



## FOCUS COLORADO: ECONOMIC AND REVENUE FORECAST

COLORADO LEGISLATIVE COUNCIL STAFF  
ECONOMICS SECTION

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### HIGHLIGHTS

- **The economy** is expected to continue expanding at a modest pace through the end of 2013, as financial uncertainty and federal fiscal policies restrain growth. However, the pace of expansion should slowly gain momentum in 2014 and 2015, as continued healing in the nation's business, consumer, real estate, and financial sectors increasingly results in a self-sustaining cycle of growth. Colorado's economy is expected to continue to outpace growth nationwide.
- **The General Fund revenue forecast** increased by \$209.5 million in FY 2013-14 and \$244.7 million in FY 2014-15 because of higher expectations for individual income taxes.
- The General Fund ended **FY 2012-13** with \$1.1 billion more than was budgeted to be spent or retained in the reserve. This amount will be transferred to the State Education Fund in FY 2013-14.
- The State Education Fund will receive an additional \$435.1 million from the General Fund in FY 2014-15, or three quarters of the **FY 2013-14** surplus, as required by Senate Bill 13-260. Net of this transfer, the General Fund will end FY 2013-14 with \$145.0 million more than the required reserve.
- The General Assembly will have just under \$1.6 billion, or 18.5 percent, more to spend in **FY 2014-15** than the amount budgeted for FY 2013-14. This figure includes the \$145.0 million surplus from FY 2013-14 and would be lower if it were adjusted to account for expenditure pressures resulting from inflation and caseload growth.
- Revenue subject to TABOR is expected to be \$154 million, \$52 million, and \$43 million below the **Referendum C cap** in FYs 2013-14, 2014-15, and 2015-16, respectively.

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## EXECUTIVE SUMMARY

### Executive Summary

This report presents the budget outlook based on current law and the September 2013 economic, General Fund revenue, and cash fund revenue forecasts. Executive summaries of expectations for the national and Colorado economies are also included.

### General Fund Budget Overview

Table 1 on page 4 presents the General Fund overview based on current law. Tables 2 and 4 on pages 6 and 8 provide estimates for General Fund rebates and expenditures (line 9 of Table 1) and detail for cash fund transfers to and from the General Fund (lines 4 and 10 of Table 1).

**FY 2012-13.** The FY 2012-13 General Fund budget ended the year with \$1.09 billion more than the amount budgeted to be spent or retained in the reserve. Pursuant to House Bill 12-1338, this surplus will be transferred to the State Education Fund later this year when the books for FY 2012-13 are closed (see line 20 of Table 1 and Figure 1 on page 5).

**FY 2013-14.** The FY 2013-14 forecast for General Fund revenue increased by \$209.5 million over the June forecast. Revenue is expected to be \$610.1 million higher than the amount budgeted to be spent or retained in the reserve. Of this amount, \$30 million will be transferred to the Colorado Water Conservation Board Construction Fund pursuant to Senate Bill 13-236 and \$435.1 million will be transferred to the State Education Fund pursuant to Senate Bill 13-260. Net of these transfers, an additional \$145.0 million is expected to remain in the General Fund at the end of the year (see line 21 of Table 1).

**FY 2014-15.** The FY 2014-15 forecast for General Fund revenue increased by \$244.7 million over expectations in June. Revenue will be \$1.57 billion higher in FY 2014-15 than what would be needed to fund General Fund operating appropriations and a five percent reserve at the same level as was budgeted in FY 2013-14. This amount is equal to 18.5 percent of total expenditures in FY 2013-14. Because a budget has not yet been enacted for FY 2014-15, Table 1 shows operating appropriations in FY 2014-15 at the same level currently budgeted in FY 2013-14. The \$1.57 billion figure includes the \$145.0 million surplus from FY 2013-14, and would be lower if it was adjusted to account for expenditure pressures resulting from inflation and caseload growth.

**FY 2015-16.** While Table 1 shows a large amount of money available in FY 2015-16, it does not provide a meaningful indicator for the budget situation for that year. Table 1 compares revenue expectations for FY 2015-16 with the amount budgeted for FY 2013-14, thus ignoring two years' growth in caseload and inflation and the General Assembly's budget decisions in FY 2013-14 and FY 2014-15.

**Table 1**  
**September 2013 General Fund Overview**  
(Dollars in Millions)

	FY 2012-13		FY 2013-14		FY 2014-15		FY 2015-16	
	Preliminary	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate /B	Estimate /B
<b>FUNDS AVAILABLE</b>								
1 Beginning Reserve /A	\$795.8	\$373.0	\$373.0	\$543.4	\$1,968.7			
2 General Fund Nonexempt Revenue	6,692.8	6,975.2	6,975.2	7,391.0	7,781.9			
3 General Fund Exempt Revenue (Referendum C) (Table 5)	1,862.1	2,131.9	2,131.9	2,336.9	2,460.3			
4 Transfers from Other Funds (Table 4)	0.3	2.4	2.4	2.4	2.4			
<b>5 Total Funds Available</b>	<b>\$9,351.0</b>	<b>\$9,482.4</b>	<b>\$9,482.4</b>	<b>\$10,273.7</b>	<b>\$12,213.3</b>			
6 Percent Change	16.4%	1.4%	1.4%	8.3%	18.9%			
<b>EXPENDITURES</b>								
7 General Fund Appropriations /B	7,459.2	7,967.4	7,967.4	7,967.4	7,967.4			
8 Adjustments to Appropriations	5.4	NA	NA	NA	NA			
9 Rebates and Expenditures (Table 2)	380.4	252.9	252.9	264.2	269.4			
10 Transfers to Other Funds /C (Table 4)	4.6	51.1	51.1	1.9	1.9			
11 Transfers to the State Education Fund Pursuant to SB 13-234	0.0	45.3	45.3	25.3	25.3			
12 Transfer for Highway Construction /D	0.0	0.5	0.5	0.0	204.8			
13 Transfers to the Capital Construction Fund /D	61.4	186.7	186.7	46.1	96.3			
<b>14 Total Expenditures</b>	<b>\$7,911.1</b>	<b>\$8,503.9</b>	<b>\$8,503.9</b>	<b>\$8,304.9</b>	<b>\$8,565.2</b>			
15 Percent Change	9.6%	7.5%	7.5%	-2.3%	3.1%			
16 Accounting Adjustments	21.6	NE	NE	NE	NE			
<b>RESERVE</b>								
17 Year-End General Fund Reserve (line 5 minus line 14)	1,461.5	978.5	978.5	1,968.7	3,648.2			
18 Year-End Reserve As A Percent of Appropriations	19.6%	12.3%	12.3%	24.7%	45.8%			
19 Statutorily-Required Reserve	373.0	398.4	398.4	398.4	398.4			
20 Transfers to the State Education Fund Pursuant to HB 12-1338 and SB 13-260	1,088.6	435.1	435.1	NA	NA			
21 Reserve in Excess or (Deficit) of Statutory Reserve /A	\$0.0	\$145.0	\$145.0	\$1,570.4	\$3,249.8			
22 Excess Reserve as a Percent of FY 2013-14 Expenditures	NA	1.7%	1.7%	18.5%	NA/E			
23 Percent Change in General Fund Appropriations	6.1%	6.8%	6.8%	NE	NE			
24 Addendum: 5% of Colorado Personal Income Appropriations Limit	10,627.3	11,270.5	11,270.5	11,766.4	12,225.3			
25 Addendum: Amount Directed to State Education Fund Per Amendment 23	486.3	502.5	502.5	529.3	556.4			

Totals may not sum due to rounding. NE = Not Estimated. NA = Not Applicable.

/A The beginning reserve (line 1) and the excess reserve (line 21) are net of transfers from the reserve to the State Education Fund and a \$30 million transfer to the Water Conservation Board Construction Fund (included in line 10 during FY 2013-14).

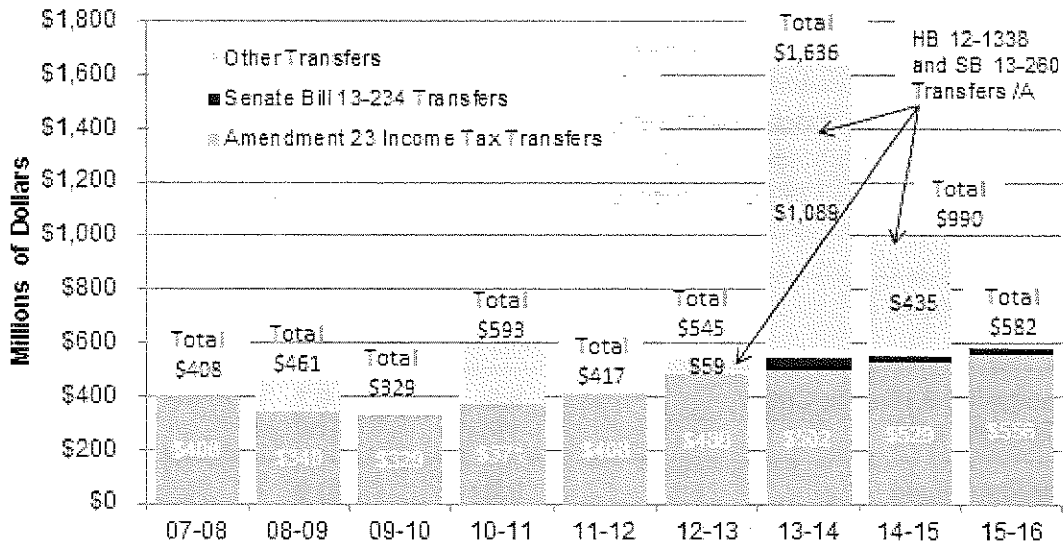
/B Because the budgets for FY 2014-15 and FY 2015-16 have not yet been enacted, this analysis sets General Fund appropriations in FY 2014-15 and FY 2015-16 equal to that budgeted for FY 2013-14 (line 7). Therefore, line 21 shows the amounts available for expenditure in FY 2014-15 and FY 2015-16 above the amount budgeted to be spent in FY 2013-14. The figure for FY 2015-16 is a two-year cumulative amount.

/C A transfer of \$30 million from the General Fund reserve to the Water Conservation Board Construction Fund is included pursuant to SB 13-236. The transfer is shown in FY 2013-14, (line 10) although it will actually occur during the following year when the books for FY 2013-14 are closed.

/D Colorado personal income is expected to increase 5.0 percent in 2014 (see Table 14 on page 55). Thus, transfers from the General Fund to the Highway Users Tax Fund (line 12) and the Capital Construction Fund (line 13) equal to 2.0 percent and 0.5 percent of General Fund revenue, respectively, are included during FY 2015-16 pursuant to SB 09-228.

/E The FY 2015-16 excess reserve does not provide a meaningful indication of the amount of money available to increase spending between FY 2014-15 and FY 2015-16 because it compares FY 2015-16 revenue to the FY 2013-14 budget, ignoring two years' growth in caseload and inflation and the General Assembly's budget decisions in FY 2014-15.

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



Source: Colorado Legislative Council Staff.

/A The Senate Bill 13-260 transfer shown in FY 2014-15 represents a percentage of excess General Fund revenue and will change should revenue or expenditures differ from those assumed in Table 1.

**State Education Fund.** The State Constitution requires the State Education Fund to receive one-third of one percent of taxable income (*see Table 1, line 25*). In addition, the General Assembly has authorized the transfer of additional moneys from the General Fund to the State Education Fund (*see Table 1, lines 11 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 diminish the flexibility of the entire General Fund budget. Figure 1 shows a history and forecast for these revenue sources to the State Education Fund 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 during or after calendar year 2012. Colorado personal income is expected to increase by 5.4 percent in 2014, triggering the first year of these transfers in FY 2015-16. An estimated \$51.2 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 \$204.8 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 (\$102.4 million in FY 2015-16) and 3 percent (\$307.3 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

**Table 2**  
**General Fund Rebates and Expenditures**  
*(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	\$102.7	\$110.0	\$117.2	\$118.2
<i>Percent Change</i>	5607.1	7.0	6.6	0.9
Cigarette Rebate	10.7	11.0	10.5	10.1
<i>Percent Change</i>	-4.4	2.5	-4.3	-4.4
Old-Age Pension Fund	103.9	107.7	112.2	116.7
<i>Percent Change</i>	12.4	3.6	4.1	4.1
Aged Property Tax & Heating Credit	6.9	6.7	6.5	6.3
<i>Percent Change</i>	-4.2	-2.0	-3.0	-3.0
Older Coloradans Fund	8.0	10.0	10.0	10.0
<i>Percent Change</i>	0.0	25.0	0.0	0.0
Interest Payments for School Loans	0.6	1.9	2.2	2.5
<i>Percent Change</i>	-7.0	205.6	12.9	14.5
Fire and Police Pension Association	146.6	4.7	4.7	4.7
<i>Percent Change</i>	1411.2	-96.8	0.0	0.0
Amendment 35 Distributions	0.9	0.9	0.9	0.8
<i>Percent Change</i>	2.5	-4.3	0.8	-3.7
<b>TOTAL REBATES &amp; EXPENDITURES</b>	<b>\$380.4</b>	<b>\$252.9</b>	<b>\$264.2</b>	<b>\$269.4</b>

*Totals may not sum due to rounding.*

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.

**General Fund reserve.** Pursuant to Senate Bill 13-237, a General Fund reserve equal to at least five percent of General Fund operating appropriations is required beginning in FY 2012-13. In addition, three annual increases in the required reserve are triggered once Colorado personal income grows by at least 5.0 percent during a calendar year. To maintain consistency with the timing originally prescribed for these increases by Senate Bill 09-228, Senate Bill 13-237 included a three-year lag between this growth in personal income and the first year during which the reserve is required to increase. Colorado personal income is expected to increase by 5.4 percent in 2014; therefore, the reserve is expected to rise to 5.5 percent in FY 2017-18, 6.0 percent in FY 2018-19, and 6.5 percent in FY 2019-20.

**Tax benefits dependent on sufficient General Fund revenue.** Several 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 3 illustrates the availability of these tax benefits.

**Table 3**  
**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. Expected to be available in tax years 2014 and 2015. Repealed in tax year 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 2014. Expected to continue to be available through at least June 2016.
Child care contribution income tax credit	December forecast immediately before the tax year when the credit becomes available.	Available in tax year 2013. Expected to be available in tax years 2014 through 2016.
Historic property preservation income tax credit		
Clean technology medical device sales tax refund	December forecast immediately before the calendar year when the credit becomes available.	Currently available through December 2013. Expected to continue to be available through at least December 2016.

**General Fund Revenue**

General Fund revenue totaled \$8.6 billion at the end of FY 2012-13, an increase of 10.6 percent from the previous year. Revenue gains in FY 2012-13 were aided by federal tax changes that increased taxable income and caused many taxpayers to pull income forward out of tax year 2013 into tax year 2012. General Fund revenue will continue to grow through the forecast period, but at a slower pace as one-time income gains in FY 2012-13 will not re-occur. General Fund revenue will increase 6.5 percent in FY 2013-14, and 6.8 percent in FY 2014-15. Compared to the June forecast, General Fund revenue in FY 2013-14 and FY 2014-15 were revised upward by \$209.5 million, and \$244.7 million, respectively.

**Cash Fund Revenue**

**Cash fund revenue subject to TABOR.** Cash fund revenue subject to TABOR is expected to increase slightly to \$2.60 billion in FY 2013-14. Expectations for increases in severance tax collections, regulatory agencies cash funds, and other cash funds were mostly offset by projected decreases in hospital provider fee revenue and insurance-related cash funds. Transportation-related cash funds and gaming revenue are projected to remain essentially unchanged. Total cash fund revenue subject to TABOR will increase 0.6 percent to \$2.61 billion in FY 2014-15, as severance tax revenue is expected to continue to climb with increased oil and gas activity. Table 8 on page 18 summarizes the forecast for cash fund revenue subject to TABOR.

**Other cash fund revenue forecasts.** Forecasts for federal mineral leasing payments and unemployment insurance revenue, both exempt from TABOR, are provided on page 23.

**TABOR and Referendum C**

Table 5 on page 11 illustrates the current status of the TABOR limit and Referendum C cap through FY 2015-16, six years after the Referendum C timeout period. Figure 2 shows a history and forecast for revenue subject to TABOR, the TABOR limit base, and the Referendum C cap, while Figure 3 focuses on the amount of money retained as a result of Referendum C.

**Revenue subject to TABOR.** The forecast for total revenue subject to TABOR, including both General Fund and cash fund revenue sources, increased by \$183.1 million in FY 2013-14 and \$235.6 million in FY 2014-15 relative to the June forecast. The large majority of the increase was due to increased expectations for individual income tax revenue to the General Fund.

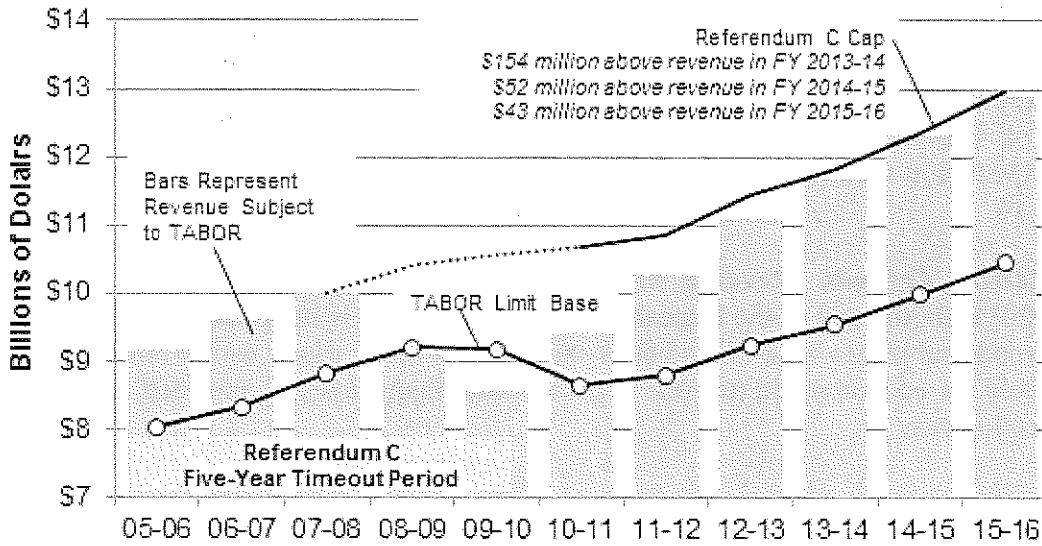
**Table 4**  
**Cash Fund Transfers**  
*(Dollars in Millions)*

<b>Bill #</b>	<b>Bill Title</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
<b>Transfers from the General Fund to Other Funds</b>				
HB 10-1325	Natural Resource Damage Recovery Fund	0.08	0.16	0.16
SB 11-225	Tobacco Litigation Settlement Funds	0.2	0.2	0.2
HB 13-1317	Marijuana Cash Fund		2.0	2.0
<i>Subtotal: Transfer from Other Funds</i>		<i>0.3</i>	<i>2.4</i>	<i>2.4</i>
<b>Transfers to Other Funds from the General Fund</b>				
SB 11-161	Diversion to Laboratory Cash Fund		0.02	0.02
HB 12-1286	Transfer for Film Incentives	3.0		
HB 12-1315	Clean Renewable Energy Fund	1.6	1.6	1.6
HB 13-1001	Advanced Industries Acceleration Fund		5.0	
HB 13-1193	Advanced Industries Export Acceleration Fund		0.3	0.3
SB 13-233	Transfers from Repealed Cash Funds		0.01	
SB 13-235	Colorado State Veterans Trust Fund		3.9	
SB 13-236 /A	Water Conservation Board Construction Fund		30.0 /A	
SB 13-269	Wildfire Risk Reduction Fund		9.8	
SB 13-270	Wildfire Emergency Response Fund		0.5	
<i>Subtotal: Transfers to Other Funds</i>		<i>4.6</i>	<i>51.1</i>	<i>1.9</i>
<b>Net Impact on the General Fund</b>		<b>(\$4.3)</b>	<b>(\$48.7)</b>	<b>\$0.5</b>

*IA This transfer is equal to the first \$30 million available in the FY 2013-14 General Fund excess reserve. Although it's shown here in FY 2013-14, the transfer will occur during FY 2014-15 when the books for FY 2013-14 are closed.*

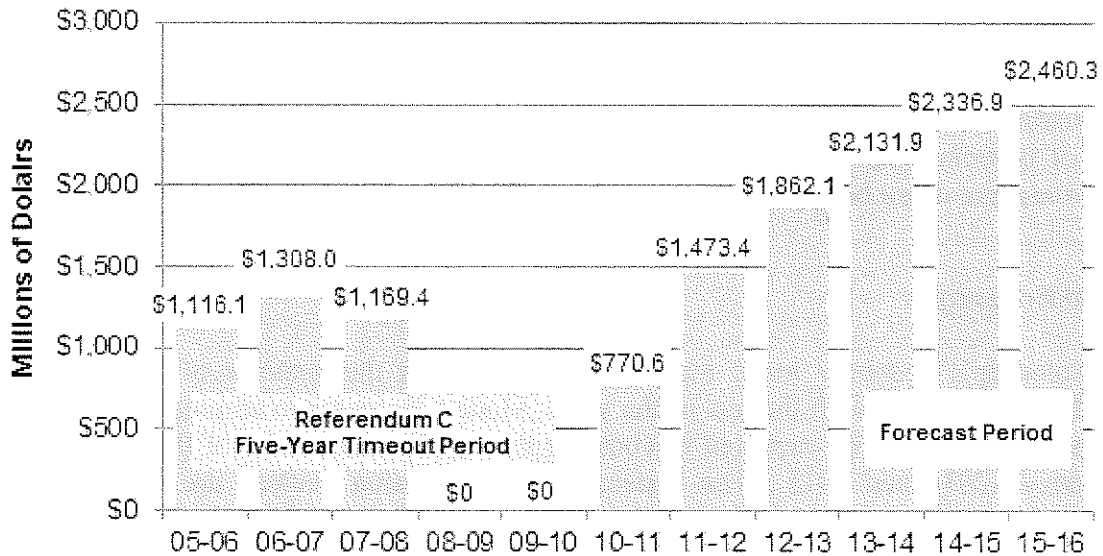


**Figure 2**  
**TABOR Revenue, the TABOR Limit Base, and the Referendum C Cap**  
*(Dollars in Billions)*



Source: Colorado State Controllers Office and Legislative Council Staff.

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



Source: Colorado State Controllers Office and Legislative Council Staff.

***TABOR Limit/Referendum C Cap.*** The TABOR limit includes voter-approved revenue changes. Because revenue retained as a result of Referendum C is a voter-approved revenue change, the Referendum C cap is also the TABOR limit. The Referendum C cap will equal \$11.8 billion in FY 2013-14. Revenue subject to TABOR is expected to be \$153.9 million, \$51.7 million, and \$43.0 million below the cap in FYs 2013-14, 2014-15, and 2015-16, respectively.

***Revenue Retained by 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. As shown in Figure 3, the state is expected to retain \$2.1 billion in FY 2013-14, \$2.3 billion in FY 2014-15, and \$2.5 billion in FY 2015-16.

***TABOR Refunds.*** Revenue will not be sufficient to produce a TABOR refund 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 improve faster than currently expected, a surplus could occur as early as this year.

### ***National Economy***

The nation's economy expanded at a modest pace through the summer. Healthier balance sheets for the nation's businesses, households, and banks, renewed momentum in the manufacturing sector, improvement in the real estate sector, and incremental improvements in the global economy have translated into improved consumer and business confidence. Nonetheless, robust economic growth continues to be hindered by uncertain monetary, fiscal, and regulatory policies, along with heightened geopolitical risk. In addition, the economy is still absorbing the effects of recent federal tax increases and spending cuts.

Economic activity will continue to expand modestly through the remainder of 2013 before growing at a more earnest pace in 2014 and 2015. The economy is expected to recover sufficiently by the middle of 2015 for the Federal Reserve to begin raising interest rates, thus beginning the process of reducing the size of the money supply. Expectations for the national economy are described in more detail beginning on page 27 and shown in Table 13 on page 40.

### ***Colorado Economy***

Colorado's economy made moderate gains through the summer of 2013. This trend is expected to continue through the rest of the year. Modest increases in employment, income, wages, and consumer spending are expected to continue through the remainder of the year before gaining momentum in 2014 and 2015. The housing and construction markets are expected to improve, despite recent increases in long-term interest rates, and the energy industry will remain healthy. The recent flooding in Colorado will readjust spending patterns and affect agricultural production, although the magnitude and timing of these effects is still uncertain. Expectations for the Colorado economy are described in more detail beginning on page 41 and shown in Table 14 on page 55. In addition, summaries of economic conditions in nine regions of the state begin on page 57.

**Table 5**  
**September 2013 TABOR Revenue Limit and Retained Revenue**  
*(Dollars in Millions)*

	Preliminary FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16
<b>TABOR Revenue:</b>				
1 General Fund /A	\$8,566.9	\$9,086.2	\$9,706.5	\$10,219.9
2 Cash Funds	2,542.6	2,598.3	2,612.9	2,702.0
<b>3 Total TABOR Revenue</b>	<b>\$11,109.5</b>	<b>\$11,684.5</b>	<b>\$12,319.4</b>	<b>\$12,921.9</b>
<b>Revenue Limit</b>				
4 Allowable TABOR Growth Rate	5.4%	3.3%	4.5%	4.8%
5 Inflation (from prior calendar year)	3.7%	1.9%	2.9%	3.2%
6 Population Growth (from prior calendar year)	1.7%	1.4%	1.6%	1.6%
7 TABOR Limit Base	\$9,247.5	\$9,552.6	\$9,982.5	\$10,461.7
8 Voter Approved Revenue Change (Referendum C)	\$1,862.1	\$2,131.9	\$2,336.9	\$2,460.3
9 Total TABOR Limit / Referendum C Cap	\$11,460.2	\$11,838.4	\$12,371.2	\$12,965.0
10 TABOR Revenue Above (Below) Referendum C Cap	<b>(\$350.7)</b>	<b>(\$153.9)</b>	<b>(\$51.7)</b>	<b>(\$43.0)</b>
<b>Retained/Refunded Revenue</b>				
11 Revenue Retained under Referendum C /B	\$1,862.1	\$2,131.9	\$2,336.9	\$2,460.3
<b>12 Total Available Revenue</b>	<b>\$11,109.5</b>	<b>\$11,684.5</b>	<b>\$12,319.4</b>	<b>\$12,921.9</b>
13 Revenue to be Refunded to Taxpayers	\$0.0	\$0.0	\$0.0	\$0.0
<b>14 TABOR Reserve Requirement</b>	<b>\$333.3</b>	<b>\$350.5</b>	<b>\$369.6</b>	<b>\$387.7</b>

Totals may not sum due to rounding.

/A These figures differ from the General Fund revenue 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.



## GENERAL FUND REVENUE

Table 7 on page 16 illustrates General Fund revenue collections for FY 2012-13 and projections for FY 2013-14 through FY 2015-16 based on current law. Table 6 on page 15 lists major 2013 legislation affecting General Fund revenue.

General Fund revenue increased 10.6 percent in FY 2012-13 to approximately \$8.6 billion, with all major revenue categories contributing to General Fund growth. Individual income taxes increased 11.7 percent, corporate income taxes were 30.8 percent higher, and sales tax collections rose 5.7 percent. The increase is a result of an improving economy and taxpayers taking advantage of last year's lower tax rates, specifically on capital gains. General Fund revenue will continue to grow through the forecast period, but at slower pace as one-time income gains in FY 2012-13 will not re-occur. General Fund revenue will increase 6.5 percent in FY 2013-14, and 6.8 percent in FY 2014-15.

In FY 2012-13, General Fund collections came in \$20.7 million below the June forecast, entirely as a result of smaller year-end accrual adjustments than had been expected for individual income and sales taxes. General Fund revenue in FY 2013-14 and FY 2014-15 were revised upward by \$209.5 million and \$244.7 million, respectfully. The revisions were not necessarily a result of changes in expectations for the economy, but instead a result of stronger than expected individual income tax collections on a cash-accounting basis in FY 2012-13.

