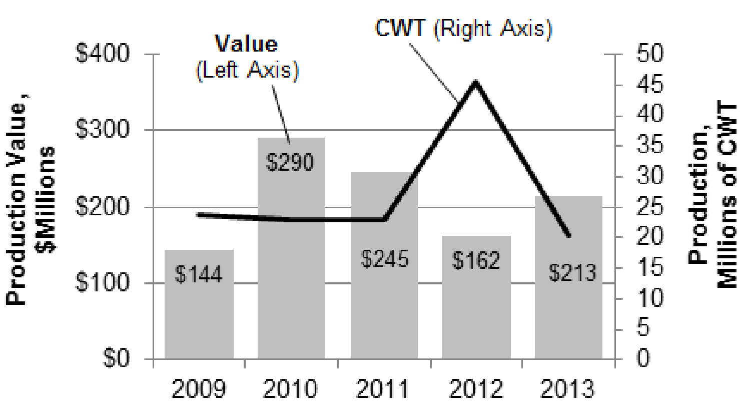
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2014.

Figure 52
San Luis Valley Trends in Retail Trade Sales
Three-Month Moving Average; Seasonally Adjusted
Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February 2014.
U.S. data through April 2014.

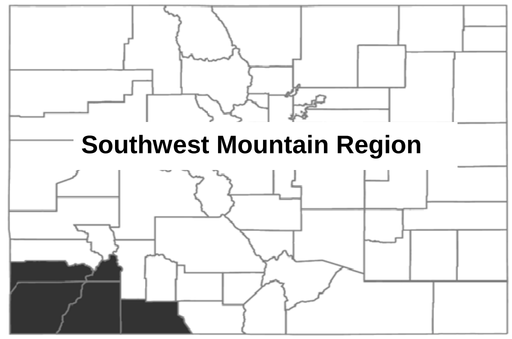
Figure 53
Colorado Potato Production,
By Value and Hundredweight (Cwt)



Source: National Agricultural Statistics Service.
Data through April 2014.

Southwest Mountain Region

Like other resort areas of the state, the southwest mountain region's economy is showing consistent signs of improvement. The labor market is improving, consumer spending is growing faster than the state as a whole, and there is increased nonresidential construction activity. Table 22 shows economic indicators for the region.



The labor market in the southwest mountain region is healthy and has begun to out-perform most regions of the state. After growing only 0.4 percent in 2013, the region's nonfarm employment increased 3.6 percent in the first quarter of 2014 compared with the same period in 2013. As shown in Figure 54, the region's unemployment rate has continued to drop even with increases in the labor force. The rate averaged of 6.4 percent in 2013 and has averaged 5.9 percent through the first three months of 2014.

Part of the improvement in the labor market and consumer spending is from increased construction activity. Figure 55 shows residential building permits and the value of those residential permits since 2008. Residential building permits increased 44.7 percent in 2013 and builders have maintained that pace of construction year-to-date. Nonresidential construction statistics indicate that, while the number and size of new projects are smaller in 2014 than in 2013, they are significantly more valuable. The number of projects and the square footage are lower through the first four months of 2014 compared with the same period in 2013, while the value of nonresidential construction permits increased 94.3 percent.

Table 22

Southwest Mountain Region Economic Indicators

Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.3%	-0.9%	0.8%	0.4%	3.6%
Unemployment Rate /1	8.3%	7.9%	7.3%	6.4%	5.9%
Housing Permit Growth /2	38.0%	-29.5%	2.4%	44.7%	0.0%
Growth in Value of Nonresidential Construction /2					
Value of Projects	-45.7%	-53.0%	38.3%	231.6%	94.3%
Square Footage of Projects	-60.5%	30.8%	101.3%	141.4%	-42.9%
Level (1,000s)	76	99	200	483	51
Number of Projects	4.5%	-39.1%	7.1%	20.0%	-42.9%
Level	23	14	15	18	4
Retail Trade Sales Growth /3	1.6%	9.1%	6.2%	5.3%	4.3%

NA = Not Available.

