Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff Economics Section

September 22, 2014

Table Of Contents **Page**

Executive Summary	3
General Fund Budget Overview	7
TABOR Outlook	13
General Fund Revenue	19
Cash Fund Revenue	25
National Economy	35
Colorado Economy	51
Colorado Economic Regions	65
Appendix A: Historical Data	87

The Legislative Council Staff is the nonpartisan research staff of the Colorado General Assembly.

Natalie Mullis, Chief Economist
Marc Carey
Larson Silbaugh
Louis Pino
Greg Sobetski
Alex Schatz
Debbie Grunlien

Legislative Council Staff
029 State Capitol Building
Denver, Colorado 80203
(303) 866-3521
www.colorado.gov/lcs
LCS.Economist@state.co.us

Photograph captures Maysville Pasture at the bottom of Monarch Pass, courtesy of Andy Keim.

Highlights

- **Economic growth** both nationwide and in Colorado will gain momentum in the second half of 2014 and through 2015. Colorado's economy is bright, with lower levels of unemployment and underemployment; higher labor force participation and job growth; and higher median home values relative to their pre-recession peak than the nation. With improvements concentrated in Denver, northern Colorado, and the central mountains, other areas of the state are lagging behind.

- The General Fund ended **FY 2013-14** with a $235.8 million surplus, enough to fully fund all transfers required to be distributed from the surplus.

- General Fund revenue is expected to be $128.5 million, or 1.3 percent, higher in **FY 2014-15** than the amount budgeted to be spent and saved in the reserve during FY 2013-14. Should the General Assembly choose to do so, $30.5 million may need to be set aside for a **TABOR election provision refund** as a result of Proposition AA.

- The General Assembly will have $915.5 million, or 9.8 percent, more to spend in **FY 2015-16** than the amount budgeted for FY 2014-15. This figure includes the $128.5 million surplus from FY 2014-15 and would be lower if it were adjusted to account for expenditure pressures resulting from inflation and caseload growth. If the entire $915.5 million were spent, there would only be enough revenue to increase appropriations by 4.6 percent in FY 2016-17.

- Money will need to be set aside in FYs 2015-16 and 2016-17 to fund $125.1 million and $392.6 million in **TABOR refunds** in FYs 2016-17 and 2017-18, respectively.

- **Senate Bill 09-228** transfers to the Capital Construction Fund and Highway Users Tax Fund will total $25.4 million and $101.6 million, respectively, in FY 2015-16. No transfers will occur in FY 2016-17 because the TABOR surplus will exceed 3.0 percent of General Fund revenue.

EXECUTIVE SUMMARY

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

General Fund and TABOR Outlook

FY 2013-14. The General Fund ended the year with a surplus of $235.8 million, of which $25 million will remain in the fund. The following transfers from this surplus occurred on September 15:

- $30 million to the Colorado Water Conservation Board Construction Fund;
- $20 million to the State education Fund;
- $1 million to the Economic Development Fund;
- $10 million to the Hazardous Substance Site Response Fund; and
- $113.8 million to the Capital Construction Fund.

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

*More information about the state's **TABOR outlook** begins on page 13 and is summarized in Table 6 on page 17.*

*More information about the **General Fund revenue** forecast begins on page 19 and is summarized in Table 8 on page 24.*

An additional $35.9 million will be transferred when the State Controller publishes the comprehensive annual financial report for FY 2013-14. Of this, $21.5 million and $14.4 million will be transferred to the Capital Construction Fund and State Education Fund, respectively. Nine out of ten of the higher education and information technology capital projects prioritized in **House Bill 14-1342** were funded on September 15, while the tenth is expected to be funded at the end of the year.

Revenue is expected to be $129.7 million, or 1.1 percent, lower than the **Referendum C Cap** in FY 2014-15. However, the General Assembly may need to set aside $30.5 million in FY 2014-15 for a **TABOR election provision refund** in FY 2015-16.

FY 2014-15. General Fund revenue is expected to be $128.5 million, or 1.3 percent, higher than the amount budgeted to be spent or retained in the 6.5 percent statutory reserve in FY 2014-15. The State Education Fund is expected to receive a total of $561.2 million in revenue (see page 11) excluding interest earnings. Expectations for General Fund revenue were increased by $82.9 million compared with expectations in June.

FY 2015-16. The General Assembly will have $915.5 million, or 9.8 percent, more to spend in FY 2015-16 than is budgeted for FY 2014-15. The forecast for General Fund revenue in FY 2015-16 was increased by $176.4 million relative to the June forecast.

The General Assembly will need to set aside $125.1 million in FY 2015-16 to be refunded to taxpayers pursuant to **TABOR** in FY 2016-17. As a result, the earned income tax credit and a sales tax refund estimated at $11 per taxpayer will be available during income tax year 2016.

The five-year block of transfers to the Capital Construction Fund and Highway Users Tax Fund required by **Senate Bill 09-228** is expected to begin in FY 2015-16. However, the size of the TABOR surplus will cut the transfers in half during FY 2015-16, to an estimated $25.4 million and $101.6 million to the Capital Construction Fund and the Highway Users Tax Fund, respectively.

FY 2016-17. There is enough revenue in the General Fund to increase General Fund appropriations by 6.0 percent in FY 2015-16 and FY 2016-17, and still retain $565.4 million in excess of appropriations and the required reserve at the end of FY 2016-17.

The General Assembly will need to set aside $392.6 million in FY 2016-17 to be refunded to taxpayers pursuant to **TABOR** in FY 2017-18. As a result, the income tax rate will temporarily be reduced from 4.63 percent to 4.5 percent and a six-tier sales tax refund will be available during income tax year 2017.

Because the TABOR surplus will exceed 3.0 percent of General Fund revenue, no transfers to the Capital Construction Fund or Highway Users Tax Fund will occur in FY 2016-17 pursuant to **Senate Bill 09-228**.

Cash Fund Revenue Subject to TABOR

Cash fund revenue subject to TABOR is expected to increase slightly from $2.68 billion in FY 2013-14 to $2.71 billion in FY 2014-15. Increases in most cash fund categories are partially offset by a decline in hospital provider fee revenue. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add another $17.3 million to cash fund revenue subject to TABOR in FY 2014-15.

*More information about the **cash fund revenue subject to TABOR** begins on page 25 and is summarized in Table 9 on page 26.*

TABOR Exempt Cash Fund revenue

Federal mineral lease revenue will total $177.2 million in FY 2014-15 and $183.6 million in FY 2015-16. These projections represent a slight downward revision from the June forecast, as natural gas prices have continued to fall slightly throughout the summer, and lower prices reduce expectations about future prices. For more information about federal mineral lease revenue, please see page 32.

The ***Unemployment Insurance Trust Fund*** closed the FY 2013-14 with a fund balance of $599.1 million, a 9.6 percent increase from the previous fiscal year. An improving economy will continue to support the UI Trust Fund through the forecast period. Benefits paid from the fund will continue to decline, but because of the higher year-end balances, the amount of revenue received from employers will begin to slightly decline starting in FY 2014-15. More information about the unemployment insurance trust fund can be found on page 34.

The retail **marijuana** market will continue to mature throughout 2014 as more local governments authorize sales and marijuana businesses will be allowed to either specialize in selling or cultivating marijuana. Retail and medical marijuana sales are expected to generate $47.7 million in tax revenue in FY 2014-15; voter approved Proposition AA taxes will account for $30.5 million of this revenue. These estimates are based on only the first seven months of tax collections and will be revised as more data becomes available. A more detailed discussion of marijuana taxes begins on page 31.

National Economy

Economic activity is expected to continue to grow throughout 2014 and 2015, despite a stumble in the first quarter of 2014. The first quarter decline was largely attributable to unusually harsh weather and a response to a previous buildup in inventories. The labor market continues to slowly improve with more jobs and fewer people looking for work. Personal income is on the rise and business activity has been increasing over the past several years. Overall, economic conditions have improved throughout 2014 and are expected to do so through the forecast period. Because of momentum in the economy, the Federal Reserve has indicated that they will stop purchasing assets to expand the money supply by the end of the year. This may dampen economic growth if the asset reduction occurs too quickly.

*More information about the **national and Colorado economic forecasts** begin on pages 35 and 51, respectively. Summaries of economic conditions in nine regions around the state begin on page 65.*

Colorado Economy

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

The Colorado economy will continue to strengthen further in 2014 and 2015, as the state's diversified economy supports job growth and higher wages. The state's residential real estate market will continue to outperform the national market as the attractive labor market and low housing inventory spur activity. Nevertheless, Colorado is still vulnerable to the same risks as the nation's economy. Specifically, the Federal Reserve's monetary policy remains an area of concern, which could cause some volatility in the stock markets.

GENERAL FUND BUDGET OVERVIEW

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

FY 2013-14. The General Fund ended the year with $235.8 million in excess of the amount required to fully fund the budget and the 5.0 percent statutory reserve, of which $25 million will remain in the reserve.

House Bills 14-1339 and 14-1342 and Senate Bill 14-223 required transfers from the excess reserve in the amounts and order of priority shown in Table 1. Of this amount, $199.9 million was transferred on September 15, including $113.8 million to the Capital Construction Fund. The amount transferred to the Capital Construction Fund on September 15 is sufficient to fund nine out of ten higher education and information technology capital projects prioritized in House Bill 14-1342. An estimated $35.9 million will be transferred in December when the State Controller publishes the comprehensive annual financial report for FY 2013-14. This is enough to fund the remaining capital construction project and a $14.4 million transfer to the State Education Fund.

Table 1
Distribution of FY 2013-14 General Fund Surplus
Total: $235.8 million

Fund	Order of Priority	Distributed September 15, 2014	Year-End Distribution /A
Water Conservation Board Construction Fund	First $30 million	$30 million	
State Education Fund	Nest $20 million	$20 million	
General Fund	Next $25 million	$25 million	
Economic Development Fund	Next $1 million	$1 million	
Hazardous Substance Site Response Fund	Next $10 million	$10 million	
Capital Construction Fund /B	Next $135.4 million	$113.8 million	21.5 million
State Education Fund	All remaining surplus	-	14.4 million
	Total:	**$199.9 million**	**$35.9 million**

/A The year-end transfers will occur in December when the state Controller publishes the state's comprehensive annual financial report for FY 2013-14. These amounts are preliminary and subject to accounting adjustments.

/B The amount distributed on September 15, 2014 is sufficient to cover the first nine of ten capital projects prioritized in House Bill 14-1342. The remaining project, a bundle of Level II Controlled Maintenance projects, is expected to be funded at year-end.

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

Category	Preliminary FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
Senior & Veterans Property Tax Exemptions /A	$109.8	$117.2	$125.0	$133.5
Percent Change	*6.9*	*6.7*	*6.7*	*6.8*
Cigarette Rebate	$10.4	10.5	$10.1	$9.8
Percent Change	*-2.9*	*0.6*	*-4.0*	*-3.1*
Old-Age Pension Fund	106.9	103.3	107.4	112.8
Percent Change	*2.1*	*-3.4*	*4.0*	*5.0*
Aged Property Tax & Heating Credit /B	6.0	7.9	8.1	8.3
Percent Change	*-8.4*	*31.0*	*2.5*	*2.5*
Older Coloradans Fund	10.0	10.0	10.0	10.0
Percent Change	*25.0*	*0.0*	*0.0*	*0.0*
Interest Payments for School Loans	0.7	0.9	1.0	1.3
Percent Change	*-3.9*	*22.5*	*20.3*	*30.6*
Fire and Police Pension Association	4.1	4.7	4.7	4.7
Percent Change	*-97.2*	*14.1*	*0.0*	*0.0*
Amendment 35 Distributions	0.8	0.8	0.8	0.8
Percent Change	*-7.1*	*1.5*	*-2.3*	*-3.4*
Marijuana Sales Tax Transfer to Local Govts	*1.4*	*2.9*	*2.8*	*2.8*
Percent Change		*1.1*	*-0.03*	*0.00*
TOTAL REBATES & EXPENDITURES	**$250.2**	**$258.1**	**$269.9**	**$283.9**

Totals may not sum due to rounding.

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

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

FY 2014-15. General Fund revenue is expected to be $128.5 million, or 1.3 percent, higher than the amount budgeted to be spent or retained in the reserve in FY 2014-15. Pursuant to House Bill 14-1337, the required reserve will increase from 5.0 percent of General Fund appropriations in FY 2013-14 to 6.5 percent in FY 2014-15. Expectations for the amount of money available to be spent in the General Fund during FY 2014-15 were increased by $97.1 million relative to the June forecast, primarily because of higher expectations for sales tax revenue.

A potential exists that $30.5 million may need to be set aside in the FY 2014-15 budget for a TABOR election provision refund resulting from Proposition AA. Should the General Assembly do this, the $128.5 million excess reserve would fall to $98.0 million.

FYs 2015-16 and 2016-17 — Unbudgeted Years. Because a budget has not yet been enacted for FYs 2015-16 and FY 2016-17, lines 23 through 26 of Table 3 show two alternative perspectives on the General Fund budget situation for these years.

Perspective 1, shown in lines 23 and 24, assumes no growth in appropriations between FY 2014-15 and FY 2015-16 to illustrate the amount of money available to the General Assembly above the amount budgeted to be spent and retained in the reserve during FY 2014-15. This amount is expected to be $915.5 million, or 9.8 percent of budgeted expenditures in FY 2014-15.

Perspective 2, shown in lines 25 and 26, assumes a 6 percent growth rate for General Fund appropriations. This rate is the historical average rate of growth in General Fund appropriations over

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

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
	FUNDS AVAILABLE	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$373.0	$435.9	$698.2	*
2	General Fund Revenue	$8,974.8	$9,531.2	$10,158.6	$10,856.3
3	Transfers from Other Funds *(Table 4)*	14.2	28.0	12.0	12.2
4	**Total Funds Available**	**$9,362.0**	**$9,995.1**	**$10,868.8**	*****
5	Percent Change	0.1%	6.8%	8.7%	*
	EXPENDITURES	**Budgeted**	**Budgeted**	**Estimate**	**Estimate**
6	General Fund Appropriations	$8,218.7	$8,765.3	*	*
7	Adjustments to Appropriations	32.4	*	*	*
8	TABOR Surplus Liability /A	0.0	/B	125.1	392.6
9	Rebates and Expenditures *(Table 2)*	250.2	258.1	269.9	283.9
10	Transfers to Other Funds *(Table 4)*	30.9	22.7	24.0	22.9
11	Transfers to the State Education Fund Pursuant to SB 13-234	45.3	25.3	25.3	25.3
12	Transfer for Highway Construction /C	0.5	0.0	101.6	0.0
13	Transfers to the Capital Construction Fund /C	186.2	225.5	72.4	48.0
14	**Total Expenditures**	**$8,764.2**	**$9,296.9**	*	*
15	Percent Change	10.8%	6.1%	*	*
16	Accounting Adjustments	49.0	*	*	*
	RESERVE	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
17	**Year-End General Fund Reserve**	$646.7	$698.2	*	*
18	Year-End Reserve As A Percent of Appropriations	7.8%	8.0%	*	*
19	**Statutorily-Required Reserve**	410.9	569.7	*	*
20	Transfers From the Reserve *(Table 1)*	210.8	NA	NA	NA
21	**Amount in Excess or (Deficit) of Statutory Reserve**	**$25.0**	**$128.5**	*	*
22	Excess Reserve as a Percent of Expenditures	0.3%	1.4%	*	*
	ALTERNATIVE PERSPECTIVES ON UNBUDGETED YEARS			**Estimate**	**Estimate**
	Perspective 1: Money Available in FY 2015-16 in Excess of FY 2014-15 Expenditures /D				
23	Amount in Excess of Statutory Reserve			$915.5	*
24	As a Percent of Prior-Year Expenditures			9.8%	*
	Perspective 2: Assuming Appropriations Increase by the Historical Average Rate During Economic Expansions of 6.0% /E				
25	Amount in Excess of Statutory Reserve			$355.1	$565.4
26	As a Percent of FY 2014-15 Expenditures			3.8%	5.7%
	ADDENDUM	**Estimate**	**Estimate**	**Estimate**	**Estimate**
27	Percent Change in General Fund Appropriations	10.5%	6.2%	*	*
28	5% of Colorado Personal Income Appropriations Limit	$11,301.6	$11,873.1	$12,278.5	$12,936.9
29	Transfer to State Education Fund Per Amendment 23	$478.8	$501.4	$532.7	$567.9

Totals may not sum due to rounding.

** Not estimated. NA = Not applicable.*

/A TABOR surplus liabilities are shown during the year they are collected. Pursuant to 24-75-201 (2), C.R.S., the TABOR surplus liability is required to be set aside during the year it is collected to be refunded in the following year.

/B An estimated $30.5 million may need to be set aside in FY 2014-15 to be refunded in FY 2015-16 as a result of the TABOR election reporting requirements of Proposition AA.

/C SB 09-228 transfers to the Highway Users Tax Fund and the Capital Construction Fund are expected to begin in FY 2015-16. However, the TABOR surplus will cut the transfers in half in FY 2015-16 and eliminate them for FY 2016-17. In FY 2015-16, $101.6 million and $25.4 million are expected to be transferred to the Highway Users Tax Fund and the Capital Construction Fund, respectively.

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

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

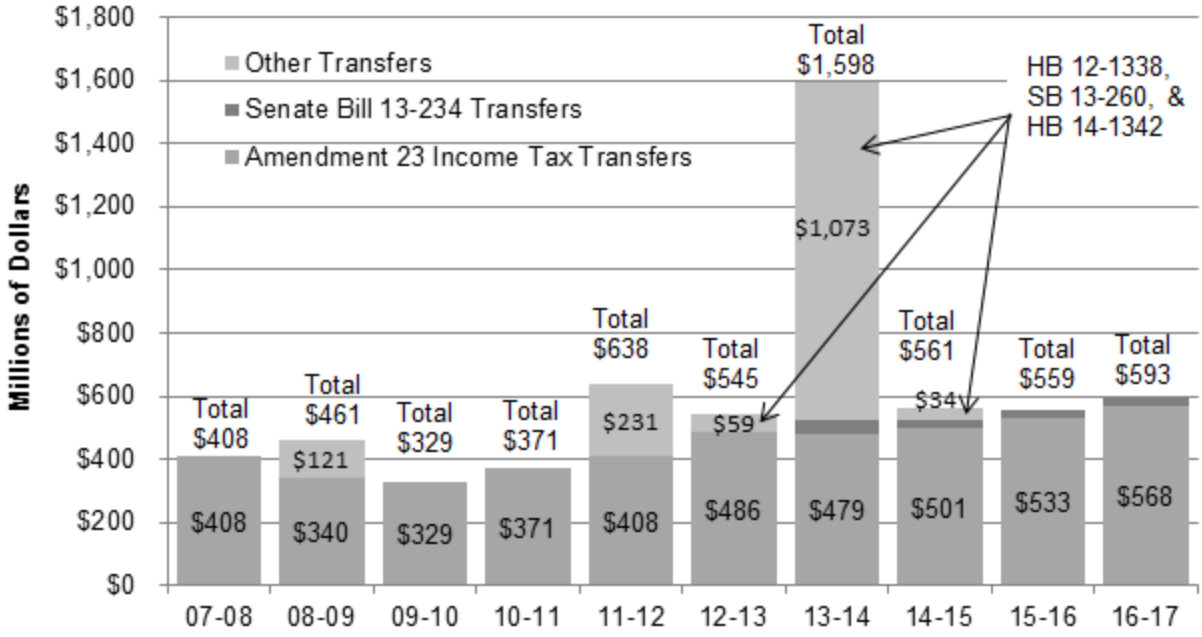
Table 4
Cash Fund Transfers /A
(Dollars in Millions)

Bill #	Cash Fund	2013-14	2014-15	2015-16	2016-17
Transfers to the General Fund					
HB 10-1325	Natural Resource Damage Recovery Fund	$0.16	$0.16	$0.16	$0.16
SB 11-225	Tobacco Litigation Settlement Funds	0.2	0.2	0.2	0.2
HB 13-1317 & SB 14-215	Marijuana Cash Fund	2.0			
SB 13-233	Repealed Health-Related Funds	0.01			
HB 14-1228	Defense Driving School Fund Balance		0.2		
SB 14-189	Controlled Maintenance Trust Fund		9.7		
SB 14-215	Marijuana Tax Cash Fund		6.3		
SB 13-133	Limited Gaming Fund	11.8	11.5	11.6	11.8
Subtotal: Transfers to the General Fund		***$14.2***	***$28.0***	***$12.0***	***$12.2***
Transfers from the General Fund					
HB 12-1286	Transfer for Film Incentives				
HB 12-1315	Clean Renewable Energy Fund	1.6	1.6	1.6	1.6
HB 13-1001 & HB 14-1011	Advanced Industries Acceleration Fund	5.0		5.0	5.0
HB 13-1193	Advanced Industries Export Acceleration Fund	0.3	0.3	0.3	0.3
HB 13-1317 SB 14-215	85% of 10% Special Sales Tax Marijuana Cash Fund Marijuana Tax Cash Fund	7.7	 16.4	 15.9	 15.8
SB 13-235	Colorado State Veterans Trust Fund	3.9			
SB 13-269	Wildfire Risk Reduction Fund	9.8			
SB 13-270	Wildfire Emergency Response Fund	0.5			
HB 14-1016 /B	Procurement Technical Assistance Cash Fund			0.2	0.2
HB 14-1276	School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Fund		0.3		
HB 14-1300	State Fair Cash Fund		0.3		
HB 14-1341	Department of State Cash Fund	2.2			
HB 14-1368	Child Welfare Transition Cash Fund		2.8		
SB 14-011	Energy Research Cash Fund		1.0	1.0	
Subtotal: Transfers from the General Fund		***$30.9***	***$22.7***	***$24.0***	***$22.9***
Net Impact on the General Fund		**($16.7)**	**$5.3**	**($11.9)**	**($10.8)**

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

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

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



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

the last 15 years using only those years during which the economy expanded: FY 2000-01; FYs 2003-04 through 2007-08; and FYs 2011-12 through 2014-15. General Fund revenue is sufficient to allow appropriations to increase by 6.0 percent through the forecast period, retaining an estimated General Fund surplus in excess of the required reserve of $565.4 million in FY 2016-17. If the General Assembly spent the entire FY 2015-16 surplus in FY 2015-16, there would be enough revenue to increase General Fund appropriations by 4.6 percent in FY 2016-17.