**Sales tax** collections ended FY 2012-13 at \$2.2 billion, an increase of 5.7 percent over the previous year. Growth in sales taxes was

aided by a strong real estate market and higher consumer confidence. Sales tax collections will continue to grow through the forecast period, although at a slower pace, as consumers adjust to federal tax changes and automatic spending cuts that took effect in the first half of this year. Sales taxes will grow 3.7 percent in FY 2013-14 and 5.2 percent in FY 2014-15.

Two tax policy changes will reduce projected General Fund sales tax collections in FY 2013-14 and FY 2014-15. **House Bill 13-1317** redirected revenue from sales tax on marijuana to the marijuana cash fund starting July 1, 2013. This tax policy change reduces expected sales tax revenue by \$7.2 million dollars per year. In addition, on July 1, 2014, the sales tax vendor fee increases from 2.22 percent to 3.33 percent reducing sales tax revenue by a projected \$25.0 million per year.

FY 2012-13 sales tax collections came in only \$3.3 million, or 0.1 percent, above expectations in the June forecast. However, expectations for sales tax revenue in FY 2013-14 were reduced by \$27.4 million, or 1.2 percent, relative to the June forecast. The downward revision is entirely due to expectations for a large accrual adjustment. The FY 2014-15 sales tax forecast was relatively unchanged compared with the previous forecast.

**Use taxes.** Use tax collections are projected to increase 0.4 percent and 9.2 percent in FY 2014-15 as the economy expands and businesses make more investments. Use tax expectations increased slightly relative to the June forecast.

**Individual income taxes.** Total receipts from the state's largest source of tax revenue

ended FY 2012-13 at \$5.9 billion, 11.7 percent higher than the previous year. Revenue gains were especially 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. Individual income taxes will continue to grow in FY 2013-14, but at a slower pace as these one-time income gains in FY 2012-13 will not re-occur.

Compared with the June forecast, expectations for individual income tax revenue were increased by \$226.8 million and \$189.7 million for FY 2013-14 and FY 2014-15, respectively. These revisions were primarily a result of higher-than-expected collections on a cash-accounting basis during FY 2012-13. Expectations for economic growth over the forecast period did not change significantly relative to the June forecast.

Corporate profits will continue to grow through the remainder of 2013. The top five corporations headquartered in Colorado saw profits grow year-to-date in 2013, and are expected to close out the year with positive growth, signaling a continued increase in Colorado corporate income tax revenue in 2014.

Colorado corporate income tax collections totaled \$636.3 million in FY 2012-13. Corporate income tax revenue will rise another 23.3 percent and 13.0 percent, respectively, in FY 2013-14 and FY 2014-15. Revenue growth will be dampened in FY 2013-14 by pent-up demand for two corporate income tax incentives that were capped during tax years 2011, 2012, and 2013: the enterprise zone investment tax credit and the cap on net operating losses. Corporations were allowed to carry forward whatever portion of these incentives they were unable to claim and begin claiming them in tax year 2014, subject to available tax liability.

The American Taxpayer Relief Act of 2012, passed by the U.S. Congress on January 1, 2013, avoided most of the tax increases that would have occurred with the expiration of 2001-2003 federal tax cuts. It also extended some tax breaks through 2014, although others will expire at the end of 2013. The forecast has been adjusted upward for the expiration of these tax benefits by \$86.6 million in FY 2013-14 and \$114.2 million FY 2014-15. Expiring tax benefits include accelerated expensing, bonus depreciation, and a few minor corporate income tax provisions which impact the treatment of book and computer donations to schools, the depreciation of race horses, the depletion of oil and gas wells, the dispensation of electricity transmission equipment, and the expensing of brownfield remediation. If these tax incentives are extended beyond 2013, the revenue increases described above will not occur.

**Table 6**  
**Major 2013 Legislation Affecting General Fund Revenue**  
*Millions of Dollars*

	2012-13	2013-14	2014-15
<b>Sales Tax</b>			
HB 13-1144 Sales Taxes on Cigarettes		28.0	26.5
HB 13-1317 2.9% Medical Marijuana Sales Tax Diverted from General Fund		(4.2)	(2.7)
<b>Total: Sales Tax</b>		<b>23.8</b>	<b>23.8</b>
<b>Income Tax</b>			
HB 13-1012 Extend Wildfire Mitigation Financial Incentives		(0.03)	(0.06)
HB 13-1024 Modification for Military Families		(0.00)	(0.01)
HB 13-1042 Medical Marijuana Businesses Deduct Costs		(0.8)	(1.7)
HB 13-1080 Aircraft Manufacturer Employee Tax Credit	(0.01)	(0.01)	(0.01)
HB 13-1142 Urban And Rural Enterprise Zone Tax Credits		6.6	12.7
HB 13-1183 \$45 Million Cap on Conservation Easement Credit		12.5	22.5
HB 13-1247 Innovative Motor Vehicle Income Tax Credit	(2.4)	(5.2)	(5.9)
HB 13-1287 Extend CO Job Growth Incentive Tax Credit			(0.5)
SB 13-283 Recreational Marijuana Businesses Deduct Costs		(0.7)	(1.4)
<b>Total: Income Tax</b>	<b>(2.4)</b>	<b>12.3</b>	<b>25.7</b>
<b>Insurance Premium Tax to the General Fund</b>			
HB13-1115 CoverColorado Repeal	2.5	5.0	5.0
HB13-1245 Funding Colorado Health Benefit Exchange		(7.5)	(5.0)
<b>Total: Insurance Premium Tax to the General Fund</b>	<b>2.5</b>	<b>(2.5)</b>	<b>0.0</b>
<b>Total Sales, Income, and Insurance Premium Taxes</b>	<b>\$0.1</b>	<b>\$33.6</b>	<b>\$49.5</b>

**Sales & Income Legislation Conditional on Congressional Marketplace Fairness Act /A**

HB 13-1295 Simplify Sales Taxes for Marketplace Fairness Act		1.25	74.9
SB 13-001 Colorado Child Tax Credit		-11.4	-23.3

**Sales & Excise Tax Legislation Conditional on a Statewide Vote /B**

HB 13-1318 Recreational Marijuana Taxes		22.2	44.5
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*/A S. 743, the Marketplace Fairness Act of 2013 has passed the U.S. Senate and is awaiting action in the Subcommittee on Regulatory Reform, Commercial and Antitrust Law of the Committee on the Judiciary of the U.S. House of Representatives.*

*/B Subject to voter approval of the measure, this revenue will be transferred from the General Fund to cash funds.*

**Table 7**  
**September 2013 General Fund Revenue Estimates**  
*(Dollars in Millions)*

Category	Preliminary 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	\$2,293.1	3.7	\$2,412.9	5.2	\$2,545.2	5.5
2 Use	242.7	21.0	243.7	0.4	266.1	9.2	277.2	4.2
3 Cigarette	38.3	-3.1	37.6	-1.7	36.0	-4.3	34.4	-4.4
4 Tobacco Products	15.6	-2.9	17.6	13.2	18.2	3.1	18.8	3.4
5 Liquor	39.2	2.2	40.6	3.6	41.9	3.1	43.0	2.8
6 TOTAL EXCISE	\$2,547.5	6.7	\$2,632.7	3.3	\$2,775.1	5.4	\$2,918.7	5.2
7 Net Individual Income	\$5,596.3	11.7	\$5,914.1	5.7	\$6,299.0	6.5	\$6,685.8	6.1
8 Net Corporate Income	636.3	30.8	784.4	23.3	886.7	13.0	876.5	-1.2
9 TOTAL INCOME TAXES	\$6,232.6	13.4	\$6,698.5	7.5	\$7,185.7	7.3	\$7,562.3	5.2
10 Less: Portion diverted to the SEF	-486.3	19.3	-502.5	3.3	-529.3	5.3	-556.4	5.1
11 INCOME TAXES TO GENERAL FUND	\$5,746.2	12.9	\$6,196.1	7.8	\$6,656.4	7.4	\$7,005.9	5.3
12 Insurance	210.4	6.7	222.8	5.9	236.5	6.1	252.2	6.6
13 Pari-Mutuel	0.7	10.3	0.5	-19.3	0.5	-9.5	0.5	-7.0
14 Investment Income	17.4	28.6	22.4	28.7	25.3	12.9	29.0	14.5
15 Court Receipts	2.3	-9.0	2.1	-11.0	1.8	-12.0	1.6	-12.3
16 Gaming	12.1	-0.4	12.2	0.5	12.7	4.1	13.6	0.1
17 Other Income	18.1	-21.6	18.3	1.0	19.5	6.9	20.8	6.4
18 TOTAL OTHER	\$261.1	1.3	\$278.3	6.6	\$296.4	6.5	\$317.6	7.2
19 GROSS GENERAL FUND	\$8,554.8	10.6	\$9,107.1	6.5	\$9,727.9	6.8	\$10,242.2	5.3

Totals may not sum due to rounding.  
SEF = State Education Fund.



## CASH FUNDS

Table 8 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. 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 \$2.54 billion in FY 2012-13 to \$2.60 billion in FY 2013-14. Increases in 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 and insurance-related cash funds. Transportation-related cash funds and gaming revenue are projected to remain essentially unchanged in FY 2013-14. Total cash fund revenue subject to TABOR will increase 0.6 percent to \$2.61 billion in FY 2014-15, as severance tax revenue is projected to continue to climb with increased oil and gas activity.

In FY 2012-13, revenue to *transportation-related* cash funds was \$1,098.4 million, down 1.2 percent from the previous year. The decrease was a result of reduced motor fuel tax collections and lower local grants to the State Highway Fund. Revenue is expected to remain essentially unchanged in FY 2013-14 before making slow gains in FY 2014-15 and FY 2015-16. Forecasts for transportation-related cash funds are shown in Table 9 on page 19.

Total revenue to the *Highway Users Tax Fund* (HUTF) is expected to reach \$940.4 million in FY 2013-14, an increase of 0.4 percent

over the previous year. Revenue is forecast to grow 0.5 percent to \$945.1 million in FY 2014-15 and 0.1 percent to \$946.4 million in FY 2015-16. The largest source of revenue to the HUTF is the excise tax on motor fuels and special fuels, which totaled \$552.2 million in FY 2012-13. Motor fuel tax revenue is expected to increase at modest rates in FY 2013-14 and FY 2014-15, as increasing demand for motor fuel from a growing population slightly offsets increased fuel efficiencies in vehicles.

Registration fees, comprised of motor vehicle registration fees, the road safety surcharge, and late registration fees, are forecast at \$330.9 million in FY 2013-14, an increase of 1.1 percent. **House Bill 13-1071**, which modifies the eligibility dates for cars to register as collector's vehicles, is expected to increase registration revenue in FY 2013-14 and decrease registration revenue through the remainder of the forecast. Finally, other HUTF receipts are expected to decline 0.1 percent to \$56.7 million in FY 2013-14.

Revenue to the *State Highway Fund* (SHF) subject to TABOR is expected to total \$42.1 million in FY 2013-14, up 2.0 percent over FY 2012-13 collections. SHF revenue subject to TABOR can be volatile because the majority is derived from funds paid by local governments for transportation projects and interest earnings on the fund's balance. So far this year, increases in interest rates and a \$5.0 million cash transfer authorized by **House Bill 13-1252** from the Petroleum Cleanup and Redevelopment Fund have helped bolster revenue to the fund. Revenue to the SHF is expected to grow 3.0 percent in FY 2014-15 and FY 2015-16.

**Table 8**  
**September 2013 Cash Fund Revenue Subject to TABOR Estimates**  
*(Dollars in Millions)*

	Preliminary FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR *
<b>Transportation-Related</b>					
% Change	\$1,098.4 -1.2%	\$1,099.9 0.1%	\$1,109.0 0.8%	\$1,114.9 0.5%	0.5%
<b>Hospital Provider Fee</b>					
% Change	\$652.6 11.3%	\$642.2 -1.6%	\$574.8 -10.5%	\$574.8 0.0%	-4.1%
<b>Severance Tax</b>					
% Change	\$138.6 -33.3%	\$184.5 33.2%	\$228.3 23.7%	\$279.9 22.6%	26.4%
<b>Gaming Revenue /A</b>					
% Change	\$98.1 2.6%	\$98.9 0.8%	\$100.7 1.9%	\$102.7 2.0%	1.5%
<b>Insurance-Related</b>					
% Change	\$26.4 16.6%	\$25.2 -4.7%	\$26.4 5.0%	\$27.5 4.0%	1.3%
<b>Regulatory Agencies</b>					
% Change	\$64.8 -0.2%	\$68.1 5.1%	\$69.7 2.4%	\$71.5 2.6%	3.3%
<b>Capital Construction Related - Interest /B</b>					
% Change	\$0.8 -29.0%	\$1.6 96.6%	\$0.7 -54.4%	\$0.3 -59.0%	-28.4%
<b>Other Cash Funds</b>					
% Change	\$462.9 -2.1%	\$477.9 3.2%	\$503.3 5.3%	\$530.4 5.4%	4.6%
<b>Total Cash Fund Revenue Subject to the TABOR Limit</b>	<b>\$2,542.6 -0.8%</b>	<b>\$2,598.3 2.2%</b>	<b>\$2,612.9 0.6%</b>	<b>\$2,702.0 3.4%</b>	<b>2.0%</b>

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.

**Table 9**  
**Transportation Funds Revenue Forecast by Source, September 2013**  
*(Dollars in Millions)*

	Preliminary FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR *
<b>Highway Users Tax Fund (HUTF)</b>					
Motor Fuel and Special Fuel Taxes	\$552.2	\$552.8	\$553.6	\$554.5	0.1%
% Change	-0.9%	0.1%	0.2%	0.2%	
Total Registrations	\$327.3	\$330.9	\$334.8	\$337.2	1.0%
% Change	0.2%	1.1%	1.2%	0.7%	
<i>Registrations</i>	\$192.9	\$195.4	\$198.3	\$201.3	
<i>Road Safety Surcharge</i>	\$117.1	\$118.3	\$119.2	\$119.2	
<i>Late Registration Fees</i>	\$17.3	\$17.3	\$17.3	\$16.8	
Other HUTF Receipts /A	\$56.8	\$56.7	\$56.7	\$54.7	-16.9%
% Change	-2.1%	-0.1%	0.0%	-3.6%	
<b>Total HUTF</b>	<b>\$936.2</b>	<b>\$940.4</b>	<b>\$945.1</b>	<b>\$946.4</b>	<b>0.5%</b>
% Change	-0.6%	0.4%	0.5%	0.1%	
State Highway Fund	\$41.3	\$42.1	\$43.3	\$44.6	2.7%
% Change	-22.3%	2.0%	3.0%	3.0%	
Other Transportation Funds	\$120.9	\$117.5	\$120.5	\$123.9	0.8%
% Change	5.6%	-2.9%	2.6%	2.8%	
<i>Aviation Fund /B</i>	\$44.9	\$40.4	\$42.1	\$43.9	
<i>Law-Enforcement-Related /C</i>	\$11.0	\$11.1	\$11.1	\$11.2	
<i>Registration-Related /D</i>	\$65.0	\$66.0	\$67.3	\$68.8	
<b>Total Transportation Funds</b>	<b>\$1,098.4</b>	<b>\$1,099.9</b>	<b>\$1,109.0</b>	<b>\$1,114.9</b>	<b>-0.2%</b>
% Change	-1.1%	0.1%	0.8%	0.5%	

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

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

/D 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**

	Preliminary FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	
Bridge Safety Surcharge	\$97.3	\$95.1	\$95.9	\$96.4	\$96.1
% Change	1.5%	-2.2%	0.8%	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.

In June 2012, Congress approved funding for the U.S. Highway Trust Fund, thus keeping highway spending at current levels through 2014. The measure approved relies on a withdrawal of \$20 billion from the U.S. Treasury and there is concern about keeping the fund solvent in the future. Future federal transportation funding will affect the *State Highway Fund* as the revenue to the fund comes from interest earnings on the fund balance, which is comprised of federal funds, as well as revenue from local governments for transportation projects that receive federal matching dollars.

Revenue to *other transportation* funds is expected to decline 2.9 percent to \$117.5 million in FY 2013-14. Revenue to the Aviation Fund is decreasing in FY 2013-14 after a large one-time transfer of sales taxes to the fund in FY 2012-13. This one-time transfer trued-up the distribution of sales taxes between the General Fund and the aviation fund. For the rest of the forecast period, other transportation revenue is expected to increase 2.6 percent in FY 2014-15 and 2.8 percent in FY 2015-16.

*The Bridge Safety Surcharge* has been fully phased-in and is expected to generate \$95.1 million in FY 2013-14, \$95.9 million in FY 2014-15, and \$96.4 million in FY 2015-16. Revenue from the fee is TABOR exempt (see Addendum to Table 9).

The **Hospital Provider Fee (HPF)** generated \$652.6 million in FY 2012-13. Revenue is expected to fall to \$642.2 million in FY 2013-14 and \$574.8 million in FY 2014-15. This forecast includes an estimated \$25 million increase in Hospital Provider fee revenue in FY 2012-13, as authorized by **Senate Bill 11-212**.

The Federal Patient Protection and Affordable Care Act is scheduled to go into effect in January 2014. Part of this law allows additional federal dollars to be obtained by the states if Medicaid coverage is expanded to

certain lower-income and special needs populations. **Senate Bill 13-200** allows Colorado to secure these additional federal dollars. This will result in a downward trend in hospital provider fee revenue over the forecast period, as the state's share of Medicaid will decrease and the federal share will increase as a result of this legislation.

Total **severance tax** revenue, including interest earnings, is projected to be \$184.5 million in FY 2013-14, a downward revision of 7.2 percent from the June forecast. The revision is primarily due to a modest decrease in natural gas price expectations. Projected oil and natural gas collections for FY 2013-14 decreased \$10.7 million from the June forecast, based on these revised price expectations. Projected coal receipts declined sharply, while projected molybdenum and metallic mineral receipts were also slightly down. In FY 2014-15, total severance tax collections are projected to be \$228.3 million, representing a decline of 2.4 percent from the June forecast. Collections are projected to be to \$279.9 million in FY 2015-16.

The price of natural gas is the largest determinant of state severance tax collections. From April 2012 through April 2013, prices climbed fairly steadily, reaching \$4.40 per Mcf (thousand cubic feet) in early May. Prices have tapered somewhat over the summer, and currently are about \$4.00 per Mcf. Prices are projected to remain at about this level through the third quarter before rising gradually through the rest of 2013. In FY 2012-13, oil and gas severance taxes totaled \$118.3 million on an accrual accounting basis. For FY 2013-14, oil and gas severance tax collections are expected to rise to \$165.7 million.

While oil prices rose sharply in the early part of the summer, they have remained fairly steady at around \$105 per barrel since July. Oil prices are expected to remain at this level

through then end of the year, 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, where monthly production has averaged nearly 3.8 million barrels through the first six months of 2013. This average monthly production represents a 42 percent increase compared with the average production during a similar period in 2012, and nearly a three-fold increase from average production in the first six months of 2008. This forecast assumes oil production in the Niobrara formation will continue to increase rapidly throughout the forecast period.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas. Relative to the June forecast, September's projected coal severance tax for FY 2013-14 was decreased by 25 percent. The decline was due to a recent announcement that Colorado coal production decreased 20 percent through the first six months of 2013 compared with the same period in 2012. Two of Colorado's top nine producing mines in 2012 have not produced at all in 2013. In addition, 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 total \$7.8 million and \$7.9 million, respectively, representing a substantial drop from the June forecast.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. This component is expected to total \$2.6 million in FY 2013-14 before increasing to \$2.7 million in both FY 2014-15 and FY 2015-16.

Finally, projected interest earnings for FY 2013-14 have been revised downward from the June forecast to \$8.5 million. Over the remainder of the forecast period, interest earnings are expected to rise to \$9.5 million in FY 2014-15 and \$10.5 million in FY 2015-16.

*Gaming tax revenue* includes limited gaming taxes, fees, and interest earnings collected in the Limited Gaming Fund and the Historical Society Fund. Table 10 summarizes the forecast for gaming revenue and its distribution, both subject to and exempt from TABOR.

Despite the economic recovery, consumers are spending less on casino gaming and more on non-gaming amenities such as lodging, meals, and entertainment. The change in spending has slowed gaming tax revenue growth since the first year gaming was expanded under Amendment 50. Gaming tax revenue growth is now consistent with other regional gaming casinos in the western United States. Total gaming revenue increased 2.0 percent to \$107.7 million in FY 2012-13. In FY 2013-14, gaming revenue growth will slow, advancing only 0.8 percent. As consumers spend more money and casinos slowly increase capacity, gaming revenue will increase 1.8 percent in FY 2014-15 and 2.0 percent in FY 2015-16.

As Table 10 also shows, money from Amendment 50 is distributed to community colleges and local governments in gaming communities. Amendment 50 distributions will total \$9.7 million in FY 2013-14 and \$9.8 million in FY 2014-15. Community colleges received \$6.5 million in gaming tax revenue in FY 2012-13 and are expected to receive a similar amount annually through the forecast period.

Gaming revenue distributed prior to expanded gaming is often referred to as "*Pre-Amendment 50*" revenue. These distributions were \$94.5 million in FY 2012-13, and are expected to grow slowly to \$95.3 million in FY 2013-14 and \$97.1 million in FY 2014-15. This money is distributed to the State Historical Society, gaming cities and counties, the General Fund, and various economic development programs. These estimates incorporate **Senate Bill 13-133** impacts, which increase distributions for economic development, tourism promotion, and other local government programs.

**Table 10**  
**September 2013 Gaming Revenue and Distributions**  
*(Dollars in Millions)*

	Preliminary FY 2012-13	Estimate FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16
<b>Gaming Revenue</b>				
<b>Gaming Taxes</b>				
Pre-Amendment 50 <i>(Subject to TABOR)</i>	94.5	95.3	96.8	98.7
Amendment 50 Revenue <i>(TABOR Exempt)</i>	9.6	9.7	9.8	10.0
<b>Total Gaming Taxes</b>	<b>\$104.1</b>	<b>\$104.9</b>	<b>\$106.6</b>	<b>\$108.7</b>
<b>Fees and Interest Earnings <i>(Subject to TABOR)</i></b>				
To Limited Gaming Fund	1.4	1.4	1.7	1.7
To State Historical Fund	2.2	2.2	2.2	2.3
<b>Total Gaming Revenue</b>	<b>\$107.7</b>	<b>\$108.5</b>	<b>\$110.5</b>	<b>\$112.7</b>
<b>% change</b>	<b>2.0%</b>	<b>0.8%</b>	<b>1.8%</b>	<b>2.0%</b>
Total Gaming Revenue Subject to TABOR	\$98.1	\$98.9	\$100.7	\$102.7

**Distributions of Gaming Tax Revenue /A**

<b>Amendment 50 Distributions</b>				
Community Colleges	6.5	6.4	6.5	6.6
Gaming Counties and Cities	1.8	1.8	1.8	1.9
Amendment 50 Administrative Expenses	1.3	1.4	1.5	1.5
<b>Total Amendment 50 Distributions</b>	<b>\$9.6</b>	<b>\$9.7</b>	<b>\$9.8</b>	<b>\$10.0</b>
<b>Pre-Amendment 50 Distributions</b>				
State Historical Fund	23.6	23.6	23.9	24.4
Gaming Counties	10.1	10.1	10.2	10.5
Gaming Cities	8.4	8.4	8.5	8.7
General Fund /B	12.1	12.2	12.7	13.6
Economic Development Programs /B	30.1	30.0	30.0	30.0
Pre-Amendment 50 Administrative Expenses	10.1	11.0	11.8	11.9
<b>Total Amendment 50 Distributions</b>	<b>\$94.5</b>	<b>\$95.3</b>	<b>\$97.1</b>	<b>\$99.1</b>
<b>Total Gaming Distributions /B</b>	<b>\$104.1</b>	<b>\$105.0</b>	<b>\$106.9</b>	<b>\$109.1</b>

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

/B Beginning FY 2012-13, table amounts include the adoption of SB 13-133.

All *other cash fund revenue* subject to TABOR is expected to increase 3.2 percent 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 increase by 5.3 percent. This increase in part reflects the passage of **House Bill 13-1228**, which is expected to provide \$2.5 million in new revenue from instant criminal background checks for firearms transfers.

Table 11 presents the September 2013 forecast for federal mineral leasing (FML) revenue in comparison with the June 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, the forecast for FML revenue was reduced due to decreased expectations for natural gas prices. This decrease was tempered somewhat by the decision by the federal Office of Natural Resources Revenue to no longer withhold FML revenue from states and repay the funds that were withheld in 2013 under sequestration. FML revenue is anticipated to total \$145.4 million in FY 2013-14 representing a 1.7 percent decline from the June forecast. Revenue is then expected to increase to \$157.4 million in FY 2014-15 and \$165.5 million in FY 2015-16. This increase in projected revenue during the later years of the forecast period assumes that the federal government will continue to distribute the full amount of FML revenue to states. These totals would be less if this turns out not to be the case.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and

the UI balance are shown in Table 12. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 8 on page 18. 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 8.

The UI Trust Fund closed FY 2012-13 with a fund balance of \$546.8 million, a 6.6 percent increase from the previous fiscal year. The fund balance is projected to continue to increase through the forecast period as unemployment declines. Revenues to the UI Trust Fund have been steadily increasing since the fund became solvent on June 30, 2012. **House Bill 11-1288** states that once the UI Trust Fund is solvent a new premium rate table becomes effective the next calendar year. The new premium rate table has been in effect for calendar year 2013, supporting revenues to the fund.

Total revenue to the UI Trust Fund declined 55.3 percent to \$748.6 million in FY 2012-13. This sharp decline occurred for two reasons. First, revenue to the fund in FY 2011-12 was higher than usual due to a \$650 million bond issuance. Second, the solvency surcharge, levied only during years when the year-end fund balance is less than 0.5 percent of total private wages paid into the fund, was eliminated for tax year 2013. Based on current projections for UI Trust Fund revenue, the solvency surcharge is not expected to be levied through the remainder of the forecast period.

In FY 2012-13, the amount of UI benefits declined 7.4 percent due to a declining number of UI claims. UI benefits paid are expected to continue falling through the forecast period as unemployment declines.

**Federal borrowing and Special Revenue Bonds.** Colorado's UI fund began struggling in the 2001 recession. In 2004, the

**Table 11**  
**Federal Mining Leasing Revenue Distributions**  
*(Dollars in Millions)*

<b>Fiscal Year</b>	<b>September 2013 Forecast</b>	<b>Percent Change</b>	<b>June 2013 Forecast</b>	<b>Percent Change from Last Forecast</b>
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%	\$124.1	
FY 2013-14	\$145.4	20.3%	\$147.9	-1.7%
FY 2014-15	\$157.4	8.3%	\$166.8	-5.7%
FY 2015-16	\$165.5	13.8%	-	

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

solvency surcharge was first imposed. The 2008 economic recession put more pressure on the fund as high unemployment increased demand for UI benefits, while revenue to the fund was declining. In January 2010 the fund was insolvent. By law, when the balance of the UI Trust Fund falls below zero, the federal government requires that another revenue source be found. Colorado began borrowing from the Federal Unemployment Account to fund benefit payments in January 2010. After a year of loans offered interest free, the state made its first interest payments on loans outstanding in September 2011. A separate assessment was required to pay for interest on federal loans used to fund the UI program. During the summer of

2011, businesses were charged a special interest assessment to pay for the interest payment.