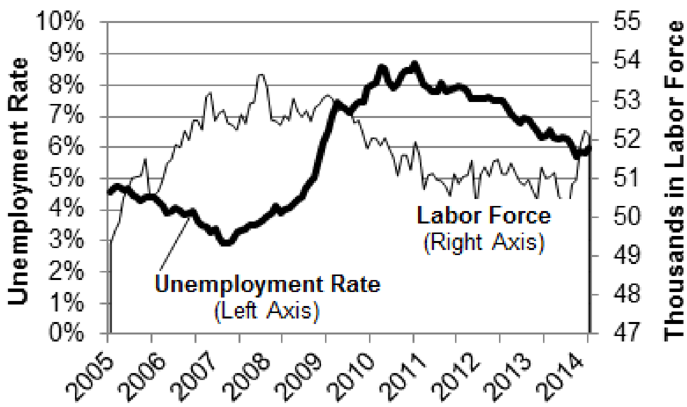
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014.

2/ F.W. Dodge. Data through April 2014. Prior forecasts had data for La Plata County only.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

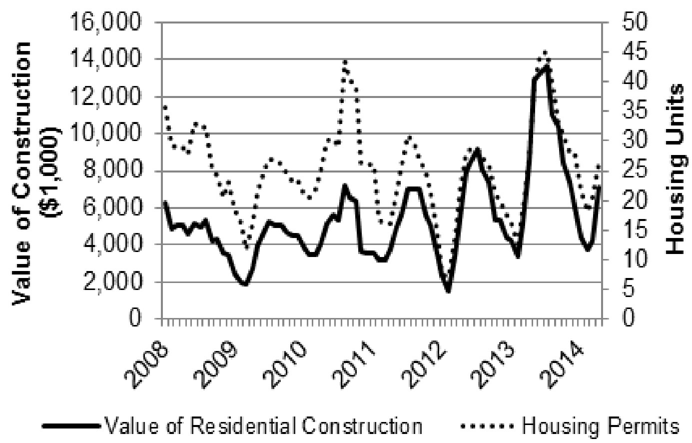
Figure 56 shows consumer spending, as measured by retail trade sales, for the region. The region's retail trade increased 5.3 percent in 2013 and 4.3 percent through February in 2014 compared with the first two months of last year. An improving national economy has helped buoy tourism in the state's resort areas. Because the Southwest Mountain Region's economy is relatively small, regional economic data will be more volatile than statewide data.

Figure 54
Southwest Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



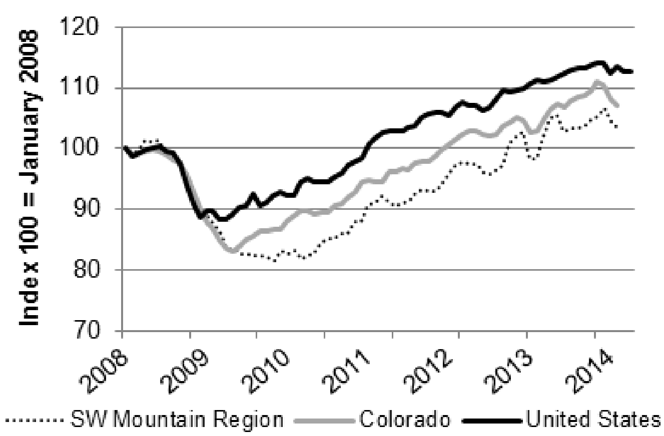
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2014.

Figure 55
Southwest Mountain Region
Value of Residential Construction and Building Permits
Three-Month Moving Average;
Non Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2014.

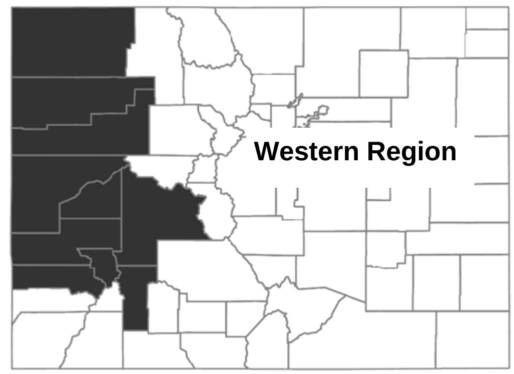
Figure 56
Southwest Mountain Region Retail Trade
Three-Month Moving Average;
Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February 2014. U.S. data through April 2014.