State Education Fund. The state constitution requires the State Education Fund to receive one-third of one percent of taxable income each year. In addition, the General Assembly has authorized the transfer of additional moneys from the General Fund to the State Education Fund. Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. However, additional revenue in the State Education Fund does not affect the overall flexibility of the General Fund budget. Figure 1 on page 11 shows a history and forecast for these revenue sources through the end of the forecast period.

Senate Bill 09-228 transfers. Senate Bill 09-228 requires a five-year block of transfers to capital construction and transportation as soon as Colorado personal income increases by at least 5 percent during or after calendar year 2012. Colorado personal income is expected to increase 5.4 percent in 2014, triggering the first year of these transfers in FY 2015-16. During the first two years of the five-year block, Senate Bill 09-228 transfers 0.5 percent and 2.0 percent of General Fund revenue to the Capital Construction Fund and the Highway Users Tax Fund, respectively. However, if during any particular year the state incurs a large enough TABOR surplus, these transfers will either be cut in half or eliminated.

A TABOR surplus of $121.5 million, or 1.2 percent of General Fund revenue, is expected in FY 2015-16. In FY 2016-17, a TABOR surplus of $392.6 million, or 3.6 percent of General Fund revenue, is expected. As a result, an estimated $25.4 million and $101.6 million will be transferred to the Capital Construction Fund and the Highway Users Tax Fund, respectively, in FY 2015-16. These represent one half of the originally scheduled transfers. Nothing will be transferred in FY 2016-17 because the TABOR surplus is greater than 3.0 percent. The size of transfers in FY 2017-18 will depend on the size of the TABOR surplus during that year.

Tax benefits dependent on sufficient General Fund revenue. Three tax benefits are only available when the Legislative Council Staff forecast indicates that General Fund revenue will be sufficient to allow General Fund appropriations to increase by at least 6 percent. Based on the current forecast, revenue will be sufficient for 6 percent appropriations growth through at least the end of the forecast period in FY 2016-17. Table 5 lists and describes the availability of these tax benefits.

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

Tax Policy	Forecast that Determines Availability	Tax Policy Availability
Instream flow income tax credit	June forecast during the tax year the credit will become available.	Available in tax years 2013 and 2014. Repealed in tax year 2015.
Historic property preservation income tax credit	December forecast immediately before the tax year when the credit becomes available.	Available in tax years 2013 and 2014. Expected to be available in tax years 2015 through 2017. Repealed tax year 2020.
Sales and use tax exemption for clean rooms	If the June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Currently available through at least June 2015. Expected to continue to be available through at least June 2017. Repealed July 1, 2018.

TABOR OUTLOOK

This section presents the outlook for the state's TABOR situation through FY 2016-17. Table 6 on page 17 illustrates the current status of the TABOR limit and Referendum C cap through FY 2016-17, while Figure 2 shows a history and forecast of revenue subject to TABOR, the TABOR limit base, and the Referendum C cap.

The **Referendum C cap** will equal $12.3 billion in FY 2014-15, $12.9 billion in FY 2015-16, and $13.5 billion in FY 2016-17. Revenue subject to TABOR is expected to be $129.7 million below the cap in FY 2014-15. Revenue will exceed the Referendum C Cap in FY 2015-16 and FY 2016-17, prompting **TABOR refunds of $125.1 million in FY 2016-17 and $392.6 million in FY 2017-18.** State law requires this money to be set aside during the year it is collected. Therefore, $125.1 million and $392.6 million will need to be set aside within the FY 2015-16 and FY 2016-17 budgets, respectively.

Fiscal Year Spending:

The legal term used by TABOR to denote the amount of revenue TABOR allows the state to keep and either save or spend.

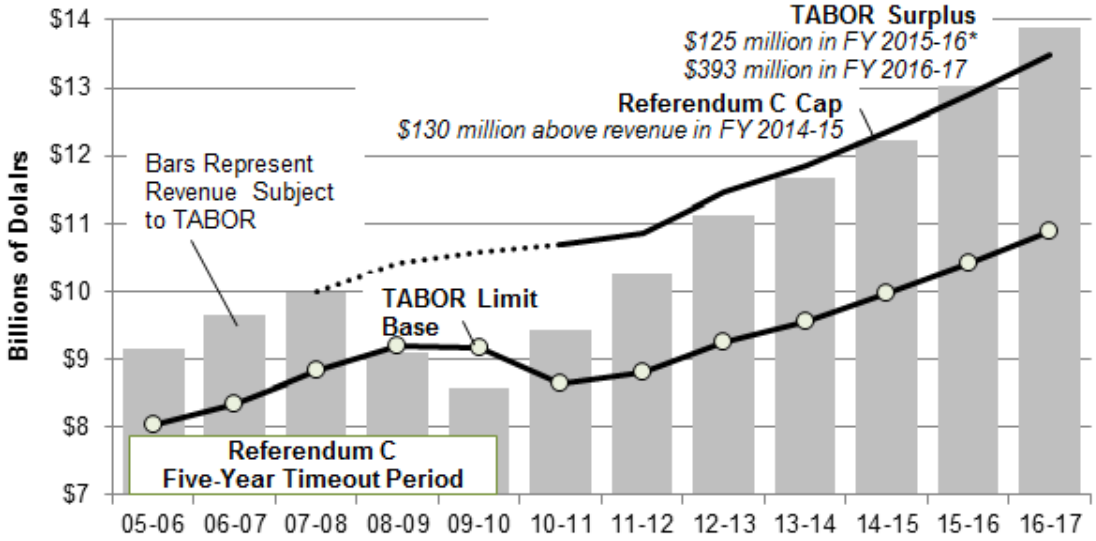
In addition, the General Assembly may need to set aside **$30.5 million within the FY 2014-15 budget for a TABOR election provision refund in FY 2015-16.** According to an analysis by the Office of Legislative Legal Services regarding TABOR election provisions, if the FY 2014-15 revenue from the excise and special sales taxes on adult-use marijuana or fiscal year spending for the year exceed the Proposition AA Blue Book estimates for the same, the combined excess must be refunded to the taxpayers in FY 2015-16. However, the amount of the refund is capped at the total amount of the taxes actually collected for the fiscal year, and no refund is required if the state receives voter approval to keep the revenue.

State fiscal year spending is expected to exceed the Proposition AA Blue Book estimate for FY 2014-15 by $137.6 million. Meanwhile, revenue from the excise tax and special sales tax on adult-use marijuana is expected to total $30.5 million in FY 2014-15, an amount lower than the Blue Book estimate of $67 million. Based on these expected amounts, a refund of $30.5 million may be required during FY 2015-16. Although three mechanisms exist to refund money collected in excess of the Referendum C cap, there is no refund mechanism in statute that applies to this situation. It should also be noted that the forecast for marijuana tax revenue is uncertain.

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

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period between FY 2005-06 through FY 2009-10. Beginning in FY 2010-11, Referendum C allows the state to retain revenue collected above the TABOR limit base up to a capped amount. The cap was set to the highest total for state revenue for a fiscal year during the

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



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

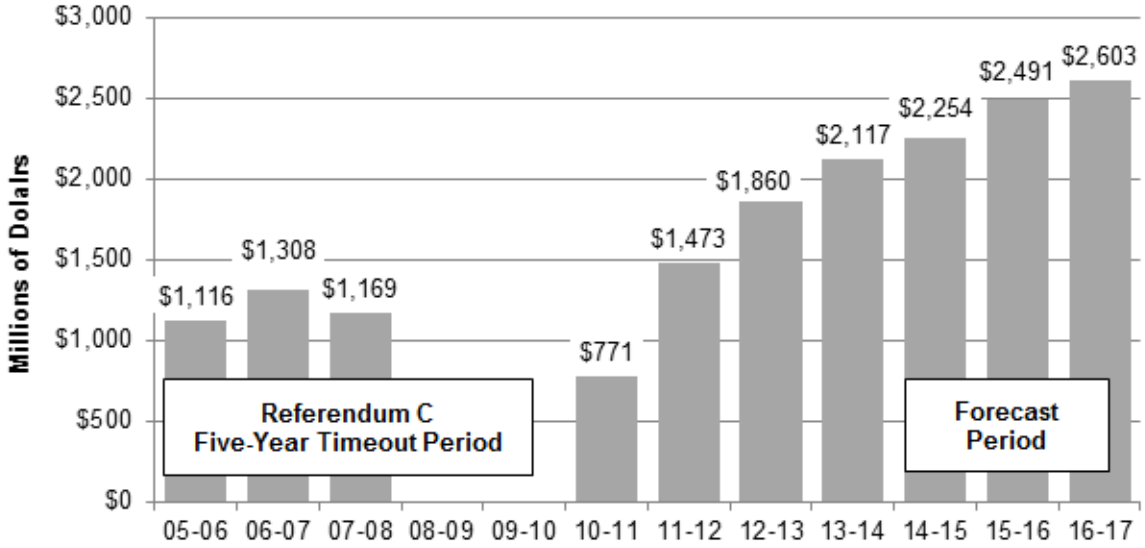
five-year timeout period, grown each year thereafter by inflation plus population growth. Because revenue collections peaked in FY 2007-08, that year became the starting base for the cap. The cap is adjusted annually for inflation, population growth, and changes in enterprise status exactly as the TABOR limit is adjusted. However, it is always grown from the prior year's cap, regardless of the level of revenue collected.

Revenue retained by Referendum C. Figure 3 shows the amount of money retained as a result of Referendum C. The state has retained a total of $9.8 billion since the passage of Referendum C during FYs 2005-06 through 2013-14. The state is expected to retain $2.3 billion in FY 2014-15 and $2.5 billion in FY 2015-16. State law requires this revenue to be spent on public kindergarten through twelfth grade education, higher education, health care, local fire and police pensions, and transportation projects.

TABOR Refunds. Revenue collected above the Referendum C Cap is required to be refunded to taxpayers. Revenue is expected to exceed the Referendum C Cap by $121.5 million in FY 2015-16 and $392.6 million in FY 2016-17. Although state law requires this money to be set aside in the budget during year it is collected, TABOR requires the money to be refunded in the following fiscal year. In addition, a total of $3.6 million must be refunded along with the next TABOR surplus. This amount represents under-refunds of pre-Referendum C surpluses and other errors discovered in subsequent years that would have added to the last refund.

Therefore, an estimated $125.1 million and $392.5 million will be refunded in FYs 2016-17 and 2017-18, respectively. Figure 4 on page 16 shows how state law requires this money to be refunded. Current law contains three refund mechanisms: the six-tier sales tax refund, the earned income tax credit, and a temporary cut in the income tax rate from 4.63 percent to 4.50 percent. The size of the TABOR refund determines which refund mechanisms are available each year.

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



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

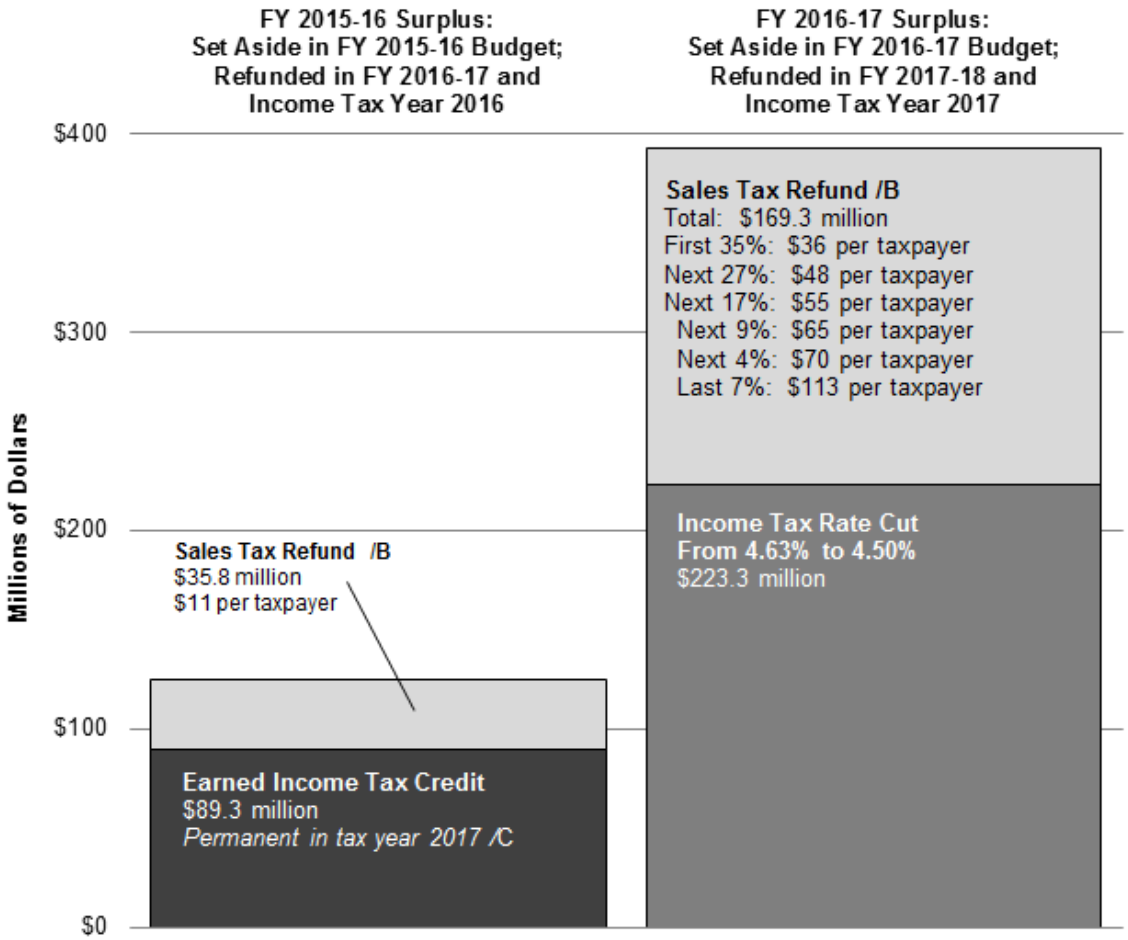
As a result of the FY 2015-16 TABOR surplus, the earned income tax credit and the sales tax refund will be available during income tax year 2016. A total of $89.3 million is expected to be refunded via the earned income tax credit. In addition, each taxpayer filing an income tax return with the Department of Revenue will receive an $11 sales tax refund. If the average sales tax refund per taxpayer is $15 or less, state law requires each taxpayer to receive an identical amount. The refund will be claimed on an individual's income tax return, and will either reduce that individual's tax liability or increase his or her income tax refund by $11. Taxpayers filing joint returns will receive $22. Because it is a refund of state sales taxes, it will not be added to federal taxable income.

The FY 2016-17 surplus will be refunded in FY 2017-18 on income tax returns filed for tax year 2017. The money will be refunded by reducing the state's income tax rate from 4.63 percent to 4.5 percent, which will refund an estimated $223.3 million, and through a total sales tax refund of $169.3 million. State law requires the sales tax refund to be distributed among six income tiers in a way proportional to the distribution of the sales tax refund issued during tax year 1999. As shown in Figure 24, the first 35 percent of taxpayers, or those with the lowest incomes, will receive a refund of $36 per taxpayer. The 7 percent of taxpayers, with the highest incomes will receive refunds of $113 per taxpayer. Taxpayers filing joint returns will receive twice these amounts.

The earned income tax credit will no longer be a refund mechanism in tax year 2017. State law converts the credit from a refund mechanism to a permanent tax credit the year after it is next used as a refund mechanism, making it available every year regardless of the state's TABOR situation. The forecast for individual income taxes was adjusted for the credit in tax year 2017.

For more information, please see the June 20, 2014, Legislative Council Staff Issue Brief 14-03B, titled "TABOR Refund Mechanisms."

Figure 4
TABOR Refund Estimates /A



Source: Legislative Council Staff.

/A This figure illustrates refunds of revenue in excess of the Referendum C Cap. State law does not specify mechanisms for refunding a TABOR election provision refund, or a refund of money collected in excess of figures published in the Proposition AA Blue Book.

/B Section 39-22-2002 (2)(b), C.R.S. requires every taxpayer to receive an identical refund amount if the average sales tax refund is $15 or less. If the average exceeds $15, section 39-22-2003 (4)(a), C.R.S. requires the sales tax refund to be distributed proportionately to the 1999 sales tax refund. The distribution shown represent numbers of taxpayers; with the first tier indicating the lowest income. Taxpayers filing joint returns receive twice the amount shown.

/C Section 39-22-123.5 (3) converts the earned income tax credit from a TABOR refund mechanism into a permanent tax credit the year after it is first used to refund a TABOR surplus.

Table 6
September 2014 TABOR Revenue Limit and Retained Revenue

(Dollars in Millions)

		Preliminary FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
	TABOR Revenue:				
1	General Fund /A	$8,959.7	$9,503.1	$10,131.2	$10,829.0
2	Cash Funds /A	2,723.4	2,714.5	$2,893.3	$3,047.2
3	**Total TABOR Revenue**	**$11,683.1**	**$12,217.6**	**$13,024.5**	**$13,876.2**
	Revenue Limit				
4	Allowable TABOR Growth Rate	3.3%	4.3%	4.5%	4.5%
5	Inflation (from prior calendar year)	1.9%	2.8%	2.8%	2.8%
6	Population Growth (from prior calendar year)	1.4%	1.6%	1.7%	1.7%
7	TABOR Limit Base	$9,566.6	$9,963.2	$10,411.6	$10,880.1
8	Voter Approved Revenue Change (Referendum C)	$2,116.5	$2,254.4	$2,491.4	$2,603.5
9	Total TABOR Limit / Referendum C Cap	$11,852.4	$12,347.3	$12,902.9	$13,483.6
10	TABOR Revenue Above (Below) Referendum C Cap	**($169.3)**	**($129.7)**	**$121.5**	**$392.6**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C /B	$2,116.5	$2,254.4	$2,491.4	$2,603.5
12	**Total Available Revenue**	**$11,683.1**	**$12,217.6**	**$12,902.9**	**$13,483.6**
13	Revenue To Be Refunded to Taxpayers /C	$0.0	/D	$125.1 /E	$392.6
14	TABOR Reserve Requirement	$350.5	$366.5	$387.1	$404.5

Totals may not sum due to rounding.

/A These figures differ from the General Fund and cash fund revenues reported in other tables because of accounting adjustments across TABOR boundaries.

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

/C Pursuant to 24-75-201 (2), C.R.S., the revenue above the Referendum C Cap is required to be set aside during the year it is collected to be refunded in the following fiscal year. For example, excess revenue collected in FY 2015-16 will be set aside within the FY 2015-16 budget and refunded in FY 2016-17 on income tax returns for tax year 2016.

/D An estimated $30.5 million may need to be refunded in FY 2015-16 from FY 2014-15 revenue as a result of the TABOR election reporting requirements of Proposition AA, an amount equal to expectations for new tax revenue. Current expectations for state fiscal year spending (represented by line 12) exceeds the amount reported in the 2013 Blue Book by an estimated $137.6 million.

/E Revenue to be refunded (line 13) exceeds revenue above the Referendum C cap (line 10) by $3.6 million. This amount represents under-refunds of pre-Referendum C surpluses and other errors discovered in subsequent years that would have added to the last refund.

GENERAL FUND REVENUE

Table 8 on Page 24 illustrates General Fund revenue collections for FY 2013-14 and projections for FY 2014-15 through 2016-17. Table 7 on page 21 lists 2014 legislation affecting General Fund revenue for which the forecast was adjusted. Total legislative changes will reduce General Fund revenue by $3.8 million, $11.1 million, and $13.8 million, respectively, for FY 2013-14, FY 2014-15, and FY 2015-16

General Fund revenue improved in FY 2013-14 despite a significant shift of income tax into FY 2012-13 due to federal tax policies. Total revenues for FY 2013-14 increased 5.1 percent to approximately 9.0 billion, with all major categories contributing to General Fund growth. Strong labor and equity markets supported growth in revenue from personal income taxes, and higher consumer spending, particularly from home furnishing and auto sales, continued to boost revenue from retail sales.

General Fund revenue will continue to increase through the forecast period. In FY 2014 -15, revenue will grow 6.2 percent, before increasing another 6.6 percent in FY 2015-16. By FY 2016-17, total revenues will be approximately $10.9 billion.

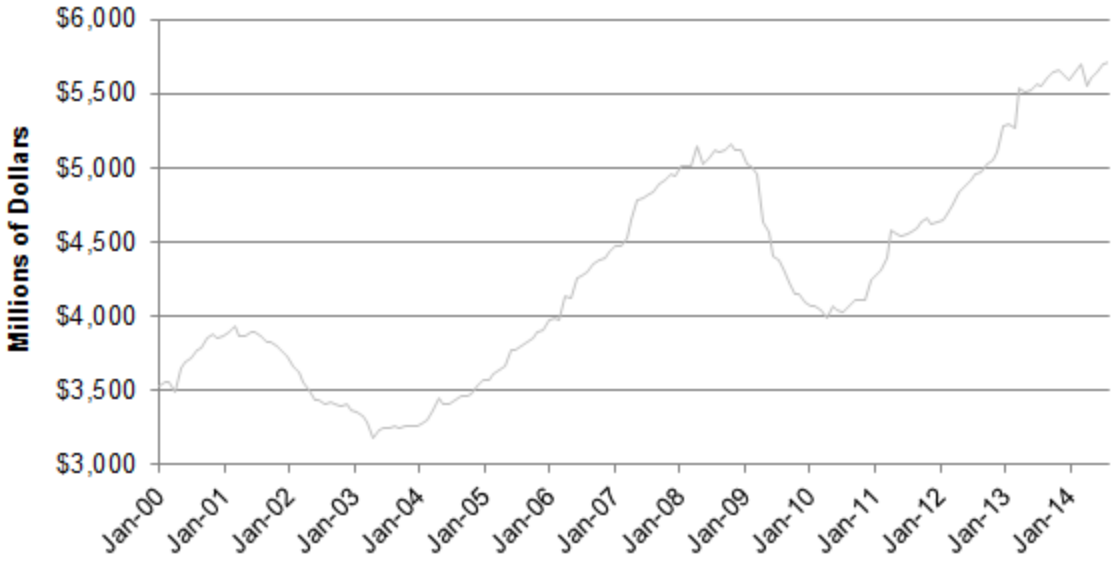
General Fund revenue collections were $106 million higher in FY 2013-14 than expected in the June forecast. Compared with the June forecast, expectations for General Fund revenue were increased by $82.9 million and $176.4 million, respectively, for FYs 2014-15 and 2015-16. The higher base in FY 2013-14 and a combination of higher consumer spending and faster employment growth than previously anticipated caused the upward revision.