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 repaid all remaining federal debt. The bonds were issued for five years at an annual interest rate of 1.4 percent. There will be two interest payment assessments per year; the first payment of \$4.2



**Table 12**  
**Unemployment Insurance Trust Fund Forecast, September 2013**  
**Revenue, Benefits Paid, and Fund Balance**  
*(Dollars in Millions)*

	Preliminary FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR*
<b>Beginning Balance</b>	\$512.9	\$546.8	\$607.4	\$734.4	
<b>Plus Income Received</b>					
UI Premium & Premium Surcharge /A	\$637.5	\$660.6	\$675.3	\$689.8	2.7%
Solvency Surcharge	\$97.5	\$0.0	\$0.0	\$0.0	
Interest	\$13.7	\$15.7	\$18.4	\$25.7	
<b>Plus Special Revenue Bonds</b>					
<b>Total Revenues</b>	<b>\$748.6</b>	<b>\$676.4</b>	<b>\$693.7</b>	<b>\$715.5</b>	-1.5%
% Change	-55.3%	-9.6%	2.6%	3.1%	
<b>Less Benefits Paid</b>	(\$570.7)	(\$490.8)	(\$441.7)	(\$419.6)	-9.7%
% Change	-7.4%	-14.0%	-10.0%	-5.0%	
<b>UI Bonds Principal Repayment</b>	(\$125.0)	(\$125.0)	(\$125.0)	(\$125.0)	
<b>Accounting Adjustment</b>	(\$19.0)	NA	NA	NA	
<b>Ending Balance</b>	<b>\$546.8</b>	<b>\$607.4</b>	<b>\$734.4</b>	<b>\$905.3</b>	18.3%
<b>Solvency Ratio:</b>					
Fund Balance as a Percent of Total Annual Private Wages	0.60%	0.63%	0.84%	1.06%	

Totals may not sum due to rounding.

NA = Not Applicable.

\*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 no longer subject to TABOR starting in FY 2009-10.

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.

## NATIONAL ECONOMY

The nation's economy expanded at a modest pace through the summer. Healthier balance sheets for the nation's businesses, households, and banks, renewed momentum in the manufacturing sector, improvement in real estate sector, and incremental improvements in the global economy have translated into improved consumer and business confidence. Nonetheless, robust economic growth continues to be hindered from uncertain monetary, fiscal, and regulatory policies, along with heightened geopolitical risk. In addition, the economy is still absorbing the effects of recent federal tax increases and spending cuts.

Economic activity will continue to expand modestly through the remainder of 2013 before growing at a more earnest pace in 2014 and 2015. The economy is expected to recover sufficiently by the middle of 2015 for the Federal Reserve to begin raising interest rates, thus beginning the process of reducing the size of the money supply. Expectations for the national economy are shown in Table 13 on page 40.

### *US Economic Growth Shows Measured Improvement*

The nation's **gross domestic product (GDP)**, the broadest measure of total economic activity, grew at an average rate of 1.8 percent through the first half of the year. Growth accelerated slightly from an annualized rate of 1.1 percent in the first quarter to 2.5 percent in the second. Figure 4 shows contributions by sector to the nation's economic growth since 2007. Private investment, much of it in the form of investment in the real estate markets, drove most of the nation's economic growth in the second quarter of 2013. Investment in

nonresidential structures increased 16.1 percent from the previous quarter, while spending in the residential real estate market grew 12.9 percent. Consumer spending made a strong contribution, as consumers continued to purchase large ticket items such as cars and home appliances.

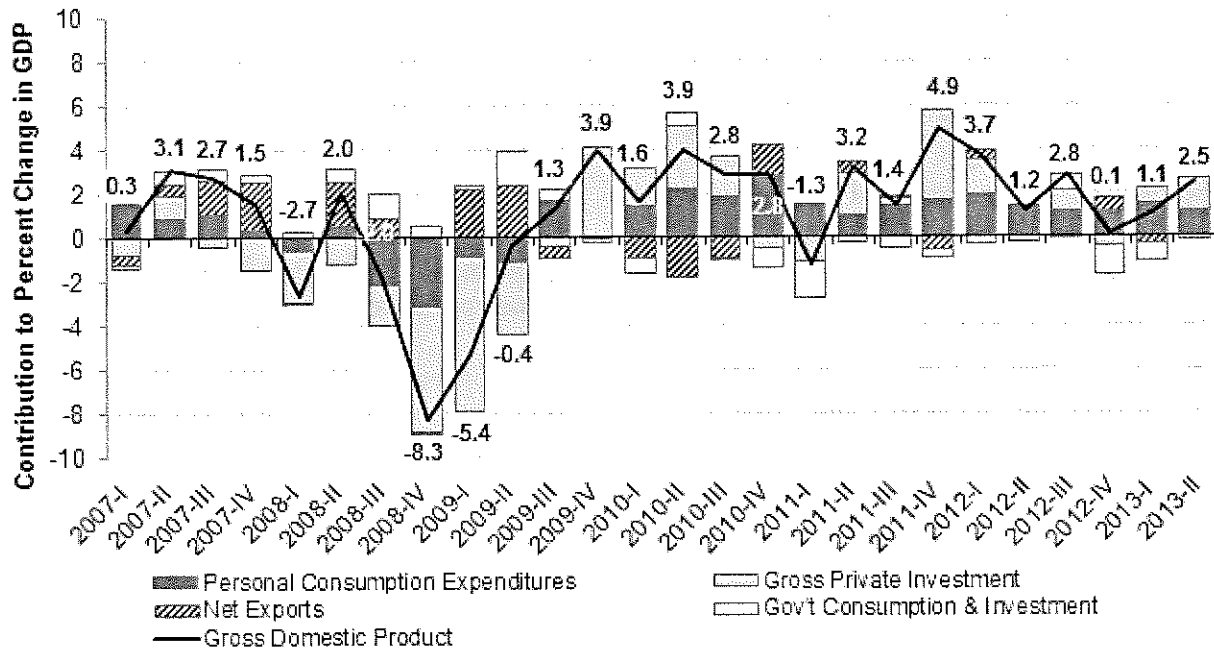
Meanwhile, a reduction in government spending slowed the nation's economic growth. Government spending, for all levels, declined 0.9 percent in the second quarter of 2013. The decline was the result of federal spending cuts that went into effect earlier this year. However, the rate of the decline was much smaller than in the first quarter, when government spending decreased 4.2 percent.

- Inflation-adjusted GDP growth is expected to grow 1.7 percent in 2013, as momentum in the private sector remains modest and government spending continues to fall. In 2014, inflation-adjusted GDP growth is expected to accelerate to 3.3 percent.

### *Fiscal and Monetary Policies Continue to Impeded Robust Growth*

Uncertainty in the form of monetary, fiscal, and regulatory policies, are restraining the nation's businesses and households from taking the risks required for a more enthusiastic expansion. The events in Syria have also added uncertainty. Congress has only until October 1 to at least pass a continuing budget resolution and the nation's businesses and banks are still adjusting to new federal regulatory requirements in the banking and health care sector.

**Figure 4**  
**Contributions to Real Gross Domestic Product**  
*Seasonally Adjusted Annual Rates*



Source: Bureau of Economic Analysis.

Financial uncertainty will also persist this fall as the U.S. Congress debates raising the nation’s debt ceiling. Long term interest rates began to rise in May after the Federal Reserve began communicating plans for rolling back their continued expansion of the nation’s money supply. The Federal Reserve is currently purchasing \$85 billion of mortgage-backed securities and U.S. treasury bonds each month. Because the economy’s recovery is expected to continue to gain momentum, this forecast assumes a gradual reduction in these asset purchases to resume at some point late this year or early in 2014.

**Global Conditions Still Fragile**

After a slowdown in 2012, the world economy is showing signs of improvement. It appears Europe has avoided a breakup up of the European Union. The euro region’s economy is

expected to gain momentum in 2014 as the budget reduction policies passed last year begin to improve confidence and financial conditions. The emerging and developing economies, which include Asia and Latin America, are expected to pick up momentum and experience a more broad-based recovery. The International Monetary Fund (IMF) expects world output to grow 3 percent in 2013 and 4 percent in 2014.

The IMF expects economic activity in the euro area to pick up very gradually in 2014 and 2015 as the region’s fiscal position improves. The region continues to adjust to the deleveraging measures adopted last year. These measures, which include both spending cuts and tax increases, are designed to respond to the region’s unsustainable government balance sheets. According to the International Monetary Fund (IMF), these measures subtracted 1.5 percentage points from

Eurozone GDP in 2012, and are expected to subtract 0.75 percentage points from Eurozone GDP in 2013. Periphery countries such as Spain, Italy, and Greece continue to struggle with low growth amid high interest rates and high levels of political uncertainty, debt, and deficits. However, the deleveraging measures are expected to reduce fiscal drag and improve confidence in the financial markets. In addition, the improving US economy will also aid the region's recovery.

The IMF expects the Japanese economy to grow 1.5 percent in 2013, as the economy receives a lift from fiscal stimulus, a weaker yen, and stronger external demand. However, growth will soften significantly in 2014 because of the winding down of the stimulus and a consumption tax increase.

Finally, China's economy is showing signs of improvement, helped by increased global demand and Brazil's economy. Brazil is expected to improve as a result of measures intended to boost private investment, including reduced payroll taxes and levies on cars and appliances. In addition, the country will host the 2014 World Cup and the 2016 summer Olympic Games.

### ***The Labor Market Continues to Steadily Improve***

The nation continues to add jobs at a sluggish pace. Through the first eight months of 2013, the nation has added an average of 180,000 jobs per month, slightly lower than the average of 183,000 jobs per month added during the same period in 2012.

As shown in Figure 5, all but one sector of private employment added jobs in the first eight months of 2013. On average, the number of jobs in January to August of 2013 was 1.6 percent higher than the same period in 2012. The professional and business services sector added the most, at 456,600 jobs. The temporary help

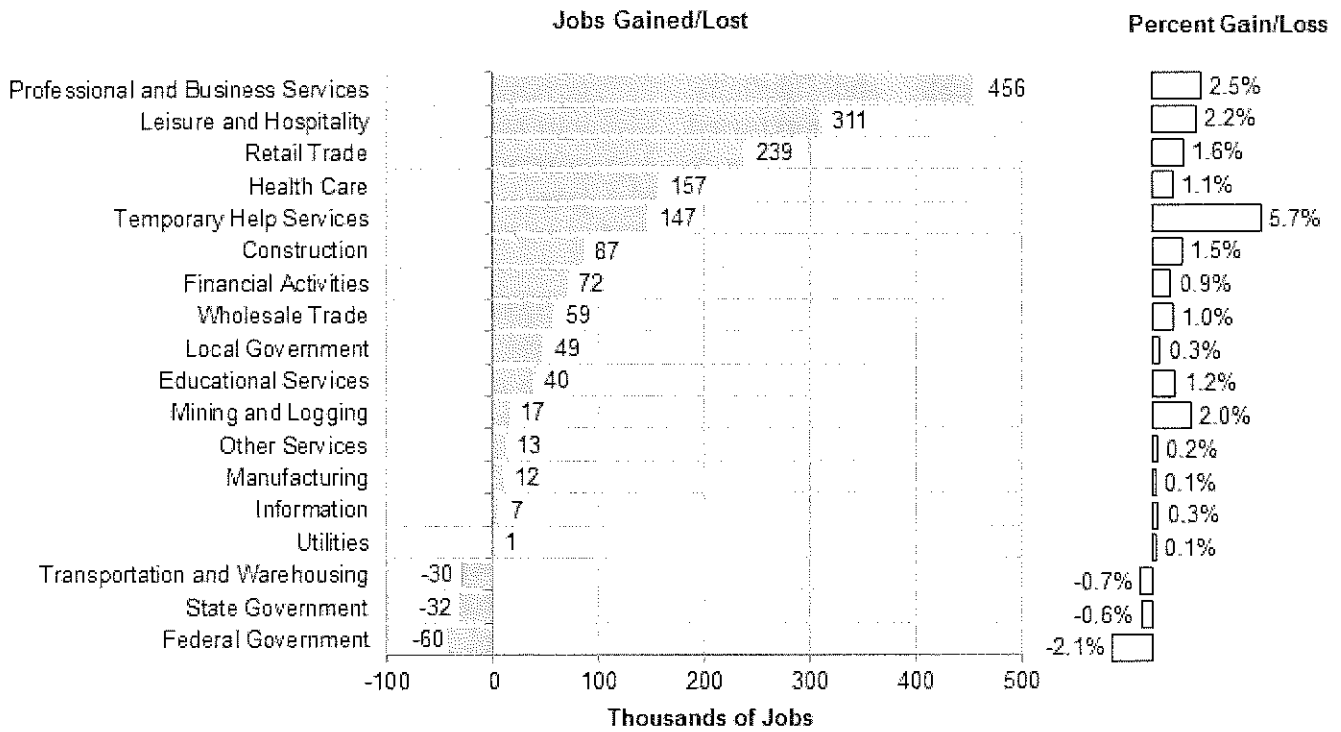
services industry grew the most in percentage terms, growing 5.7 percent, or by 147,000 jobs. In contrast to private employment, government employment decreased by 43,000 jobs in the first eight months of 2013. Federal and state government employment decreased by 60,000 jobs and 32,000 jobs, respectively, while local government employment increased by 49,000 jobs.

The nation's unemployment rate declined to 7.3 percent in August 2013, the lowest level since December 2008. However, much of the decline was a result of a drop in the labor force participation rate. In August 2013, the labor force participation rate declined to 63.2 percent of the adult population, a level not seen since the late 1970's. Labor force participation has been declining because people have quit looking for work or returned to school. A portion of these people has left the labor market because of the slow recovery. The declining labor force participation rate also reflects the changing demographics of the nation, however, as baby boomers are retiring and leaving the workforce. Figure 6 shows the unemployment and underemployment rates in Colorado and the nation.

Private sector job growth will offset declines in public sector employment throughout 2013. Employment growth will gain some momentum in 2014 after government agencies have adjusted payrolls to new spending levels.

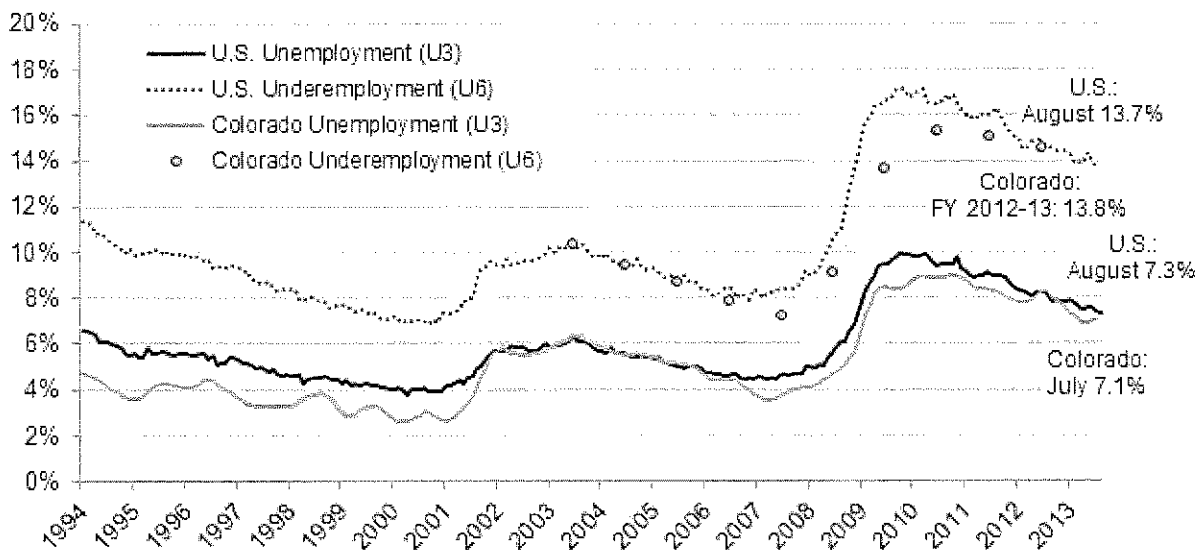
- Nonfarm employment is expected to grow 1.6 percent in 2013. Private sector employment will continue to add jobs while the public sector adjusts to new federal spending levels by not filling vacancies. In 2014, non-farm employment will grow 1.9 percent.
- The unemployment rate will average 7.4 percent in 2013 and 7.0 percent in 2014.

**Figure 5**  
**U.S. Nonfarm Employment Gains/Losses in 2013 YTD**  
*January to August 2013 over January to August 2012 Levels*



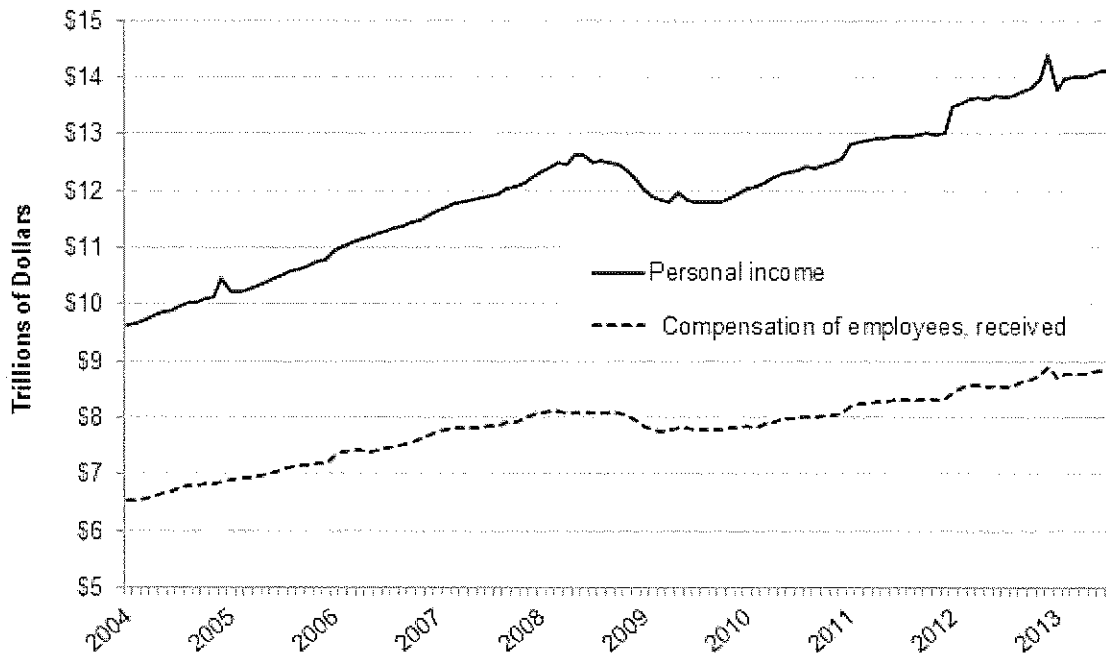
Source: Bureau of Labor Statistics. Data through August 2013.

**Figure 6**  
**Unemployment and Underemployment Rates in Colorado and the Nation**  
*Seasonally Adjusted Data*



Source: U.S. Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment statistics. National Data through August 2013. Colorado data through July 2013.

**Figure 7**  
**Personal Income and Wage and Salary Income**  
*Seasonally Adjusted Data, January 2004 to July 2013*



Source: Bureau of Economic Analysis. Data through July 2013.

***The Improving Economy is Helping Increase Personal Income***

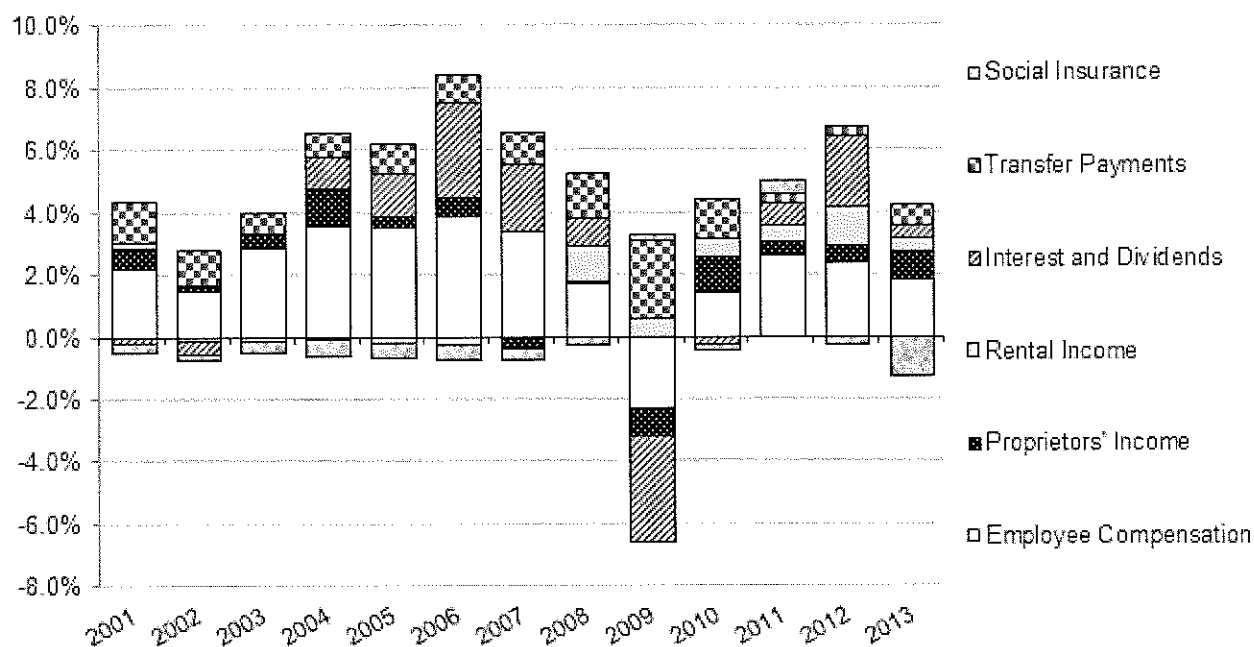
Household income from wages, investments, interest, and other sources increased 2.9 percent year-to-date through July 2013 compared with the first seven months of 2012. This rate of growth is below annual growth rates for 2012 and 2011, which were 3.6 percent and 5.1 percent, respectively. Changes to federal tax policies are partially responsible for the loss of momentum in 2013. As can be seen in Figure 7, taxpayers shifted some income from 2013 into 2012 to avoid anticipated capital gains and individual income tax increases. In addition, the employee share of the payroll tax increased from 4.2 percent to 6.2 percent on January 1, 2013.

Figure 8 shows the extent to which different types of income have contributed to overall growth in personal income. Employee compensation contributed the most, accounting

for 1.8 percentage points of the 2.9 percent year-to-date growth through July, 2013. Proprietor’s income, rental income, interest and dividends, and transfer payments also contributed to growth. Social insurance payments grew with the increase in the payroll tax rate; this reduced the growth rate by 1.4 percentage points between January and July of 2013 compared with the same period in 2012.

- Personal income will increase 3.2 percent in 2013 as the economy continues to modestly improve through the rest of the year. In 2014, personal income will gain momentum, increasing 4.8 percent as the economy strengthens and the impact of the payroll tax increase is fully absorbed.
- Improvement in the job market will help increase wage and salary income, which will grow 3.0 percent in 2013 and 4.6 percent in 2014.

**Figure 8**  
**Contributions to Personal Income Growth**  
*Seasonally Adjusted Data, January to July 2013 over January to July 2012*



Source: Bureau of Economic Analysis. Data through April 2013.

***Business Income and Investments Above Pre-Recession Peak***

As shown in Figure 9, business income and investment continued to make gains through the first half of the year. After a sharp rebound from the depths of the recession in 2009, gains in corporate profits have slowed but continue to climb, coming in 4.6 percent higher during the first half of the year compared with the first half of 2012. Proprietor's income for small and medium-sized businesses has shown steady gains since the recession. Although growth in proprietor's income appeared to level off somewhat in the second quarter of 2013, it remained 9.6 percent higher during the first half of the year compared with year-ago levels.

Figure 9 also shows that businesses have chosen to invest some of the rebound in income on new equipment and intellectual

property. Intellectual property, a new category of investment within the national income product accounts system, includes spending on software, research and development, and the creation of entertainment, literary, and artistic originals.

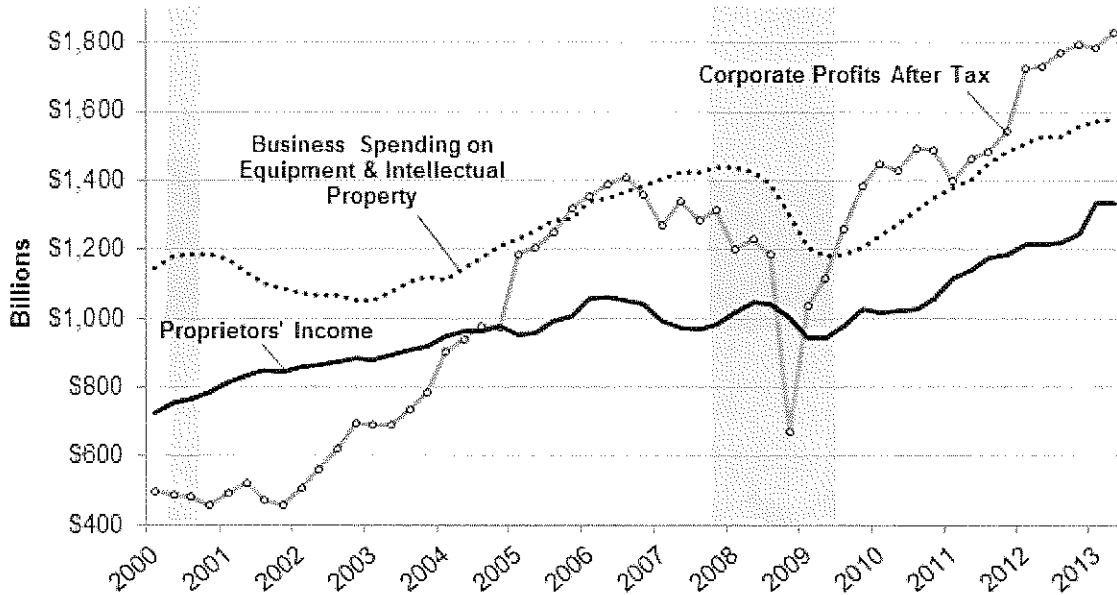
***Mixed Signs of Manufacturing Activity***

Two indicators of manufacturing activity have pointed to underlying momentum in the sector. Figure 10 shows two measures of manufacturing activity: the Institute for Supply Management (ISM) Purchaser's Manufacturing Index and the Federal Reserve's industrial production index.

Economic activity in the manufacturing sector expanded in August for the third consecutive month. As Figure 10 shows, the

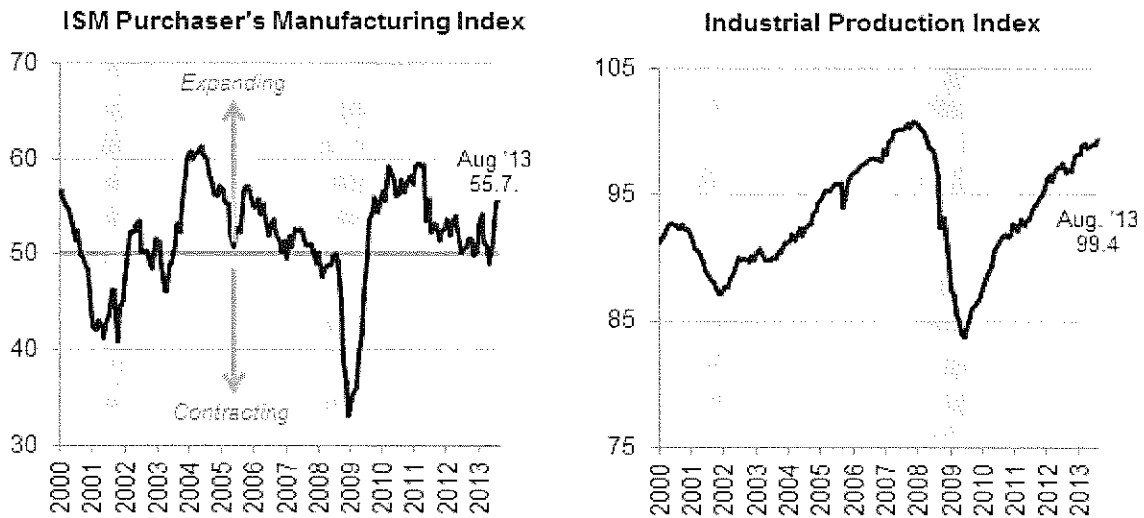


**Figure 9**  
**Business Income and Spending**  
*Seasonally Adjusted Data*



Source: Bureau of Economic Analysis, National Income Product Accounts and Personal Income Statistics. Data through the second quarter 2013.