Western Region

Western Colorado's economy continues to struggle, recovering at a slower pace than other regions of the state. Although growth in employment has shown positive signs, growth in retail trade sales continued to lag in the first part of 2014. There has been some growth in the housing market so far this year, but nonresidential construction activity has remained flat. Natural gas exploration, traditionally a staple in the region's economy, has also flattened out due to relatively low natural gas prices. Table 23 shows economic indicators for the region.



Employment in western Colorado may be beginning to turn around. Through the first quarter of 2014, regional employment grew 2.2 percent compared with the first quarter of 2013. The regional unemployment rate was 7.1 percent. Although this rate is among the highest in the state, it has been steadily declining since 2010. The relationship between the region's labor force and unemployment rate is shown in Figure 57.

Spending in western Colorado has recovered from the recession more slowly than in other parts of the state, with growth lagging far below both state and national levels. In the first two months of 2014, retail trade sales continued the slight downward trend exhibited in the last quarter of 2013. Through February, consumer spending grew only 0.6 percent compared with the

Table 23

Western Region Economic Indicators

Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth					
Western Region /1	-5.5%	-0.6%	0.3%	-0.7%	2.2%
Grand Junction MSA /2	-4.5%	0.6%	0.9%	0.5%	1.6%
Unemployment Rate /1	10.1%	9.4%	8.5%	7.5%	7.1%
Natural Gas Production Growth /3	5.2%	6.7%	2.3%	-11.1%	NA
Housing Permit Growth /4	2.0%	-20.8%	22.4%	-1.0%	27.7%
Growth in Value of Nonresidential Construction /4					
Value Projects	19.0%	-60.1%	13.2%	-27.3%	500.6%
Square Footage of Projects	28.4%	-59.2%	26.0%	-44.6%	0.0%
Level (1,000s)	1,329	542	682	378	298
Number of Projects	-29.5%	-32.7%	16.7%	-33.8%	0.0%
Level	98	66	77	51	16
Retail Trade Sales Growth /5	1.8%	8.8%	1.2%	3.3%	0.6%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014.

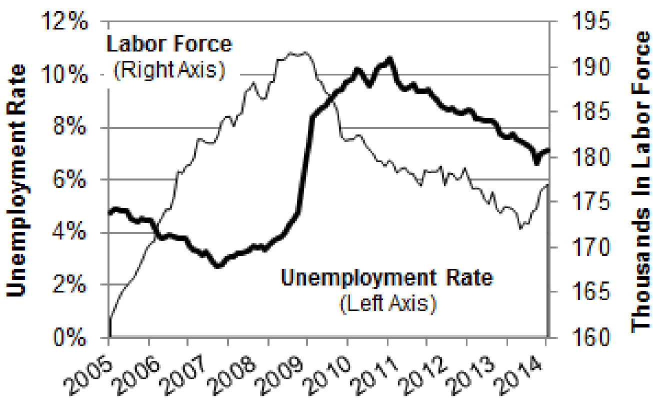
2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2014.

3/ Colorado Oil and Gas Conservation Commission. Data through December 2013.

4/ F.W. Dodge. Data through April 2014. Prior forecasts had data for Mesa and Montrose counties only.

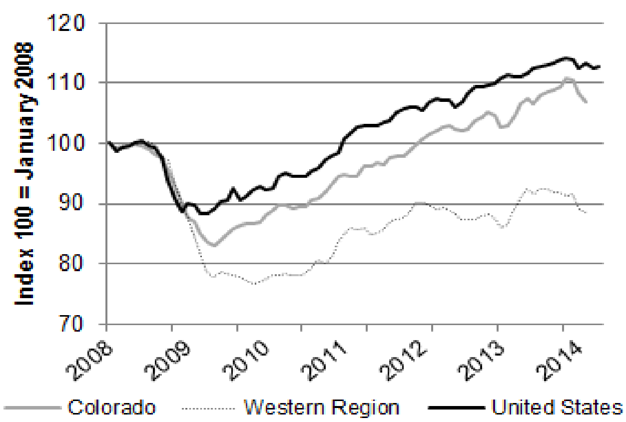
5/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

Figure 57
Western Region Unemployment Rate and Labor Force, 2005 to March 2014
Seasonally Adjusted