Individual income taxes. Revenue from individual income taxes increased 1.8 percent in FY 2013-14. Improving labor market conditions and a rising stock market supported higher collections. The increase in individual income tax revenue happened despite a federal tax change that 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. Figure 5, which shows annualized individual income tax revenue over the last two business cycles, illustrates this strong growth in 2012, followed by slower growth in 2013 and 2014. The effects from federal tax policy changes in 2012 should lessen collections moving forward. In FY 2014-15, higher wages and salaries will help push total individual income taxes to just over $6 billion, a 5.6 percent increase. Revenue is expected to grow by another 7.0 percent in FY 2015-16.

Compared with the June forecast, individual income tax revenue is relatively unchanged. In FY 2013-14, revenue collections were $49.7, or 0.9 percent, higher than expected, primarily as a result of higher withholding collections. Expectations for future income tax collections were also revised upward by $12.2 million and $82.3 million, respectively, for FY 2014-15 and FY 2015-16. The upward revisions are largely due to a higher base in FY 2013-14.

Sales taxes. Sales tax revenue increased 9.6 percent in FY 2013-14. Higher consumer spending, particularly from home furnishing and auto sales, and an improving labor market helped boost sales tax revenue. These factors, along with higher wages, are expected to drive growth in sales tax collections in the current fiscal year and

Figure 5
Colorado Individual Income Taxes
Annualized Data



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

through the forecast period. Revenue from sales taxes will increase 6.5 percent and 7.4 percent, respectively, for FY 2014-15 and FY 2015-16. As shown in Figure 6 on page 22, sales tax collections have been growing at a healthy rate since 2010.

Sales tax revenue was $61.2 million higher in FY 2013-14 compared with the June forecast, primarily because of strong growth in monthly collections at the end of the fiscal year. In addition, a one-time accounting adjustment increased sales tax revenue by 43.5 million in FY 2013-14.

Sales tax collections were increased $85.9 million in FY 2014-15 and $114.8 million in FY 2015-16 relative to the June forecast. The increases are primarily due to the higher base in FY 2013-14 and stronger monthly sales tax collections at the beginning of FY 2014-15.

Use taxes. Use tax collections declined 0.5 percent to $241.5 million in FY 2013-14. Use tax collections are expected to increase 8.8 percent in FY 2014-15 to $262.7 million, which is relatively unchanged from the June forecast.

Corporate Income Taxes. Corporate profits are expected to continue to grow in the next several years, although at a slightly slower pace than previously anticipated. With labor market conditions improving, corporations are beginning to face pressures to raise wages and salaries.

In FY 2013-14, corporate income taxes increased 13.3 percent, totaling $720.7 million. In the following two years, corporate income taxes are expected to continue to grow, increasing 8.7 percent and 1.7 percent, respectively. Despite year-over-year growth, this forecast represents a modest downward revision compared with the June forcast. The corporate income tax forecast was reduced by about $2 million in FY 2013-14, $21 million in FY 2014-15, and $12 million in FY 2015-16, because of a slightly more pessimistic outlook for corporate profits. Revenue growth will also be dampened by pent-up demand for a corporate income tax incentive that was

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

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

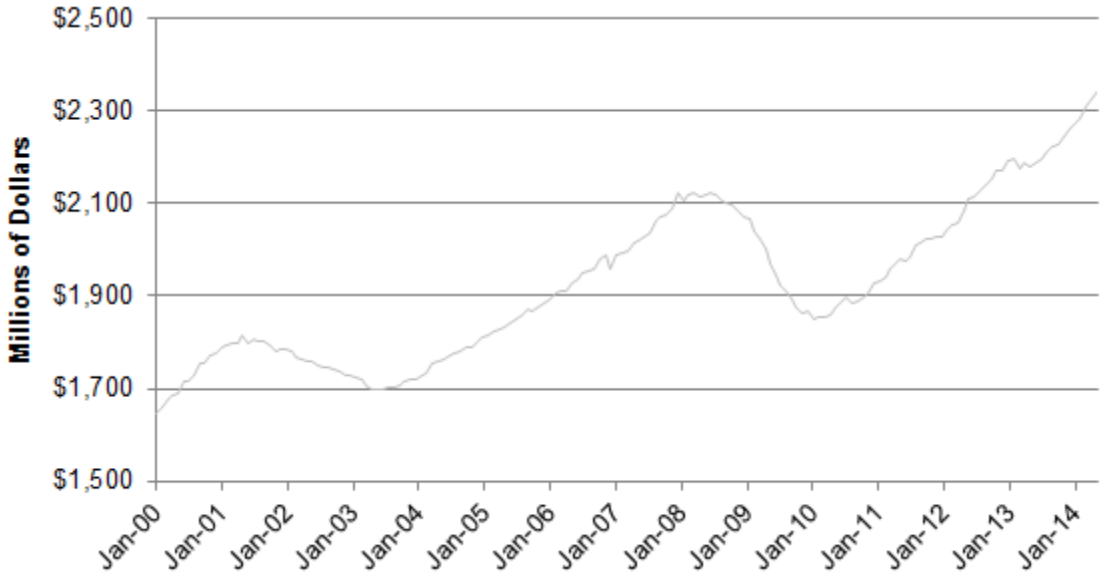
/A Reduction between $0 and $300,000 per year beginning in FY 2014-15.

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

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

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

Figure 6
Colorado State Sales Tax Revenue
Annualized Data



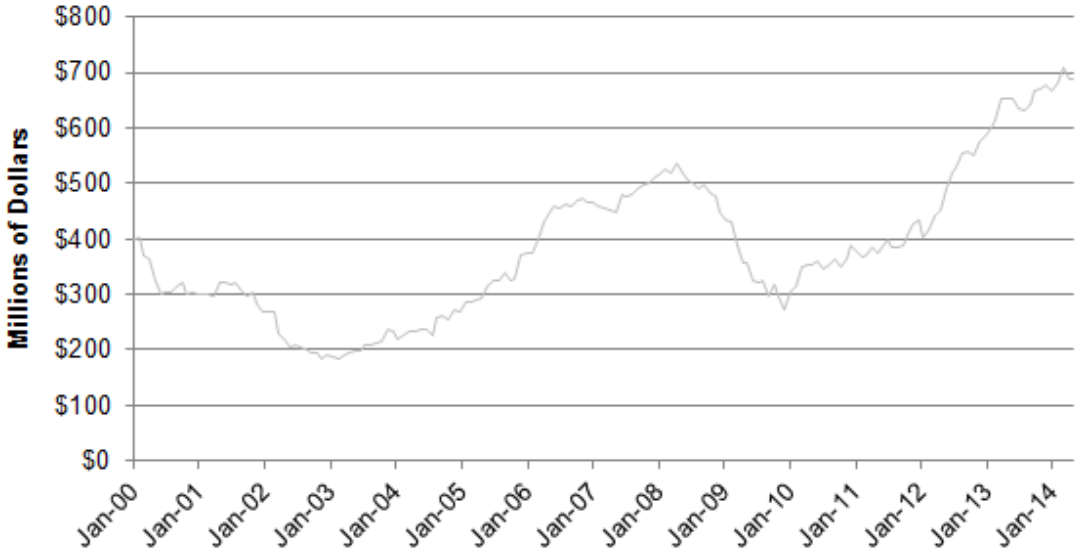
Source: Colorado Department of Revenue.
Cash-accounting basis. Data through August 2014.

capped during tax years 2011, 2012, and 2013. HB 10-1199 capped the amount of net operating losses a company could carry forward to $250,000. Corporations were allowed to carry forward whatever portion of this incentive they were unable to claim and begin claiming them in tax year 2014, subject to available tax liability.

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

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

Figure 7
Colorado Corporate Income Taxes
Annualized Data



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

Table 8
September 2014 General Fund Revenue Estimates
(Dollars in Millions)

	Category	Preliminary FY 2013-14	Percent Change	Estimate FY 2014-15	Percent Change	Estimate FY 2015-16	Percent Change	Estimate FY 2016-17	Percent Change
1	Sales	$2,424.6	9.6	$2,582.9	6.5	$2,773.9	7.4	$2,978.7	7.4
2	Use	241.5	-0.5	262.7	8.8	287.2	9.4	314.2	9.4
3	Cigarette	36.6	-4.5	35.9	-1.9	34.4	-4.0	33.4	-3.1
4	Tobacco Products	16.9	8.4	17.8	5.4	18.3	2.9	13.9	-24.2
5	Liquor	40.3	2.9	47.2	17.0	44.2	-6.3	45.6	3.1
6	TOTAL EXCISE	$2,759.9	8.3	$2,946.4	6.8	$3,158.1	7.2	$3,385.8	7.2
7	Net Individual Income	$5,696.1	1.8	$6,014.7	5.6	$6,436.3	7.0	$6,899.1	7.2
8	Net Corporate Income	720.7	13.3	783.0	8.7	796.7	1.7	822.6	3.3
9	TOTAL INCOME TAXES	$6,416.8	3.0	$6,797.7	5.9	$7,233.1	6.4	$7,721.7	6.8
10	Less: Portion diverted to the SEF	-478.8	-1.6	-501.4	4.7	-532.7	6.2	-567.9	6.6
11	INCOME TAXES TO GENERAL FUND	$5,938.0	3.3	$6,296.3	6.0	$6,700.3	6.4	$7,153.8	6.8
12	Estate	0.4	NA	0.0	NA	0.0	NA	0.0	NA
13	Insurance	239.1	13.6	251.4	5.2	259.9	3.4	270.1	3.9
14	Pari-Mutuel	0.6	-8.8	0.4	-29.4	0.4	-7.7	0.4	-6.8
15	Investment Income	12.9	-26.1	15.8	22.5	19.0	20.3	24.8	30.6
16	Court Receipts	2.6	9.5	3.1	21.3	3.3	5.5	3.5	4.9
17	Medicaid (Intergovt. Transfer)		NA		NA		NA		NA
18	Other Income	21.3	17.9	17.7	-17.2	17.6	-0.5	18.0	2.6
19	TOTAL OTHER	$276.9	11.2	$288.4	4.2	$300.2	4.1	$316.8	5.5
20	**GROSS GENERAL FUND**	**$8,974.8**	**5.1**	**$9,531.2**	**6.2**	**$10,158.6**	**6.6**	**$10,856.3**	**6.9**

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

CASH FUND REVENUE

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

Cash fund revenue subject to TABOR is expected to increase slightly from $2.68 billion in FY 2013-14 to $2.71 billion in FY 2014-15. Increases will occur in all primary cash fund categories with the exception of hospital provider fee revenue. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add another $17.3 million to cash fund revenue subject to TABOR in FY 2014-15. Total cash fund revenue subject to TABOR will increase 6.6 percent to $2.89 billion in FY 2015-16 and another 5.3 percent to $3.05 billion in FY 2016-17, primarily because of growth in hospital provider fee revenue.

Transportation-related revenue subject to TABOR reached $1,135.7 million in FY 2013-14, up 3.4 percent from the previous fiscal year. Transportation revenue is expected to grow 1.9 percent in FY 2014-15. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 10 on page 27.

Total revenue to the *Highway Users Tax Fund* (HUTF) reached $969.3 million in FY 2013-14, an increase of 3.5 percent over the previous year. Revenue is projected at $988.2 million in FY 2014-15 and $1,004.3 million in FY 2015-16. Growth in HUTF revenue is driven by excise taxes on motor fuels, which represent the largest share of HUTF revenue collections. Fuel tax collections grew 3.8 percent in FY 2013-14, the fastest rate since FY 2007-08. Higher collections are likely due to increased fuel purchases attributable to a strengthening economy and stable gas prices. Fuel tax revenues are expected to increase by 1.6 percent in FY 2014-15 and 1.1 percent in FY 2015-16.

Registration fees, comprised of motor vehicle registration fees, the road safety surcharge, and late registration fees, totaled $336.0 million in FY 2013-14, an increase of 2.7 percent from the previous year. The state's expanding population is expected to drive increased revenue from vehicle registrations over the duration of the forecast period.

A relatively small portion of the *State Highway Fund (SHF)* balance comes from revenue subject to TABOR. The largest sources of TABOR revenue to the SHF are local government grants and interest earnings on the fund balance, both of which are difficult to forecast. In FY 2013-14, local government grants to the SHF increased $14.1 million, or 72.5 percent. Because of the volatile history of local government grants to the SHF, this forecast assumes that grant revenue will not continue to grow at this high rate. Further, interest earnings in the SHF are expected to decline as the Department of Transportation spends out of the fund at a quicker rate. The forecast also assumes that a $101.6 million transfer required by **Senate Bill 09-228** will be deposited in the SHF via the HUTF beginning April 15, 2016, increasing the amount of interest earnings to the SHF in the final months of FY 2015-16 and through FY 2016-17. No transfer is anticipated on April 15, 2017.

Other transportation revenue fell by 7.6 percent to $111.9 million in FY 2013-14, the result of a large one-time transfer of sales tax revenue to the Aviation Fund in FY 2012-13.

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

	Preliminary FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17	FY 13-14 to FY 16-17 CAAGR *
Transportation-Related	**$1,135.7**	**$1,157.3**	**$1,177.7**	**$1,203.6**	
% Change	3.4%	1.9%	1.8%	2.2%	**2.0%**
Hospital Provider Fee	**$566.7**	**$532.9**	**$665.0**	**$718.2**	
% Change	-13.2%	-6.0%	24.8%	8.0%	**8.2%**
Severance Tax	**$260.6**	**$279.7**	**$275.4**	**$315.8**	
% Change	88.1%	7.3%	-1.6%	14.7%	**6.6%**
Gaming Revenue /A	**$98.3**	**$99.1**	**$99.7**	**$100.3**	
% Change	0.2%	0.9%	0.6%	0.6%	**0.7%**
Insurance-Related	**$20.7**	**$21.1**	**$21.7**	**$22.3**	
% Change	-21.7%	1.9%	3.2%	2.8%	**2.6%**
Regulatory Agencies	**$68.5**	**$72.9**	**$73.7**	**$75.7**	
% Change	5.3%	6.4%	1.1%	2.8%	**3.4%**
Capital Construction Related - Interest /B	**$2.4**	**$3.8**	**$2.6**	**$2.5**	
% Change	139.3%	60.0%	-31.4%	-5.9%	**1.1%**
2.9% Sales Tax on Marijuana /C	**$14.5**	**$17.3**	**$17.6**	**$18.1**	
% Change		18.9%	1.7%	3.0%	**7.6%**
Other Cash Funds	**$525.2**	**$547.7**	**$577.4**	**$608.8**	
% Change	12.9%	4.3%	5.4%	5.4%	**5.0%**
Total Cash Fund Revenue Subject to the TABOR Limit	**$2,678.1**	**$2,714.5**	**$2,893.3**	**$3,047.2**	
	5.2%	1.4%	6.6%	5.3%	**4.4%**

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

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

	Final FY 12-13	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	FY 12-13 to FY 15-16 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	$573.5	$582.7	$589.1	$594.4	**1.2%**
% Change	3.8%	1.6%	1.1%	0.9%	
Total Registrations	$336.0	$342.9	$350.4	$358.2	**2.2%**
% Change	2.7%	2.1%	2.2%	2.2%	
Registrations	*$197.6*	*$201.6*	*$205.8*	*$210.3*	
Road Safety Surcharge	*$120.6*	*$123.0*	*$125.6*	*$128.4*	
Late Registration Fees	*$17.7*	*$18.3*	*$18.9*	*$19.4*	
Other HUTF Receipts /A	$59.8	$62.6	$64.8	$66.8	**3.8%**
% Change	5.7%	4.7%	3.5%	3.0%	
Total HUTF	**$969.3**	**$988.2**	**$1,004.3**	**$1,019.4**	**1.7%**
% Change	3.5%	1.9%	1.6%	1.5%	
State Highway Fund /B	$54.5	$52.2	$50.7	$55.6	**0.7%**
% Change	32.1%	-4.3%	-2.8%	9.7%	
Other Transportation Funds	$111.9	$116.9	$122.7	$128.6	**4.7%**
% Change	-7.6%	4.4%	4.9%	4.8%	
Aviation Fund /C	*$36.9*	*$39.4*	*$42.1*	*$44.3*	
Law-Enforcement-Related /D	*$11.0*	*$11.0*	*$11.0*	*$11.0*	
Registration-Related /E	*$64.0*	*$66.5*	*$69.5*	*$73.2*	
Total Transportation Funds	**$1,135.7**	**$1,157.3**	**$1,177.7**	**$1,203.6**	**2.0%**
% Change	3.4%	1.9%	1.8%	2.2%	

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

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

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

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

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

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

Addendum: TABOR-Exempt FASTER Revenue

	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17
Bridge Safety Surcharge	$101.1	$103.1	$105.3	$107.6
% Change	3.9%	2.0%	2.1%	2.2%

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.

Other transportation revenue is expected to increase 4.4 percent in FY 2014-15 and 4.9 percent in 2015-16.

Revenues generated from the *Bridge Safety Surcharge* totaled $101.1 million in FY 2013-14, and are forecast at $103.1 million in FY 2014-15 and $105.3 million in FY 2015-16. Revenue from the fee is exempt from TABOR (see Addendum to Table 10).

The ***Hospital Provider Fee (HPF)*** generated $566.7 million in FY 2013-14, down from $652.6 million in the previous fiscal year. The downward trend in fee collections is projected to continue in FY 2014-15 with revenue falling to $532.9 million. HPF payments are declining as a result of **Senate Bill 13-200**, which allows the state to collect additional federal Medicaid funds following the implementation of the Patient Protection and Affordable Care Act (ACA). However, increased Medicaid caseload also attributable to the ACA will trigger a one-time jump in HPF payments in FY 2015-16, when revenue is projected to jump by 24.8 percent to $665.0 million. Fee collections in FY 2016-17 and beyond are expected to grow from this new base.

Total **severance tax** revenue, including interest earnings, is projected to be $279.7 million in FY 2014-15 on an accrual accounting basis, essentially unchanged from the June forecast. Projected oil and gas collections decreased slightly relative to the June forecast due to a modest decline in natural gas prices. Projected coal receipts for FY 2014-15 increased minimally, while projected molybdenum and metallic mineral receipts were slightly lower. In FY 2015-16, total severance tax collections are projected to decline 1.6 percent to $275.4 million, representing a slight increase from the June forecast. In FY 2016-17, collections are projected to rise to $315.8. The increase is the result of a projected increase in the price of both oil and natural gas and continued strength in oil production.

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

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

Regional natural gas prices were extremely volatile during the past winter, but the warmer temperatures of spring and summer have brought lower prices and more price stability. Prices have declined throughout the summer, and as of the last week in August, prices at regional hubs were around $4.20 per Mcf (thousand cubic feet). Relative price stability is projected to continue at these levels through the remainder of 2014. For FY 2013-14, oil and gas severance tax collections totaled $241.4 million. Collections are expected to rise to $259.5 million in FY 2014-15 before falling to $254.9 million in FY 2015-16 due to an increase in the ad valorem tax credits taken by operators. Collections will then increase to $295.0 in FY 2016-17.

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 taxes for FY 2014-15 were up 10.3 percent. This was largely due to higher than anticipated production at the end of FY 2013-14. Thus far this year, Colorado coal production has declined 2.4 percent in the first six months of 2014 compared with the same period in 2013. Of Colorado's top eight producing mines, three increased production in the first six months of 2014 compared with the same period in 2013, while three had production declines of between 7 and 20 percent. The Elk Creek mine in Gunnison County remains closed until further notice. The market remains soft as electric utilities continue to transition from coal to natural gas. In FY 2015-16 and FY 2016-17, collections are expected to drop to $7.7 million and $7.6 million, respectively.

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 2014-15 through FY 2016-17, the entirety of the forecast period.

Finally, projected interest earnings for FY 2014-15 have been revised upward to $10.6 million from the June forecast. Over the remainder of the forecast period, interest earnings are expected to rise to $10.9 million in FY 2015-16 and $11.4 million in FY 2016-17.

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

The state collected $104.9 million in gaming taxes during FY 2013-14, up 0.7 percent from the previous fiscal year. Nearly all growth in gaming tax revenue was attributable to the second half of the fiscal year, when casinos rebounded after a slow autumn. Gaming tax revenue is projected to reach $105.8 million in FY 2014-15, representing a year-over-year increase of 0.9 percent. Gaming tax revenues will grow slightly slower than population in FY 2015-16 and FY 2016-17.

The bottom half of Table 11 shows the distribution of tax revenue collected from both limited gaming subject to TABOR and extended limited gaming authorized by **Amendment 50**. Revenue from extended limited gaming is distributed to community colleges and local governments in the five gaming communities: Gilpin and Teller counties, Black Hawk, Central City, and Cripple Creek. Amendment 50 distributions totaled $9.6 million in FY 2013-14; this figure is projected to grow by 0.9 percent in FY 2014-15. Community colleges received $6.5 million in gaming tax revenue in FY 2013-14 and are expected to receive a similar amount annually through the remainder of the forecast period.

Under legislation passed to implement Amendment 50, an amount of gaming tax revenue adjusted from taxes collected in FY 2008-09 is considered "*Pre-Amendment 50*" revenue and is subject to TABOR. Pre-Amendment 50 revenue rose to $95.3 million in FY 2013-14 and is expected to reach $96.2 million in FY 2014-15. After administrative expenses are paid, half of the remaining revenue is distributed to the State Historical Fund and local governments in the five gaming communities. The other half is set aside for appropriation at the discretion of the General Assembly. Under **Senate Bill 13-133**, $30.1 million is set aside annually to fund various economic development programs, including the Travel and Tourism Promotion Fund, the Advanced Industries Acceleration Fund, and the Creative Industries Cash Fund. Additionally, $5.0 million of the $30.1 million is appropriated to the Local Government Limited Gaming Impact Fund, which provides financial assistance to local governments to offset documented gaming impacts and is used to combat gambling addiction. The remaining portion of the state share is transferred to the General Fund at the end of each fiscal year.