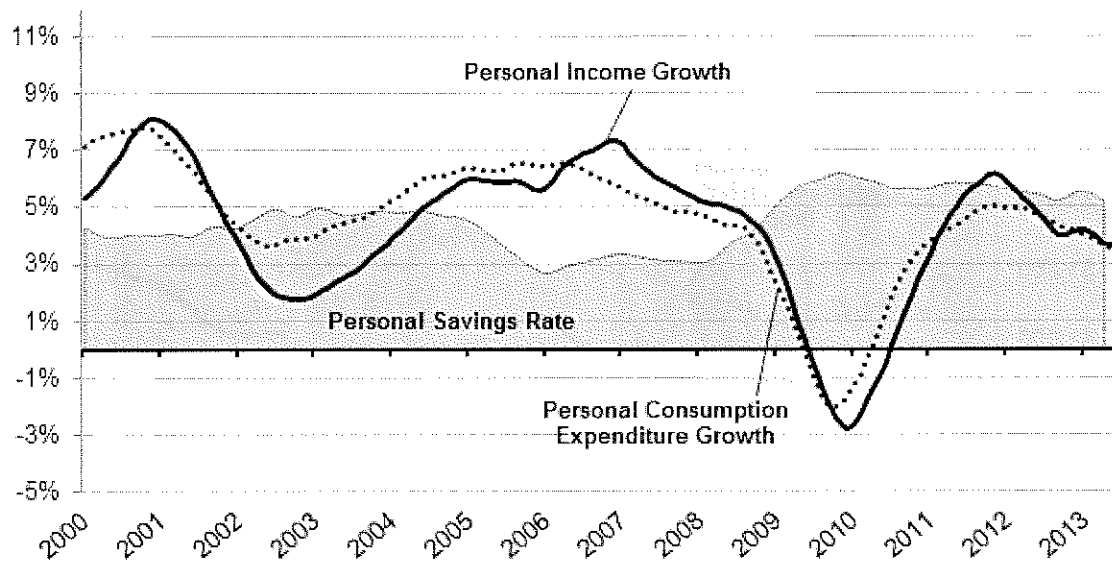
**Figure 10**  
**Manufacturing and Industrial Production**  
*Seasonally Adjusted Data*



Source: Institute for Supply Management.

Source: Federal Reserve.

**Figure 11**  
**U.S. Personal Income Outlays**  
*12-Month Averages; Seasonally Adjusted*



Source: Bureau of Economic Analysis, Data through June 2013.

ISM Purchaser's Manufacturing Index reached 55.7 percent in August 2013, an increase of 0.3 percentage points from July's reading. A level of 50 or higher for the ISM manufacturing index represents expansion in the manufacturing sector. August's reading is the highest of the year and indicates recovery after sector activity stalled during the spring months. Of the 18 manufacturing industries the index tracks, 15 reported growth in August. The top three industries were textile mills, wood products, and electrical equipment.

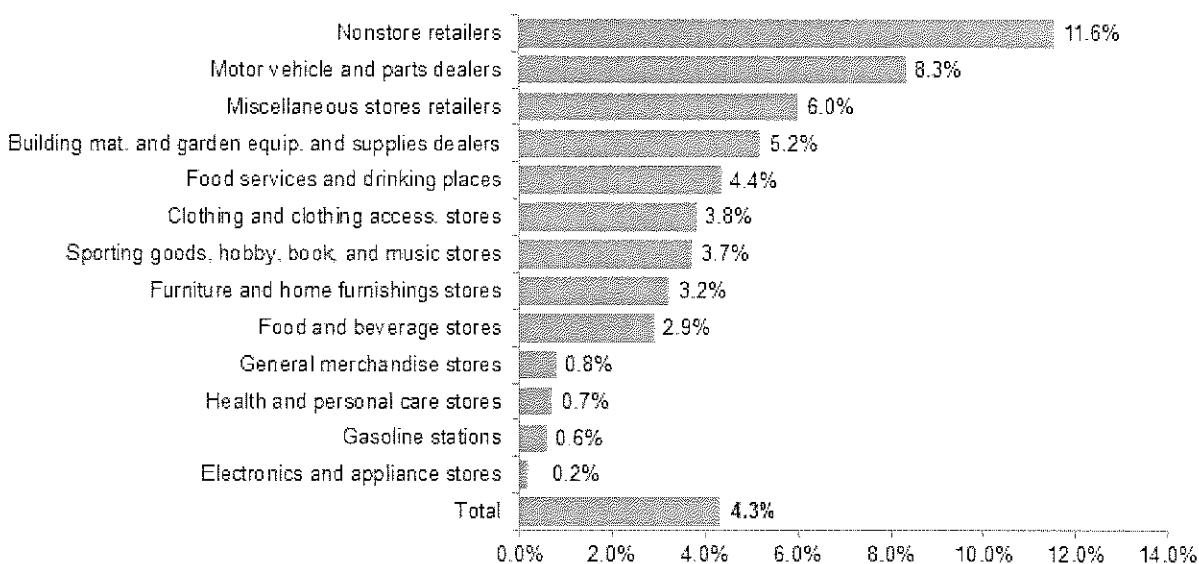
The industrial production index is also indicating improvement in the manufacturing sector. In August 2013, industrial output increased 0.4 percent from July. Since January 2013, the index has increased from 99.1 to 99.4. Gains in the index have been broad since the beginning of the year, though utilities output fell for the fifth consecutive month.

### ***Households Continue to Buy Durable Goods***

Consumer spending continues to grow, although it has lost some momentum due to the higher federal payroll tax rate and federal spending cuts. Households continue to spend income gains, rather than bolstering savings. Figure 11 shows that growth in personal income and consumption have tracked each other very closely since mid-2012. Personal consumption was 2.9 percent higher in the period from January to June 2013 compared with the same period in the previous year. The personal savings rate averaged 4.3 percent through the first six months of 2013, which was lower than the average savings rate of 5.4 percent during the same period last year.

Retail trade sales, another measure of consumer spending, were 4.3 percent higher between January and June 2013 compared with the same period in the previous year. Non-store retailers, motor vehicles, and sporting goods

**Figure 12**  
**Growth in Sectors of Retail Trade**  
*January to June 2013 over January to June 2012*



*Source: U.S. Census Bureau, Data through June 2013. Seasonally adjusted data.*

and hobby stores all grew by more than 11.6 percent and none of the retail sectors had declines in sales over the first six months of 2013. Figure 12 shows growth in retail sales by sector between January and June 2013 compared with the same period in 2012.

Although growth in consumer spending has been subdued in 2013, it is expected to accelerate along with the economy in 2014. Consumer confidence indices are at multi-year highs. The consumer confidence index, published by the conference board, had a value of 81.5 in August, the highest value since before the recession. The consumer sentiment index published by the University of Michigan is also trending upward. The performance of the stock market is helping to reinforce consumer attitudes about the recovering economy. Consumer confidence is supported by increasing household wealth and low debt payments, giving the Federal Reserve more flexibility as it deliberates

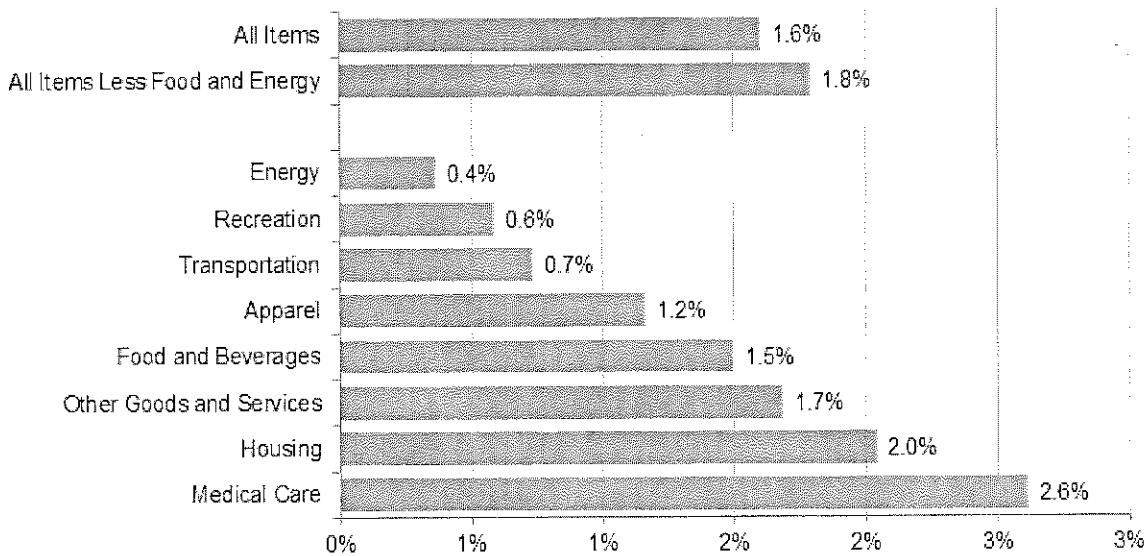
when to begin reducing the pace at which it is expanding the money supply.

### ***Inflation Remains Subdued***

Inflation, a measure of the price of goods and services purchased by consumers, remained modest in the first part of 2013. Figure 13 shows the change in the consumer price index for different kinds of goods and services. Prices for all goods and services increased 1.6 percent between January and July 2013 compared with the same period in 2012. Energy prices increased 0.4 percent. Core inflation, a measure that excludes volatile food and energy prices, increased 1.8 percent. All other goods and services increased by less than 3.0 percent in the first seven months of 2013 compared with the same time period in 2012.

- Little inflationary pressure is expected as

**Figure 13**  
**Change in the Consumer Price Index**  
*January to July 2013 over January to July 2012*



Source: Bureau of Labor Statistics.

long as the unemployment rate stays elevated and the global economy remains weak. As the U.S. economy improves, the Federal Reserve will tighten monetary policy, keeping inflation in check throughout the forecast period. Prices will increase 1.5 percent in 2013 and 1.9 percent in 2014.

### ***The Housing Market Continues to Recover***

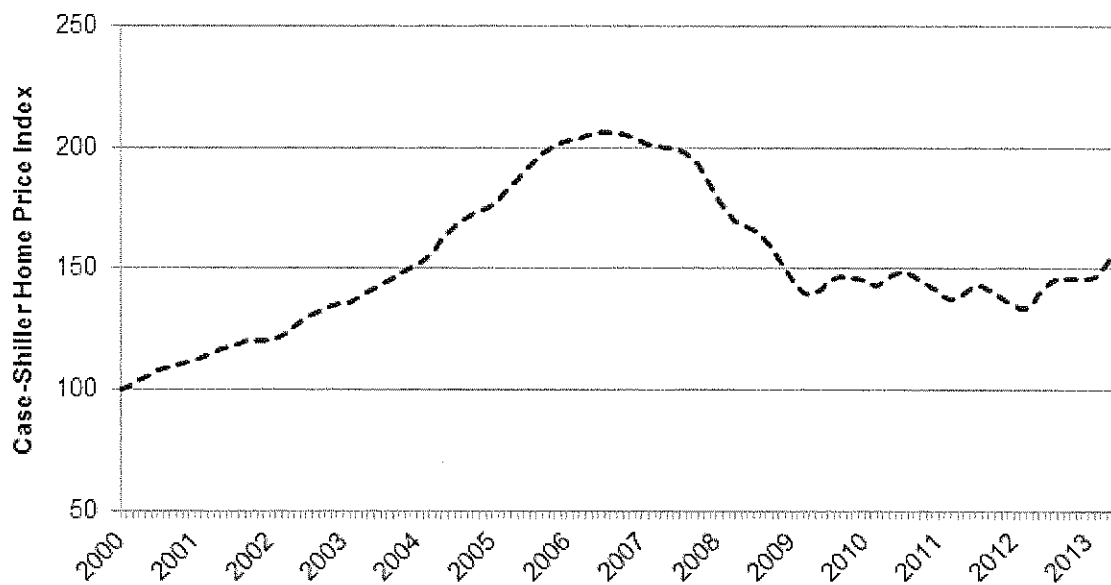
The nation's residential real estate market continues to improve as limited inventories continue to contribute to upward price pressures, although rising mortgage rates have slowed the pace of the gains. Figure 14 shows the 20-city composite Case-Shiller index for home prices. During the 12 months leading up to June, home prices rose in all 20 large metropolitan areas tracked by the Case-Schiller index. Several states reported a significant improvement in the residential real

estate market because rising home prices and mortgage interest rates have prompted many potential buyers to commit to purchases.

Home prices are expected to continue to increase because demand remains higher than supply. There were about 4 homes on the market in July for every home that was actually sold. This measure, referred to in Figure 15 as home supply, continues to fall, even as the demand for homes, as measured by existing home sales, is growing.

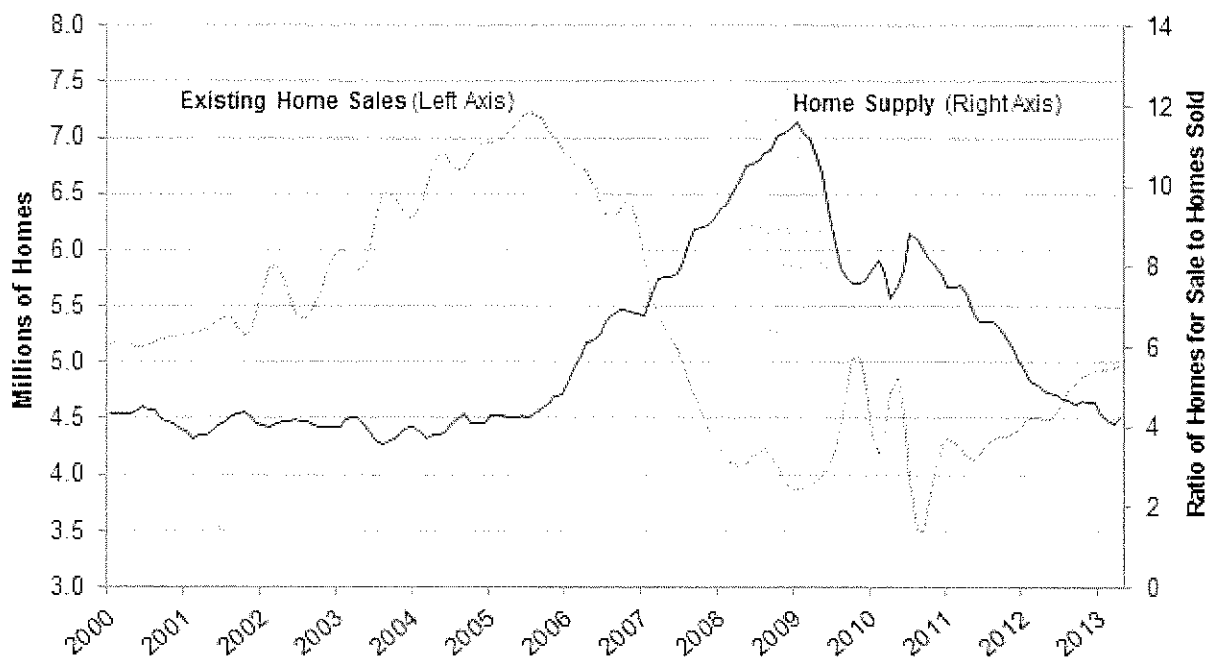
The number of building permits issued for residential construction continued to grow through the first seven months of 2013, but inventories of desirable properties still remain low as residential real estate builders face several barriers to deliver new homes. The number of residential building permits issued between January 2013 and April 2013 increased 25.9 percent compared with the same period in 2012. However, during the spring

**Figure 14**  
**Case-Shiller Home Price Index**  
*20 City Composite Index*



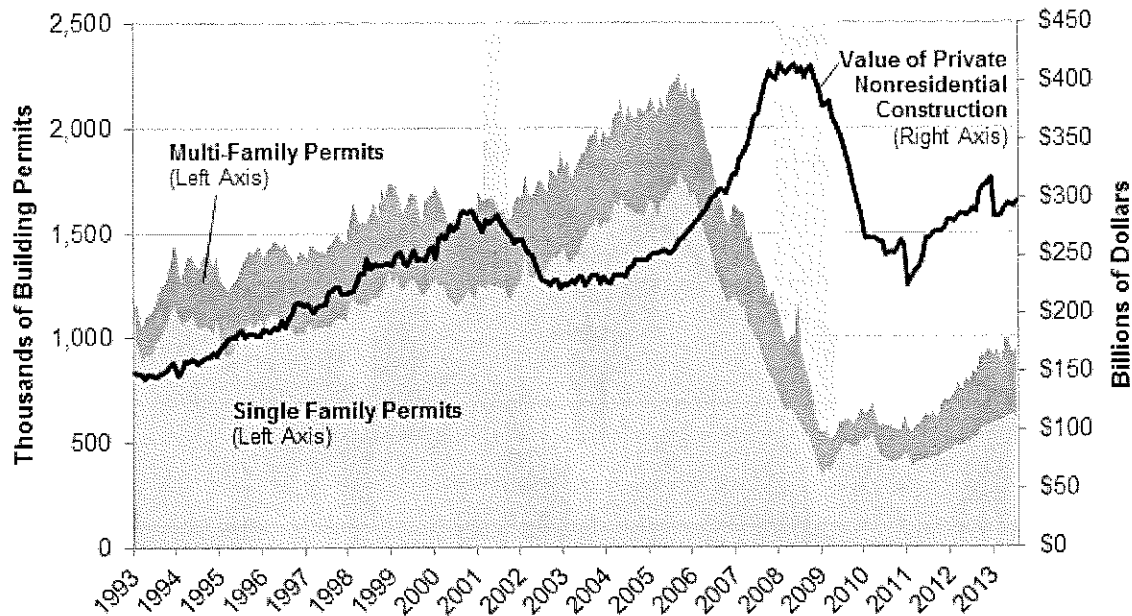
Source: Standard & Poors. Data through June 2013.

**Figure 15**  
**Housing Inventory Lower than Demand**  
*Seasonally Adjusted*



Source: U.S. Census Bureau and National Association of Realtors. Data through July 2013.

**Figure 16**  
**Residential Building Permits and Non-Residential Construction**  
*Seasonally Adjusted Data*



Source: U.S. Census Bureau. Data through July 2013.

and summer months following April, a number of builders were reporting several constraints on the construction of single-family homes. According to the latest survey conducted by the National Association of Home Builders, builders noted a shortage of buildable lots as a key factor for the shortage of new single-family homes. In addition, builders also indicated a labor shortage in carpentry and other key building trades as an important constraint on the construction activity. Finally, some areas in the nation are reporting a shortage of some building materials, such as drywall and roofing shingles. Figure 16 shows residential building permits and the value of private nonresidential construction.

### Summary

More than four years since the end of the “Great Recession”, the nation’s economy continues to present mixed signals. The nation’s economy expanded at a modest pace

through the first half of 2013, and is expected to continue doing so through the remainder of the year. The economy has added jobs every month this year, but at a slower rate than most would prefer. The nation’s unemployment rate is the lowest since 2008. Consumer spending and personal income are growing modestly, partially because of changes to federal tax policy that took effect January 1, 2013.

Several budget and monetary policy uncertainties appear to be dampening economic momentum. The improving economy is creating uncertainty over Federal Reserve monetary policies. Long-term interest rates have already begun to rise as households and businesses wait for guidance from the Federal Reserve on when they will begin pulling back on their expansion of the money supply by reducing their purchases of U.S. Treasuries and mortgage-backed securities. In addition, Congress has until October 1 to pass a federal budget or the federal government will shut down. The nation must also raise its debt

ceiling or the government will be unable to pay all its bills by mid-October.

The economic expansion is expected to slowly gain momentum in 2014 and 2015. Consumer and business confidence continue to improve, as households, banks, and businesses have significantly improved the state of their balance sheets over the last few years. As consumers feel more comfortable buying homes and making other purchases, firms and entrepreneurs will expand to meet the demand. The nation's manufacturing sector is showing signs of expansion, and the global economy is slowly improving. Home prices continue to appreciate and the stock market continues to show long-run improvements. The appreciation of assets will help boost household wealth and reinforce economic expansion.

### **Risks to the Forecast**

*Upside risks.* Consumers and businesses may unleash more pent up demand that would cause the economy to grow even more quickly than forecast. Household wealth has grown because of increases in home prices and recent gains in the stock market, which could make consumers even more comfortable making large purchases and taking risks. Businesses have been repairing their balance sheets and becoming more efficient since the recession, which could lead to more investments than forecast. The positive signs in economic data may only be capturing the start of an accelerating economy.

*Downside risks.* This forecast is prepared assuming that Congress will raise the federal debt ceiling, which will prevent the country from defaulting, and that Congress will adopt a budget. In addition to congressional action, the Federal Reserve is expected to start tightening monetary policy at some point during the forecast period. If the economy does

not transition smoothly to the tapering of Federal Reserve policies, economic growth will be slower than forecast. Finally, concerns about Syria could put pressure on oil prices and dampen economic growth.

**Table 13**  
**National Economic Indicators, September 2013 Forecast**  
*(Calendar Years, Dollar Amounts in Billions)*

	2008	2009	2010	2011	2012	Forecast 2013	Forecast 2014	Forecast 2015
Inflation-adjusted GDP percent change	\$14,833.6 -0.3%	\$14,417.9 -2.8%	\$14,779.4 2.5%	\$15,052.4 1.8%	\$15,470.7 2.8%	\$15,733.7 1.7%	\$16,252.9 3.3%	\$16,951.8 4.3%
Nonagricultural Employment (millions) percent change	136.8 -0.6%	130.9 -4.4%	129.9 -0.7%	131.5 1.2%	133.7 1.7%	135.9 1.6%	138.5 1.9%	141.2 2.0%
Unemployment Rate	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	7.0%	6.8%
Personal Income percent change	\$12,430.6 3.6%	\$12,082.1 -2.8%	\$12,435.2 2.9%	\$13,191.3 6.1%	\$13,743.8 4.2%	\$14,183.6 3.2%	\$14,864.4 4.8%	\$15,682.0 5.5%
Wage and Salary Income percent change	\$6,532.8 2.1%	\$6,252.2 -4.3%	\$6,377.5 2.0%	\$6,638.7 4.1%	\$6,926.8 4.3%	\$7,134.6 3.0%	\$7,462.8 4.6%	\$7,835.9 5.0%
Inflation (Consumer Price Index)	3.8%	-0.4%	1.6%	3.2%	2.1%	1.5%	1.9%	2.3%

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



## COLORADO ECONOMY

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Although Colorado's economy continues to outpace the national economy, the pace of growth slowed somewhat through the summer of 2013. Job gains continue in most sectors and regions of the state. However, the unemployment rate has begun to level off, potentially indicating a slowdown in entrepreneurial activity and farm employment. Personal income, wages, and consumer spending continued to grow through the first half of the year, but at slower rates than in 2012 as households and businesses responded to changes in federal fiscal policy and economic uncertainty. Colorado's housing sector, one of the strongest in the nation, continues to heal from recession, although at a slower rate as a result of rising mortgage rates. Economic activity is expected to gain momentum in 2014 and 2015. Table 14 on page 55 shows the Colorado economic forecast.

Recently, flash floods ravaged communities across the state, hitting mountain canyons and many metropolitan areas on the Front Range. Many areas in the northeastern plains were also impacted. The worst damage occurred in Boulder and Larimer counties, where entire communities, including Jamestown, Lyons, and Estes Park have become isolated from urban areas because of damaged roads. In addition to roads, residences, businesses, farms, and ranches sustained significant losses.

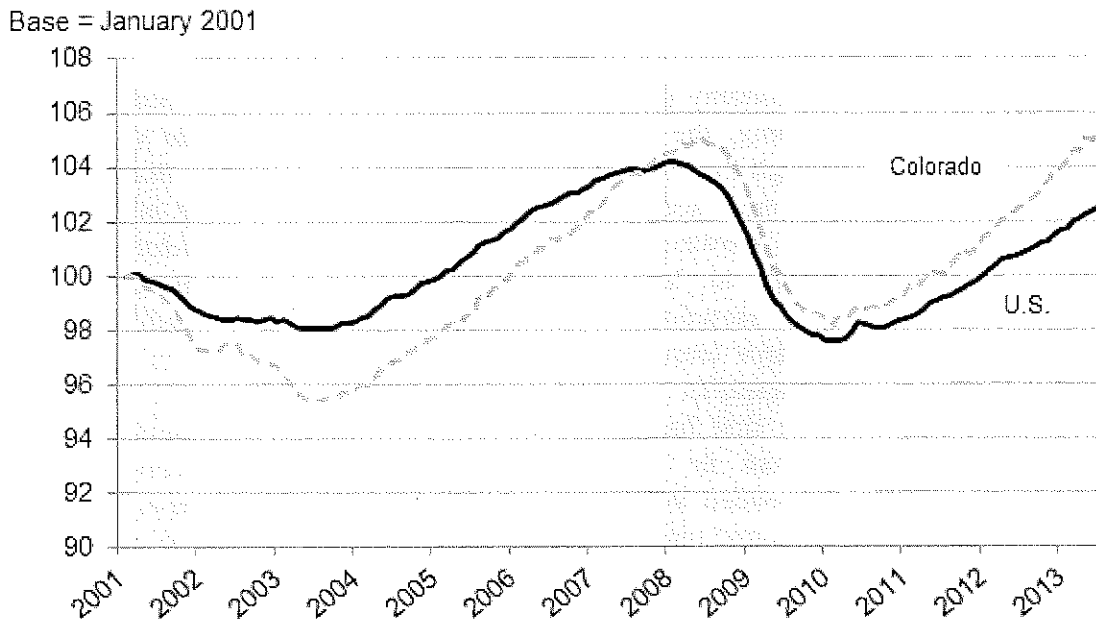
The economic impact of Colorado's floods is not yet known. In general, natural disasters tend to cause a sharp drop in economic activity during and immediately after the disaster, followed by a rebound to the pre-disaster trend as resources are poured into restoring and rebuilding damaged property and infrastructure. The floods will redistribute economic activity across geographic regions, between industries,

and over time. In the short run, employment, income, and retail trade will increase in the construction, building materials, automobile sales and repair, lodging, and food industries at the expense of other sectors. In the long run, new investment in residential, commercial, and public infrastructure should provide a boost to economic growth.

Isolated communities will be the hardest hit, and their economies will rebound only after roads are repaired. Of particular importance to Colorado's tourism industry, Estes Park and the most visited areas of Rocky Mountain National Park have been temporarily cut off from the Front Range. In addition, the floods hit northern Colorado agricultural producers in the midst of the fall harvest season. Depending on the extent of the damage to crops and livestock, there could be price pressure on crops and food. While agricultural producers affected by the floods will likely incur losses, those not affected could benefit from the reduced supply. Although many wells in Weld County are temporarily inaccessible, the oil and gas industry is not expected to be significantly affected by the floods.

Federal fiscal policy continues to constrain economic growth. Certain areas of the state will feel the effects of federal spending cuts more than others. Regions with higher concentrations of federal workers, like Colorado Springs and Boulder, will be impacted as employees are furloughed or pay is reduced. Areas with national parks will see less tourism activity as federal government services are reduced. More details on each region in the state can be found starting on page 57.

**Figure 17**  
**Colorado Continues to Outpace National Employment Trends**  
*Seasonally Adjusted Data*



Source: U.S. Bureau of Labor Statistics. Seasonally adjusted data through July 2013. Colorado data incorporates revisions expected by Legislative Council Staff. Seasonally adjusted data through July 2013.