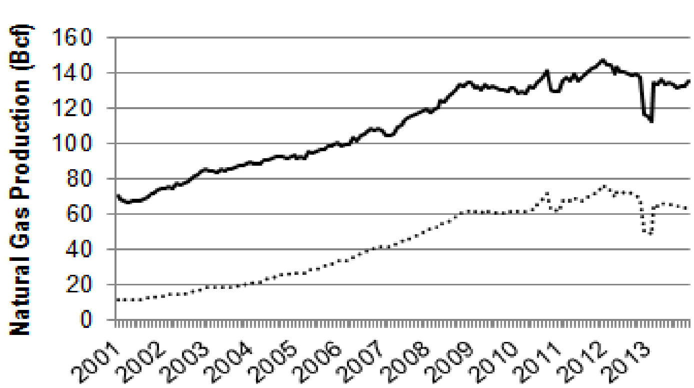
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2014.

Figure 58
Trends in Retail Trade Sales, January 2008 to November 2013
Three-Month Moving Average; Seasonally Adjusted



Source: Colorado Department of Revenue.
Data through February 2014.

Figure 59
Colorado and Western Region Natural Gas Production
(Three Month Moving Average)



Source: Colorado Oil and Gas Conservation Commission.
Data through December, 2013.

same period a year earlier, down from the 3.3 percent growth of 2013. Figure 58 shows trends in consumer spending in the western region compared to national and statewide trends, as represented by retail trade sales since the beginning of 2008.

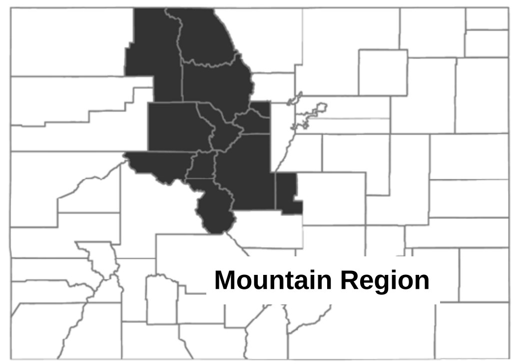
Through the first four months of 2014, regional building permits are up 27.7 percent compared with the first four months of 2013. This follows the pattern exhibited in 2013 of rapid growth in the region's permits in the first half of the year. However, regional building permits overall declined 1.0 percent in 2013 on a year-over-year basis, as the growth in the spring was almost entirely offset by declines in the second half. It remains to be seen whether this pattern will hold true in the remainder of 2014.

In terms of number of projects, growth in regional nonresidential construction activity remained slow through the first four months of 2013. Compared to a similar period in 2013, the number of nonresidential construction projects and total square footage remained flat. However, total project value increased by 500.0 percent, due to the high value of hospital projects in Rio Blanco and Mesa counties, and public administration projects in Gunnison County.

Natural gas development in the western region continued to struggle. Throughout much of 2013, relatively low natural gas prices kept production down across the region. This is unlikely to change in 2014 as natural gas prices have returned to lower levels after seasonal spikes during the winter months. In December 2013, the region accounted for 48 percent of the state's production, down from a peak of 52 percent in July 2012. Figure 59 compares regional and statewide natural gas production through December, 2013.

Mountain Region

The mountain region's economy, which is heavily dependent on the ski and recreation industries, had a strong first quarter in 2014. Job growth continues to improve, and the regional unemployment rate, which has declined steadily since 2010, fell further in the first part of 2014. While the real estate market appeared somewhat mixed, growth in retail sales for the region, which had been strong in 2013, continued through February 2014. Finally, the region's ski areas enjoyed a good snowpack and skier visitation for the 2013-14 season is significantly up from the previous year. Table 24 shows economic indicators for the region.



Growth in the regional labor market continues to accelerate. Through the first quarter of 2014, regional employment grew 3.2 percent compared with the first quarter of 2013. The region's unemployment rate fell to 5.8 percent on an annual average basis, among the lowest in the state. Figure 60 shows the region's nonfarm employment from January 2005 to March 2014, the most recent data available.