Table 12 presents tax revenue forecasts for medical and adult-use marijuana sales. Tax revenue from marijuana sales is projected to total $47.7 million in FY 2014-15, $47.9 million in FY 2015-16 and $48.9 million in FY 2016-17.

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

	Preliminary FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
Gaming Revenue				
Gaming Taxes				
Pre-Amendment 50 *(Subject to TABOR)*	95.2	96.1	96.7	97.4
Amendment 50 Revenue *(TABOR Exempt)*	9.7	9.7	9.8	9.9
Total Gaming Taxes	**$104.9**	**$105.8**	**$106.5**	**$107.2**
Fees and Interest Earnings *(Subject to TABOR)*				
To Limited Gaming Fund	1.0	1.1	1.1	1.1
To State Historical Fund	2.1	2.1	2.0	1.9
Total Gaming Revenue	**$108.0**	**$109.0**	**$109.7**	**$110.3**
% change	**0.2%**	**1.0%**	**0.6%**	**0.6%**
Total Gaming Revenue Subject to TABOR	$98.3	$99.3	$99.8	$100.4
Distributions of Gaming Tax Revenue /A				
Amendment 50 Distributions				
Community Colleges	6.5	6.5	6.5	6.6
Gaming Counties and Cities	1.8	1.8	1.8	1.9
Amendment 50 Administrative Expenses	1.3	1.3	1.4	1.4
Total Amendment 50 Distributions	**$9.6**	**$9.7**	**$9.7**	**$9.8**
Pre-Amendment 50 Distributions				
State Historical Fund	23.2	23.3	23.4	23.4
Gaming Counties	9.9	10.0	10.0	10.0
Gaming Cities	8.3	8.3	8.3	8.4
General Fund	11.2	11.5	11.6	11.8
Economic Development Programs	30.1	30.1	30.1	30.1
Pre-Amendment 50 Administrative Expenses	12.6	13.0	13.3	13.7
Total Amendment 50 Distributions	**$95.3**	**$96.2**	**$96.8**	**$97.4**
Total Gaming Distributions	**$104.9**	**$105.8**	**$106.5**	**$107.2**

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

These totals include revenue from the 2.9 percent sales tax on medical and adult-use marijuana that is subject to TABOR and is expected to total $17.2 million, $17.5 million, and $18.1 million over these three fiscal years. The 10 percent sales tax and 15 percent excise tax on the sale of marijuana is exempt from TABOR. This revenue is expected to total $30.5 million in FY 2014-15, $30.4 million in FY 2015-16, and $30.9 million in FY 2016-17.

Similar to previous marijuana revenue forecasts, the forecast is based on only a few months of data for a maturing market. There were only small changes between the June and September forecasts because no additional information was available to change expectations about the marijuana market. The tax data that was reported was generally consistent with the June forecast. The marijuana market is maturing which will impact the price and consumption of regulated marijuana. Specifically, more local jurisdictions have allowed adult-use marijuana stores and adult-use marijuana businesses are no longer required to be vertically integrated.

All ***other cash fund revenue*** subject to TABOR is expected to increase 4.3 percent to $547.7 million in FY 2014-15. This category includes revenue to a large number of sources credited to various other cash funds, such as revenue from court fines and fees and fees paid for services provided by the Secretary of State's Office. For FY 2015-16 and FY 2016-17, this total is expected to again increase by 5.4 percent each year to $577.4 million and $608.8 million, respectively.

Table 13 presents the September 2014 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 TABOR, the forecast is presented separately from other sources of state revenue.

For FY 2014-15, FML revenue is anticipated to total $177.2 million, representing a 1.5 percent decrease from the June forecast. The decrease is the result of a slight decline in expectations for natural gas prices. Natural gas prices have continued to fall slightly throughout the summer, and lower prices have reduced expectations about future prices. In addition,

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

	Preliminary FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17
Total Taxes on Marijuana	**$30.0**	**$47.7**	**$47.9**	**$48.9**
15% Excise Tax	$4.0	$11.2	$11.7	$12.3
State Share of 10% Special Sales Tax	$9.8	$16.4	$15.9	$15.8
Local Share of 10% Special Sales Tax	$1.7	$2.9	$2.8	$2.8
Total 10% Sales Tax	$11.5	$19.3	$18.7	$18.6
Proposition AA Taxes	**$15.5**	**$30.5**	**$30.4**	**$30.9**
2.9% Sales Tax on Medical Marijuana	$11.1	$11.5	$12.0	$12.6
2.9% Sales Tax on Adult-Use Marijuana	$3.4	$5.7	$5.5	$5.5
Taxes Subject to TABOR	**$14.5**	**$17.2**	**$17.5**	**$18.1**

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

Fiscal Year	June 2014 Forecast	Percent Change	June 2014 Forecast	Percent Change from Last Forecast
FY 2001-02	$44.6		$44.6	
FY 2002-03	$50.0	12.1%	$50.0	
FY 2003-04	$79.4	58.7%	$79.4	
FY 2004-05	$101.0	27.2%	$101.0	
FY 2005-06	$143.4	41.9%	$143.4	
FY 2006-07	$123.0	-14.3%	$123.0	
FY 2007-08	$153.6	25.0%	$153.6	
FY 2008-09	$227.3	47.9%	$227.3	
FY 2009-10	$122.5	-46.1%	$122.5	
FY 2010-11	$149.5	22.0%	$149.5	
FY 2011-12	$165.0	10.4%	$165.0	
FY 2012-13	$120.8	-26.8%	$120.8	
FY 2013-14	$173.6	43.7%	$172.8	0.4%
FY 2014-15	$177.2	2.1%	$180.0	-1.5%
FY 2015-16	$183.6	5.8%	$184.1	-0.3%
FY 2016-17	$190.4	7.5%		

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

Colorado coal production continues to decline, and roughly 75 percent of this production occurs on federal lands. Although production was down only 2.4 percent in the first six months of 2014 compared with the same period in 2013, it is expected to continue to decline through the forecast period, which will dampen growth in FML revenue. FML revenue is expected to increase to $183.6 million in FY 2015-16 and $190.4 million in FY 2016-17.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and year-end balance are shown in Table 14. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 9 on page 26. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is still subject to TABOR and is included in the revenue estimates for other cash funds in Table 9.

In FY 2013-14, the UI Trust Fund will end the year with a balance of $599.1 million, a 9.6 percent increase from the previous year. Employer contributions totaled $705.9 million, up 10.7 percent from the previous fiscal year, while the amount of benefits paid from the fund declined by 6.3 percent. An increase in the chargeable wage base and fewer layoffs contributed to the improvement in the balance. State law requires the chargeable wage base to increase annually by the percentage change in

average weekly earnings. In 2014, the chargeable wage base for each employee increased by $400 to $11,700.

An improving economy will continue to support the UI Trust Fund through the forecast period. The UI Trust Fund ending balance will total $624.3 million in FY 2014-15, and close at just over $700 million by FY 2016-17. Because of the higher year-end balances, the amount of revenue received from employers will begin to slightly decline starting in FY 2014-15. The amount an employer pays to the fund is dependent on the solvency of the fund. As the solvency of the fund improves, employers shift to lower premium rate schedules. On average, premium revenue to the fund is expected to decline by 3.7 percent each year from FY 2013-14 to FY 2016-17. Over the same period, the amount of benefits paid from the fund will decrease by an annual average rate of 4.0 percent.

Principal Repayment of UI Bonds. In order to restore the UI Trust 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 Trust Fund had paid all remaining federal debt. The terms of finance are five years at 1.4 percent total annual interest. Through 2017, there will be two interest payments per year. There will also be five principal repayments of approximately $125 million each, due May 15 every year from 2013 through 2017. The principal will be repaid through a bond principal surcharge assessed against employers and incorporated into their base UI premium rate beginning in 2013.

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

	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17	FY 13-14 to FY 16-17 CAAGR*
Beginning Balance	$546.8	$599.1	$624.3	$670.1	
Plus Income Received					
UI Premium & Premium Surcharge /A	$705.9	$639.4	$637.3	$630.6	-3.7%
Interest	$13.7	$14.0	$14.1	$14.5	
Total Revenues	**$719.6**	**$653.4**	**$651.4**	**$645.1**	-3.6%
% Change	-3.9%	-8.7%	-0.3%	-1.0%	
Less Benefits Paid	($534.8)	($503.1)	($480.7)	($473.8)	-4.0%
% Change	-6.3%	-5.9%	-4.5%	-1.4%	
UI Bonds Principal Repayment	($125.0)	($125.0)	($125.0)	($125.0)	
Accounting Adjustment	($7.6)	$0.0	$0.0	$0.0	
Ending Balance	**$599.1**	**$624.3**	**$670.1**	**$716.3**	6.1%
Solvency Ratio /B					
Fund Balance as a Percent of Total Annual Private Wages	0.63%	0.74%	0.86%	0.86%	

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

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

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

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

NATIONAL ECONOMY

The economy will continue to strengthen throughout the forecast period as it builds on the progress that has been made in the past several years. The momentum is strong enough that the economy has rebounded from a first quarter contraction and the labor market has begun to slowly improve. Most sectors of the economy are adding jobs and the unemployment rate is falling. The number of people leaving the labor force continues to climb, but much of this appears to be for structural rather than cyclical reasons. As slack in the labor force gradually wanes, upward pressure on wages will help the economy build momentum.

The Federal Reserve has noted the improvement in the labor market, suggesting that they will continue to tighten monetary policy. Business activity, corporate profits and proprietors' income continue to show improvement. Manufacturing and construction have both improved since the recession and are expected to grow throughout the forecast period. Growth in the U.S. economy is helping to boost global economic growth and investors are beginning to move money into safer investments in advanced economies. Expectations for the national economy are summarized in Table 15 on page 50.

Gross Domestic Product

The nation's gross domestic product (GDP), the broadest measure of total economic activity, increased 1.1 percent during the first half of 2014 on an annualized basis after growing 2.2 percent in 2013. GDP fell 2.1 percent in the first quarter as a result of one-time events, including severe winter weather that affected construction, business activity, and consumer spending; a large trade deficit, and a decrease in inventory accumulation that was essentially a payback for unusually large inventory accumulations in 2013. These events were resolved by the second quarter, when GDP increased 4.2 percent on an annualized basis.

Figure 8 shows annualized quarterly growth in GDP and contributions by sector to GDP growth since 2007. Private business investment contributed 2.6 percentage points to GDP growth in the second quarter making up for part of the decline in investment during the first quarter. Personal consumption expenditures have increased for 18 consecutive quarters, and contributed 1.7 percentage points to GDP growth in the second quarter.

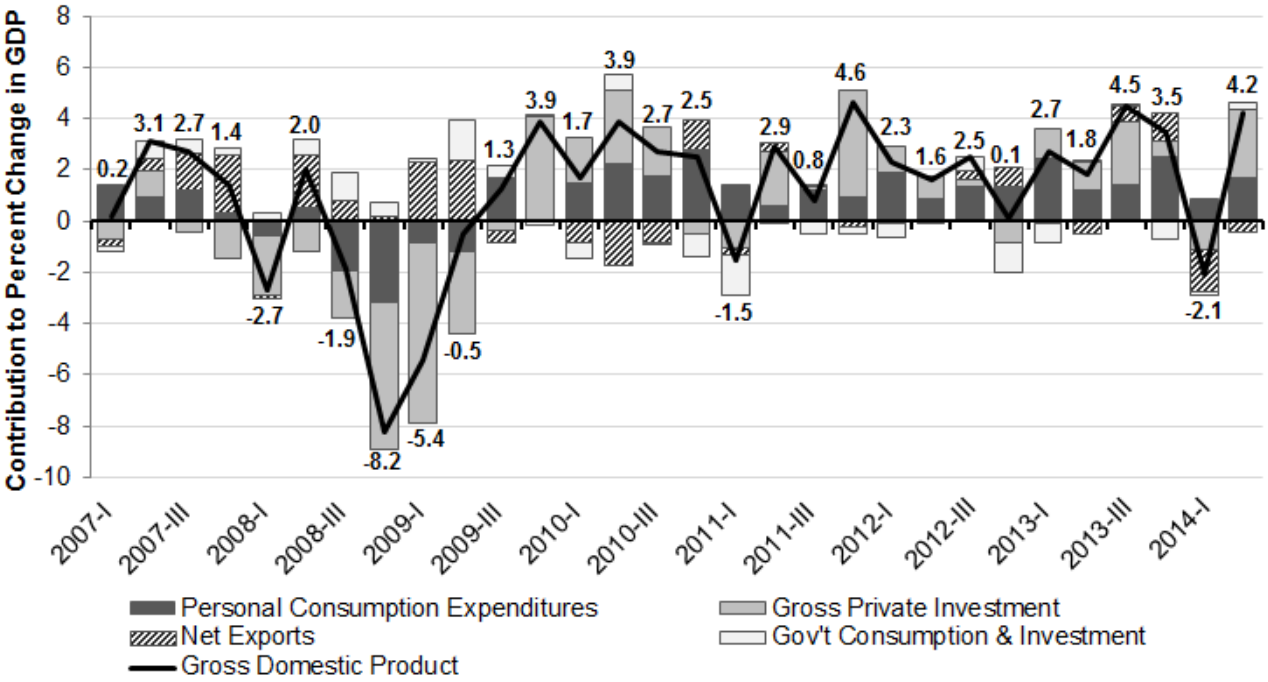
- The nation's economy will rebound from a disappointing start to 2014 with sustained growth through the forecast period. GDP will increase 2.2 percent and 2.8 percent, respectively, in 2014 and 2015. Growth will be driven by household consumption and business investment.

Monetary Policy and Inflation

As the economy continues to improve, the Federal Reserve is expected to continue using monetary policy to tighten the money supply. The Federal Reserve has held the effective federal funds rate, the rate at which banks lend money to each other overnight, close to zero since late 2008. Previously, the Federal Open Market Committee (FOMC) had indicated that it would raise the target federal funds rate when the unemployment rate fell below 6.5 percent. The FOMC has moved away from that target, but has indicated that the health of the labor market will have significant bearing on monetary policy.

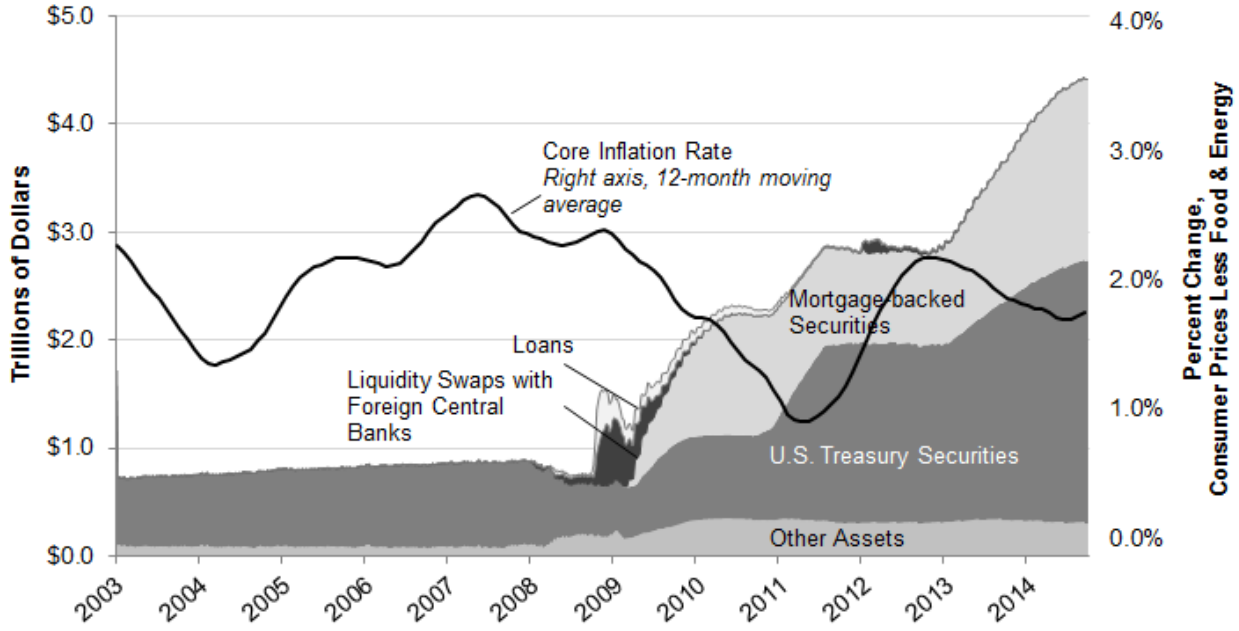
Over the last five years, the Federal Reserve has expanded the assets on its balance sheet to support the nation's recovery. Figure 9 shows the Federal Reserve's asset portfolio. The Federal Reserve is currently

Figure 8
Contributions to Gross Domestic Product
Inflation-adjusted, Seasonally Adjusted Annual Rates



Source: Bureau of Economic Analysis.

Figure 9
Federal Reserve Assets and Inflationary Pressure



Source: Federal Reserve Assets: Federal Open Market Committee, nominal data through September 3, 2014.
Source, Consumer Price Index: Bureau of Labor Statistics, data through June 2014.

purchasing $15 billion in bonds each month, down from $85 billion per month in late 2013. By investing in longer-term securities, the Federal Reserve is trying to hold down longer-term interest rates and support the mortgage markets. The FOMC has used these policies to support the broader economy and maintain economic growth, but they are withdrawing that support as the economy strengthens. At the current pace, the Federal Reserve will stop purchasing bonds by the end of this year.

While the FOMC is trying to make progress towards full employment, they also have to keep prices stable. As long as the nation's inflation rate remains below 2 percent, the Federal Reserve will have more flexibility as it tapers asset purchases and looks toward raising interest rates. A twelve-month moving average of the core inflation rate, or the change in prices excluding volatile food and energy, is also plotted in Figure 9. Between January and July 2014, both core inflation and the full index have increased 1.8 percent from year-ago levels.

- A gradually tightening labor market will begin to slowly put upward pressure on prices. As the recovery continues, the Federal Reserve will tighten monetary policy, keeping inflation in check throughout the forecast period. Consumer prices will increase 1.8 percent in 2014 and 2.2 percent in 2015.

Labor Market

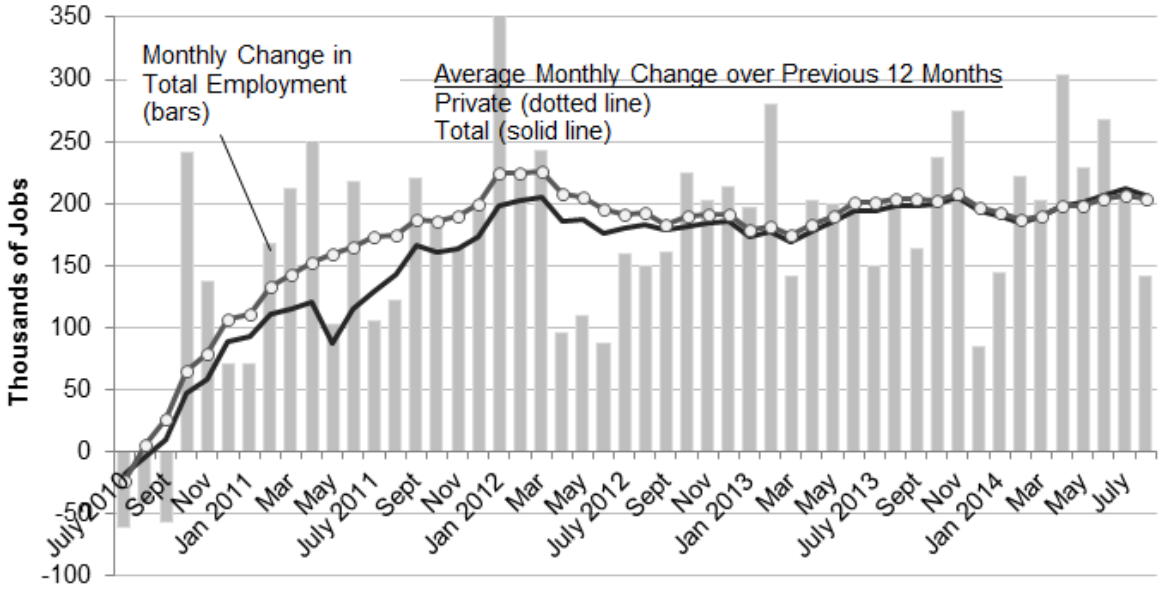
The labor market is improving, with continued job gains and a falling unemployment rate. Since the end of the recession in June 2009, the economy has added 9.7 million jobs, regaining all of the jobs that were lost. The unemployment rate was 6.1 percent in August, down from a peak of 10.0 percent in October 2009. While job gains have helped push down the unemployment rate, the decrease was also driven by an increase in the number of people who have left the labor force. Many economists expected these people to re-enter the labor market, thus pushing the unemployment rate up temporarily as the economy improved. Recent data on labor force participation, however, suggest that an increasing number of these leavers do not want to work and will therefore not return to the labor force, indicating less slack in the labor market than previously thought.

After averaging 194,000 new jobs per month in 2013, the economy has added an average of 215,000 jobs per month in the first six months of 2014. The bars in Figure 10 show monthly changes in total nonfarm employment, while the lines represent the average monthly change over the previous 12-month period for the private sector and in total. Early in the recovery, government employment held back total employment growth, represented by the gap between the solid and the dotted line. This gap has disappeared since the middle of 2012 because state and local government finances have improved.

Job gains in 2014 have been broad based, as shown in Figure 11. While 15 sectors have added jobs, only three sectors have seen no growth or suffered losses: utilities, information, and the federal government. Professional and business services employment has gained, on average, 654,000 jobs through the first eight months of 2014 over the same period in 2013. In percentage terms, the fastest growth has been in temporary help services employment, which grew 8.6 percent; and mining and logging employment, which grew 4.8 percent.