### Colorado's Labor Market

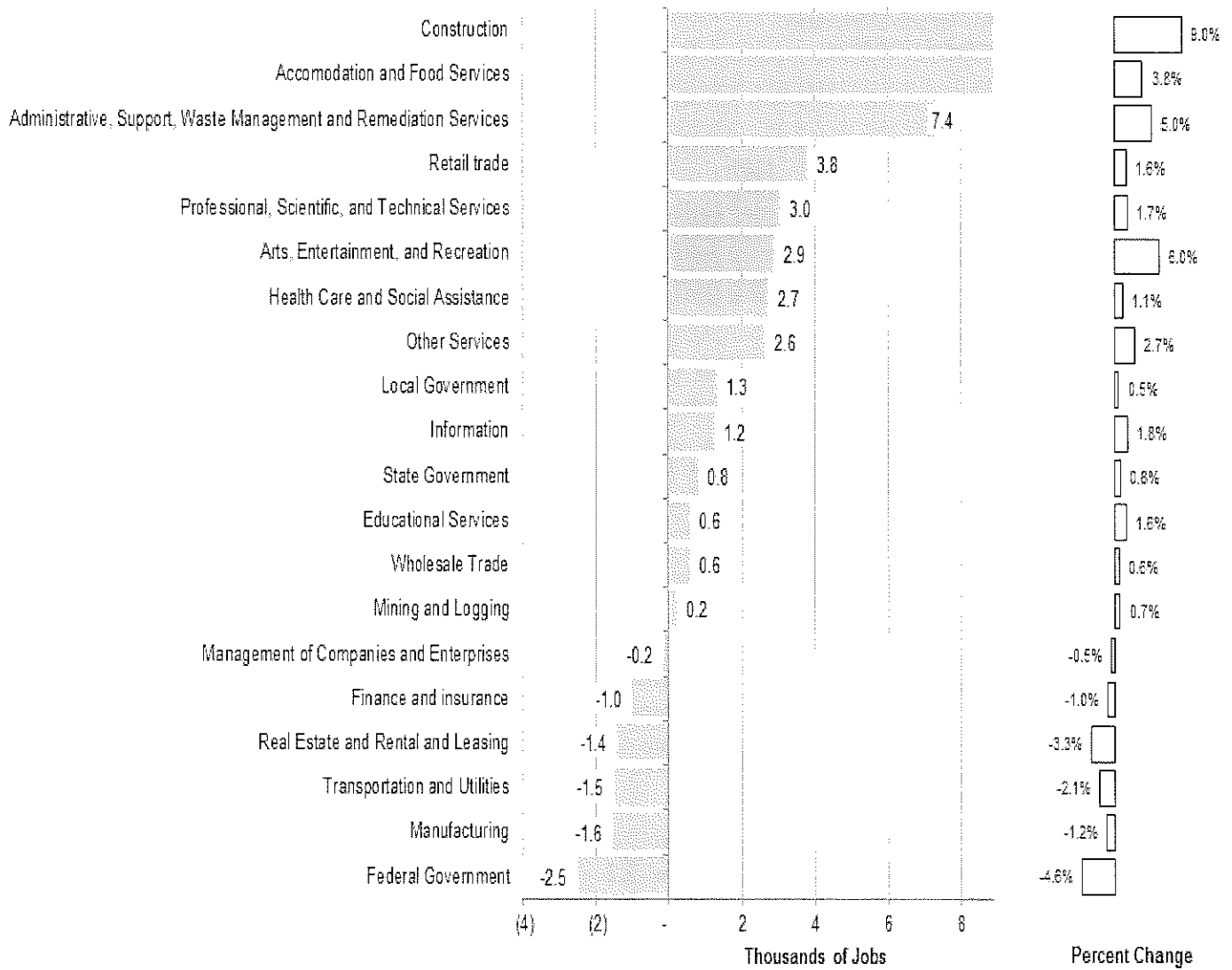
Job growth in Colorado continued to accelerate through the first half of 2013, growing at a faster rate than the nation. The unemployment rate ticked up slightly during the summer months, after falling through much of the first half of the year.

Legislative Council Staff estimates Colorado nonfarm employment grew at a rate of 2.2 percent in 2012, adding 52,500 jobs, about 4,000 fewer jobs than published by the U.S. Bureau of Labor Statistics. Employment grew 2.6 percent, or by 32,300 jobs, through July compared with the same period last year. As shown in Figure 17, Colorado's employment growth is outpacing that of the nation as a whole. Job growth is expected to slow slightly through the remainder of 2013 as the economy continues to adjust to federal spending cuts.

Figure 18 shows that employment growth has varied across Colorado's industries thus far in 2013, with 14 sectors gaining jobs and six sectors losing jobs between December and July. The largest gains have been in the construction industry, which added 10,500 jobs since December. This was followed by the accommodation and food services industry, which added 9,100 jobs. The largest job losses occurred in the federal government and manufacturing sectors, which lost 2,500 jobs and 1,600 jobs, respectively.

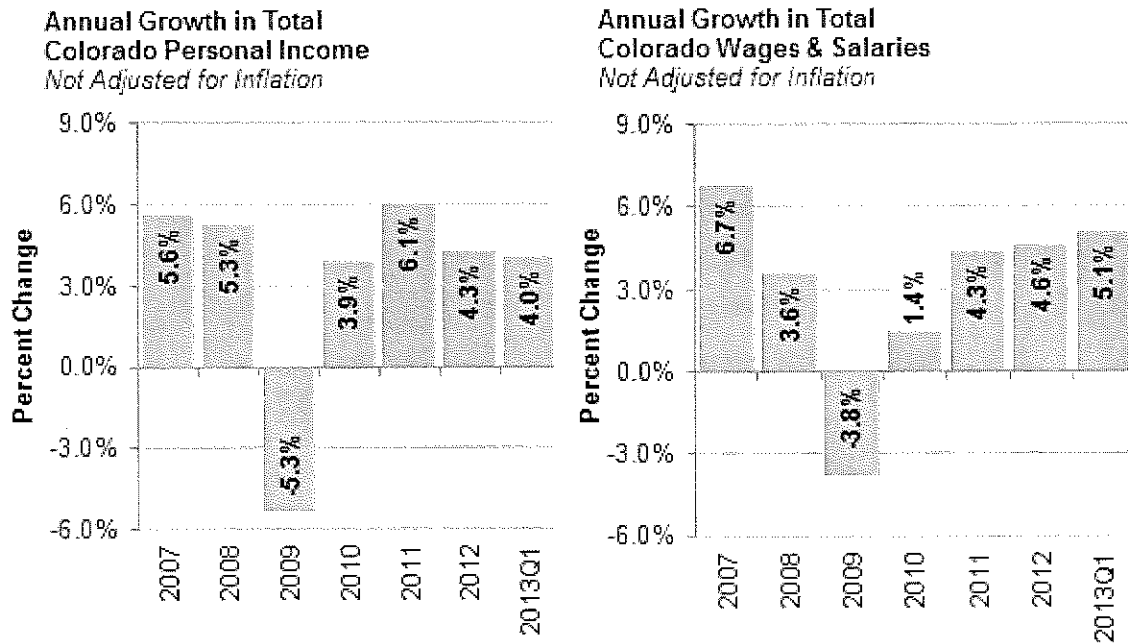
The state's unemployment rate fell from 7.5 percent in December 2012 to 7.1 percent in July 2013, primarily because the number of people looking for work grew more slowly than the number of people finding new jobs. This was an uptick from the annual low of 6.9 percent in April 2013. In 2014, the unemployment rate will slowly decline as

**Figure 18**  
**Change in Nonfarm Employment by Sector**  
*Seasonally Adjusted Data, December 2012 to July 2013*



Source: Published data from the U.S. Bureau of Labor Statistics, Current Employment Statistics. Expected revisions are from a Legislative Council Staff analysis of anticipated revisions to employment based on Quarterly Census of Employment and Wages data from the U.S. Bureau of Labor and Statistics.

**Figure 19**  
**Personal Income Growth in Colorado**  
*Seasonally Adjusted Data*



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

growth in employment slightly outpaces growth in the labor force. However, the rate will remain high as the labor market will require time to reabsorb workers reentering the job market.

- Nonfarm employment in Colorado is expected to grow 2.4 percent in 2013 and 2.2 percent in 2014.
- The unemployment rate will increase to 7.2 percent in 2013 before falling to 6.9 percent in 2014.

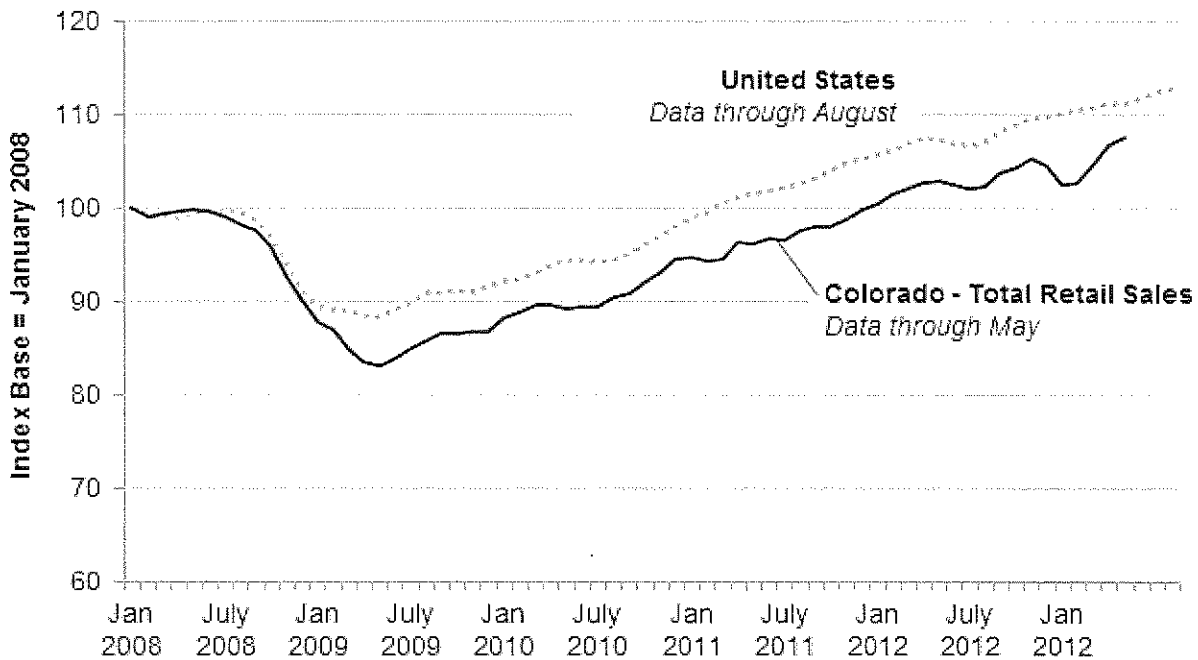
### Personal Income

Figure 19 compares annual growth in personal income and wage growth in Colorado from 2007 through 2012 and the first quarter of 2013 over the first quarter of 2012. On a seasonally adjusted basis, Colorado personal income increased 4.0 percent in the first quarter of 2013 compared with the first quarter of 2012,

while wages and salaries increased 5.1 percent. Farm proprietor income increased 19.3 percent over the same period, as drought conditions over the last two years have increased crop prices. Dividends, interest, and rent grew 5.1 percent in the first quarter of 2013, after growing 6.6 percent in 2012 and 8.6 percent in 2011.

- Personal income growth is expected to slow in 2013 compared with 2012. Increases in wages and salary from new hiring will outweigh losses in disposable income from federal government furloughs and January's increase in the social security payroll tax from 4.2 to 6.2 percent. Personal income increase 3.9 percent in 2013 before growing 5.4 percent in 2014.
- Wage and salary income will grow 4.4 percent in 2013 and 5.1 percent in 2014 as the labor market continues to slowly improve.

**Figure 20**  
**Colorado and National Retail Trade Growth**  
*Index of Three-Month Moving Average, Seasonally Adjusted*



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

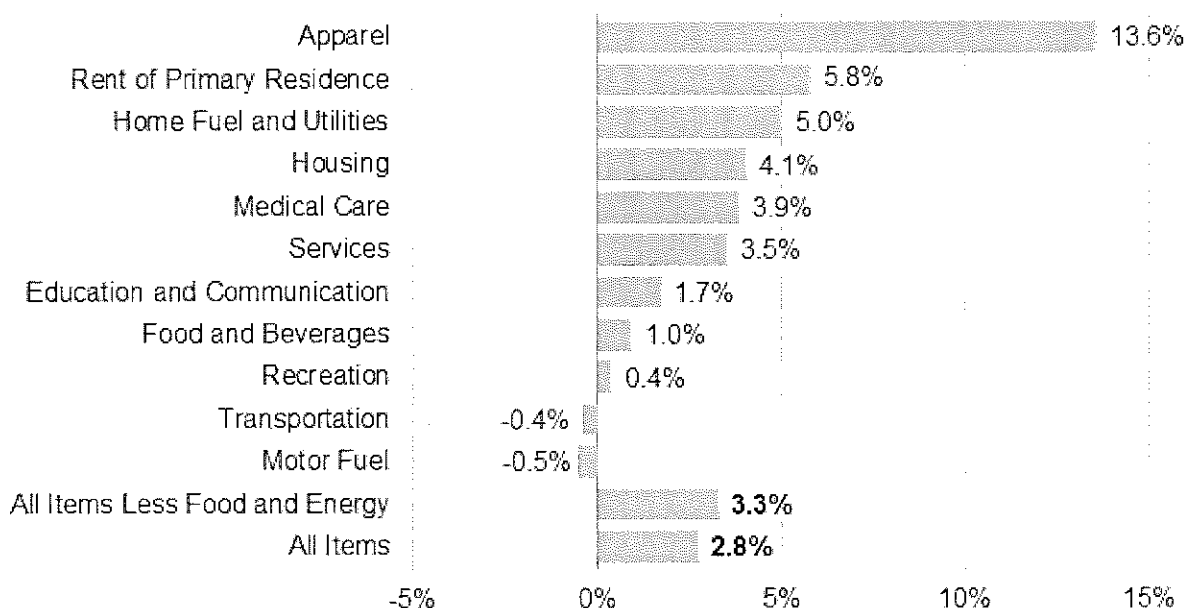
**Retail Sales**

Colorado retail sales are slowing after very strong growth in 2012. Retail sales grew 6.0 percent in 2012 and were up 3.0 percent through the first five months of 2013 compared with the same period last year. Consumers are likely responding to the federal payroll tax increase and spending cuts. Retail sales appear volatile in Colorado during the first few months of 2013, due to the timing of filings by several large grocery stores. However, the retail trade trend has returned to normal and sales are expected to continue making modest gains through the rest of the year. Figure 20 indexes growth in retail sales for the nation and Colorado.

The two sectors exhibiting the fastest growth in retail sales are building materials and sporting goods, which increased 14.4 percent and 11.2 percent, respectively, year-to-date through May compared with the same period last year.

The September floods will redistribute consumer spending among geographic areas, across industries, and over time. Communities isolated by the recent flooding will suffer losses in retail trade while roads are rebuilt. At least for the next several months, the flood will shift spending among industries. Retail trade in the home improvement and building materials, construction, lodging, food, and automobile sales will profit at the expense of other sectors. Some flood-related spending, particularly in the automobile sector, will likely occur at the expense of spending in the future. Whether consumer spending will increase noticeably over the long run as a result of the flood will depend on the extent to which those affected are reimbursed by insurance or receive grants from the federal government or other organizations. Flood-related spending will also be supported by disaster and economic injury loans from the Small Business Administration and the U.S. Department of Agriculture.

**Figure 21**  
**Components of Inflation for Boulder-Denver-Greeley CPI**  
*First Half of 2013 over First Half of 2012*



Source: Bureau of Labor Statistics.

- After increasing 6.0 percent in 2012, Colorado retail sales are expected to advance 3.4 percent in 2013 and 5.4 percent in 2014.

### **Inflation**

Prices for goods and services in Colorado increased 2.8 percent between the first half of 2012 and the first half of 2013. Figure 21 shows the components of inflation in Colorado. Core inflation, which excludes food and energy, increased 3.3 percent. Prices for apparel grew the fastest, increasing 13.6 percent, followed by increases in housing. Rent, utilities, and housing increased 5.8 percent, 5.0 percent, and 4.1 percent, respectively. Price pressure in the housing component of the index, which is determined primarily by the rental sector, will continue to contribute to inflation in the Boulder-Denver-Greeley consumer price index throughout the forecast period. Motor fuel

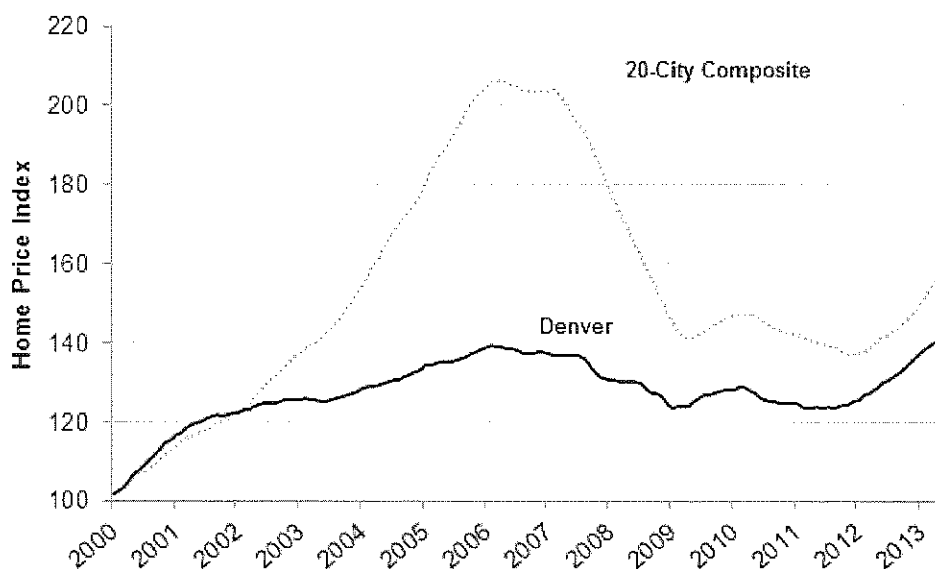
showed a slight decrease in prices; limited growth in fuel prices could be a benefit to consumers helping offset some of the losses in disposable income from rising housing costs.

- Prices in Colorado will increase 2.9 percent in 2013 and 3.2 percent in 2014. Inflationary pressure will remain moderate as long as overall economic growth remains restrained. Once the U.S. economy begins to expand more rapidly, the Federal Reserve is expected to tighten monetary policy to keep inflation in check.

### **Real Estate Market and Construction**

The Colorado housing market continues to improve, and is one of the strongest in the nation. Moderate job and population growth and low inventory levels continue to work together to boost housing

**Figure 22**  
**The Case Shiller Composite-20 Index and Denver Index**



Source: Standard and Poor's. Data through June 2013.

prices in the Denver metro area, despite recent gains in interest rates. Figure 22 shows the Case Shiller Composite-20 City Index and the Denver Case Shiller Index. Housing prices in Denver advanced 9.4 percent in June 2013 over the prior year, or 1.3 percent above peak levels in early 2006.

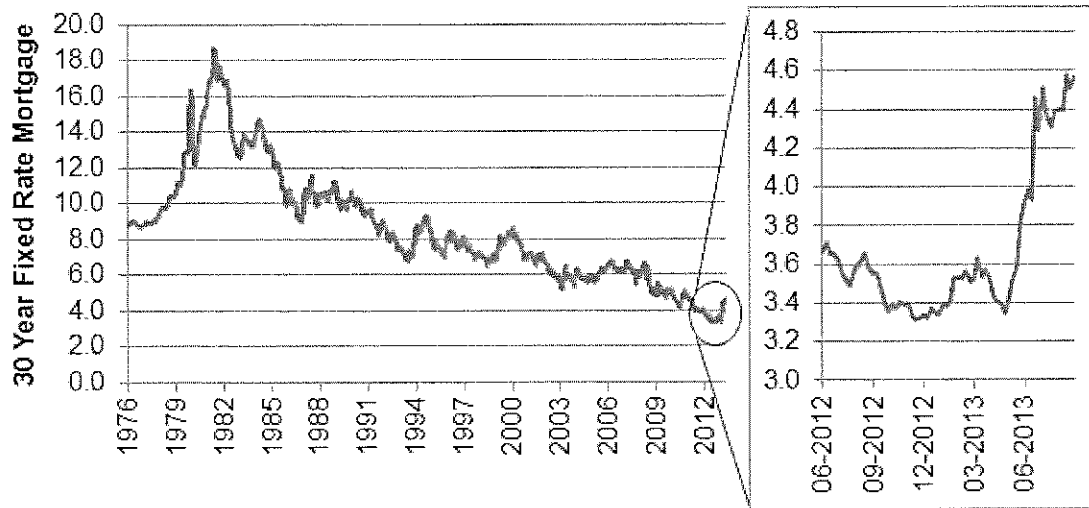
As shown in Figure 23, mortgage rates began rising in May as financial markets react to expectations that the Federal Reserve will slow its quantitative easing programs. This has begun to reduce the number of people who can qualify for loans. Despite this, housing prices are still expected to climb as the demand for housing outstrips supply. While housing inventories climbed by around 30 percent since record lows in the first quarter of 2013, they still remain very low by historical standards. However, as prices climb and fewer individuals owe more on their home loans than the free market value of the home, the supply of homes for sale is expected to increase over the next 12 months. Price appreciation in housing prices

will eventually level off, although this is expected to occur slowly.

U.S. home builder confidence rose to its highest level in July since April 2006. Home builders are optimistic about home sales, a sign that construction will help drive economic growth. In response, as shown in Figure 24 builders are pulling more permits. Single family permits have increased 37.5 percent through June compared with the same period last year, while multi-family permits increased 44.6 percent.

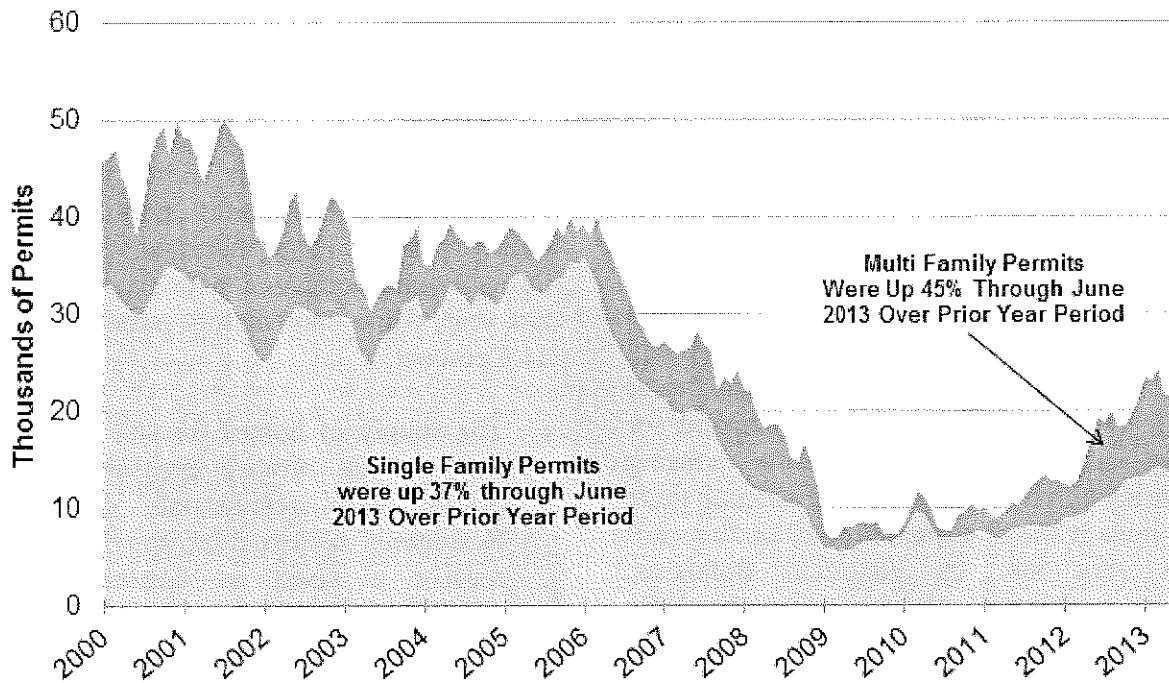
- The supply of homes for sale will remain low, putting upward pressure on home prices and residential construction. Residential construction activity will also receive a boost as households begin rebuilding and restoring their homes following the September floods. The number of residential permits is expected to increase 28.4 percent and 18.4 percent, respectively, in 2013 and 2014.

**Figure 23**  
**Average U.S. 30-Year Fixed Rate Mortgage**



Sources: Freddie Mac. Data through the first week of September, 2013.

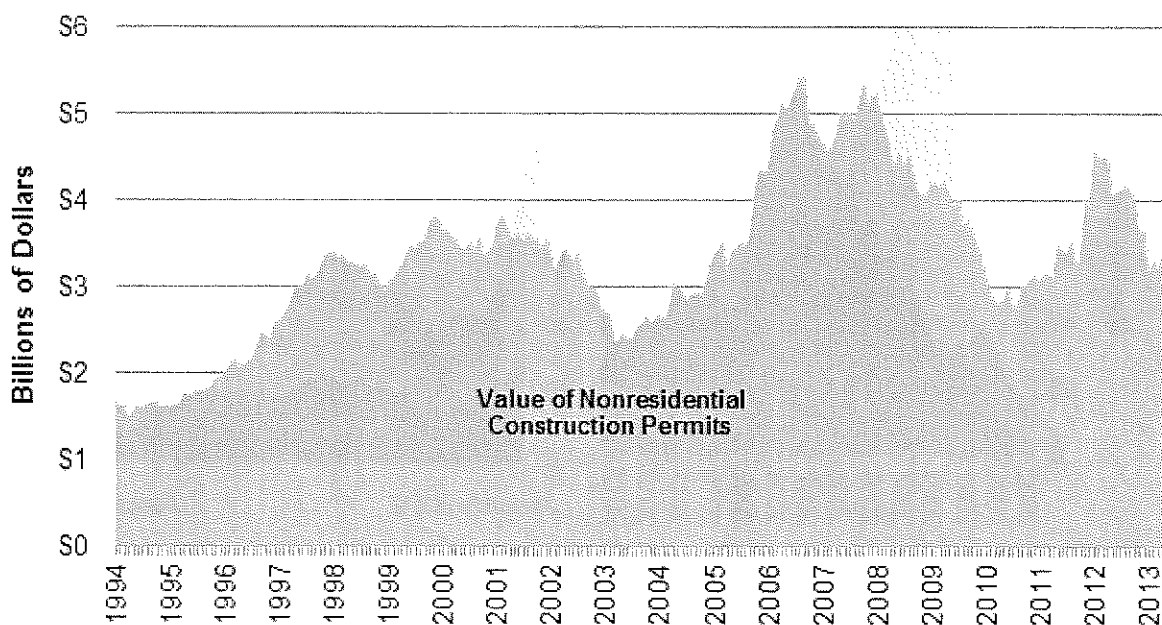
**Figure 24**  
**Single Family and Multi Family Residential Permits**  
 3-Month Moving Average, Seasonally Adjusted Data



Source: U.S. Census Bureau, seasonally adjusted by Legislative Council Staff, data through June 2013.



**Figure 25**  
**Value of Nonresidential Construction in Colorado**  
*Seasonally Adjusted, Annualized Data*



Sources: F.W. Dodge. Data through July 2013.

### Nonresidential Construction

The nonresidential construction market continues to struggle, despite improvement in other areas of the economy. Figure 25 shows the value of nonresidential construction through July 2013. The value of nonresidential construction permits is up 16 percent since the trough of the recession in July 2010. Since then the commercial construction industry has been volatile. It increased significantly through early 2012 but has dropped since. Several large health care projects were completed in the middle of 2012, which explains the decline in value since then. As levels return to normal following the completion of these projects, the industry will see growth in the second half of 2013. Although the September floods will spur some construction activity, overall, nonresidential construction will remain slow until the market can absorb excess commercial space.