After displaying strong growth throughout 2013, the mountain region's residential real estate market slowed during the spring. Through the first four months of 2014, housing permits were off 20.7 percent compared with a similar period a year earlier. Figure 61 shows the trends of residential building permits and the value of residential construction in the mountain region from January 2008 through April 2014.

In contrast, the mountain region's non-residential development turned up in the first four months of 2014. The region saw 10 nonresidential construction projects started thus far in 2014, representing 66.7 percent growth compared with the first four months of 2013, while overall project value increased by 2.9 percent.

Table 24

Mountain Region Economic Indicators

Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.7%	-0.4%	1.0%	1.1%	3.2%
Unemployment Rate /1	9.1%	8.3%	7.4%	6.4%	5.8%
Housing Permit Growth /2	-17.6%	2.9%	6.9%	69.3%	-20.7%
Growth in Value of Nonresidential Construction /2					
Value of Projects	33.4%	195.4%	-57.4%	-8.6%	2.9%
Square Footage of Projects	76.2%	169.1%	-27.7%	-21.7%	66.7%
Level (1,000s)	290	779	563	441	55
Number of Projects	2.0%	-13.7%	11.4%	2.0%	66.7%
Level	51	44	49	50	10
Retail Trade Sales Growth /3	4.9%	7.5%	1.3%	5.6%	5.5%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014.

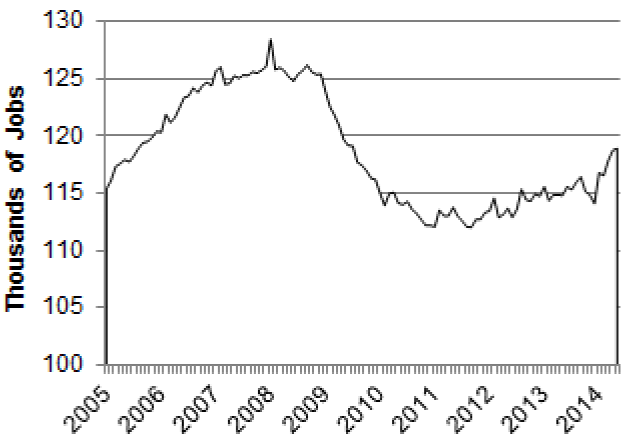
2/ F.W. Dodge. Data through April 2014. Prior forecasts reported Eagle, Pitkin & Summit Counties and Routt County separately.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

The region's ski areas enjoyed a banner year due to the heavy snowpack. According to Colorado Ski Country, visitation was up 13 percent for the season through February at Colorado, an increase that will likely gain speed as many resorts extended their season with late season snow. Vail resorts reported visitation up 11.9 percent through January at its four Colorado ski areas. The region's lodging sector also benefited as lodge keepers reported healthy increases in occupancy rates and revenue for the 2013-14 season.

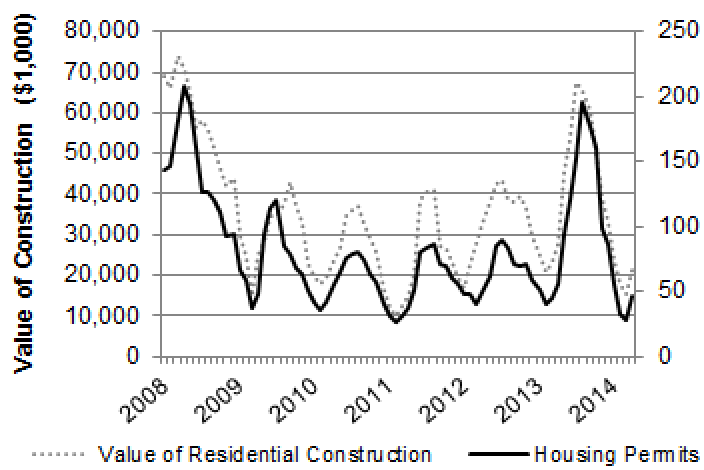
Retail sales increased 5.5 percent through February 2014 compared with the same period in 2013. Increased visitation levels to the region and an improving economy have helped boost retail sales. Even with this improvement, however, the growth in regional retail sales continues to lag behind both the state and the nation. Figure 62 indexes the region's retail sales growth to that of the state as a whole and the nation.