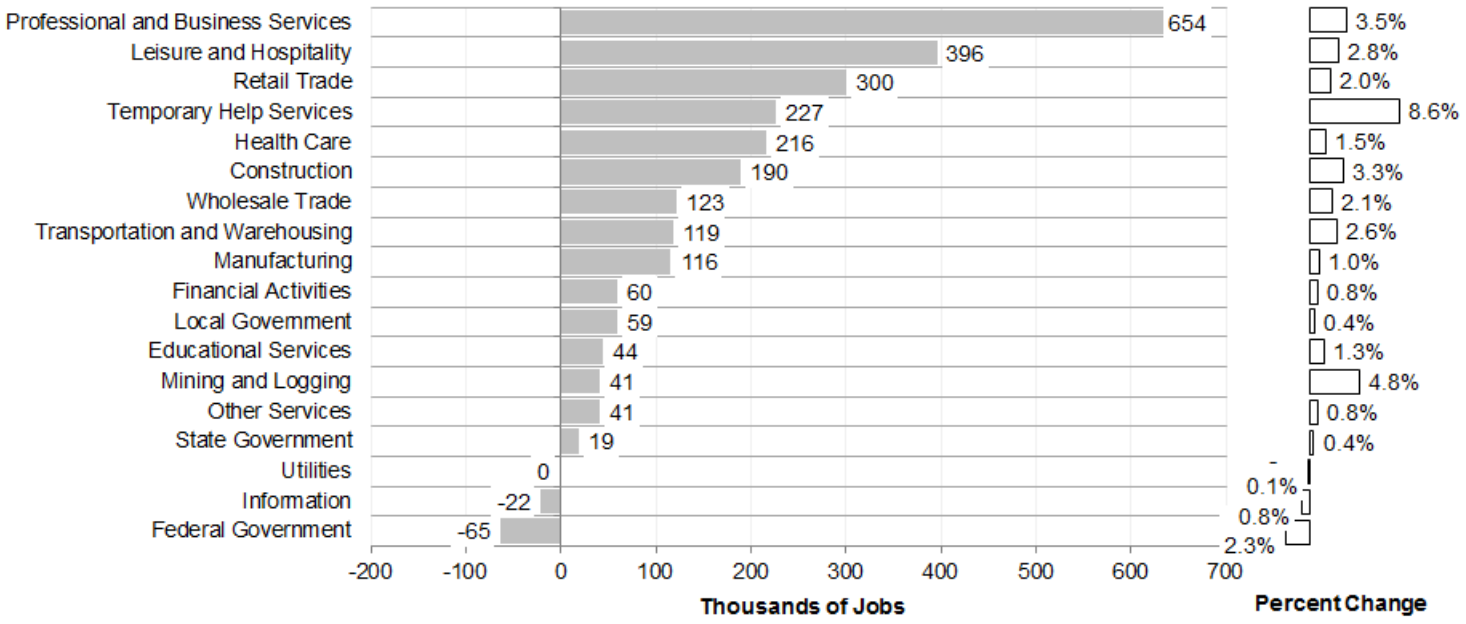
The steady increase in new jobs has helped bring the nation's unemployment rate down to 6.1 percent in August from a peak of 10.0 percent in October 2009. Figure 12 shows the unemployment rate and underemployment rate for Colorado and the nation since 1994. The underemployment rate, a broader measure of people who are looking for full time work, fell to 12.0 percent in August. The gap between the unemployment and the underemployment rates represents people working part-time for economic reasons and people who have become discouraged and given up looking for work.

Figure 10
Monthly Changes in Nonfarm Employment
Seasonally Adjusted



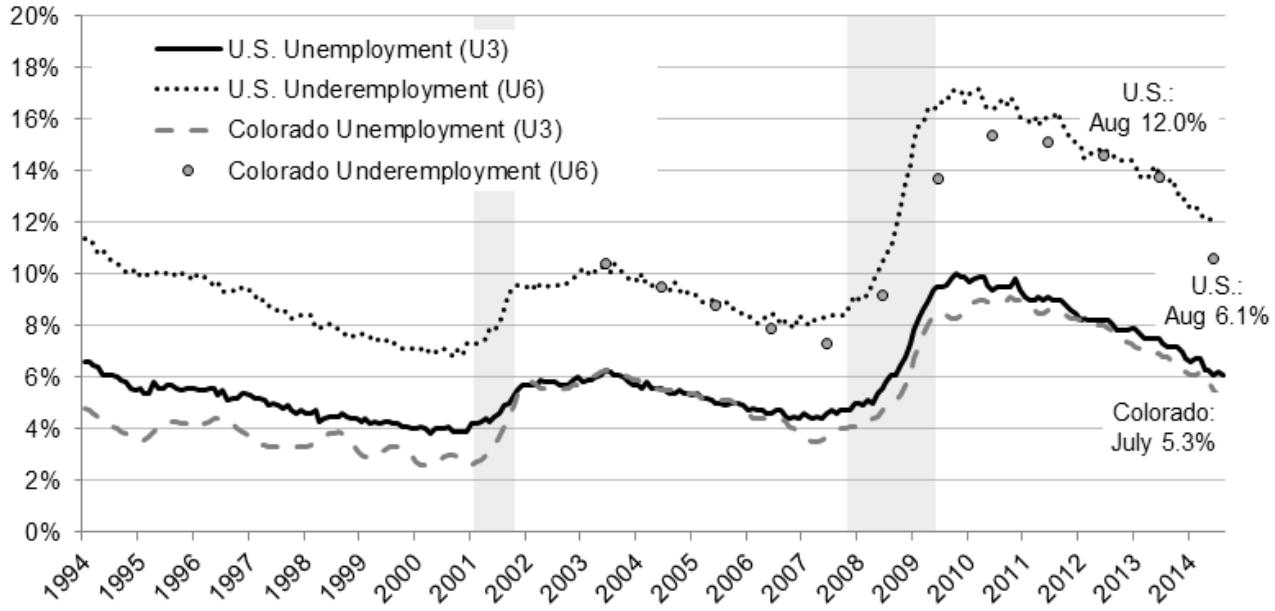
Source: Bureau of Labor Statistics, Current Employment Statistics. Data through August 2014.

Figure 11
U.S. Nonfarm Employment Gains/Losses in 2014
January to August 2014 Average over Year-Ago Levels



Source: Bureau of Labor Statistics, Current Employment Statistics. Data through August 2014.

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



Source: Bureau of Labor Statistics. National data through August 2014. Colorado data through July 2014. Shaded areas represent periods of recession.

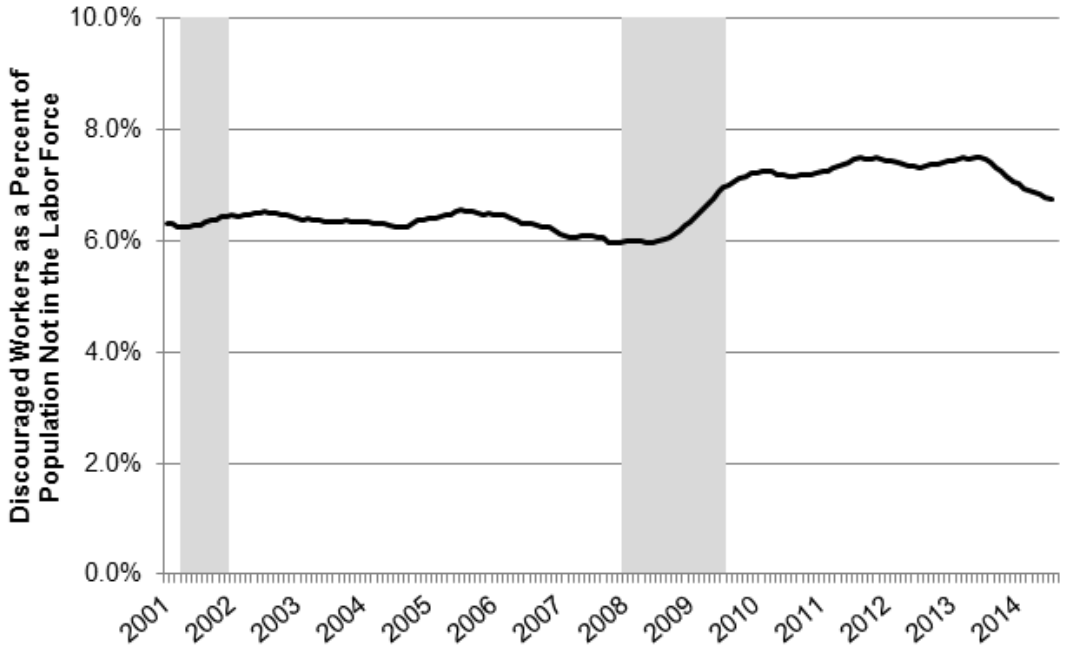
The gap has narrowed from 7.3 percent in September 2011 to 5.9 percent in August 2014, a further sign that the labor market has slowly begun to improve.

The unemployment rate also falls when the number of discouraged workers rises. Discouraged workers, or people that would like to work but have given up looking for a job, can be expected to re-enter the labor force as the economy improves. Figure 13 compares the number of discouraged workers to the total number of people that are not in the labor force. Between December 2007 and May 2013, both the number of discouraged workers and the total number of people not in the labor force were increasing. Since May 2013, the number of people not in the labor force increased 821,000 or 0.9 percent, while the number of discouraged workers has declined 569,000, or 7.9 percent. As the labor force absorbs discouraged workers, a larger share of people not participating in the labor market are retirees, students, and people who are taking care of family members and do not want to work. These people are not likely to re-enter the labor force and cause the unemployment rate to increase.

Figure 14 shows the median duration of unemployment between the fourth quarter of 2007 and the second quarter of 2014. In the second quarter of 2010, the median duration for unemployment peaked at 23.2 weeks. By the second quarter of 2014, the median time that the unemployed were without work had fallen to 14.6 weeks as people were able to find work more easily. In addition, the number of long term unemployed, those searching for work for 27 weeks or more, has consistently declined since the third quarter of 2011.

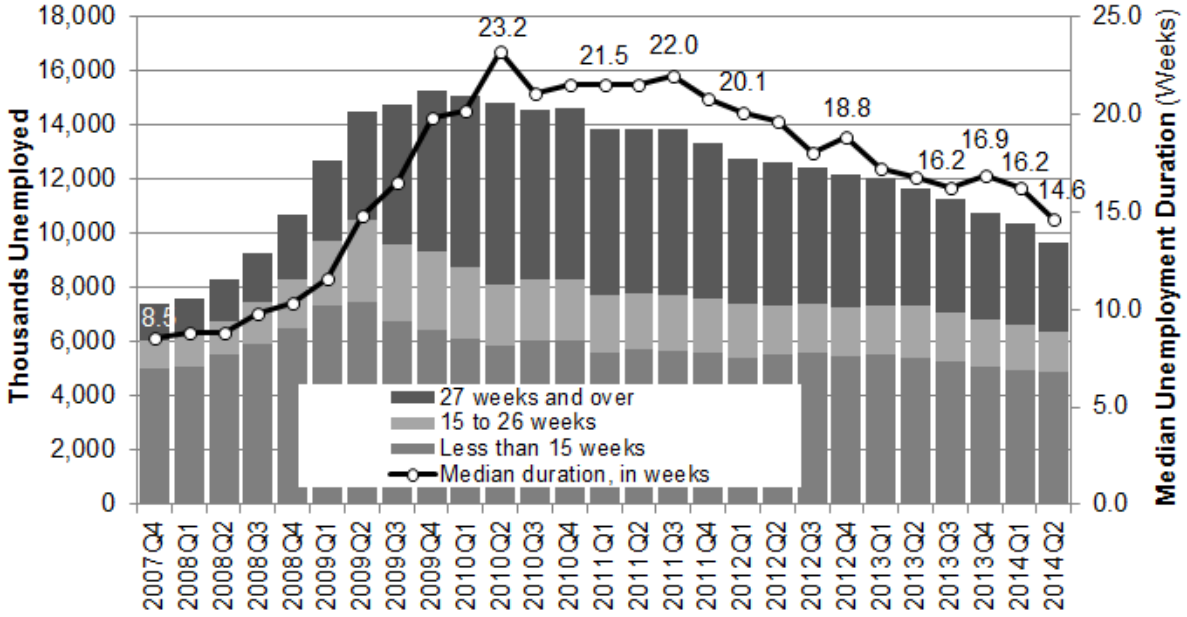
While there is still slack in the labor market, several signs point toward a gradual tightening. Broad-based job growth, indications that many of those who have left the labor force in recent years did so for

Figure 13
Discouraged Workers as a Percentage of the Population Not Participating in the Labor Force
12-Month Moving Average



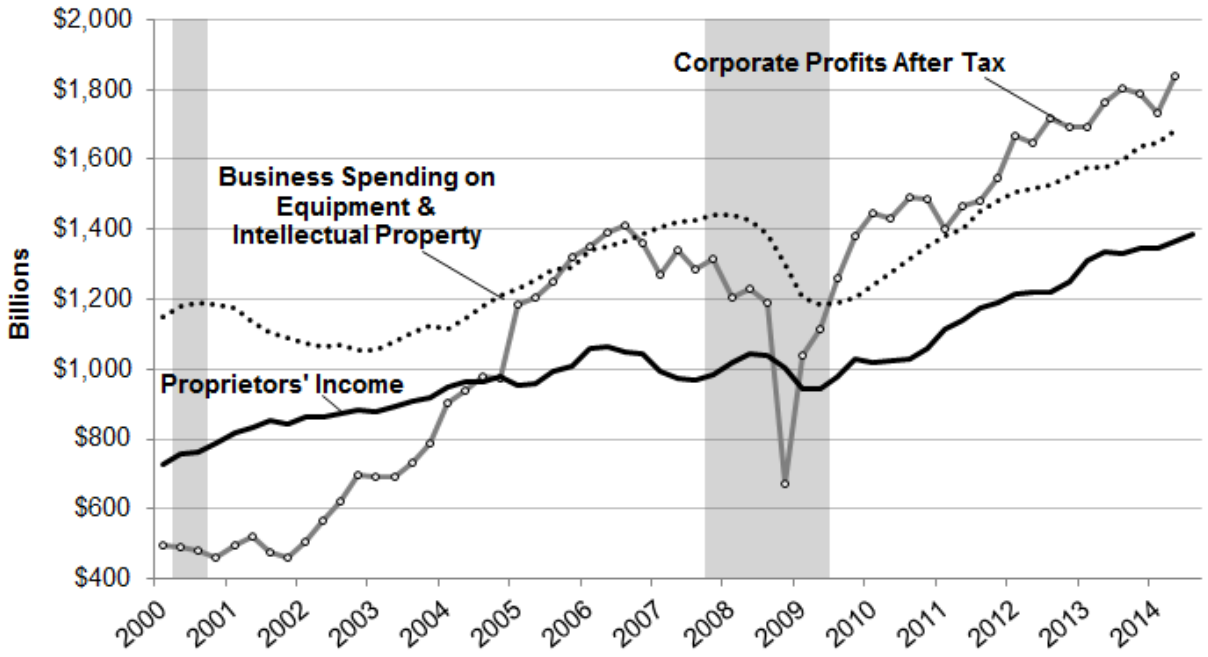
Source: Bureau of Labor Statistics. Data through July 2014.

Figure 14
Duration of Employment
Seasonally Adjusted



Source: Bureau of Labor Statistics, Current Population Statistics. Data through the second quarter of 2014.

Figure 15
Business Income and Spending
Seasonally Adjusted Annualized Data



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

demographic rather than economic reasons, and a falling duration of long-term unemployment all point to a gradual renewal in labor market strength.

- Employment growth in the first half of 2014 indicates employers have confidence that the economy will continue to improve. Nonfarm employment is expected to grow 1.8 percent in 2014 and 2.1 percent in 2015.

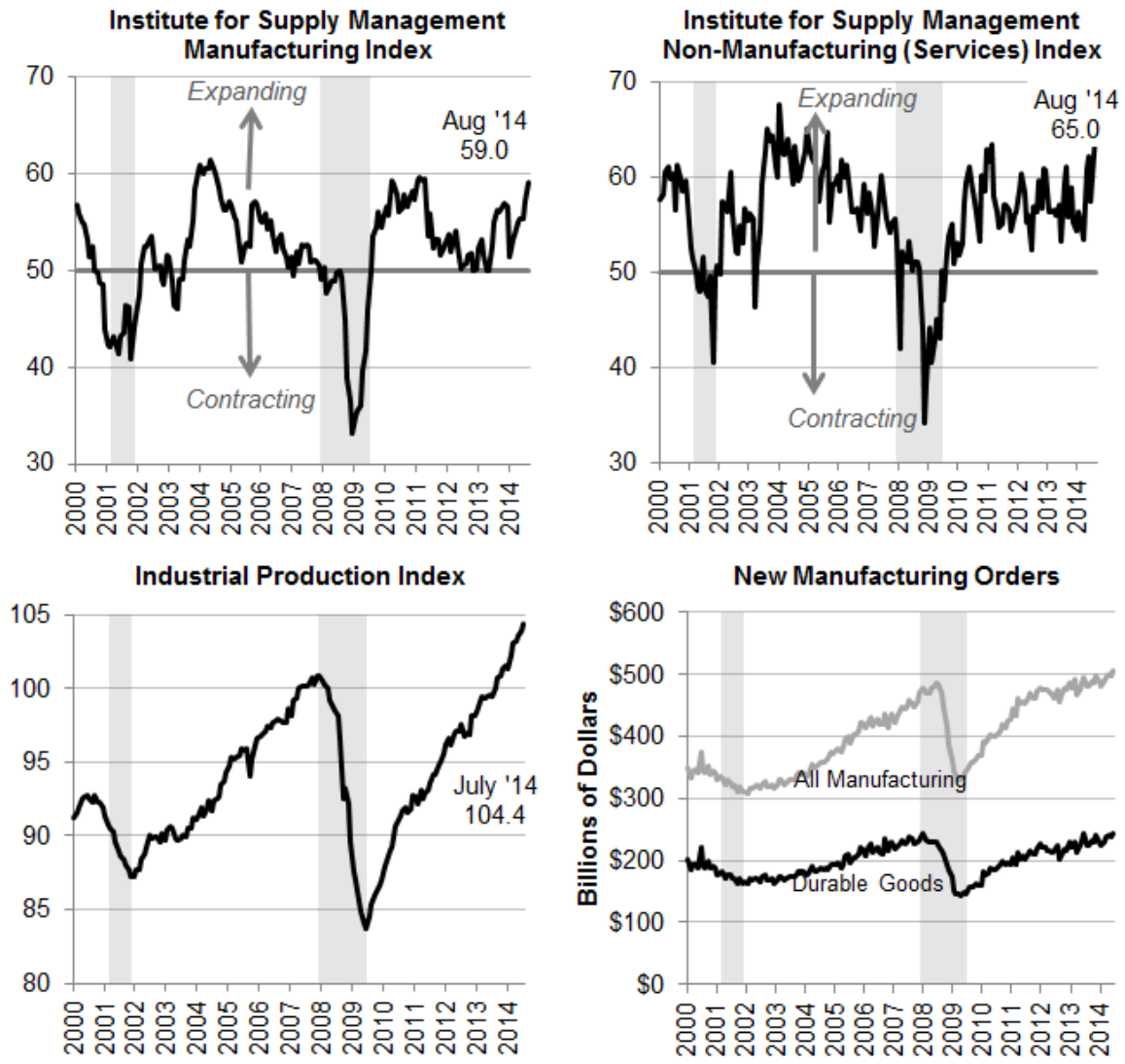
- With continued job growth, the unemployment rate will average 6.2 percent in 2014 and 5.7 percent in 2015.

Business Income and Activity

Businesses are doing well in this recovery. As shown in Figure 15, corporate profits after taxes; proprietors' income; and business spending on equipment and intellectual property are at all-time highs. Through the second quarter of 2014, business spending on equipment and intellectual property was 5.6 percent higher than during the same period in 2013, while corporate profits after taxes and proprietors' income grew 3.5 percent and 2.6 percent respectively.

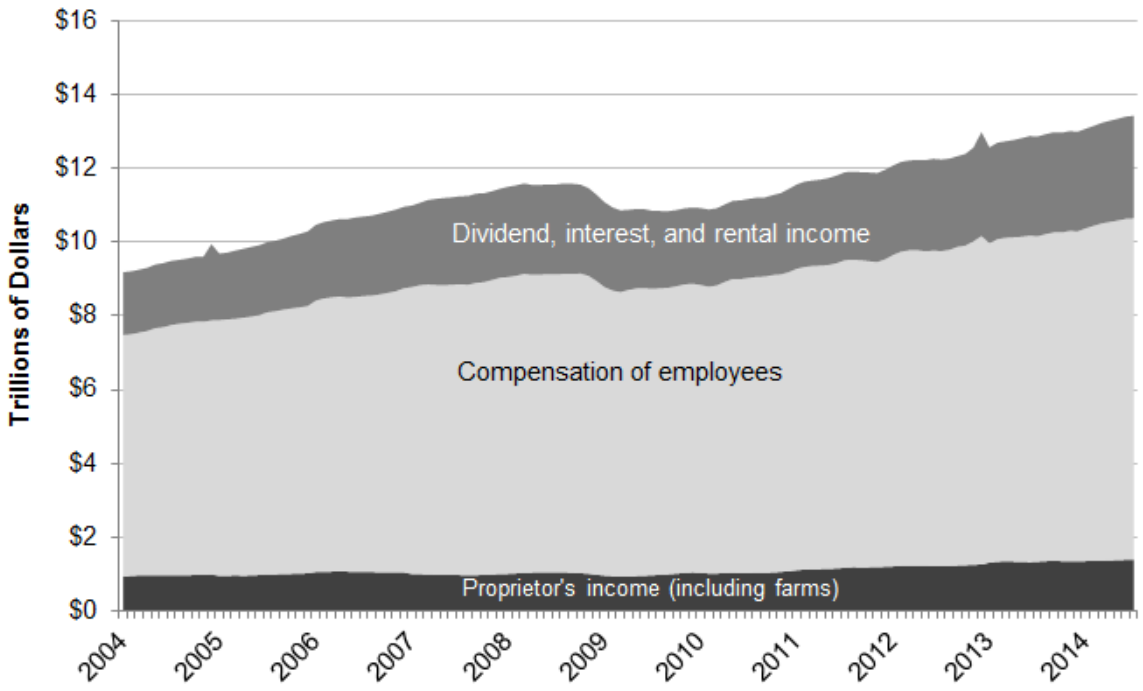
Another measure of business health is manufacturing activity. Figure 16 shows four measures of manufacturing activity, including the Institute for Supply Management's (ISM) indices for manufacturing and non-manufacturing activity, the Federal Reserve's industrial production index, and new orders from manufacturers. For the two ISM indices, a value over 50 represents expansion and a value below 50 represents contraction. All four measures show expanded manufacturing activity since the middle of 2009. Those trends are expected to continue as the economy continues to improve through the forecast period.