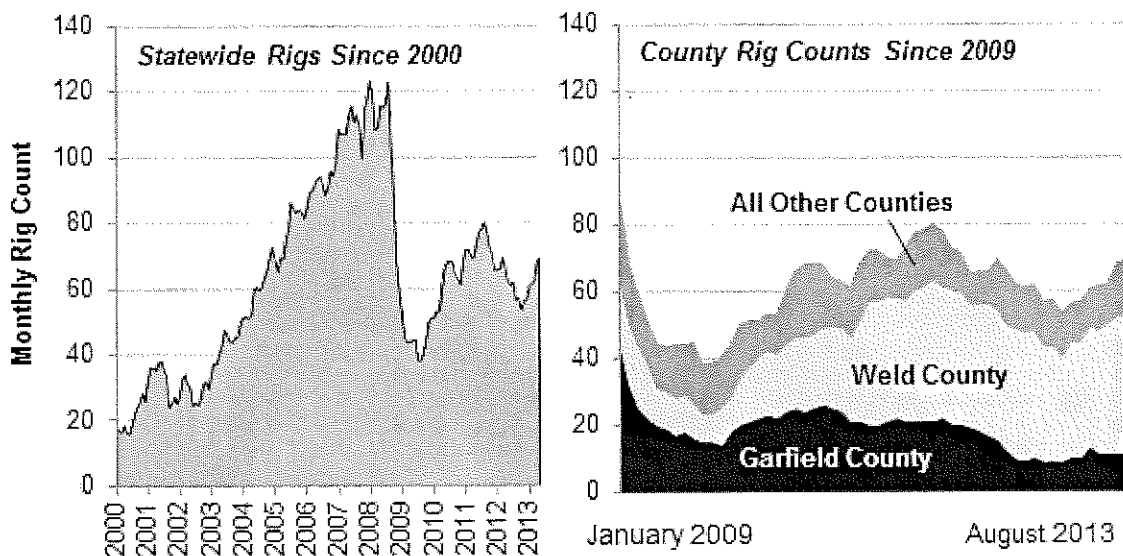
- Nonresidential construction will see a slight increase in 2013, growing 2.0 percent. In 2014, nonresidential construction will increase 23.8 percent as the economy gains momentum.

### Banking

The worst is largely behind Colorado's banking sector, as the industry has stabilized and many banks are again profitable. The percentage of all banks that were unprofitable fell from 19.8 percent in June 2012 to 12.8 percent in June 2013. Assets and core deposits have held steady over the last few quarters, while noncurrent loans and leases and nonperforming assets to assets continued to decline.

Despite gains, there are several risks ahead for the banking sector. The low housing

**Figure 26**  
**Oil and Natural Gas Rigs in Colorado and by Selected Counties**



Sources: Baker Hughes. Data through August 2013.

inventory is translating into a low volume of home loans. Meanwhile, banks are finding that many applicants do not meet lending standards. High competition between banks for creditworthy applicants is translating into very low returns. Increased regulation costs and large capital requirements could force some smaller banks to consolidate. Finally, banks have begun to lay off employees as rising mortgage rates reduce demand for mortgage refinancing.

### Oil and Gas Production

The oil and natural gas industry is an important regional economic driver in several parts of the state. Figure 26 shows the number of oil and natural gas rigs operating in Colorado since 2000 and the oil and natural gas rigs operating in Garfield, Weld, and other counties in the state. The total number of oil and natural gas rigs has risen from 53 rigs in January 2013 to 69 rigs in August of 2013. This is still down from a peak of 73 rigs in January 2012. Natural gas

prices have increased 52.4 percent in the first 7 months of 2013 over the same time last year and the industry could benefit from these increased prices. However, natural gas prices remain at historically low levels and Garfield and Mesa counties face competition from other natural gas fields around the country.

Most wells now use horizontal drilling, so a single well has access to a larger area. Thus, a change in the number of oil wells does not equate to a proportionate change in production. According to Baker Hughes, there were an average of 19 horizontal wells statewide in January 2012 and 40 horizontal wells in August of 2013. The majority of these wells are in Weld County, which had 37 horizontal wells as of August, 2013, an increase over 21 horizontal wells in 2012. Although many oil and gas wells in Weld County are temporarily inaccessible, the September floods are not expected to significantly affect oil and gas production.

## Agriculture

The last few years have been turbulent for Colorado's agricultural sector, as damaging drought conditions have hurt crop production and diminished livestock herds. In 2012, limited production caused record high prices for field crops. Wheat prices rose 33.6 percent and corn prices rose 19.3 percent in 2012 over 2011. Corn and wheat are the second- and third-largest agricultural products in Colorado, respectively, behind hay.

The impact of the September floods on Colorado's agriculture sector is as yet unknown. Although the wheat harvest was over, the floods hit during the fall harvest season for corn, hay, alfalfa, sugar beets, onions, silage, and other crops in northern and eastern Colorado. The extent of damage to crops and livestock is not yet known. Some damaged crops may be able to be used as feed for livestock, potentially easing recent scarcity caused by the drought.

In addition to the cost of repairing infrastructure on their premises, agricultural producers' access to markets may be temporarily affected by damaged roads and highways. While producer's affected by the floods will incur losses, those not affected could benefit from the reduced supply. Crop and food prices may increase, depending on the extent of the damage.

The United States Department of Agriculture measures droughts on a scale of abnormally dry to exceptionally dry (D0-D4). Southeastern Colorado has experienced an extreme (D3) and exceptional (D4) drought since May 2011. The state as a whole has joined Southeastern Colorado in June 2012 at an extreme drought (D3) level. As of early September 2013, prior to the floods, drought conditions in the majority of the state had improved, falling between a severe drought (D2) and a moderate drought (D1). The flooding may diminish drought conditions in many areas of

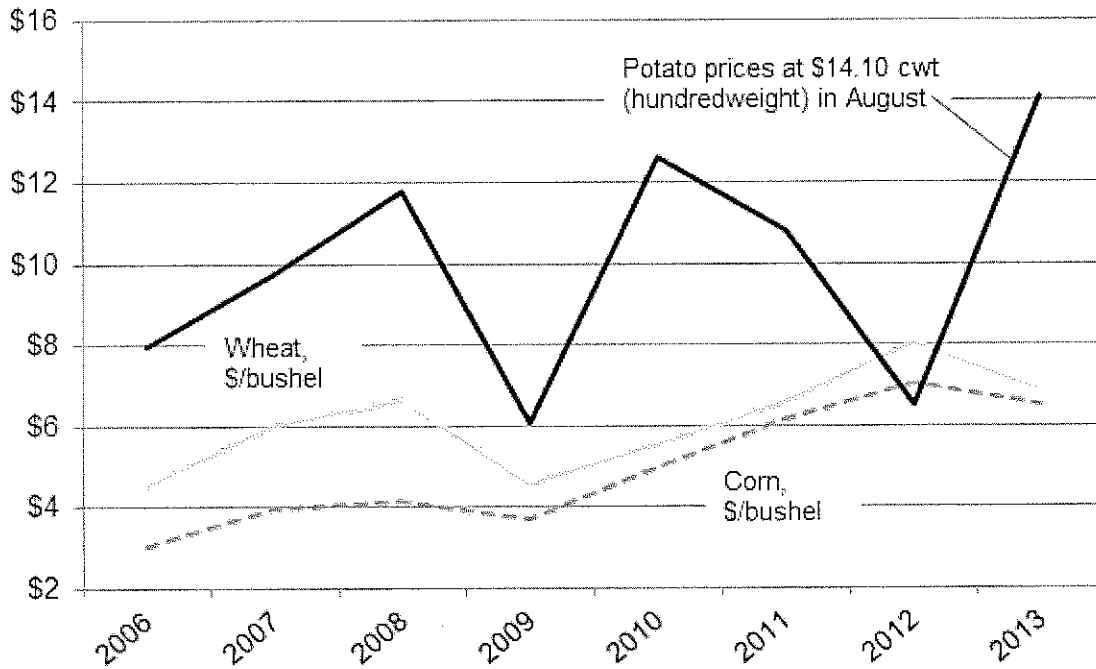
Colorado. However, precipitation and snowpack over the winter will be the largest determinant of future drought conditions.

Many of Colorado's farms are irrigated, allowing them to water crops, which helped many farmers mitigate some drought conditions through the summer. Additionally, Kansas, Texas, and Oklahoma are experiencing drought conditions, which has limited their production and helped boost the prices of Colorado's agricultural products. The total value of crops increased from \$2.3 billion in 2011 to \$2.4 billion in 2012, a gain of 0.4 percent.

Wheat prices fell from \$8.04 per bushel in August 2012 to \$6.91 per bushel in August 2013, a decline of 14 percent. Corn prices were \$7.63 per bushel in August 2012, but have fallen to \$6.02 per bushel in August 2013. In regions of the state that produce potatoes, such as the San Luis Valley, prices are up. Potato prices in August 2012 were \$9.05 cwt and have risen to \$14.10 cwt (measured in hundredweight (CWT)) in August 2013. Figure 27 shows changes in selected field crop prices since 2006.

Colorado meat production has also been affected by the drought. Last year many states, including Colorado, saw corn and soybean prices rise as crops were hit hard by a combination of heat and drought. These crops are used for animal feed, and cattle herds in Colorado were sold off because ranchers could no longer afford to feed them. Cattle and calf inventory in stockyards declined 9.6 percent in 2012 because of the drought. Between 2010 and 2011 total livestock receipts grew 11.5 percent. As the drought worsened in 2011 livestock had to be slaughtered, which caused prices to fall as more livestock products were moved to market. In 2012, total livestock receipts fell 2.5 percent, as farmers faced smaller herds and continued drought

**Figure 27**  
**History of Colorado Crop Prices**



Sources: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA). Data through August 2013.

conditions. By August of this year, inventory for cattle and calf on feed for slaughter market was down 7.0 percent, likely due to the selloff in 2012. The cattle and calf herds are expected to take years to be rebuilt in regions hit hardest by the drought.

### Colorado Exports

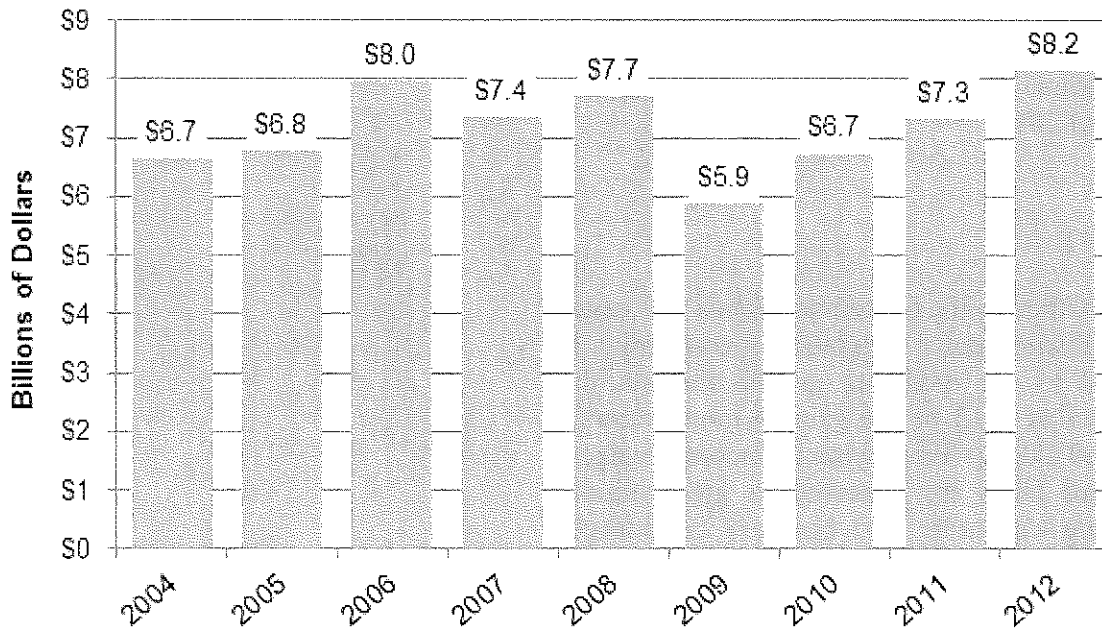
Colorado's exports to other nations increased 6.0 percent in the first half of 2013 compared with the first half of 2012. Canada continued to be the state's strongest export partner, with exports to Canada growing 6.0 percent during this period. Exports to Mexico and China continued to decline, but only slightly, and were offset by a strong beef trade with Japan. In the first half of 2013, the dollar depreciated against the Euro and Australian dollar, which caused increased demand for Colorado exports.

During the third quarter of 2013, the trend reversed, and the dollar began to make gains against the Euro, Canadian dollar, Japanese yen, and British pound. If this continues, it could cause Colorado exports to slow in the fourth quarter. Figure 28 shows Colorado exports between 2004 and 2012.

### Colorado Leading Indicators

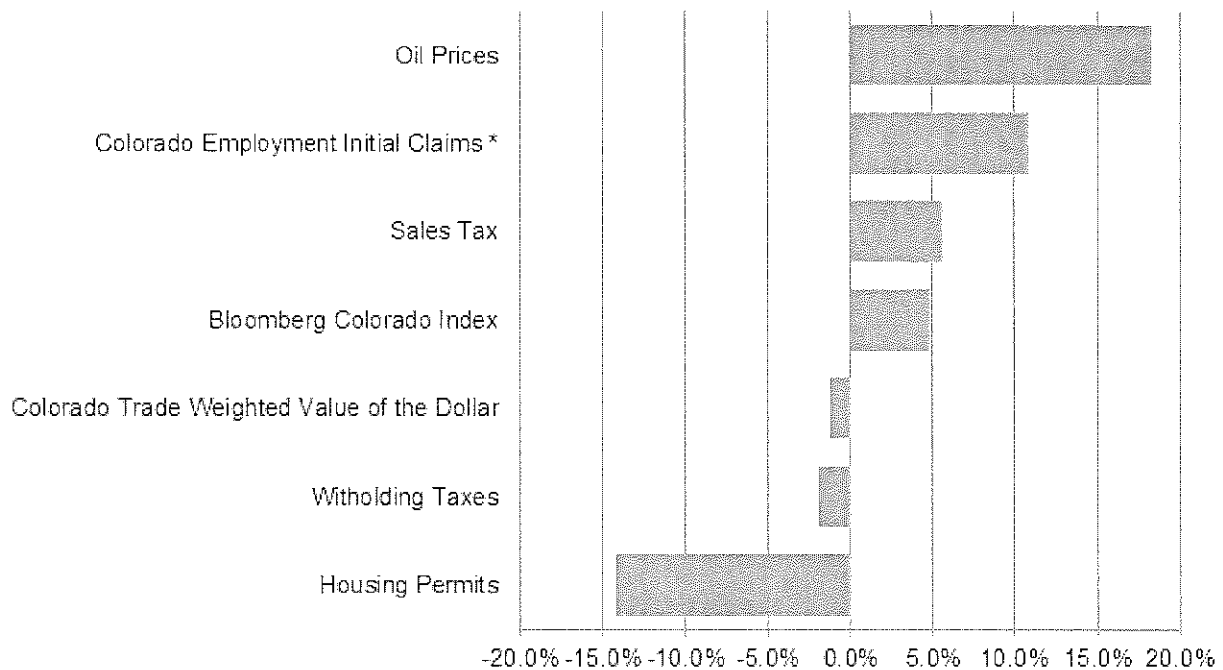
Indicators that lead Colorado employment suggest there will be continued job growth through the remainder of 2013. These indicators have been shown to be helpful in predicting trends in Colorado employment over the coming three to six months. Four of the seven measures shown in Figure 29 indicate employment growth will be rising over the next three to six months. Those with the longest outlook, the Bloomberg

**Figure 28**  
**Total Colorado Exports**  
*Seasonally Adjusted*



Source: *Wiser Trade*, data through March 2013.

**Figure 29**  
**Colorado Leading Indicators**  
*Percent Change Over Last 3 Months of Available Data*



\*Initial claims are inversely related to Colorado employment growth, so it is displayed as an inverted value.

Colorado Index and sales tax revenue, show positive growth in employment. Indicators with the shortest outlook, which include withholding taxes and housing permits, show signs of slowing job growth. This could mean that job growth will continue to make moderate gains in the last quarter of 2013.

## **Summary**

Although the September floods will cause some disruptions, Colorado's economy is expected to see moderate growth through the remainder of 2013 before gaining momentum in 2014 and 2015. Employment, income, wages, and retail trade are expected to grow amidst improving consumer and business confidence. The state's real estate markets are expected to continue to make strong gains despite rising mortgage rates. The energy sector remains healthy, and although the impact of the floods on Colorado's agricultural industry is uncertain, agriculture production is expected to grow.

The outlook for the Colorado economy faces the same risks as the national economy. More information about these risks can be found on page 39.

**Table 14**  
**Colorado Economic Indicators, September 2013 Forecast**  
*(Calendar Years)*

	2008	2009	2010	2011	2012	Forecast 2013	Forecast 2014	Forecast 2015
Population (thousands, July 1) percent change	4,901.9 1.7%	4,976.9 1.5%	5,049.7 1.5%	5,118.5 1.4%	5,189.2 1.4%	5,272.3 1.6%	5,356.6 1.6%	5,437.0 1.5%
Nonagricultural Employment (thousands) percent change	2,350.6 0.8%	2,245.2 -4.5%	2,222.2 -1.0%	2,258.2 1.6%	2,307.8 2.2%	2,363.2 2.4%	2,415.2 2.2%	2,468.3 2.2%
Unemployment Rate	4.8	8.1	9.0	8.6	8.0	7.2	6.9	6.7
Personal Income (millions) percent change	\$216,030 5.3%	\$204,625 -5.3%	\$212,545 3.9%	\$225,410 6.1%	\$235,329 4.4%	\$244,506 3.9%	\$257,710 5.4%	\$272,141 5.6%
Wage and Salary Income (millions) percent change	\$116,999 3.6%	\$112,588 -3.8%	\$114,191 1.4%	\$119,148 4.3%	\$124,748 4.7%	\$130,237 4.4%	\$136,879 5.1%	\$144,133 5.3%
Retail Trade Sales (millions) percent change	\$74,760 -0.8%	\$66,345 -11.3%	\$70,738 6.6%	\$75,548 6.8%	\$80,073 6.0%	\$82,795 3.4%	\$87,266 5.4%	\$92,939 6.5%
Home Permits (thousands) percent change	19.0 -35.5%	9.4 -50.8%	11.6 23.9%	13.5 16.5%	23.3 72.6%	29.9 28.4%	35.4 18.4%	39.6 11.9%
Nonresidential Building (millions) percent change	\$4,117 -21.7%	\$3,352 -18.6%	\$3,146 -6.1%	\$3,923 24.7%	\$3,666 -6.6%	\$3,739 2.0%	\$4,629 23.8%	\$4,805 3.8%
Denver-Boulder Inflation Rate	3.9%	-0.6%	1.9%	3.7%	1.9%	2.9%	3.2%	3.3%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, F.W. Dodge, and Legislative Council Staff.  
2012 nonfarm employment figures are rebenchmarked figures based on Legislative Council Staff analysis.





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## COLORADO ECONOMIC REGIONS

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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.

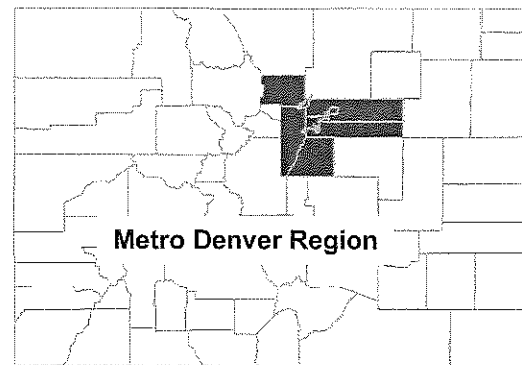
Like the employment data, residential housing permits and agriculture data are also based on surveys. This data is revised periodically. Retail trade sales data typically has few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year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



## Metro Denver Region

The economy in the metro Denver region continues to grow at a steady pace. The region's job market, which represents over half of the state's labor market, added jobs through the summer of 2013. The real estate market continues to show strong growth with increased home values and homes that sell quickly. Consumer spending is seeing moderate growth year-to-date through May 2013 compared with the same time period last year. Recent floods will likely boost economic activity in the short run as households and businesses rebuild, but this short term boost will reduce medium term economic activity because repairs will be paid for by drawing down savings that would have been used for other economic activity. Table 15 shows economic indicators for the region.

**Job market.** The metro Denver labor market continues to improve with a year-to-date growth in July of 2.6 percent compared with the first seven months of 2012. Figure 30 shows employment in the metro Denver area since January 2006. The unemployment rate, shown in Figure 31, fell to 6.5 percent in July from 6.8 percent in April 2013. Job growth in the metro Denver area is expected to continue through 2013.



**Table 15**  
**Metro Denver Region Economic Indicators**  
 Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth /1</b>	-4.3%	-0.5%	1.6%	2.3%	2.6%
<b>Unemployment Rate /2</b> (2013 Figure is July Only)	8.2%	8.8%	8.1%	7.2%	6.5%
<b>Housing Permit Growth /3</b>					
Single-Family (Denver-Aurora)	-31.8%	35.5%	-0.4%	58.3%	34.6%
Single-Family (Boulder)	-27.6%	101.0%	-5.2%	24.6%	43.7%
<b>Growth in Value of Nonresidential Const. /4</b>					
Value of Projects	-20.4%	8.4%	36.5%	-9.3%	-12.3%
Square Footage of Projects Level (1,000s)	-47.3%	-1.5%	24.7%	12.2%	24.6%
	8,283	8,156	10,174	11,417	7,834
Number of Projects Level	-17.4%	-35.8%	-2.5%	5.0%	13.9%
	920	591	576	605	418
<b>Retail Trade Sales Growth /5</b>	-11.4%	6.9%	4.3%	8.0%	3.3%

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 July 2013.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

3/ U.S. Census. Growth in the number of housing units authorized for construction. Data through July 2013.

4/ F.W. Dodge. Data through July 2013.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

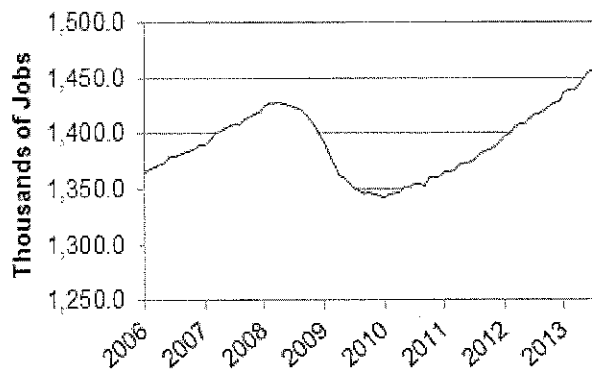
**Consumer spending.** Consumers continue to show resilience, evident by the increase in consumer confidence for the mountain region, as defined by the U.S. Census Bureau, which increased 36.5 percent July over July. However, even with the continued growth in confidence, retail trade growth has slowed growing 3.3 percent year-to-date through May 2013, almost 5 percentage points slower than 2012. Figure 32 compares retail sales in metro Denver with the state and the nation.

Tourism has picked up in the Denver area, with over 13.6 million overnight visitors spending \$3.6 billion in 2012 as reported by the Convention & Visitors Bureau. Recently, the occupancy rate for Metro Denver hotels rose 5.2 percent year-to-date through June 2013 when compared with the same period in 2012, indicating continued strong growth in tourism for the area.

**Housing market.** The housing market continues to maintain strength in the metro Denver area, keeping it one of the strongest housing markets in the nation. Metro area single-family residential permits grew 34.6 percent in July 2013 compared with last year; however, as shown in Figure 33, the overall number of permits has stayed fairly flat throughout the year. Demand continues to overwhelm the supply, causing home prices to appreciate. However, interest rates have begun to rise, deterring some buyers from entering the market.

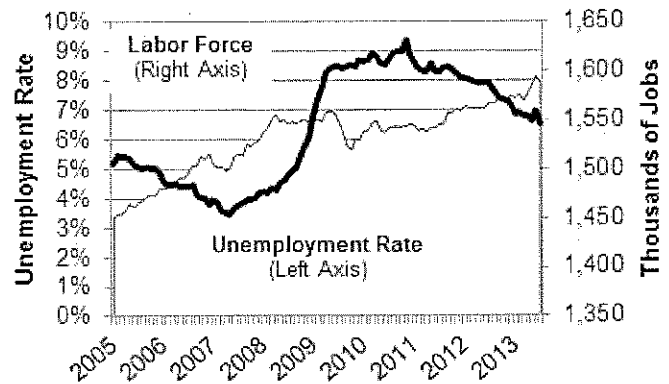
**Nonresidential construction market.** Nonresidential construction continues to soften. Although the demand for work grows, companies struggle under the weight of increased interest rates, material costs, and a low supply of skilled labor. The Construction Backlog Indicator, an economic indicator which reflects the amount of work that will be performed in the months ahead, increased 3.9 percent nationally in the second quarter. The value of nonresidential construction is down 12.3 percent year-to-date through July 2013 compared with the same time period in 2012. Although the value of nonresidential building projects decreased, the number of projects increased 13.9 percent. Figure 34, shows nonresidential building permits in square feet from 2008 through 2013.

**Figure 30**  
**Metro Denver Employment Continues to Improve**  
*Seasonally Adjusted*



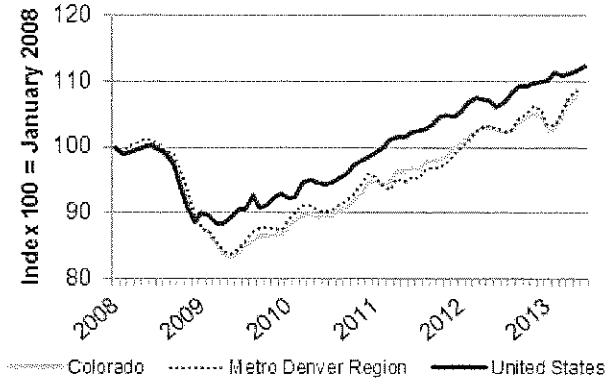
Source: U.S. Bureau of Labor Statistics; CES.  
 Data through July 2013.

**Figure 31**  
**Metro Denver Labor Force and Unemployment Rate**  
*Seasonally Adjusted*



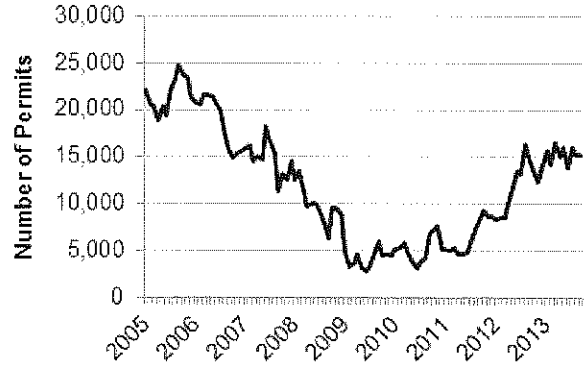
Source: U.S. Bureau of Labor Statistics; LAUS.  
 Data through July 2013.

**Figure 32**  
**Retail Trade Trends Since January 2008**  
**Index 100= January 2008**  
*Three-Month Moving Average;*  
*Seasonally Adjusted Nominal Data*



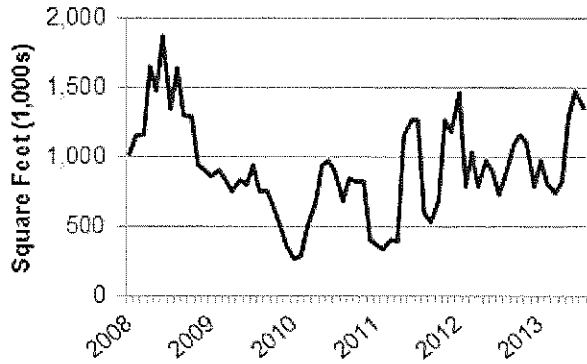
Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through May 2013; U.S. data through June 2013.

**Figure 33**  
**Metro Denver Residential Building Permits**  
*Three-Month Moving Average;*  
*Seasonally Adjusted Data*



Source: U.S. Census Bureau. Data through July 2013.

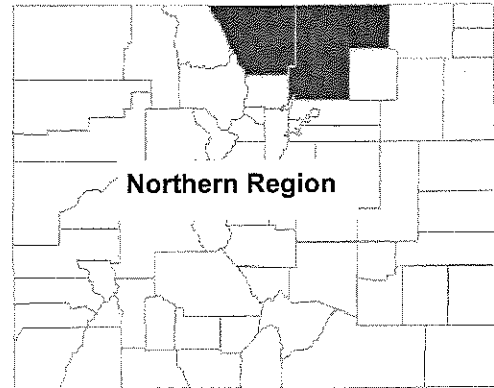
**Figure 34**  
**Metro Denver Total Nonresidential Building Permits: Square Feet**  
*Three-Month Moving Average; Non-Seasonally Adjusted Data*



Source: F.W. Dodge. Data through July 2013.