Figure 60
Mountain Region Nonfarm Employment
Seasonally Adjusted



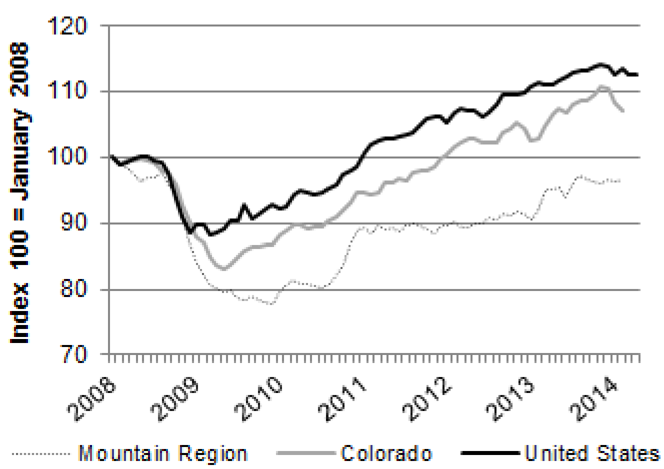
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2014.

Figure 61
Mountain Region Residential Building Permits
Three-Month Moving Average; Non Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2014.

Figure 62
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data

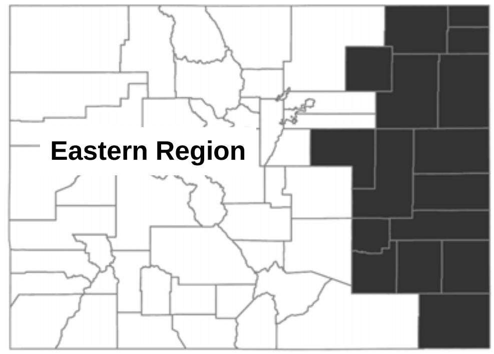


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February 2014; U.S. data through April 2014.

Eastern Region

The eastern region's economy is primarily driven by agriculture. The first few months of 2014 brought renewed growth in the region's employment and consumer spending after a difficult year in 2013, when agriculture was adversely affected by extreme weather events. Thus far in 2014 the weather has provided better growing conditions. The dominant agricultural products in the eastern region are wheat, corn, hay, cattle, and dairy. Table 25 shows economic indicators for the region.

As shown in Figure 63, the price of alfalfa hay, a crop primarily used as feed for cattle, leveled off in 2013, falling only 0.1 percent after having spiked in 2011 and 2012. It is expected to be several years before ranchers are able to rebuild their herds after having been forced to sell cattle for the slaughter over the last several years because of the high price of feed. The prices of corn and wheat have been more volatile than hay, but they are still above prices historically.



The eastern region experiences different employment and consumer spending trends than the more urban areas of the state. The region's nonfarm employment had been trending down since 2011. However, year-to-date through March, nonfarm employment is up 3.6 percent compared with the first three months of 2013. The region's unemployment rate and labor force totals, obtained from a survey that includes agricultural workers, are shown in Figure 64. The

Table 25
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.7%	1.0%	-1.8%	-2.5%	3.6%
Unemployment Rate /1	6.7%	6.4%	6.3%	5.8%	5.2%
Crop Price Changes /2					
Wheat $/bushel	-7.6%	41.7%	4.2%	0.8%	-9.4%
Corn $/bushel	-1.5%	59.3%	9.2%	-2.8%	-34.8%
Alfalfa Hay (Baled) $/ton	-15.9%	40.9%	37.0%	-0.1%	-8.7%
Dry Beans	-14.5%	28.5%	30.0%	-17.3%	5.6%
Livestock /3					
State Cattle and Calf Inventory Growth	-1.2%	10.2%	-3.4%	-8.7%	-3.5%
Milk Production	-0.8%	6.5%	7.1%	3.5%	3.8%
Retail Trade Sales Growth /4	9.9%	13.7%	4.3%	2.4%	11.1%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2014

2/ National Agricultural Statistics Service. Price data through April 2014.