Figure 16
Indicators of Business Activity
Seasonally Adjusted



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

Figure 17
Major Components of U.S. Personal Income



Source: Bureau of Economic Analysis. Data through July 2014. Compensation of employees includes wages, salaries, and supplements to wages and salaries.

Households and Consumers

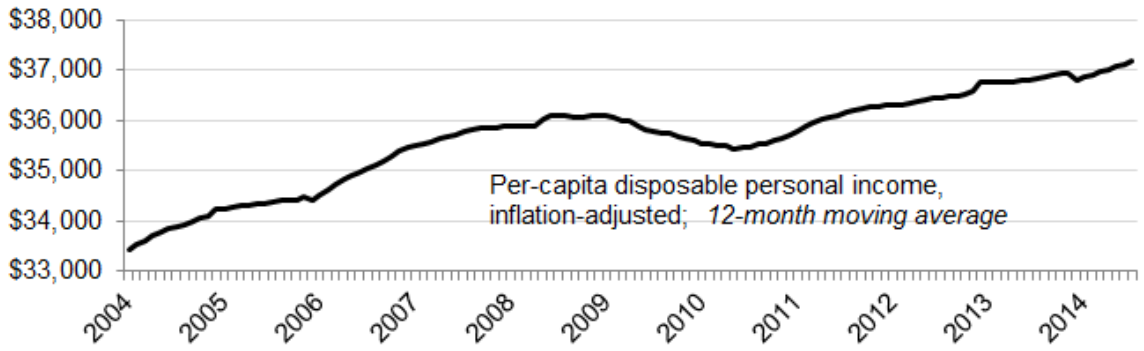
As the economy improves, households and consumers are seeing growth in personal income, which in turn allows increased consumption. After growing 3.1 percent in 2013 on a year-over-year basis, personal income grew 3.9 percent in the first half of 2014 over the same period last year. As shown in Figure 17, all major components of personal income have increased since 2010. The largest component of personal income, employee compensation, grew 2.7 percent in the first half of 2014.

Figure 18 shows per capita disposable income adjusted for inflation. This measure has not risen as quickly as total personal income, rising only 5.4 percent since its post-recession low in May 2010. Inflation-adjusted per capita income has increased 0.7 percent in the first seven months of 2014 compared with the same period in 2013.

Slow growth in inflation-adjusted personal income tends to dampen growth in household consumption and retail sales, and these measures have been sluggish. Personal consumption expenditures, a measure of consumer spending on goods and services, have increased 2.9 percent in the first two months of 2014 compared with the same period in 2013. Retail sales, a narrower measure of consumption, increased 3.6 percent through the first half of 2014 compared with the first half of 2013. The largest growth occurred in sales of motor vehicle and auto part dealers, which grew 7.8 percent. Excluding motor vehicles and parts, retail sales grew a more modest 2.6 percent nationally.

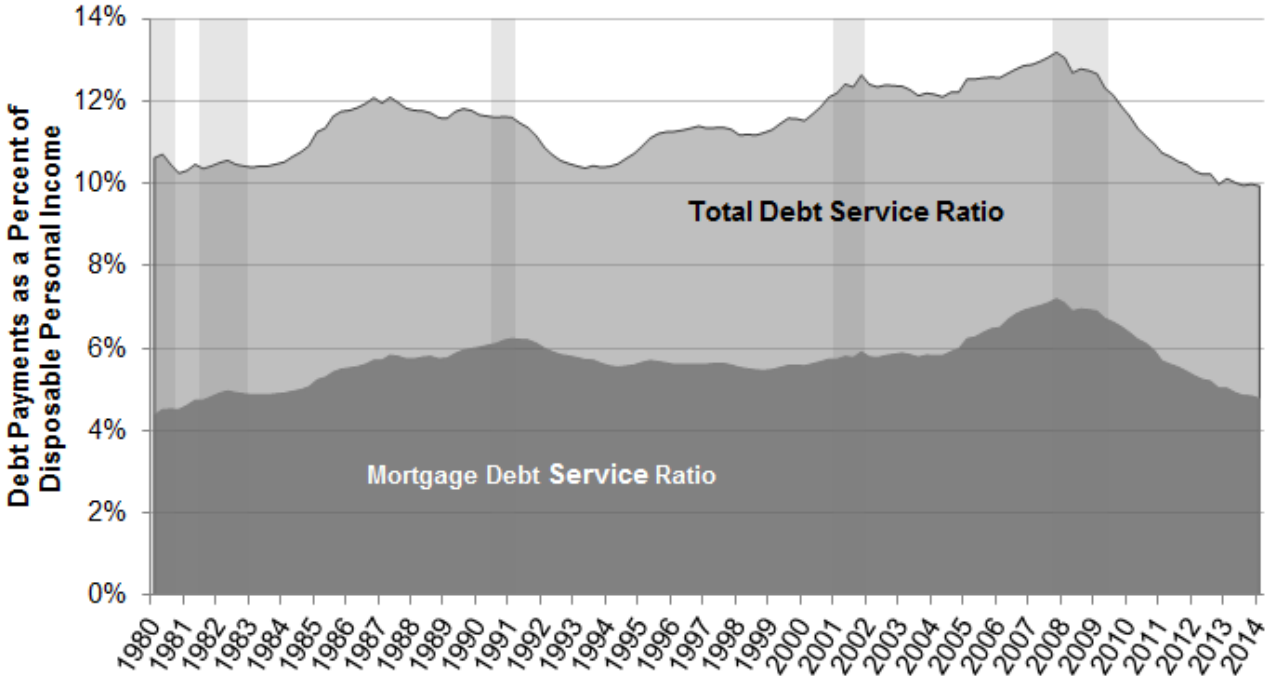
One reason that personal consumption has not grown as fast as personal income is that households have paid off debt. Figure 19 tracks household debt service obligations as a percentage of disposable personal income

Figure 18
Inflation-Adjusted Per Capita Personal Income



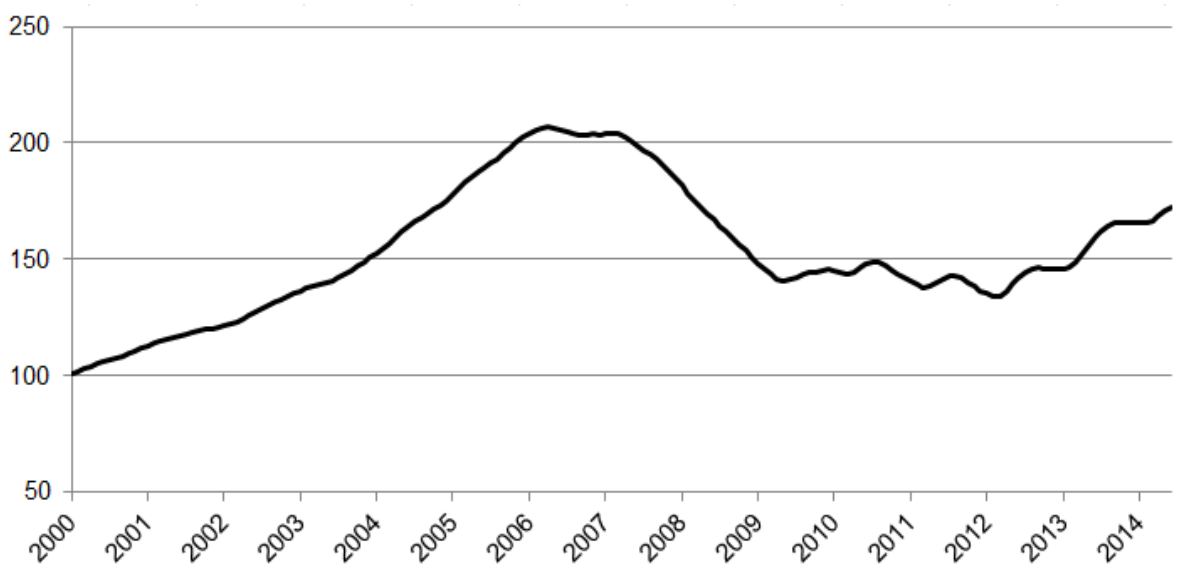
Source: Bureau of Economic analysis. Data through July 2014.

Figure 19
Household Debt Payments as a Percentage of Disposable Personal Income



Source: Federal Reserve. Data through the first quarter of 2014. Shaded areas represent periods of recession.

Figure 20
Case-Shiller 20 City Composite Home Price Index



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

since 1980. In the first quarter of 2014 total debt service was 9.9 percent of disposable personal income, the first time that total debt service has been below 10.0 percent since 1980. Prior recoveries were aided by households taking on more debt to increase consumption, but households have either been unable or more hesitant to take on debt obligations during this recovery.

- Personal income is expected to increase 4.4 percent in 2014 and 5.0 percent in 2015. Rent, dividends and interest are expected to increase as the economy improves.

- The tightening labor market will put upward pressure on wages and salaries, which are expected to increase 4.8 percent in 2014 and 5.5 percent in 2015.

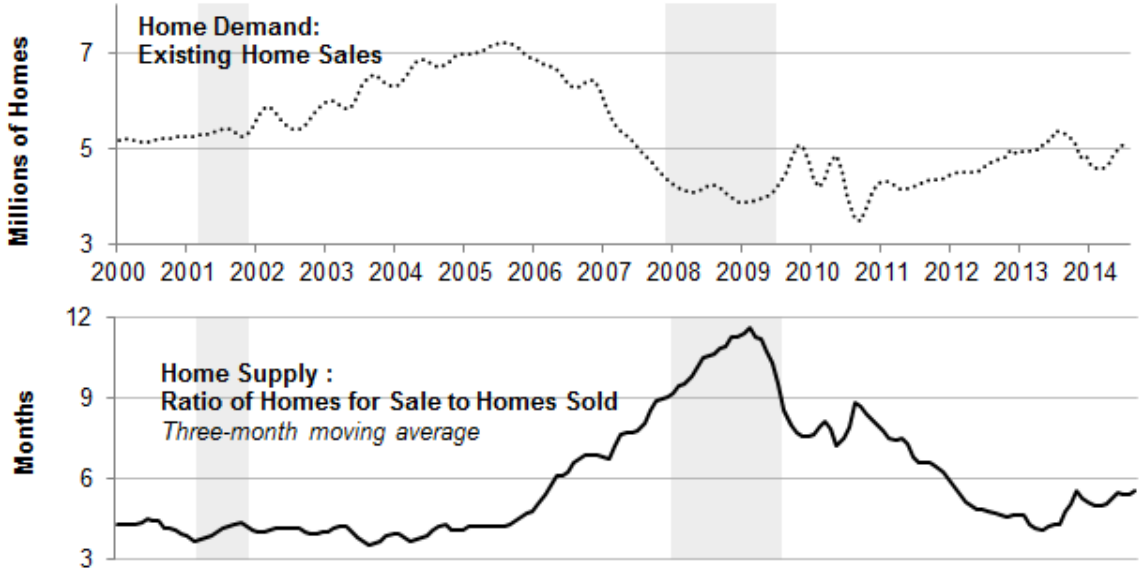
Housing Market and Construction

Overall, the nation's housing market has begun to recover following the housing bubble, although progress has been uneven across the nation. Existing home prices are rising and there are more housing units under construction. Low mortgage interest rates are helping support home sales and the housing supply is starting to normalize.

Figure 20 tracks the 20--city composite Case-Shiller index for home prices since 2000. Compared with the same month the previous year, prices have increased continuously since June 2012. Home price appreciation slowed in August 2013 before accelerating in March 2014.

Figure 21 compares existing home sales with the number of months it would take for all the homes on the market to sell given recent sales activity. In the first seven months of 2014, an average of 38,000 homes were sold each month, a decrease of 7.5 percent from the same period in 2013. During the recession, there were enough homes for sale to meet nearly 12 months of demand; this number has declined to 5.6 months.

Figure 21
Housing Inventory and Home Sales
Three-Month Moving Average



Source:, existing home sales: National Association of Realtors. Source, home supply ratio: U.S. Census Bureau. Data through July 2014. shaded areas represent periods of recession.

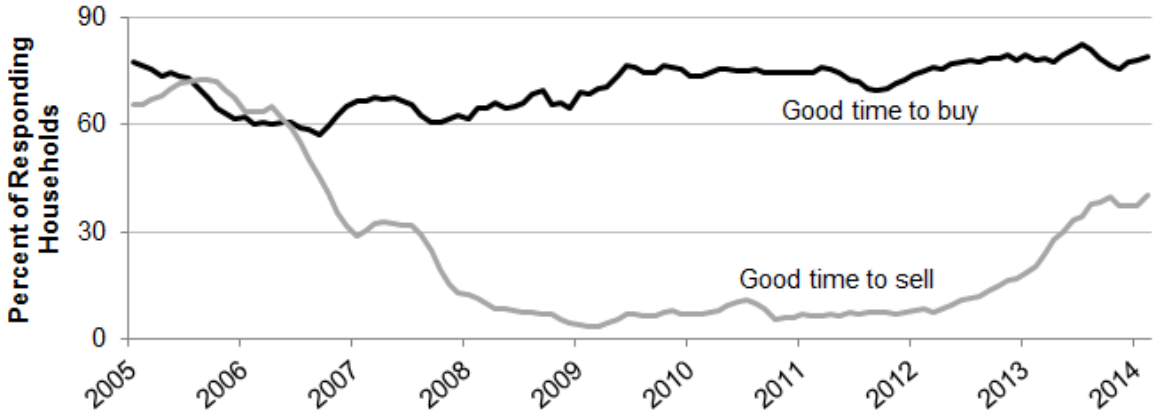
Perceptions of the housing market can have a significant impact on the number of future home sales. Figure 22 shows the percentage of consumers that think it is a good time to buy and sell a home. The perception that it is a good time to buy a home has been fairly consistent since 2005, although the reasons for that perception may have changed. Earlier, homes were viewed as a safe investment, while later it was because home prices had declined. The percent of households that felt it was a seller's market clearly fell between 2006 and 2009, and has only begun to rebound since 2012.

As the housing market improves, housing construction will also increase. Residential construction permits between 1993 and 2014 are shown in Figure 23. There were 2.3 percent fewer single-unit construction permits issued in the first seven months of 2014 compared with the same period in the previous year. Part of the decline is due to severe winter weather in many parts of the country early in the year. Labor shortages are also believed to be slowing construction activity, as many construction workers found different occupations during the recession.

Multi-family permits are also shown in Figure 23. In the first seven months of 2014, construction of multi-family homes increased 12.6 percent and is approaching pre-recession levels. Multi-family residential construction is expected to continue to increase throughout the next several years to meet the housing needs of households that are hesitant or unable to own homes.

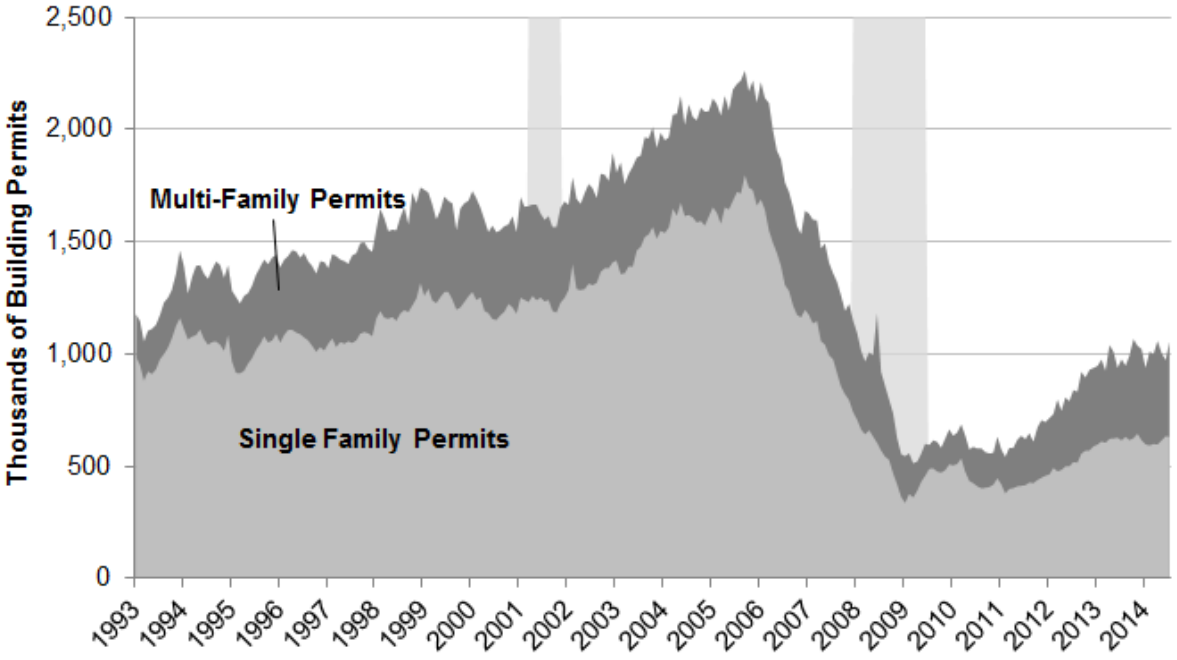
While private nonresidential construction did not decline to the same extent as residential construction, it has also rebounded with the economy. Figure 24 shows the value of private nonresidential construction spending by type of project. Nonresidential construction has increased 13.7 percent year-to-date, with construction of office buildings and power projects each more than 24.7 percent above last year's levels. As shown in Figure 15 on page 21, firms have

Figure 22
Share of Respondents who Believe it is a Good Time to Buy or Sell a House
Three-Month Moving Average



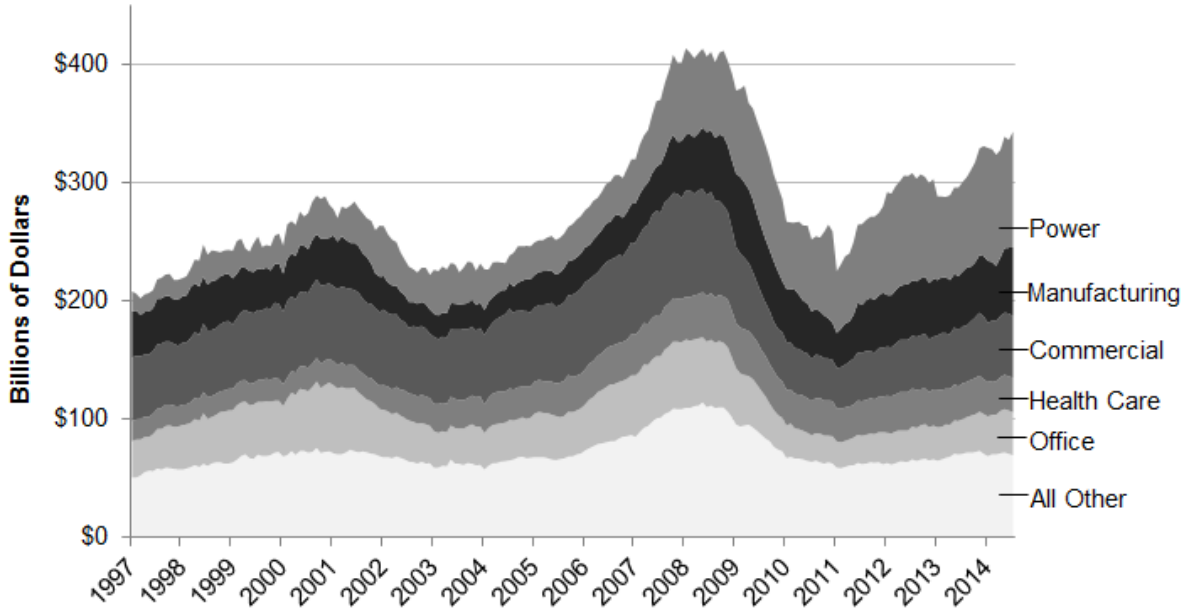
Source: Thomas Reuters/University of Michigan Consumer Surveys. Data through February 2014.

Figure 23
Residential Construction Permits
Seasonally Adjusted Annual Rate



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

Figure 24
Private Nonresidential Construction Spending
Seasonally Adjusted Annual Rate



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

more cash to spend on construction and lending standards for investment in industrial and commercial real estate have been loosened substantially.

Global Conditions

The global economy has been boosted by strength in the U.S. economy and has been able to weather geo-political events in Ukraine and the Middle East. Investors are beginning to move money into the advanced economies as the European economy finally shows some signs of expansion. After growing 3.0 percent in 2013, the International Monetary Fund (IMF) forecasts global output growth will be 3.4 percent in 2014 and 4.0 percent in 2015. The World Bank expects slightly slower global growth of 2.8 percent in 2014 and 3.4 percent in 2015.

More than half of global output growth is attributable to *emerging market economies*, including those in Asia and Latin America. However, this share is decreasing. This year will be the third straight year of emerging market growth below 5.0 percent, as investors relocate their portfolios to capitalize on safer investments in the United States and Europe. Policymakers in China, the world's largest emerging market, have acted to rein in credit growth and diffuse a real estate bubble, resulting in lower Chinese demand for both domestic and foreign products.

Annual growth forecasts for the *advanced economies* have been revised downward following a disappointing first quarter in the United States. Nevertheless, economic performance is expected to pick up in both the United States and Europe over the next two years. Investor confidence remains comparatively high in the advanced economies, motivated in part by geopolitical risks elsewhere. Problems caused by the Great Recession persist outside of the United States. The European Central Bank reports that Europe's unemployment rate has fallen to 11.5 percent, down just 0.3 percentage points

from the end of 2013. Japan's economy, meanwhile, will likely grow more slowly in 2015 as its stimulus program comes to a close.

Summary

Economic activity is expected to continue to grow throughout 2014 and 2015, despite a stumble in the first quarter of 2014. The first-quarter decline was largely attributable to unusually harsh weather and a response to a previous buildup in inventories. The labor market continues to improve with more jobs and fewer people looking for work. Personal income is on the rise and business activity has been increasing over the past several years. Overall, economic conditions have improved throughout 2014 and are expected to do so through the forecast period.

A gradually improving labor market will begin to put upward pressure on wages, giving households more money to save and spend. Healthier consumers will boost business activity fueling more growth in earnings and investments. Because of momentum in the economy, the Federal Reserve has indicated that they will stop purchasing assets to expand the money supply by the end of the year. This may dampen economic momentum if the taper occurs too quickly.