## 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 low, consumer spending continues to outperform the rest of the state, and housing permits continue to grow. Unlike the rest of the state, nonresidential construction has maintained strength through the summer. Oil and natural gas activity was suspended because of the recent floods, but it is unclear if there was significant damage to existing wells or other oil and gas infrastructure. The economic boost provided by



**Table 16**  
**Northern Region Economic Indicators**  
Weld and Larimer Counties

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth /1</b>					
Fort Collins-Loveland MSA	-3.2%	0.4%	1.9%	2.6%	2.2%
Greeley MSA	-4.9%	-0.6%	4.0%	3.6%	1.5%
<b>Unemployment Rate /2</b> (2013 Figure is July Only)					
Fort Collins-Loveland MSA	7.0%	7.5%	6.6%	6.0%	5.5%
Greeley MSA	9.1%	10.2%	9.0%	8.3%	7.5%
<b>State Cattle and Calf Inventory Growth /3</b>					
	-5.5%	-7.0%	4.0%	-9.6%	-7.0%
<b>Housing Permit Growth /4</b>					
Fort Collins-Loveland MSA Total	-66.0%	154.5%	1.0%	61.8%	54.6%
Fort Collins-Loveland MSA Single-Family	-49.2%	32.1%	45.7%	65.8%	30.7%
Greeley MSA Total	-20.6%	10.4%	-3.1%	55.3%	41.4%
Greeley MSA Single-Family	-13.7%	2.7%	-2.6%	60.8%	43.8%
<b>Growth in Value of Nonresidential Construction/ 5</b>					
Value of Projects	10.0%	-48.8%	-11.8%	11.8%	40.2%
Square Footage of Projects	-40.5%	-11.6%	-36.4%	41.8%	39.0%
Level (1,000s)	2,039	1,802	1,145	1,624	1,395
Number of Projects	-34.8%	-15.5%	-5.1%	22.5%	-34.6%
Level	161	136	129	158	68
<b>Retail Trade Sales Growth /6</b>					
Larimer County	-8.9%	7.7%	7.9%	5.8%	4.8%
Weld County	-15.0%	9.9%	26.3%	5.6%	4.9%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through July 2013.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

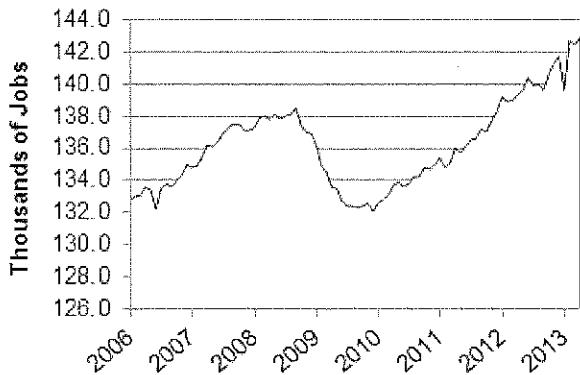
3/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares year-to-date August 1, 2013 over prior year period in 2012.

4/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through July 2013.

5/ F.W. Dodge. Data through July 2013. Prior forecasts reported Weld and Larimer Counties separately.

6/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

**Figure 35**  
**Fort Collins-Loveland and Greeley MSA**  
**Nonfarm Employment**  
*Seasonally Adjusted*

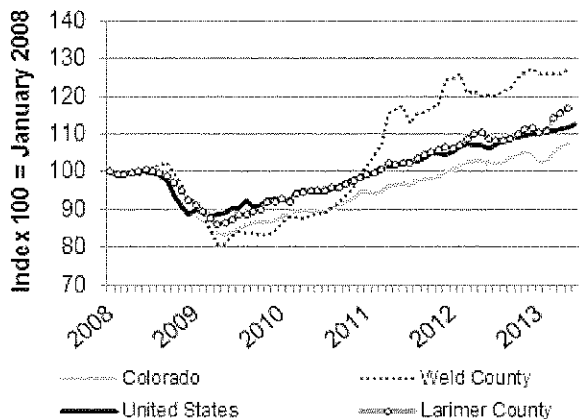


Source: U.S. Bureau of Labor Statistics; CES.  
 Data through July 2013.

households and businesses repairing flood damage will be offset by fewer visitors to the region. Table 16 shows economic indicators for the region.

Growth in the region's labor market remains steady as nonfarm employment grew 2.2 percent in the Fort Collins-Loveland area and 1.5 percent in Greeley through the first seven months of 2013 compared with the same time period in 2013. In July, the Fort Collins-Loveland area unemployment rate was 5.5 percent, the lowest of all the regions in the state, while the Greeley MSA's unemployment rate was 7.5 percent. Figure 35 shows total employment for both major metro areas in the region between January 2006 and April 2013.

**Figure 36**  
**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 May 2013; U.S. data through June 2013.

New residential construction permits were up 54.6 percent in the Fort Collins and Loveland area and 41.4 percent in the Greeley area year-to-date through July compared with the same period one year ago.

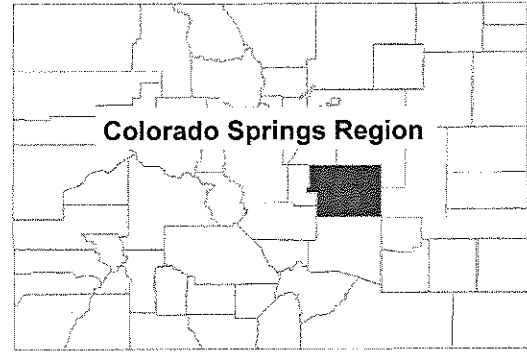
As the rest of the state saw a decline in summer nonresidential construction activity, the value of nonresidential projects in the northern region grew 40.2 percent through July 2013. This, along with housing growth, has also helped maintain steady growth in the region's labor market. Nonresidential growth may be attributed to two large projects that will eventually add over 2 million square feet to the region's nonresidential inventory. They include the Rocky Mountain Center for Innovation and Technology in Loveland and the Harmony Tech Park in Fort Collins.

Retail sales continue to be strong in both Larimer and Weld County. As Figure 36 shows, consumer spending in both counties has outperformed the state.

## Colorado Springs Region

The economy in the Colorado Springs region continued to improve through the first half of 2013. Employment growth accelerated and the unemployment rate is on the decline. Housing permits and retail sales continue to grow, but at slower rates than last year. Table 17 shows the economic indicators for the region.

After growing 0.7 percent in 2012, nonfarm employment increased 1.5 percent between January and July 2013, compared with the same period last year. The increased number of jobs is helping bring down the unemployment rate, which was 8.3 percent in July. While the unemployment rate has declined, it was still above the statewide average of 7.1 percent. Employment growth and the unemployment rate for the Colorado Springs MSA are shown in Figure 37.



Like other areas in the state, the residential housing market has begun to improve. Home prices are appreciating, which is boosting residential construction. Single family construction permits increased 41.8 percent between January and July 2013, compared with the same period last year. Combined single-family and multi-family permits grew 13.4 percent, after increasing 41.6 percent in 2012. Figure 38 shows the number of total and single family building permits in Colorado Springs.

**Table 17**  
**Colorado Springs Region Economic Indicators**  
El Paso County

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth /1</b>					
Colorado Springs MSA	-3.9%	-0.9%	1.3%	0.7%	1.5%
<b>Unemployment Rate /2</b>					
(2013 Figure is July Only)	8.8%	9.8%	9.5%	8.7%	8.3%
<b>Housing Permit Growth /3</b>					
Total	-33.4%	27.9%	29.1%	41.6%	13.4%
Single-Family	-16.7%	23.2%	-3.8%	50.2%	41.8%
<b>Growth in Value of Nonresidential Const. /4</b>					
Value of Projects	-5.0%	-12.7%	16.8%	0.2%	6.6%
Square Footage of Projects	-25.9%	-35.2%	17.5%	-1.3%	71.9%
Level (1,000s)	2,262	1,467	1,723	1,701	1,220
Number of Projects	-8.3%	24.6%	10.3%	-11.5%	-31.0%
Level	297	370	408	361	156
<b>Retail Trade Sales Growth /5</b>					
	-6.1%	7.8%	8.3%	5.5%	3.5%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. Seasonally adjusted. Data through July 2013.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through July 2013.

4/ F.W. Dodge. Data through July 2013.

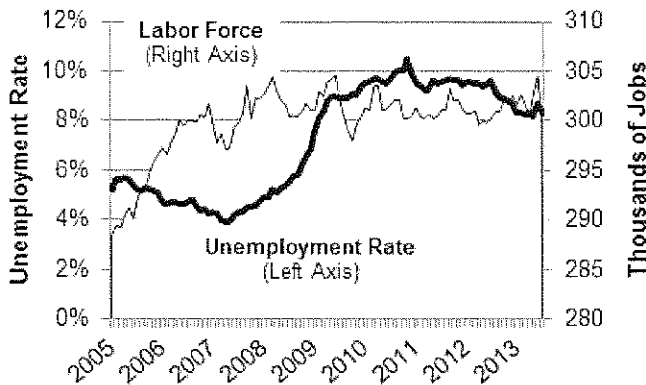
5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.



In general, the nonresidential construction market is improving. There are fewer projects being built year-to-date, but more total investment is being made in new projects. In addition, the square footage of projects that have been started between January and July 2013 has increased 71.9 percent compared with the same period in 2012.

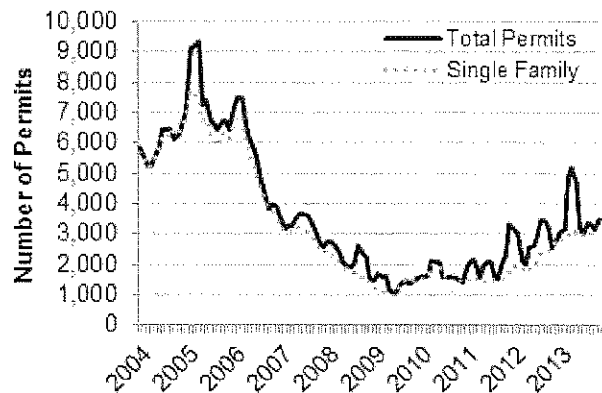
After growing by 5.5 percent in 2012, seasonally adjusted retail sales grew 3.5 percent in the first five months of 2013 compared with the same period last year. Part of the deceleration in the growth of retail sales is due to lower gas prices in the first part of 2013 compared with 2012. Figure 39 indexes seasonally adjusted retail sales for Colorado Springs, the state, and the nation since 2008.

**Figure 37**  
**Colorado Springs MSA**  
**Unemployment Rate and Labor Force**  
*Seasonally Adjusted Data*



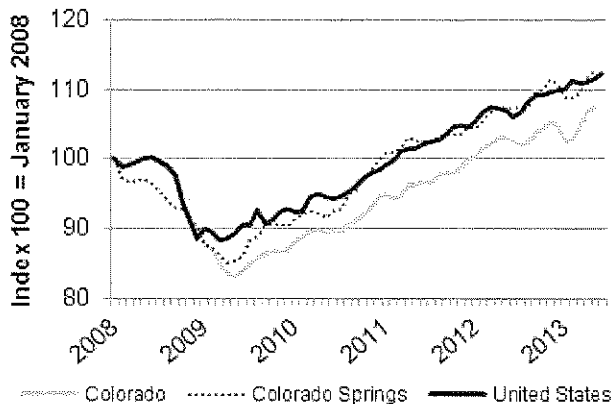
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2013.

**Figure 38**  
**Colorado Springs MSA**  
**Residential Building Permits**  
*Seasonally Adjusted Data*



Source: U.S. Census Bureau. Data through July 2013.

**Figure 39**  
**Colorado Springs MSA Retail Sales**  
*Seasonally Adjusted Data*

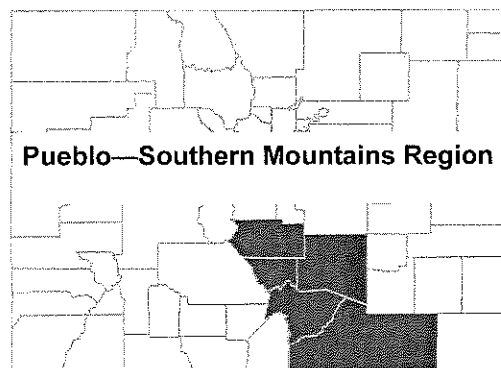


Source: Colorado Department of Revenue. Data through May 2013.

## Pueblo — Southern Mountains Region

As the statewide economy continues to improve, the Pueblo region's recovery is lagging other regions of the state. Employment growth was nearly flat in early 2013 and the region's unemployment rate remains high. The region is also experiencing a decline in housing permit activity and lower nonresidential construction activity in 2013 compared with the prior year. The region's consumer spending is anemic compared with other areas of the state. Table 18 shows economic indicators for the region.

Employment growth in Pueblo was nearly flat in the first seven months of 2013, growing 1.1 percent year-to-date compared with the first seven months of last year, following a slight decrease in 2012. In the region, job growth was slow through July, growing 1.0 percent. As shown in Figure 40, the region's unemployment rate was 9.5 percent in July, one of the highest in the state, although it had ticked downward slightly from a 10.4 percent average rate in 2012.



Consumer spending, as measured by retail sales, is slowing in 2013 compared with prior years. Retail sales were strong in 2011, growing 9.5 percent. As shown in Figure 41, sales began

**Table 18**  
**Pueblo Region Economic Indicators**  
 Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth</b>					
Pueblo Region /1	-2.0%	-1.3%	0.1%	-0.9%	1.0%
Pueblo MSA /2	-2.3%	0.1%	1.6%	-0.1%	1.1%
<b>Unemployment Rate /1</b> (2013 Figure is July Only)	9.1%	10.4%	10.3%	10.4%	9.5%
<b>Housing Permit Growth /3</b>					
Pueblo MSA Total	-9.4%	-37.9%	-49.6%	116.7%	-6.6%
Pueblo MSA Single-Family	-51.5%	13.6%	-45.5%	48.2%	-6.6%
<b>Growth in Value of Nonresidential Construction /4</b>					
Value of Projects	-67.6%	-71.5%	3.9%	377.2%	-79.9%
Square Footage of Projects	-76.5%	-62.2%	-58.1%	705.9%	-70.2%
Level (1,000s)	330	125	52	422	104
Number of Projects	-50.0%	-20.4%	5.1%	-36.6%	11.8%
Level	49	39	41	26	19
<b>Retail Trade Sales Growth /5</b>	-4.7%	6.8%	9.5%	3.0%	1.2%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through July 2013.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through July 2013.

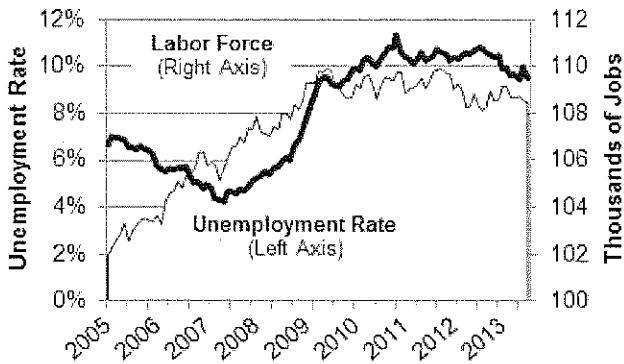
4/ F.W. Dodge. Data through July 2013. Prior Forecast Documents only had nonresidential construction data for Pueblo County.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

to slow in 2012, rising 3.0 percent. Through May 2013, retail sales were nearly flat, growing 1.2 percent compared with the first five months of 2012.

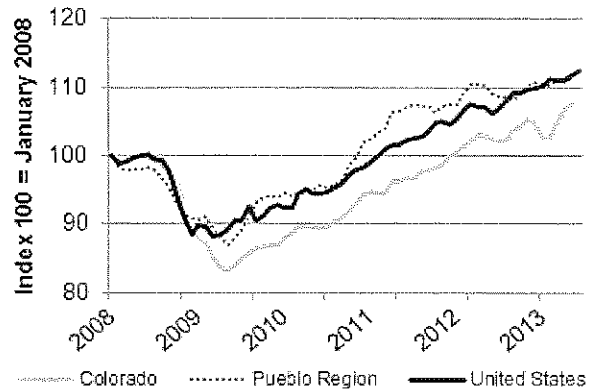
The housing market began to improve in 2012 as permits for residential construction more than doubled. In contrast, through the first seven months of 2013, total housing permits in the region were down 6.6 percent relative to the first seven months of 2012. As shown in Figure 42, the growth in residential construction in 2012 was from very low levels of building activity. The value and square footage of nonresidential construction also fell 79.9 percent and 70.2 percent, respectively, through July 2013 compared with the first seven months of 2012.

**Figure 40**  
**Pueblo Region Unemployment Rate and Labor Force**  
*Seasonally Adjusted*



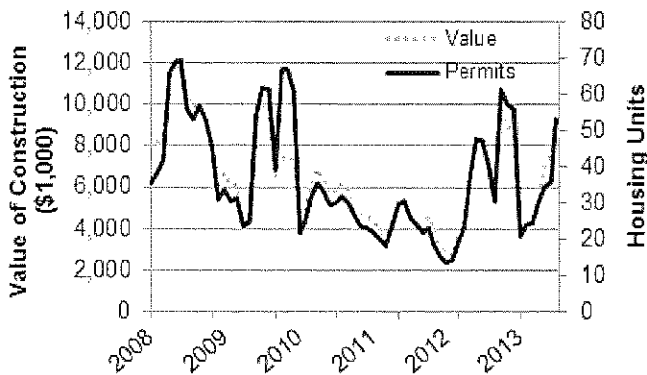
Source: U.S. Bureau of Labor Statistics; CES. Data through July 2013.

**Figure 41**  
**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 May 2013; U.S. data through June.

**Figure 42**  
**Pueblo Residential Building Permits At Historically Low Levels**  
*Three-Month Moving Average; Seasonally Adjusted Nominal Data*

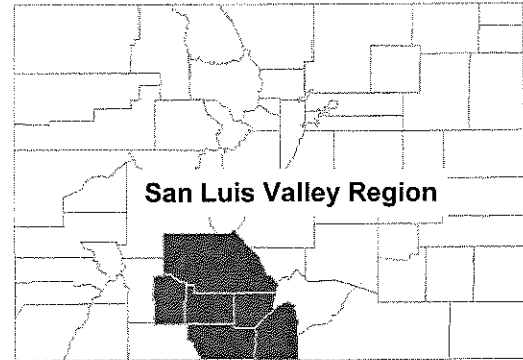


Source: F.W. Dodge. Data through July 2013.

## San Luis Valley Region

The economy in the San Luis Valley region is reliant on its agricultural industry and the availability of water to sustain its regional economic health. One of the main agricultural activities in the valley is potato production; the valley produces about 93 percent of the potatoes grown in Colorado.

The region's economy saw moderate growth through July 2013 with gains in employment, housing construction, potato prices, and the value of nonresidential construction projects. Despite these gains, unemployment in the region remains high and consumer spending was nearly flat through July 2013 compared with spending in 2012 and 2011. Table 19 shows economic indicators for the region.



Nonfarm employment in the region grew at a moderate 2.7 percent through July, the first significant advance after falling in 2010 through 2012. As shown in Figure 43, the region's unemployment rate ticked downward slightly to 8.8 percent in July from an average of 9.6 percent for 2012, although the unemployment rate is still higher than many regions in the state. As more workers return to the labor-force, the ranks of the unemployed are higher than in prior years. It is important to

**Table 19**  
**San Luis Valley Region Economic Indicators**  
 Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth /1</b>	4.7%	-2.0%	-1.6%	-0.7%	2.7%
<b>Unemployment Rate /1</b> (2013 Figure is July Only)	7.6%	8.7%	9.3%	9.6%	8.8%
<b>Statewide Crop Price Changes /2</b>					
Barley (U.S. average for all)	-15.5%	-4.6%	40.9%	19.5%	-4.6%
Alfalfa Hay (baled)	-20.7%	4.3%	84.6%	0.0%	4.3%
Potatoes	-46.6%	55.8%	-16.9%	38.8%	55.8%
<b>SLV Potato (Inventory CWT) /2</b>	5.0%	-1.3%	4.0%	-1.3%	-1.3%
<b>Housing Permit Growth /3</b>	-31.7%	14.0%	-8.5%	41.5%	24.0%
<b>Growth in Value of Nonresidential Construction /3</b>					
Value of Projects	430.9%	-55.4%	83.1%	-45.9%	6.2%
Square Footage of Projects Level (1,000s)	96.3%	10964.0%	-31.1%	65.3%	-51.1%
	2	189	130	215	105
Number of Projects Level	0.0%	62.5%	-23.1%	0.0%	-27.3%
	8	13	10	10	11
<b>Retail Trade Sales Growth /4</b>	-1.6%	3.7%	5.8%	2.9%	-0.2%

NA = Not Available.

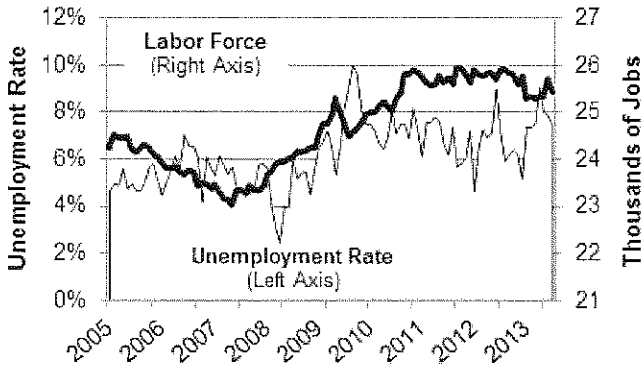
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

2/ National Agricultural Statistics Service. Crop price changes reflect August 2013 prices over the prior year period. The most recent SLV Potato (production CWT) for commercial storage facilities in the San Luis Valley are for 2012.

3/ F.W. Dodge. Data through July 2013. Prior forecasts only used data for Alamosa County.

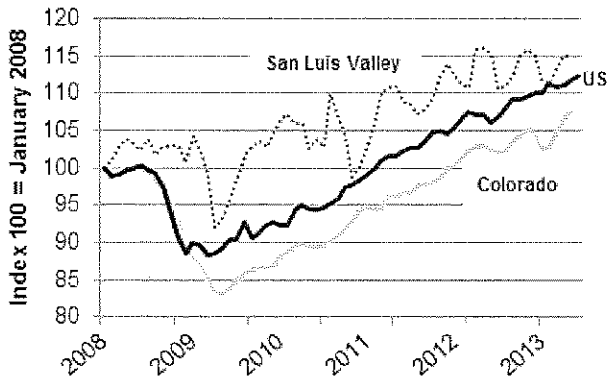
4/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

**Figure 43**  
**San Luis Valley**  
**Unemployment Rate and Labor Force**  
*Seasonally Adjusted*



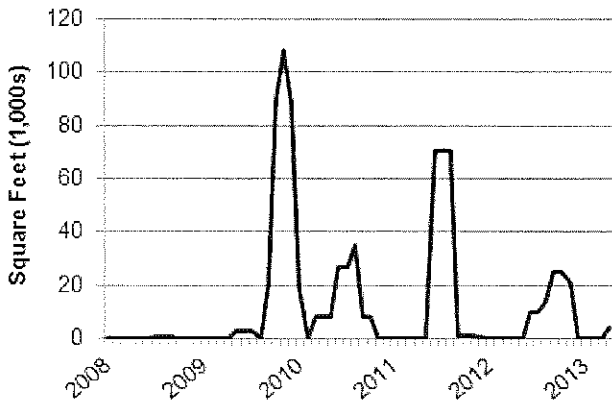
Source: U.S. Bureau of Labor Statistics; LAUS.  
 Data through July 2013.

**Figure 44**  
**San Luis Valley 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 May 2013. U.S. data through June 2013.

**Figure 45**  
**San Luis Valley Nonresidential Building Permits: Square Feet**  
*Three-Month Moving Average; Seasonally Adjusted Nominal Data*



Source: F.W. Dodge. Data through July 2013.

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-based industries, the region experiences different economic trends than more urban areas of the state.

Consumer spending, as measured by retail sales, declined 0.2 percent in the region through May 2013 compared with the first five months of 2012. Figure 44 shows changes in the region's consumer spending and compares them to changes in the nation and the state.

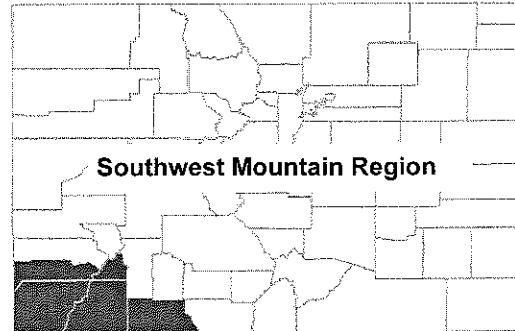
The agricultural industry continues to boost the region's economy. Most of Colorado's seed potatoes are grown in the San Luis Valley, an arid, isolated, high mountain valley having a climate that minimizes disease and insect damage to its crops. In August 2013, potato prices advanced 55.8 percent to \$14.10 per cwt (hundredweight, or 100 lbs.) over August 2012 prices. In 2012, farmers in the valley reduced the acreage of potatoes planted because there was a large inventory surplus. The cutback in production during 2012 is resulting in strong potato prices in 2013, yielding strong profits to growers.

The value of nonresidential construction projects grew 6.2 percent through July. As shown in Figure 45 the square footage of these projects declined 51.1 percent through July 2013 over the prior year. In contrast, housing permit growth was up 24 percent through July over the prior-year period. It is important to note that despite this growth, the level of construction activity continues to be at low levels. The San Luis Valley region has the smallest economy of all regions of the state and thus, economic data related to the construction industry tends to be particularly volatile.

## Southwest Mountain Region

Like other resort areas in the state, the southwest mountain region's economy is continuing to improve. The labor market is improving, and there is increased construction activity. A longer ski season and an improving national economy helped increase visitation and retail sales. Table 20 shows economic indicators for the region.

The labor market in the southwest mountain region is healthy and out-performing most regions of the state. Nonfarm employment grew 3.7 percent in the first seven months of this year compared with 2012. As shown in Figure 46, the region's unemployment rate was 6.3 percent in July, below the statewide average of 7.1 percent.



Part of the improvement in the labor market is from increased construction activity. Residential building permits posted a 45.2 percent gain between January and July 2013 compared with the same period in 2012. The increase in residential building permits is partially due to extremely low interest rates and an improving national economy. Nonresidential construction is growing at a faster rate than residential construction, as the value of permits for commercial and educational facilities grew 217.5 percent in the first seven months of 2013. The number of projects increased 33.3 percent, but the square footage of those projects increased 207.1 percent. Nonresidential construction activity has consisted of larger, more expensive projects compared with 2012.

**Table 20**  
**Southwest Mountain Region Economic Indicators**  
 Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth /1</b>	-3.0%	-3.3%	-0.9%	0.8%	3.7%
<b>Unemployment Rate /1</b> (2013 Figure is July Only)	7.1%	8.3%	7.6%	7.1%	6.3%
<b>Housing Permit Growth /2</b>	-23.7%	38.0%	-29.5%	2.4%	45.2%
<b>Growth in Value of Nonresidential Construction /2</b>					
Value of Projects	83.8%	-45.7%	-53.0%	37.5%	217.5%
Square Footage of Projects Level (1,000s)	-11.6%	-60.5%	30.8%	99.9%	207.1%
	192	76	99	199	211
Number of Projects Level	-12.0%	4.5%	-39.1%	0.0%	33.3%
	22	23	14	14	8
<b>Retail Trade Sales Growth /3</b>	-13.9%	1.6%	9.1%	6.2%	5.3%

NA = Not Available.