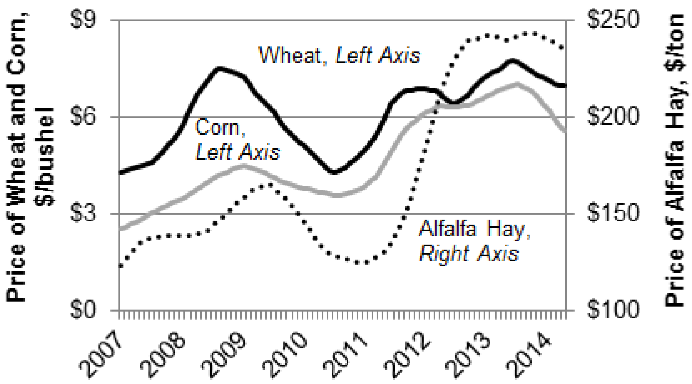
3/ National Agricultural Statistics Service. Cattle and calves on feed through April 2014, milk production through March 2014.

4/ Colorado Department of Revenue. Seasonally adjusted. Data through February 2014.

unemployment rate fell to an average 5.2 percent during the first three months of 2014 from an average of 5.8 percent in 2013. This decrease occurred even amidst and a flat regional labor force, indicating strong job growth.

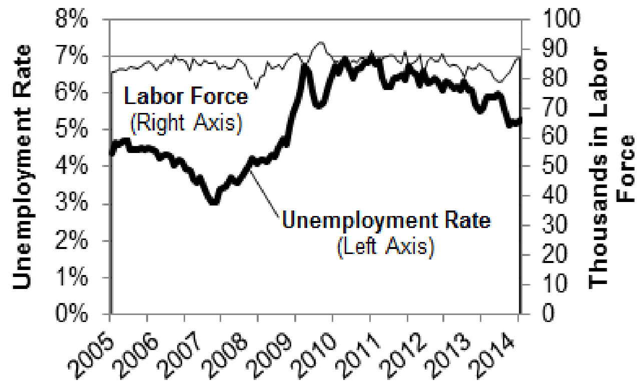
After growing slowly in 2012 and 2013, consumer spending in the region has increased 11.1 percent through the first two months of 2014. This growth rate is comparable to 2010 and 2011, both very profitable years for Colorado agriculture. Figure 65 indexes the region's retail sales growth to that of the state as a whole and the nation.

Figure 63
Prices Received for Colorado Crops
Twelve-Month Moving Average;
Non Seasonally Adjusted Data



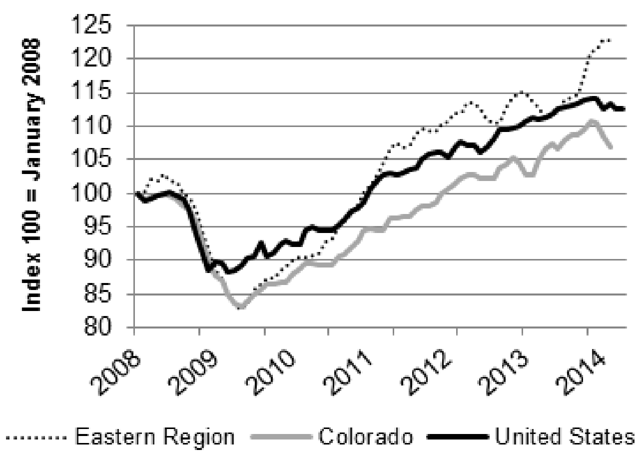
Source: National Agricultural Statistics Service. Annual data through April 2014.

Figure 64
Eastern Region Labor Force and Unemployment Rate
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through March 2014.

Figure 65
Eastern Region Retail Sales Indexed to January 2008
Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through February 2014; U.S. data through April 2014.