Risks to the Forecast

Upside risks. The economy was slowed by one-time events early in the year that led to strong growth in the second quarter of 2014. This forecast assumes that the strong growth in the second quarter is largely attributable to the economy making up for the decline and that the economy will grow near its trend rate throughout the year. If the strong growth is due to underlying strength in the general economy, rather than making up for the first quarter, the economy may grow faster than forecast.

Downside risks. There have been several periods during this recovery when the labor market seemed to be improving and then lost momentum. This forecast assumes that the economy will continue to build momentum and that the improvement in the labor market will translate into increases in wages and salaries. However the strength in the economy could dissipate as it did during prior periods in this recovery. In addition, the Federal Open Market Committee has signaled that the economy is strong enough to allow it to reduce its role in boosting growth. This will require balancing the need to maintain price stability and economic growth. If the Fed does not balance the taper correctly, there could be inflation or economic disruptions.

Expectations for the future also hinge on continued confidence among investors and the successful resolution of a growing number of geopolitical hazards. Russia's moratorium on food imports from the European Union has hurt firms there while benefitting exporters in Latin America, particularly Brazil. Conflicts in Iraq, Syria, and Ukraine threaten to trigger spikes in energy prices.

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

	2009	2010	2011	2012	2013	Forecast 2014	Forecast 2015	Forecast 2016
Inflation-adjusted GDP	$14,418.7	$ 14,783.8	$15,020.6	$15,369.2	$15,710.3	$16,055.9	$16,505.5	$16,984.2
percent change	-2.8%	2.5%	1.6%	2.3%	2.2%	2.2%	2.8%	2.9%
Nonagricultural Employment (millions)	131.2	130.3	131.8	134.1	136.4	138.8	141.7	145.0
percent change	-4.3%	-0.7%	1.2%	1.7%	1.7%	1.8%	2.1%	2.3%
Unemployment Rate	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.7%	5.4%
Personal Income	$12,087.5	$12,429.3	$13,202.0	$13,887.7	$14,166.9	$14,790.2	$15,529.8	$16,492.6
percent change	-2.8%	2.8%	6.2%	5.2%	2.0%	4.4%	5.0%	6.2%
Wage and Salary Income	$6,251.4	$6,377.5	$6,633.2	$6,932.1	$7,124.7	$7,466.7	$7,877.4	$8,357.9
percent change	-4.3%	2.0%	4.0%	4.5%	2.8%	4.8%	5.5%	6.1%
Inflation (Consumer Price Index)	-0.3%	1.6%	3.1%	2.1%	1.5%	1.8%	2.2%	2.4%

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

COLORADO ECONOMY

The state's economy continues to strengthen, with a tightening labor market and improving retail trade joining residential and nonresidential construction as reasons for optimism. Relative to the nation, Colorado has lower levels of unemployment and underemployment, a higher level of labor force participation, and higher median home prices, especially when measured as a percentage of pre-recession prices. This section identifies four recent indicators that suggest an even stronger expansion in Colorado: growth in the labor force, new jobs in construction, increased sales of cars and building materials, and a growing share of residential construction permits issued to builders of single-family homes.

Many of the improvements in Colorado's economy are concentrated in the Denver area and along the northern portion of the Front Range. Other regions have grown more slowly and are lagging behind. In Colorado Springs, Pueblo, Grand Junction, and rural areas of the state, average home prices remain below their pre-recession peaks. Agricultural production has been slower in some southern areas of the state, which still suffer from drought, than in the northern regions, where a wet winter generated above average snowmelt. Unemployment rates also differ across the state.

Expectations for the Colorado economy begin with additional improvement in the labor market. Accelerating job growth will spur new entries and reentries to the labor force, reducing slack while keeping the unemployment rate stable. Inflation will remain low pending monetary policy decisions at the federal level, and wages and salaries will grow at a pace consistent with changes in employment and inflation. Economic expansion will promote continued gains in the housing market. Table 16 on page 63 summarizes the Colorado economic forecast.

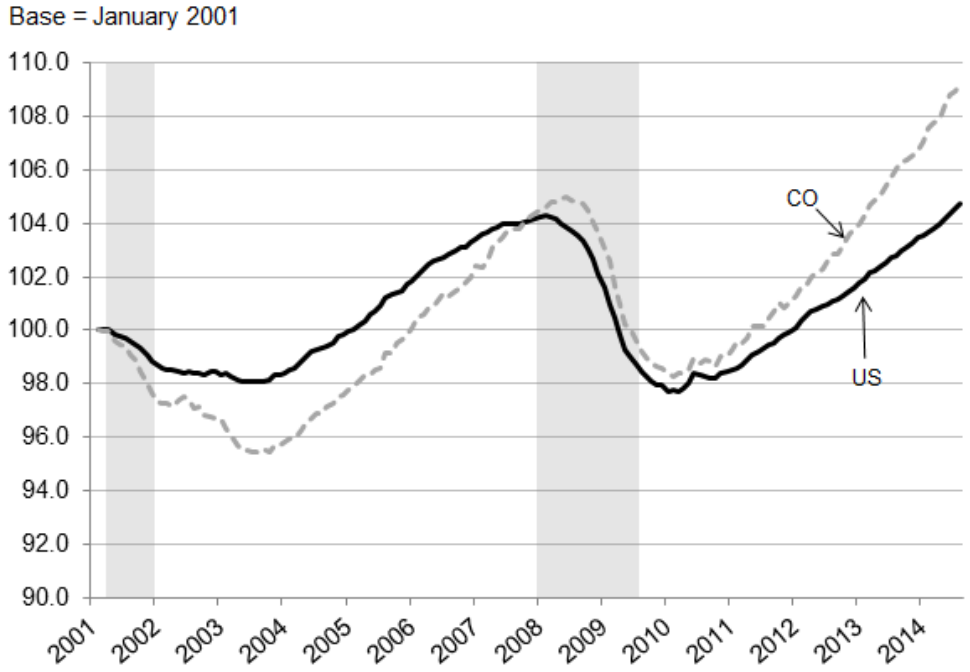
Colorado Labor Market

Colorado's labor market is improving. The state added an average of just over 6,800 jobs per month during the first seven months of 2014, and average employment was up 2.9 percent compared with the same period in 2013. Figure 25 compares Colorado's employment trend with the nation as a whole. As of July 2014, the total number of Colorado jobs had grown 11.1 percent since the post-recession low point in January 2010, compared with 7.2 percent for the nation. Healthy growth in state nonfarm employment, especially private nonfarm employment, is expected to continue through the forecast period.

In July, Colorado's unemployment rate fell to 5.3 percent. This is the lowest rate since the recession, though the state unemployment rate remains above its 5.0 percent average during the decade between 2000 and 2009. Figure 26 compares the Colorado and national unemployment rates since 1994.

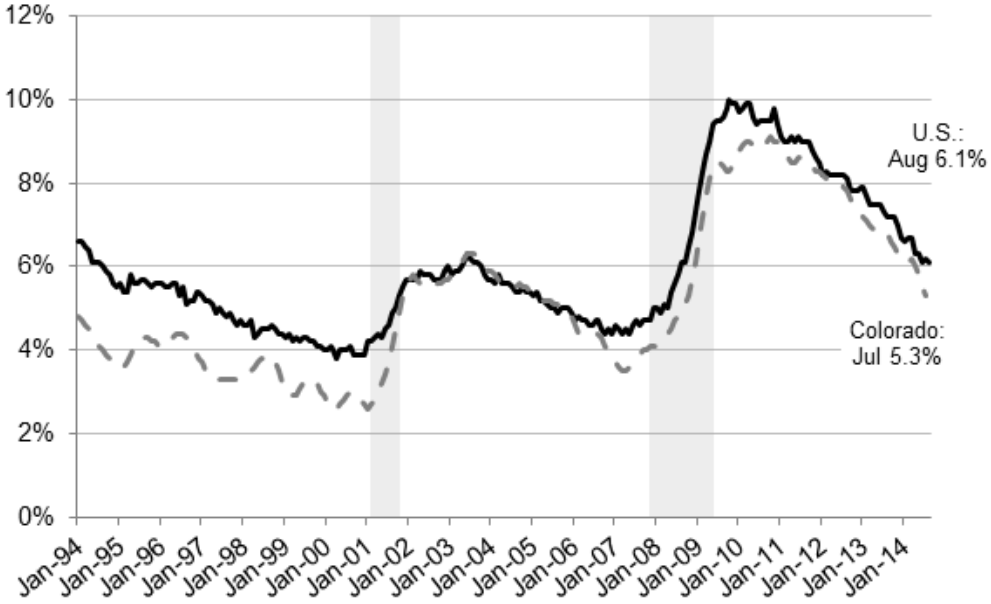
The Bureau of Labor Statistics' (BLS) primary unemployment rate considers people who do not have a job and who have sought one during the previous four weeks as unemployed. The BLS also publishes an underemployment rate, which measures the percentage of people who do not have a job but have sought one during the previous 12 months, and people working part time for economic reasons. Between July 2013 and June 2014, the state's underemployment rate averaged 10.9 percent, down from 13.8 percent a year earlier. The narrowing gap between the unemployment and underemployment rates indicates a healthier labor market with fewer discouraged workers and fewer people working part-time for

Figure 25
Employment in Colorado and the Nation Indexed to January 2001
Seasonally Adjusted Data



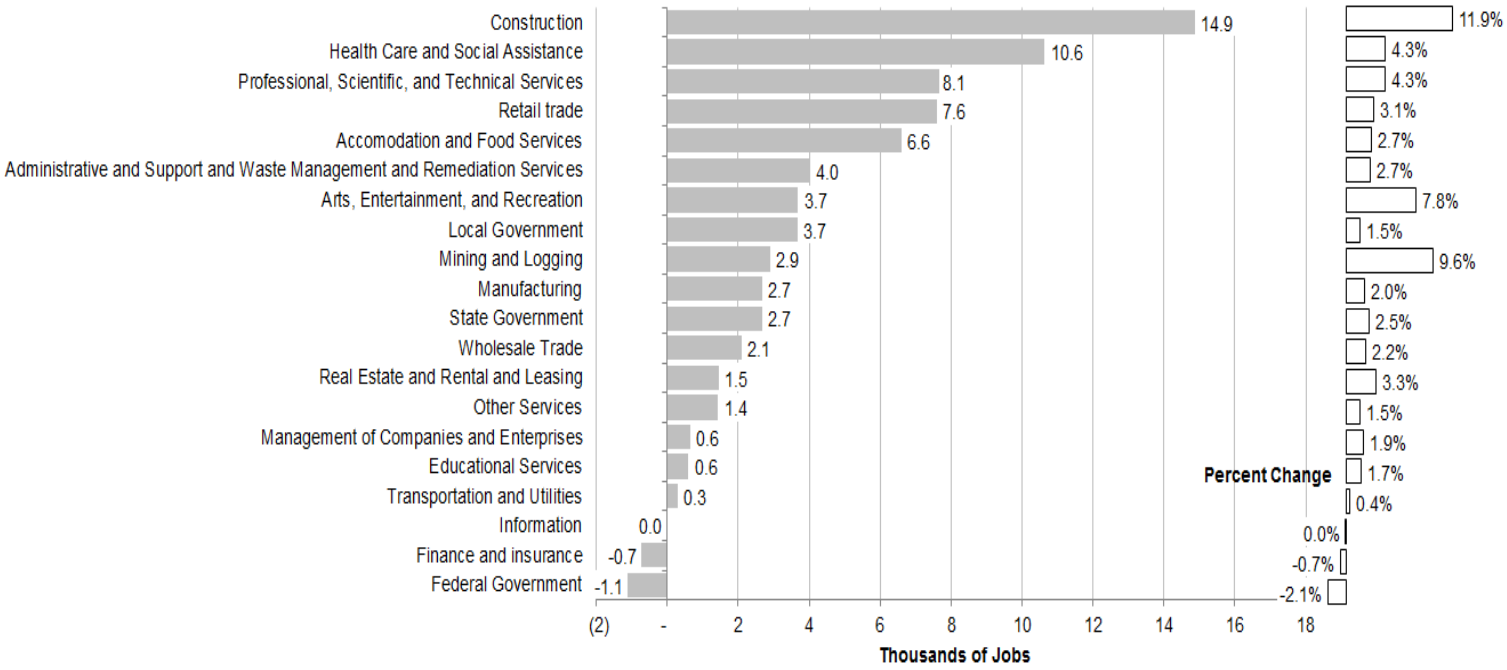
Source: U.S. Bureau of Labor Statistics, seasonally adjusted; U.S. data through August 2014; Colorado data through July 2014. Shaded areas indicate periods of recession nationally.

Figure 26
Unemployment Rates in Colorado and the Nation
Seasonally Adjusted Data



Source: U.S. Bureau of Labor Statistics, seasonally adjusted; U.S. data through August 2014; Colorado data through July 2014. Shaded areas indicate periods of recession nationally.

Figure 27
Change in Nonfarm Employment by Sector
Seasonally Adjusted Data, Change from January-July 2013 to January-July 2014



Source: U.S. Bureau of Labor Statistics, seasonally adjusted; data through July 2014.

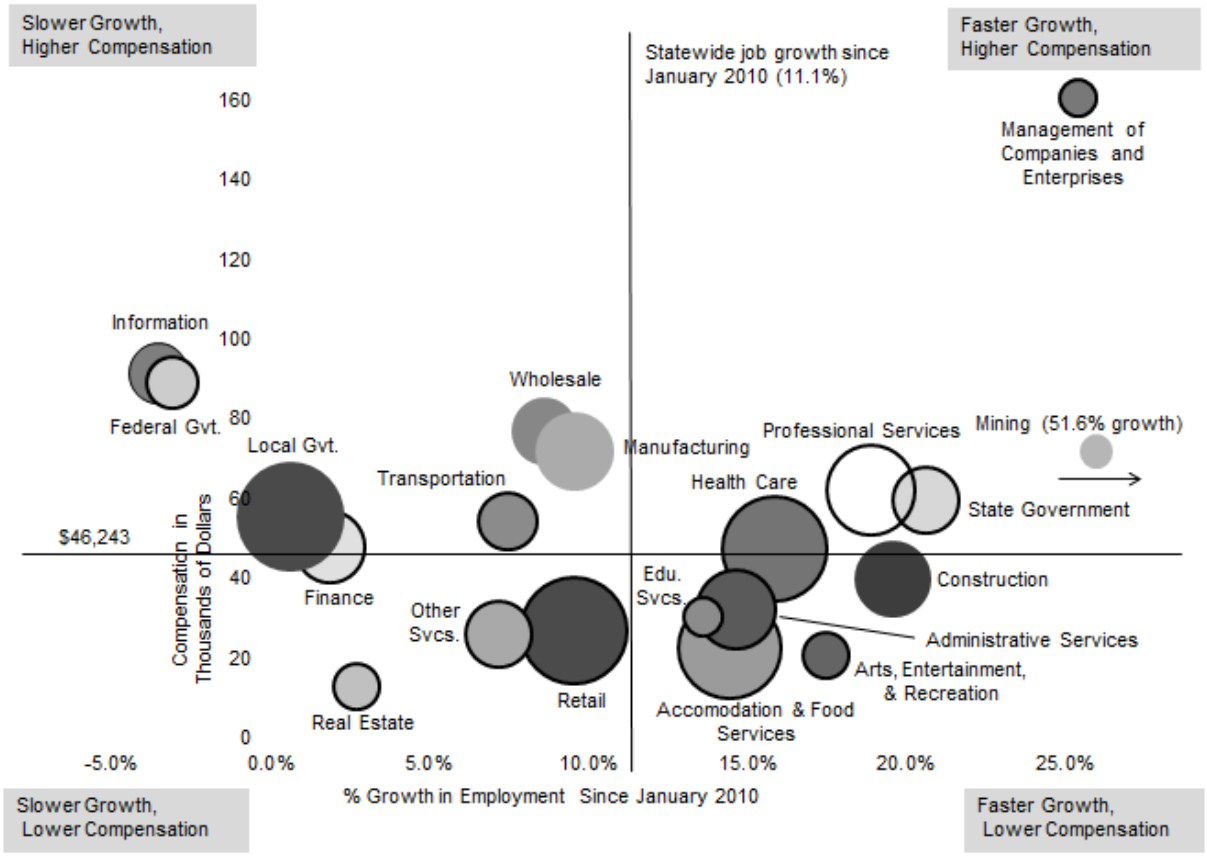
economic reasons. The speed at which the unemployment rate falls will slow as the labor force continues to grow; the state's labor force grew 2.1 percent through July 2014, after growing by less than one-tenth of one percent between January and July each of the previous three years.

Figure 27 shows the average year-over-year change in employment by industry during the first seven months of 2014. Employment grew in 17 of 20 sectors. The largest gains were in construction; health care and social assistance; and professional, scientific, and technical services. The large increase in construction jobs is notable as it indicates future improvement in the housing market, employment in other industries, or both. Employment fell or was flat in three industries: federal government, finance and insurance, and information.

Employment growth in some industries has outshined growth in others since the end of the recession. The horizontal axis of Figure 28 plots job growth in each industry since January 2010. The vertical line in Figure 28 represents total state employment growth since January 2010, 11.1 percent. Industries plotted to the right of the line have added jobs at a quicker rate than the state economy as a whole, while industries plotted to the left have added jobs at a slower rate, or subtracted jobs. The vertical axis plots average annual employee compensation in each industry. Industries plotted toward the top of Figure 28 paid employees the most, while industries plotted below the horizontal line paid employees less than the statewide average. Finally, the size of each circle represents the total number of jobs in an industry. While employment in the mining industry has grown 51.6 percent since the recession, it accounts for only about 1.4 percent of the jobs in the state.

- Nonfarm employment in Colorado is expected to grow 2.8 percent in 2014 and 2.8 percent in 2015.

Figure 28
Employment Growth and Average Compensation by Industry



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

- As the labor market improves, people are expected to return to the labor force. The unemployment rate will average 5.6 percent in 2014 and 5.1 percent in 2015.

Personal Income

Through March, Colorado personal income grew 4.9 percent relative to the same period in 2013. Wages and salaries, the largest component of personal income, grew 5.1 percent over that span. Figure 29 shows annual growth rates in Colorado personal income and wages and salaries since 2007. The bars for 2014 represent growth through the first quarter compared with the same period one year ago.

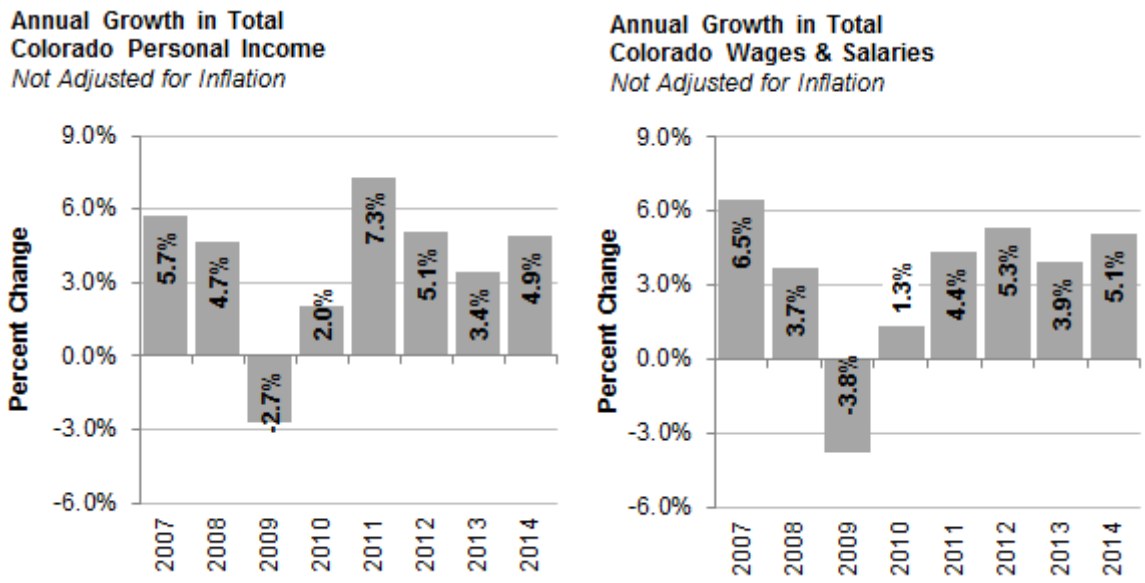
- Personal income is expected to increase 5.4 percent in 2014 and 6.1 percent in 2015.

- The improving labor market will contribute to a 5.8 percent increase in wage and salary income in 2014 and a 6.7 percent increase in 2015.

Retail Sales

Through the first quarter of 2014, retail sales increased 5.2 percent on a seasonally adjusted basis relative to the first quarter a year earlier. Most retailers reported increased sales, with the auto and building materials sectors

Figure 29
Personal Income Growth in Colorado
Seasonally Adjusted Data



Source: U.S. Bureau of Economic Analysis, data through first quarter of 2014.

showing the largest gains. Increased retail trade in these sectors suggests a stronger housing market and improved consumer confidence in big ticket purchases. Only one retail sector reported a decrease during this period: general merchandisers and warehouses, whose sales declined $1.2 million, or 0.1 percent. Figure 30 shows retail trade sales indexed to January 2008 for both the state and the nation. As shown in Figure 30, Colorado retail trade is above 110 percent of its January 2008.

- Retail sales are expected to increase 6.1 percent in 2014 and 7.2 percent in 2015. These gains are consistent with improvements in the labor market and moderate rates of inflation.