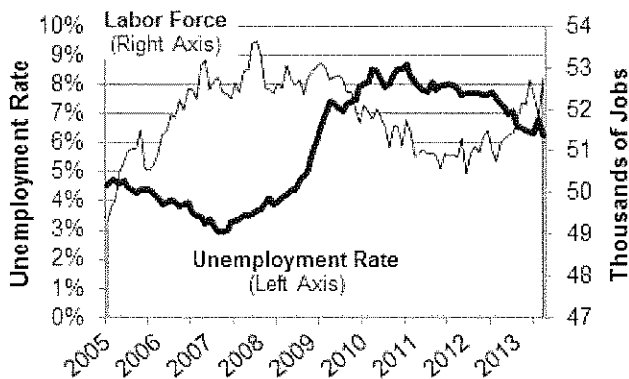
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

2/ F.W. Dodge. Data through July 2013. Prior forecasts had data for La Plata County only.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

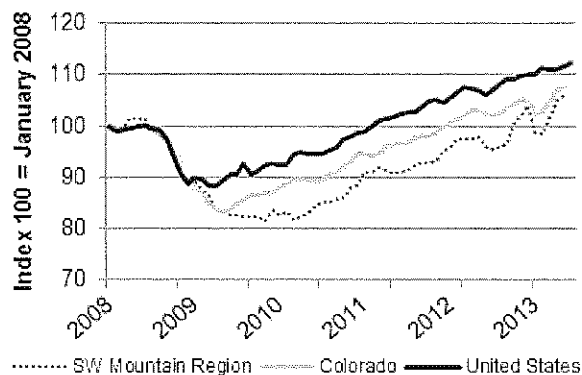
Seasonally adjusted retail sales in the Southwest mountain region increased 5.3 percent between January and May 2013, compared with the same period in 2013. This is a healthy growth rate when compared to other regions in the state, but is below the 9.1 percent and 6.2 percent growth that occurred in 2011 and 2012, respectively. Figure 47 compares changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state.

**Figure 46**  
**Southwest Mountain Region Unemployment Rate and Labor Force**  
*Seasonally Adjusted*



Source: U.S. Bureau of Labor Statistics; CES. Data through July 2013.

**Figure 47**  
**Trends in Retail Trade Sales since January 2008**  
*Three-Month Moving Average; Seasonally Adjusted Nominal Data*

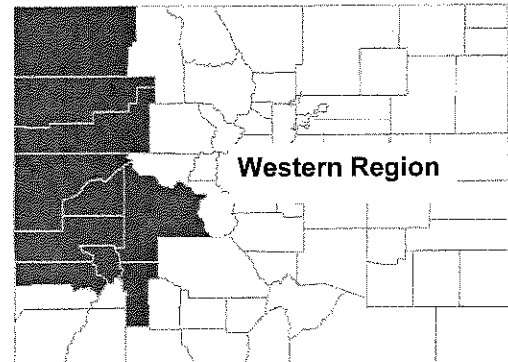


Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through May 2013; U.S. data through June 2013.

## Western Region

The western region's economy continues to show signs of recovery with growth in employment, housing permit activity, and retail trade. However, after seeing some growth in the beginning of the year, nonresidential construction has lost momentum. Table 21 shows economic indicators for the region.

The region's employment grew 1.6 percent through July 2013, helping to pull the unemployment rate down to 7.5 percent in July. Figure 48 shows the relationship between the labor force and the unemployment rate in the western region. It is important to note that inaccurate seasonal adjustments by the Bureau of Labor Statistics have created significant volatility in these employment numbers.



The region has continued to suffer from drought, weakening the once strong agriculture sector. However, the U.S. Department of Agriculture made an announcement in August that farmers and ranchers on the Western Slope are eligible for drought assistance. This assistance is an effort to help farmers and ranchers get back on their feet and create some job growth in this sector.

Figure 49 indexes consumer spending, as measured by retail trade, in the region to that in the state and nation. Sales growth in the western region has remained steady at 1.2 percent through May 2013 compared with the first 5 months of 2012, due to the region's slow economic recovery.

**Table 21**

### Western Region Economic Indicators

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

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth</b>					
Western Region /1	-5.6%	-5.5%	-0.6%	0.5%	1.6%
Grand Junction MSA /2	-6.6%	-4.4%	0.6%	1.4%	0.6%
<b>Unemployment Rate /1</b> (2013 Figure is July Only)	8.4%	10.1%	8.8%	8.4%	7.5%
<b>Housing Permit Growth /3</b>	-51.1%	2.0%	-20.8%	22.4%	12.0%
<b>Growth in Value of Nonresidential Construction /3</b>					
Value Projects	-17.6%	19.0%	-60.1%	12.8%	-18.7%
Square Footage of Projects	-38.9%	28.4%	-59.2%	26.0%	-27.2%
Level (1,000s)	1,035	1,329	542	682	280
Number of Projects	-6.7%	-29.5%	-32.7%	15.2%	-12.8%
Level	139	98	66	76	34
<b>Retail Trade Sales Growth /4</b>	-19.1%	1.8%	8.8%	1.2%	1.2%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

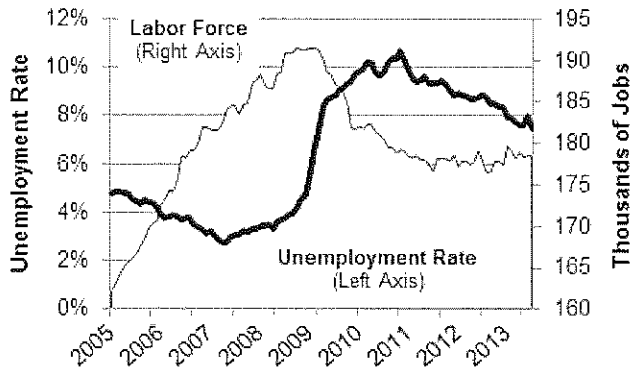
2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through July 2013.

3/ F.W. Dodge. Data through July 2013. Prior forecasts had data for Mesa and Montrose counties only.

4/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

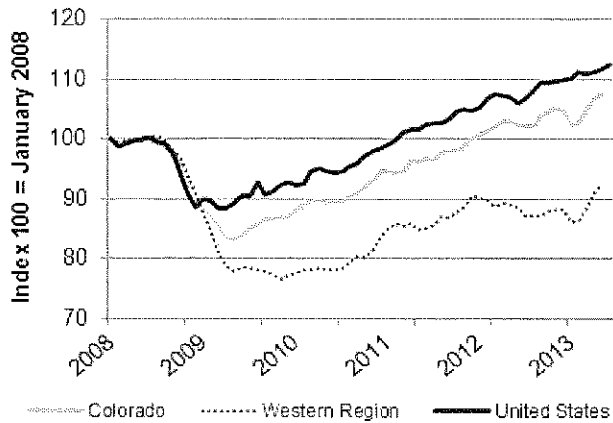


**Figure 48**  
**Western Region Nonfarm Employment**  
*Seasonally Adjusted*



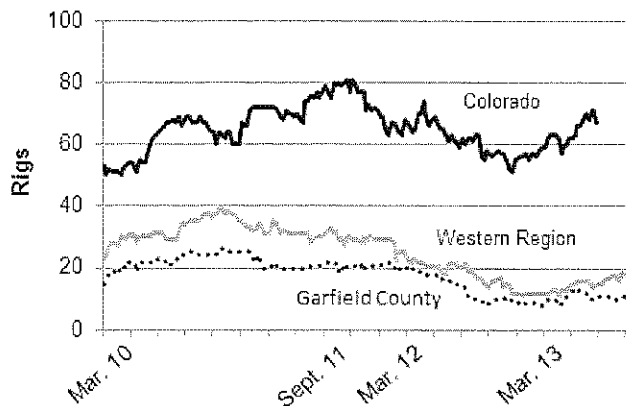
Source: U.S. Bureau of Labor Statistics; CES.  
 Data through July 2013.

**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 May 2013; U.S. data through July 2013.

**Figure 50**  
**Colorado and Western Region Operating Rig Count**  
*Weekly data*



Source: Baker Hughes. Data through August 28, 2013.

The quick growth in the region's residential housing market seen earlier in the year has slowed, falling to a year-to-date growth rate of 12 percent through July 2013 compared with the same period in 2012. This growth in housing permit activity is coming off very low levels after declining for two of the previous four years.

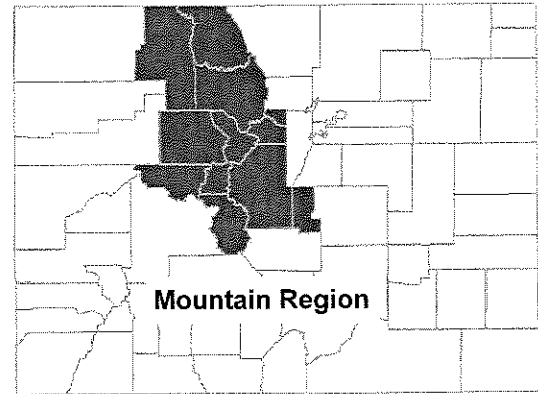
Nonresidential construction for the region tends to see lower levels of activity late winter through early spring and a jump in the summer, but after a strong spring, growth has weakened. The value of projects decreased 18.7 percent year-to-date through July 2013. The number of projects and square footage also fell, indicating a slight shrinking in nonresidential construction activity for the summer.

Figure 50 shows the Western region's operating rig count. Low natural gas prices have continued to keep rig counts down across the region. In 2012, the number of rigs operating in the region declined to 12 rigs in November from a high of 35 rigs in March 2011. In August 2013, there were 18 rigs operating in the region, or 26.8 percent of 67 total rigs in the state. During the peak period of operating rigs in March 2011, the region had 52.2 percent of total operating rigs in the state.

## Mountain Region

The economy of the mountain region continued to improve through the first seven months of 2013. The region, whose economy is primarily dependent on the ski and gaming industries, saw more workers in the region compared with the same period a year ago. Residential construction activity increased, but nonresidential construction activity fell. Late snow storms extended the ski season, which helped increase visitation and retail sales. Table 22 shows economic indicators for the region.

The employment situation in the mountain region continued to improve in the first seven months of 2013. After increasing 1.5 percent in 2012, employment grew 3.6 percent between January and July 2013 compared with the same period last year. The increase in jobs has helped lower the unemployment rate, which was at 6.3 percent in July. The unemployment rate for the region was lower than the statewide average (7.1 percent). Figure 51 shows the region's nonfarm employment from January 2005 to July 2013, the most recent data available.



Similar to other regions in the state, extremely low interest rates have helped boost residential construction. Residential permits increased 45.0 percent in the first seven months of the year compared with the same period in 2012. Figure 52 shows trends of residential building permits and the value of residential construction in the mountain region.

**Table 22**  
**Mountain Region Economic Indicators**

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

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth /1</b>	-5.9%	-3.7%	-0.5%	1.5%	3.6%
<b>Unemployment Rate /1</b> (2013 Figure is July Only)	7.5%	9.1%	7.9%	7.2%	6.3%
<b>Housing Permit Growth /2</b>	-49.2%	-17.6%	2.9%	6.9%	45.0%
<b>Growth in Value of Nonresidential Construction /2</b>					
Value of Projects	-73.4%	33.4%	195.4%	-57.4%	-13.0%
Square Footage of Projects	-83.1%	76.2%	169.1%	-27.7%	-19.8%
Level (1,000s)	164	290	779	563	182
Number of Projects	-23.1%	2.0%	-13.7%	11.4%	-12.0%
Level	50	51	44	49	22
<b>Retail Trade Sales Growth /3</b>	-16.2%	4.9%	7.5%	1.3%	5.0%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

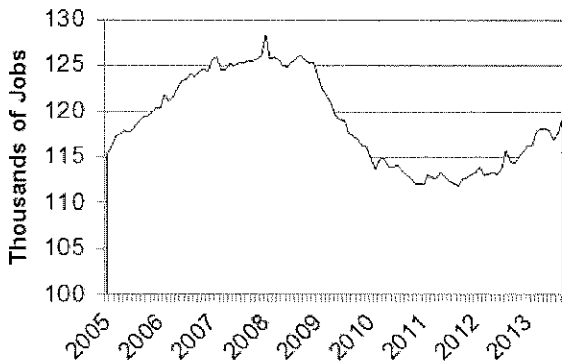
2/ F.W. Dodge. Data through July 2013. Prior forecasts reported Eagle, Pitkin & Summit Counties and Routt County separately.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

The region saw 22 nonresidential construction projects started in the first seven months of 2013, down 12.0 percent from the same period in 2012. The value of nonresidential construction and the size of the projects both had similar declines, at 13.0 percent and 19.8 percent respectively. Projects underway in the region include the Four Points Lodge, located in the Steamboat Springs Ski Area, and the renovation and upgrades to Woodward at Copper Barn, a 19,400-square-foot indoor facility being used this summer as a training complex for athletes who will compete in the 2014 Winter Olympic Games in Sochi, Russia.

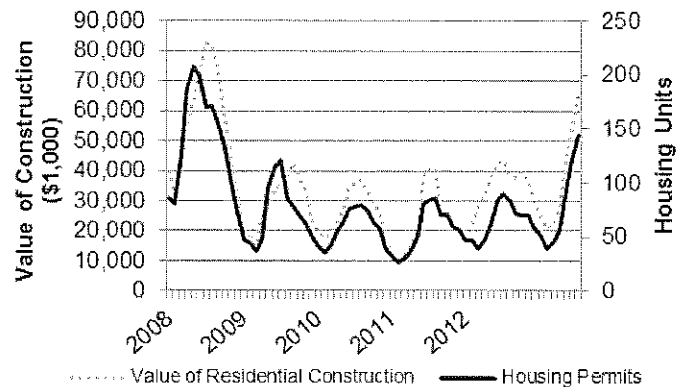
Retail sales increased 5.0 percent in the first five months of 2013 compared with the same period in 2012. Increased visitation to the region and an improving economy helped boost retail sales. Even with recent improvement, retail sales in the region has taken longer to recover than in the state or nation. Figure 53 indexes the region's retail sales growth to that of the state as a whole and the nation.

**Figure 51**  
**Mountain Region Nonfarm Employment**  
*Seasonally Adjusted*



Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2013.

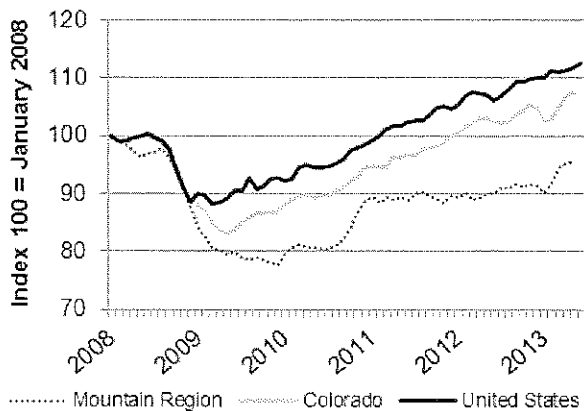
**Figure 52**  
**Mountain Region Residential Building Permits**  
*Three-Month Moving Average; Non Seasonally Adjusted Data*



Source: F.W. Dodge. Data through July 2013.

**Figure 53**  
**Retail Trade Trends Since January 2008**  
**Index 100 = January 2008**

*Three-Month Moving Average; Seasonally Adjusted Nominal Data*

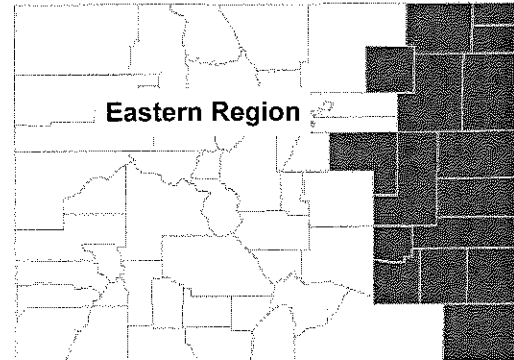


Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through May 2013; U.S. data through June 2013.

## Eastern Region

The eastern region's economy continues to grow slowly as many areas have experienced drought conditions. The agricultural industry is the primary economic driver in the region. Recent climate conditions were ideal for harvesting small grains (barley and spring wheat) as producers are increasing crop yields. It is not clear what impact the recent floods will have on the agricultural economy of the Eastern Region, but damaged transportation infrastructure may make it difficult to transport crops to market.

Crop prices peaked in 2012 and are declining slightly in the third quarter of 2013. Livestock supplies are also at lower levels in 2013 than in prior years because of herd thinning during the 2012 drought. Nonfarm employment growth in the region is slow, although the region's unemployment rate is lower than the statewide average. Meanwhile, consumer spending is flat. Table 23 shows economic indicators for the region.



**Table 23**  
**Eastern Region Economic Indicators**

Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2009	2010	2011	2012	YTD 2013
<b>Employment Growth /1</b>	5.3%	-3.7%	0.9%	-1.8%	-0.4%
<b>Unemployment Rate /1</b> (2013 Figure is July Only)	5.9%	6.7%	6.3%	6.5%	6.0%
<b>Crop Price Changes /2</b>					
Wheat	-32.5%	-12.9%	-1.3%	33.7%	-12.9%
Corn	-10.9%	-14.1%	25.8%	19.3%	-14.1%
Alfalfa Hay (Baled)	-20.7%	4.3%	84.6%	0.0%	4.3%
Dry Beans	-9.5%	70.2%	76.7%	-19.4%	4.5%
<b>State Crop Production Growth /3</b>					
Sorghum production	50.0%	90.0%	-17.0%	-34.7%	90.0%
Corn	9.5%	9.9%	-11.3%	-22.6%	9.9%
Winter Wheat	71.9%	-41.0%	-26.2%	-5.4%	-41.0%
Sugar Beets	27.0%	14.9%	-2.3%	18.9%	14.9%
<b>State Cattle and Calf Inventory Growth /4</b>	-5.5%	-7.0%	4.0%	-9.6%	-7.0%
<b>Retail Trade Sales Growth /5</b>	-12.5%	9.9%	13.7%	4.3%	0.0%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2013.

2/ National Agricultural Statistics Service. Price changes reflect August 2013 over prior year period.

3/ National Agricultural Statistics Service. Estimates for state crop production are year over year for annual figures. 2013 estimates are for forecast acres planted rather than production quotas.

4/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares year-to-date August 1, 2013 over the prior year period in 2012.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through May 2013.

Nonfarm employment in the eastern region declined 0.4 percent through July after falling 1.8 percent in 2012. The job losses may be partially attributable to the ongoing drought that hit hard in 2012 and continues to suppress the region's economy. As shown in Figure 54, the region's unemployment rate was 6.0 percent in July, lower than the statewide rate. It is important to note that labor market data does not include agricultural workers and employment data for rural areas can contain meaningful errors and are frequently revised.

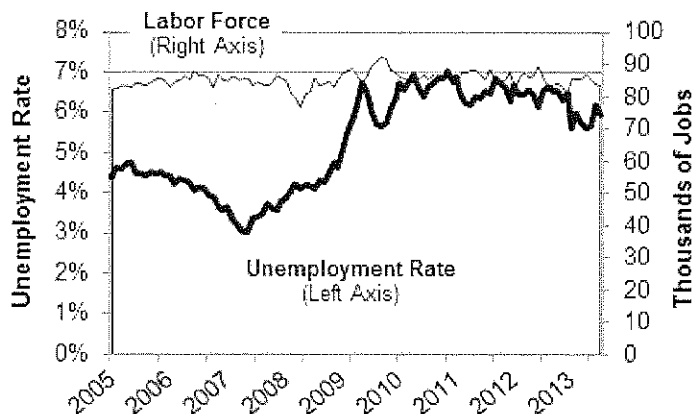
Cattle and calf inventory on feed fell 7.0 percent in August compared with 2012. In 2012, inventory declined 9.6 percent, likely due to herd thinning and the drought. Livestock death losses are at average levels for both cattle and sheep in the region.

Crop prices for wheat and corn rose to record highs in 2012 and through the first half of 2013. In August, prices fell slightly from record levels due to high inventory. Wheat prices fell 12.9 percent to \$6.89 per bushel in August from \$7.91 per bushel in August 2012. Corn prices were \$6.53 per bushel, 14.1 percent lower than in August 2012. In contrast, Alfalfa Hay and Dry Bean prices advanced 4.3 percent and 4.5 percent, respectively, during the same period.

Despite the price changes for wheat and corn, prices remain at near-record levels and continue to contribute to the region's economy. Production levels for field crops were mixed. In August 2013, winter wheat production fell 41.0 percent compared with the first seven months of 2012, corn production advanced 9.9 percent, and sugar beet production rose 14.9 percent.

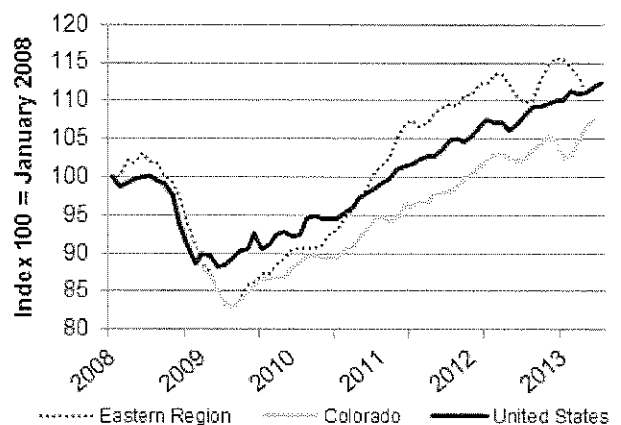
The eastern region also experiences different consumer spending trends than the more urban areas of the state. Consumers in the region increased spending at rates faster than both the nation and the state in 2010 and 2011 as the region's farmers enjoyed profitable years. Spending has continued to grow through 2012, but at the slower rate of 4.3 percent. Consumers in the region spent, on average, about the same amount during the first five months of 2013 compared with the same period in 2012. Figure 55 compares changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state.

**Figure 54**  
Eastern Region  
Unemployment Rate and Labor Force  
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2013.

**Figure 55**  
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 May 2013. U.S. data through June 2013.



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Appendix A  
Historical Data

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**National Economic Indicators**  
(Dollar Amounts in Billions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Domestic Product percent change	\$8,793.5 5.5%	\$9,353.5 6.4%	\$9,951.5 6.4%	\$10,286.2 3.4%	\$10,642.3 3.5%	\$11,142.2 4.7%	\$11,853.3 6.4%	\$12,623.0 6.5%	\$13,377.2 6.0%	\$14,028.7 4.9%	\$14,291.5 1.9%	\$13,973.7 -2.2%	\$14,498.9 3.8%	\$15,075.7 4.0%	\$15,542.2 3.1%
Real Gross Domestic Product (Inflation-adjusted, chained to 2005) percent change	\$11,513.4 4.4%	\$12,071.4 4.8%	\$12,565.2 4.1%	\$12,684.4 0.9%	\$12,909.7 1.8%	\$13,270.0 2.8%	\$13,774.0 3.8%	\$14,235.6 3.4%	\$14,615.2 2.7%	\$14,876.8 1.8%	\$14,833.6 -0.3%	\$14,417.9 -2.8%	\$14,779.4 2.5%	\$15,052.4 1.8%	\$15,470.7 2.8%
Unemployment Rate	4.5%	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%
Inflation (Consumer Price Index)	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.8%	3.8%	-0.4%	1.6%	3.2%	2.1%
10-Year Treasury Note	5.3%	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%	1.9%
Personal Income percent change	\$7,587.7 7.2%	\$7,983.8 5.2%	\$8,632.8 8.1%	\$8,987.1 4.1%	\$9,149.5 1.8%	\$9,487.6 3.7%	\$10,049.2 5.9%	\$10,610.3 5.6%	\$11,389.8 7.3%	\$11,995.7 5.3%	\$12,430.6 3.6%	\$12,082.1 -2.8%	\$12,435.2 2.9%	\$13,191.3 6.1%	\$13,743.8 4.2%
Wage and Salary Income percent change	\$4,181.6 7.9%	\$4,458.0 6.6%	\$4,825.9 8.3%	\$4,954.4 2.7%	\$4,996.4 0.8%	\$5,138.8 2.9%	\$5,422.9 5.5%	\$5,692.9 5.0%	\$6,058.2 6.4%	\$6,396.0 5.6%	\$6,532.8 2.1%	\$6,252.2 -4.3%	\$6,377.5 2.0%	\$6,638.7 4.1%	\$6,926.8 4.3%
Nonfarm Employment (millions) percent change	126.0 2.6%	129.1 2.4%	131.9 2.2%	131.9 0.0%	130.4 -1.1%	130.1 -0.3%	131.5 1.1%	133.7 1.7%	136.1 1.8%	137.6 1.1%	136.8 -0.6%	130.9 -4.4%	129.9 -0.7%	131.5 1.2%	133.7 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)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Nonagricultural Employment (thous.) percent change	2,056.9 3.9%	2,132.1 3.7%	2,214.3 3.9%	2,227.1 0.6%	2,184.7 -1.9%	2,152.5 -1.5%	2,179.3 1.2%	2,225.9 2.1%	2,279.7 2.4%	2,331.0 2.3%	2,350.6 0.8%	2,245.2 -4.5%	2,222.2 -1.0%	2,258.2 1.6%	2,307.8 2.2%
Unemployment Rate (%)	3.6	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.3	3.8	4.8	8.1	9.0	8.6	8.0
Personal Income percent change	\$120,100 9.1%	\$130,663 8.8%	\$147,056 12.5%	\$156,468 6.4%	\$157,752 0.8%	\$159,918 1.4%	\$168,587 5.4%	\$179,695 6.6%	\$194,390 8.2%	\$205,242 5.6%	\$216,030 5.3%	\$204,625 -5.3%	\$212,545 3.9%	\$225,410 6.1%	\$234,142 3.9%
Per Capita Income percent change	\$28,174 6.5%	\$30,919 6.0%	\$33,986 9.9%	\$35,355 4.0%	\$35,131 -0.6%	\$35,312 0.5%	\$36,849 4.4%	\$38,795 5.3%	\$41,181 6.2%	\$42,724 3.7%	\$44,180 3.4%	\$41,154 -6.8%	\$42,107 2.3%	\$44,053 4.6%	\$45,135 2.5%
Wage and Salary Income percent change	\$69,862 11.3%	\$76,643 9.7%	\$86,416 12.8%	\$89,109 3.1%	\$88,106 -1.1%	\$89,284 1.3%	\$93,619 4.9%	\$98,902 5.6%	\$105,833 7.0%	\$112,962 6.7%	\$116,999 3.6%	\$112,588 -3.8%	\$114,191 1.4%	\$119,148 4.3%	\$123,801 3.9%
Retail Trade Sales percent change	\$48,173 6.7%	\$52,609 9.2%	\$57,955 10.2%	\$59,014 1.8%	\$58,850 -0.3%	\$58,689 -0.3%	\$62,288 6.1%	\$65,492 5.1%	\$70,437 7.5%	\$75,329 6.9%	\$74,760 -0.8%	\$66,345 -11.3%	\$70,738 6.6%	\$75,548 6.8%	\$80,073 6.0%
Housing Permits percent change	51,156 18.8%	49,313 -3.6%	54,596 10.7%	55,007 0.8%	47,871 -13.0%	39,569 -17.3%	46,499 17.5%	45,891 -1.3%	38,343 -16.4%	29,454 -23.2%	18,998 -35.5%	9,355 -50.8%	11,591 23.9%	13,502 16.5%	23,301 72.8%
Nonresidential Construction percent change	\$2,952 -11.5%	\$3,799 28.7%	\$3,498 -7.9%	\$3,476 -0.6%	\$2,805 -19.3%	\$2,686 -4.2%	\$3,245 20.8%	\$4,275 31.7%	\$4,641 8.6%	\$5,259 13.3%	\$4,117 -21.7%	\$3,352 -18.6%	\$3,146 -6.1%	\$3,923 24.7%	\$3,666 -6.6%
Denver-Boulder Inflation Rate	2.4%	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%
Population (thousands, July 1) percent change	4,116.6 2.4%	4,226.0 2.7%	4,338.8 2.7%	4,444.5 2.4%	4,504.7 1.4%	4,555.1 1.1%	4,608.8 1.2%	4,662.5 1.2%	4,745.7 1.8%	4,821.8 1.6%	4,901.9 1.7%	4,976.9 1.5%	5,049.7 1.5%	5,118.5 1.4%	5,189.2 1.4%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and F.W. Dodge. 2012 nonfarm employment figures are rebenchmarking figures based on Legislative Council Staff analysis.  
NA = Not Available.