Appendix A
Historical Data

National Economic Indicators

(Dollar Amounts in Billions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Domestic Product	$9,665.7	$10,289.7	$10,625.3	$10,980.2	$11,512.2	$12,277.0	$13,095.4	$13,857.9	$14,480.3	$14,720.3	$14,417.9	$14,958.3	$15,533.8	$16,244.6	$16,799.7
percent change	6.3%	6.5%	3.3%	3.3%	4.8%	6.6%	6.7%	5.8%	4.5%	1.7%	-2.1%	3.7%	3.8%	4.6%	3.4%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$12,071.4	$12,565.2	$12,684.4	$12,909.7	$13,270.0	$13,774.0	$14,235.6	$14,615.2	$14,876.8	$14,833.6	$14,417.9	$14,779.4	$15,052.4	$15,470.7	$15,761.3
percent change	4.8%	4.1%	0.9%	1.8%	2.8%	3.8%	3.4%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.8%	2.8%	1.9%
Unemployment Rate	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%
Inflation (Consumer Price Index)	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%
10-Year Treasury Note	5.6%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.3%
Personal Income	$7,983.8	$8,632.8	$8,987.1	$9,149.5	$9,487.6	$10,049.2	$10,610.3	$11,389.8	$11,995.7	$12,430.6	$12,082.1	$12,435.2	$13,191.3	$13,743.8	$14,134.7
percent change	5.2%	8.1%	4.1%	1.8%	3.7%	5.9%	5.6%	7.3%	5.3%	3.6%	-2.8%	2.9%	6.1%	4.2%	2.8%
Wage and Salary Income	$4,458.0	$4,825.9	$4,954.4	$4,996.4	$5,138.8	$5,422.9	$5,692.9	$6,058.2	$6,396.0	$6,532.8	$6,252.2	$6,377.5	$6,638.7	$6,926.8	$7,137.5
percent change	6.6%	8.3%	2.7%	0.8%	2.9%	5.5%	5.0%	6.4%	5.6%	2.1%	-4.3%	2.0%	4.1%	4.3%	3.0%
Nonfarm Employment (millions)	129.2	132.0	132.1	130.6	130.3	131.7	134.0	136.4	137.9	137.2	131.2	130.3	131.8	134.1	136.4
percent change	2.5%	2.2%	0.0%	-1.1%	-0.2%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.7%

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve Board.

Colorado Economic Indicators

(Dollar Amounts in Millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nonagricultural Employment (thous.)	2,132.1	2,214.3	2,227.1	2,184.7	2,152.5	2,179.4	2,225.9	2,279.7	2,331.1	2,350.6	2,245.5	2,222.3	2,258.6	2,312.8	2,381.2
percent change	3.7%	3.9%	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%
Unemployment Rate (%)	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.3	3.8	4.8	8.1	9.0	8.5	7.8	6.8
Personal Income	$132,644	$148,099	$155,922	$156,089	$159,387	$166,687	$177,899	$191,775	$202,718	$212,243	$206,423	$210,608	$226,032	$237,461	$245,556
percent change	8.4%	11.7%	5.3%	0.1%	2.1%	4.6%	6.7%	7.8%	5.7%	4.7%	-2.7%	2.0%	7.3%	5.1%	3.4%
Per Capita Income	$31,387	$34,227	$35,231	$34,761	$35,195	$36,434	$38,407	$40,627	$42,199	$43,406	$41,515	$41,717	$44,179	$45,775	$46,610
percent change	5.6%	9.0%	2.9%	-1.3%	1.2%	3.5%	5.4%	5.8%	3.9%	2.9%	-4.4%	0.5%	5.9%	3.6%	1.8%
Wage and Salary Income	$76,636	$86,412	$89,130	$88,090	$89,281	$93,570	$98,788	$105,665	$112,510	$116,682	$112,294	$113,783	$118,740	$125,055	$130,020
percent change	9.7%	12.8%	3.1%	-1.2%	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.4%	5.3%	4.0%
Retail Trade Sales	$52,609	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569
percent change	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%
Housing Permits	49,313	54,596	55,007	47,871	39,569	46,499	45,891	38,343	29,454	18,998	9,355	11,591	13,502	23,301	27,517
percent change	-3.6%	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%
Nonresidential Construction	$3,799	$3,498	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,692	$3,566
percent change	28.7%	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.9%	-3.4%
Denver-Boulder Inflation Rate	2.9%	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%
Population (thousands, July 1)	4,226.0	4,338.8	4,444.5	4,504.7	4,555.1	4,608.8	4662.5	4,745.7	4,821.8	4,901.9	4,976.9	5,045.9	5,116.2	5,187.3	5,266.1
percent change	2.7%	2.7%	2.4%	1.4%	1.1%	1.2%	1.2%	1.8%	1.6%	1.7%	1.5%	1.4%	1.4%	1.4%	1.5%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and F.W. Dodge.

NA = Not Available.