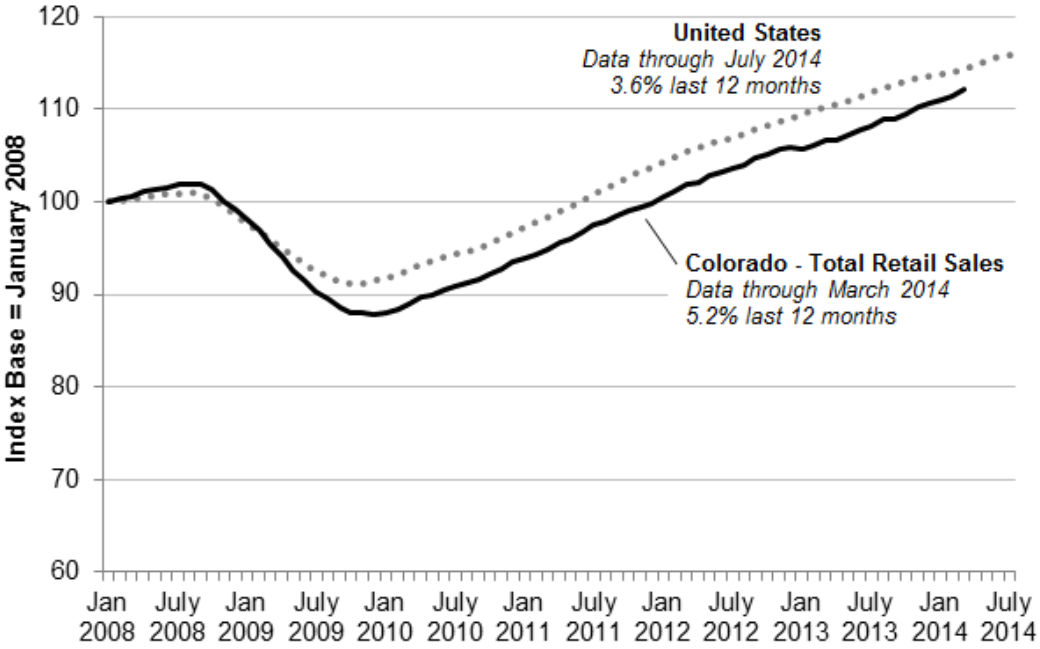
Inflation

Consumer prices increased 2.9 percent in the Denver-Boulder-Greeley area during the first half of 2014 compared with the first half of 2013. Core inflation, which does not incorporate volatile food and energy prices, was slightly higher at 3.0 percent. Fixed costs, especially utilities, rent, and housing, are the largest contributors to the state's inflation rate. Conversely, prices for clothing and gasoline fell during the previous year. Changes to consumer prices are shown in Figure 31.

Colorado is exhibiting inflation rates close to the historical norm for periods of economic expansion. Most economists expect inflation rates nationwide to rise to approximately Colorado's level as the national economy strengthens. Future inflation rates will depend on the market's reaction to monetary policy set by the Federal Reserve, and on the rate of improvement in the labor market.

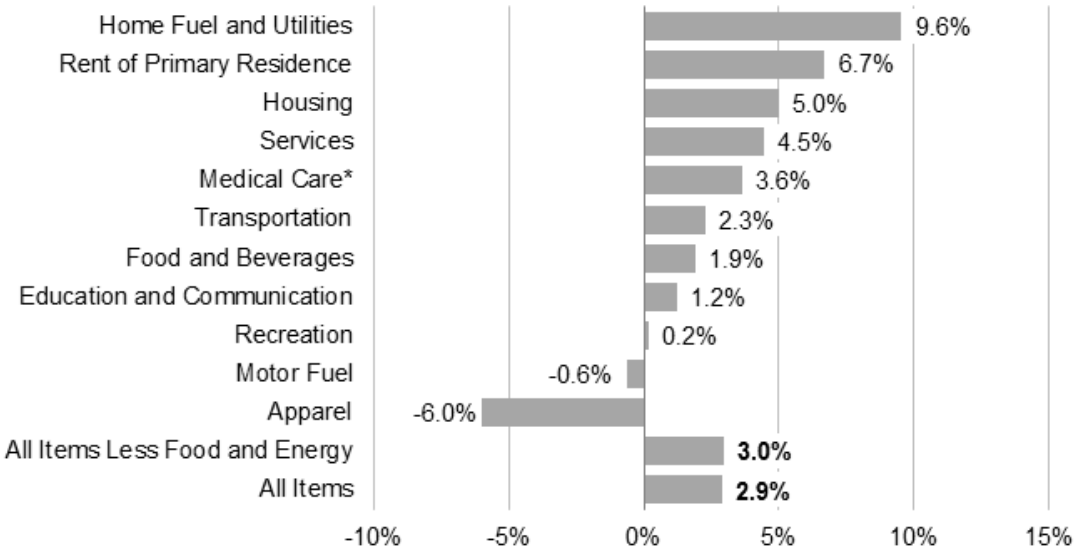
- Consumer prices are expected to rise 2.8 percent in 2014 and 2.8 percent in 2015.

Figure 30
Colorado and National Retail Trade Growth
Index of Three-Month Moving Average, Seasonally Adjusted



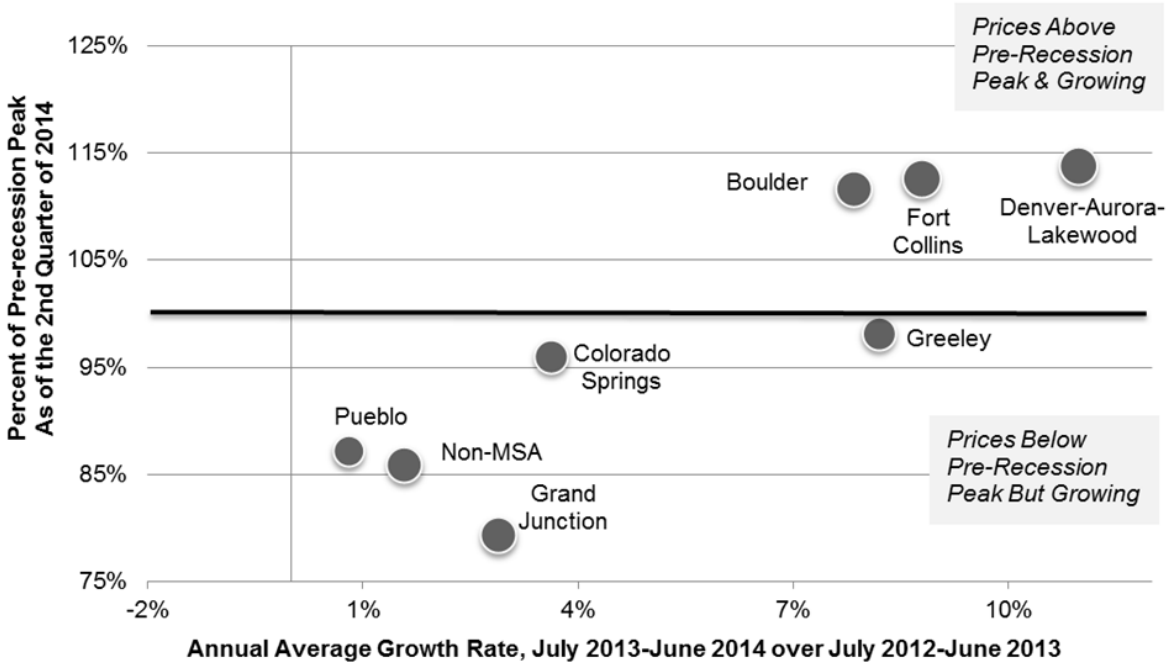
Sources: U.S. Census Bureau and Colorado Department of Revenue. U.S. data through July 2014; Colorado data through March 2014.

Figure 31
Components of Inflation for Boulder-Denver-Greeley CPI
January-June 2014 over January-June 2013



Sources: Bureau of Labor Statistics.
**Medical care inflation is for 2013 over 2012, because data for the first half of 2014 are not yet available.*

Figure 32
Change in Home Value, July 2013-June 2014 over July 2012-June 2013 and Percent of Pre-Recession Peak Value
Federal Housing Finance Authority Home Price Index—All Transactions



Sources: Federal Housing Finance Authority. Data as of the second quarter of 2014.

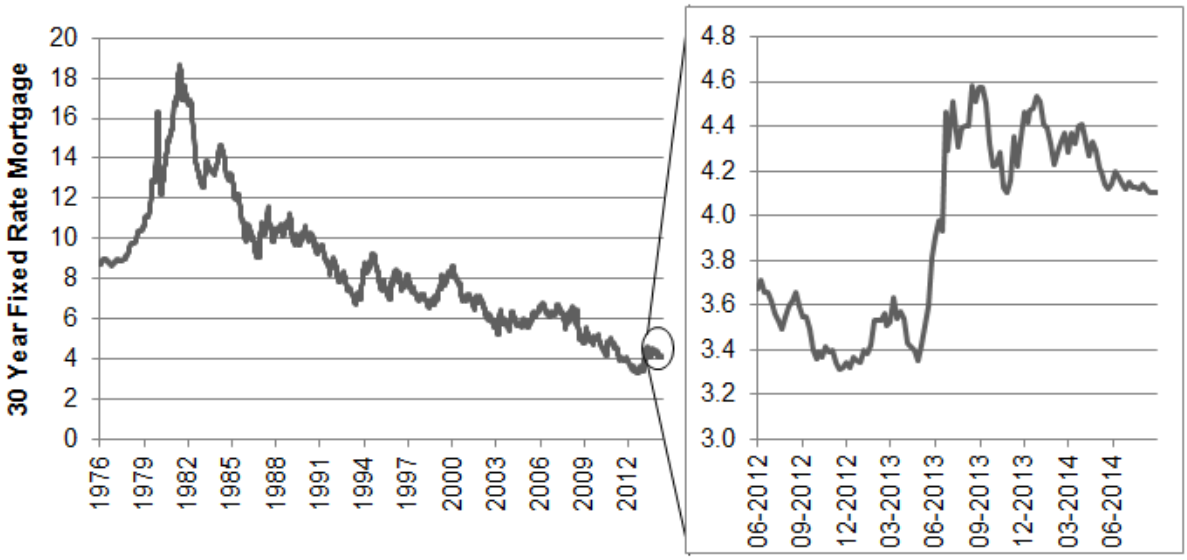
Housing Market

Housing prices across the state continue to rise at uneven speeds. Falling unemployment, low mortgage interest rates, and a limited inventory of homes for sale are contributing to higher prices, especially in Denver and the northern parts of the Front Range. In other regions, particularly southern Colorado and the Western Slope, lower demand has resulted in a slower recovery in housing prices. Figure 32 tracks changes in housing prices both over the past year and relative to pre-recession peak prices for all of the state's metropolitan statistical areas (MSAs), as well as for non-MSA regions. The horizontal axis measures annual growth in housing prices, with cities farther to the right exhibiting higher year-over-year growth rates. Average prices increased in every MSA in the state over the past year.

The vertical axis measures housing prices in each MSA relative to its pre-recession peak between 2005 and 2008. Housing prices have surpassed their pre-recession peaks in three Colorado MSAs: Denver-Aurora-Lakewood, Fort Collins, and Boulder. In all other MSAs in the state, housing prices remain below their pre-recession peaks. This is most notable in Grand Junction, where average housing prices are less than 80 percent of their peak level, which occurred in the second quarter of 2008.

Mortgage interest rates are still extremely low by historical standards even after an increase during the summer of 2013. Figure 33 tracks the national average interest rate for a 30-year fixed mortgage since 1976, with an insert showing rates since June 2012 in more detail. Since increasing last summer when the Federal Reserve announced that it

Figure 33
Average U.S. 30-Year Fixed Rate Mortgage



Sources: Freddie Mac, Primary Mortgage Market Survey. Weekly data through September 4, 2014.

would begin to taper its bond-buying program, mortgage rates have fallen steadily. Mortgage rates are expected to rise in the future as the economic expansion continues, and as the Federal Reserve tightens monetary policy.

Rising housing prices have spurred additional residential construction. Residential construction permits increased 7.1 percent through July 2014 compared with year-ago levels on a seasonally adjusted basis. This increase includes a 9.5 percent jump in permits for single family homes, which had, until recently, been slower to recover than growth in multi-family permits since the recession. Figure 34 shows Colorado's residential construction permits issued each month since 2006.

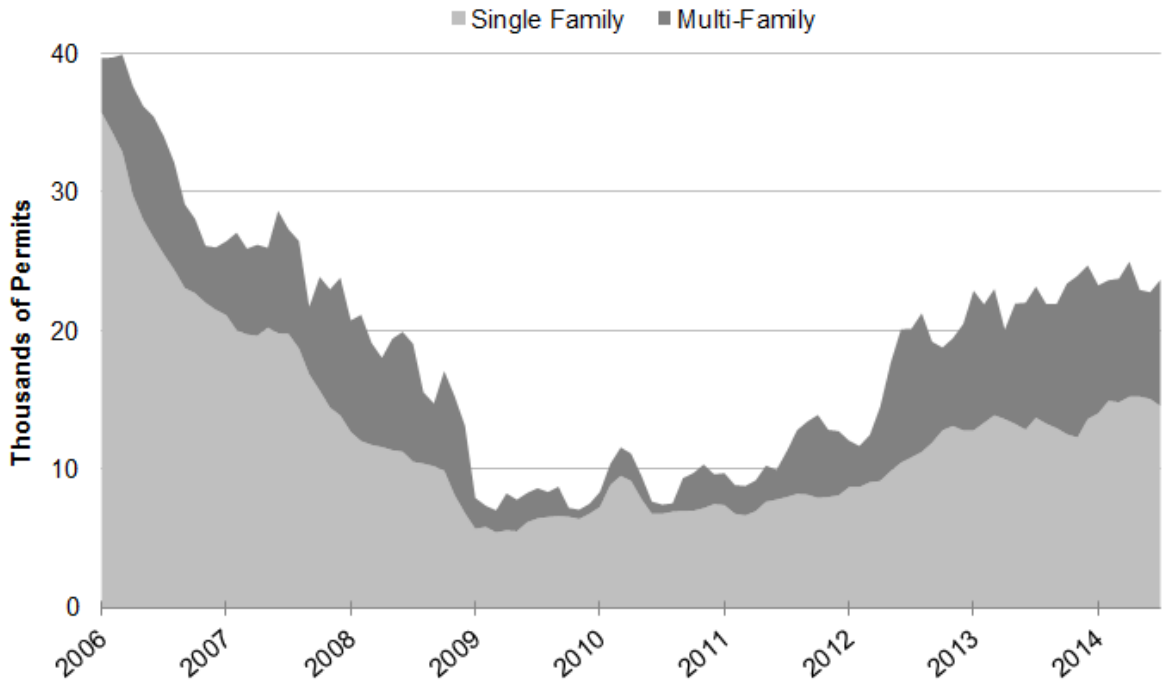
- After very strong growth in the previous four years, residential construction permit issuances are expected to increase 8.2 percent in 2014 and 15.6 percent in 2015 to moderate levels relative to population and employment growth.

Nonresidential Construction

Nonresidential construction activity in Colorado continues to increase. The value of total nonresidential construction projects in the state grew $346.5 million, or 16.1 percent, year-to-date through July compared with the same period in 2013. Several sectors reported large increases in construction, with commercial construction; education and science; warehouses; and offices and banks all adding more than $100 million in new projects. The largest declines were in hospitals and health treatment facilities, which fell by $139 million, and utility sectors including power stations, sewers, water supply, and gas systems. Utility sectors are not included in the overall nonresidential construction figure.

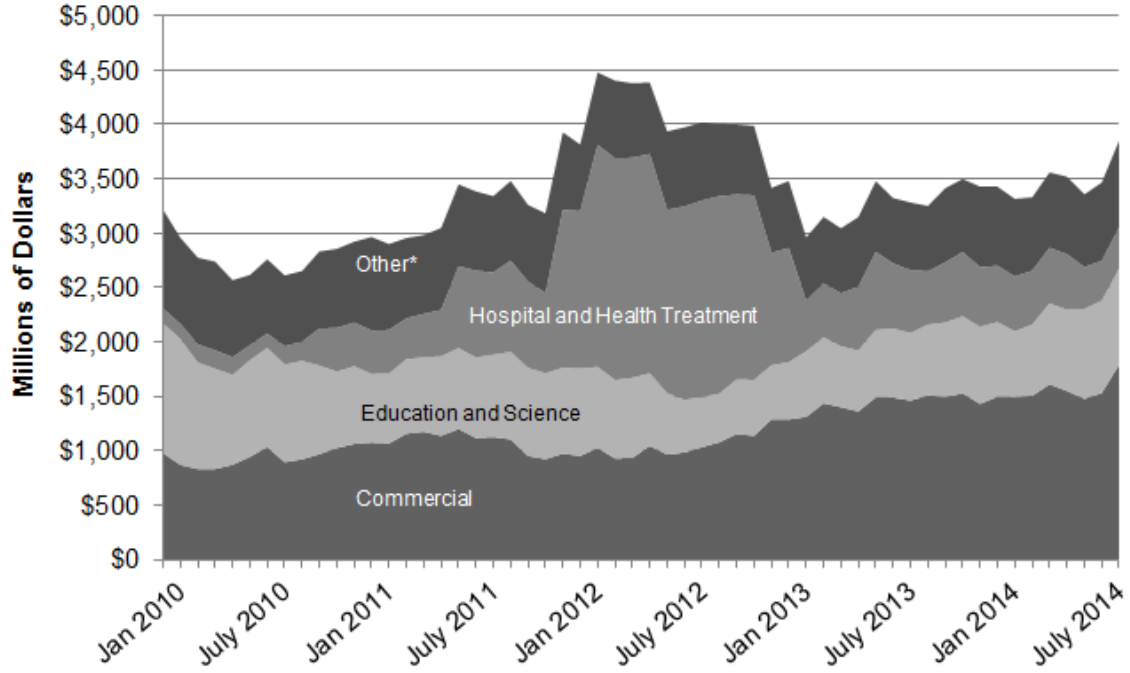
Figure 35 shows a twelve-month moving sum of the value of nonresidential construction projects since January 2010. Recent increases in commercial and education and science construction are offsetting decreases in hospitals and health treatment facilities.

Figure 34
Monthly Colorado Residential Construction Permits
Three-Month Moving Average, Seasonally Adjusted Data



Sources: U.S. Census Bureau, three-month moving average. Data through July 2014.

Figure 35
Value of Colorado Nonresidential Construction Projects
Three-Month Moving Sum



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

- The value of nonresidential construction activity is expected to increase 12.1 percent in 2014 and 3.6 percent in 2015.

Oil and Natural Gas

Oil production is contributing to overall growth in the state. Since January 2010, employment in the state's mining and logging sector has increased 51.6 percent, representing approximately 11,700 new jobs. Average annual compensation in this sector was relatively high at $71,945 in 2012, compared with average state compensation of $46,243. Wages and salaries are being driven up as oil and gas firms compete for qualified workers.

Since late 2009, drilling activity in Colorado has shifted to the northern part of the Front Range, particularly Weld County. Relatively high oil prices and advances in horizontal drilling technology have resulted in a rapid increase in oil production relative to natural gas. In March 2014, Colorado produced 42.4 barrels of petroleum for every million cubic feet of natural gas, up from 19.2 barrels in January 2010.

Figure 36 shows monthly oil production in the state between January 2001 and March 2014. In the first quarter of 2014, Colorado oil production was 26.3 percent higher than during the same period a year earlier.

Figure 37 shows monthly natural gas production in the state between January 2001 and March 2014. Natural gas production made a slight gain in the first quarter of 2014, up 3.4 percent from the first quarter of 2013.

Agriculture

A wet winter in northern Colorado and good conditions in the San Luis Valley have resulted in a good year for agriculture in most areas of Colorado. Based on September conditions, the U.S. Department of Agriculture (USDA) forecasts Colorado corn and sugarbeet production will increase 7 percent and 10 percent, respectively, from 2013 levels. For both crops, more than 70 percent of plants are currently rated "good" or "excellent" in quality. Corn prices, however, are low and expected to fall with the USDA projecting a record harvest at the national level. In the San Luis Valley, potato and barley acreages are up 8.9 percent and 4.3 percent, respectively, over 2013 levels.

Colorado reported 90,000 head of cattle on feed at feedlots with a capacity of 1,000 head or more during July 2014, down 25.0 percent from July 2013. While national head counts were down only 7.4 percent during that period, Colorado remained fourth in the nation behind Texas, Kansas, and Nebraska. Nationally, beef prices are high and expected to rise, driven by pasture conditions and high domestic demand.

Persistent drought in the Arkansas, Rio Grande, and San Juan river basins, however, continue to affect agricultural output in southeastern Colorado.

Colorado Exports

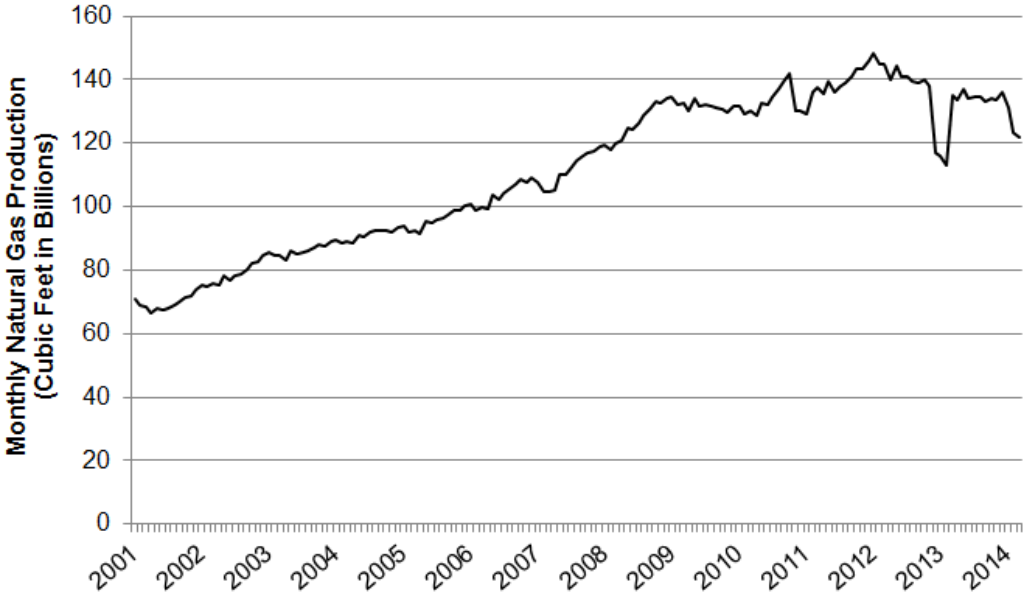
Colorado exports rose 9.2 percent between the first and second quarters of 2014, primarily reflecting seasonal factors. Exports remain below year-ago levels, down 1.8 percent from the second quarter of 2013.

Canada and Mexico continue to be the state's largest individual trading partners, purchasing a combined 32.9 percent of Colorado exports in the first six months of 2014. Trade with Canada and Mexico has fallen behind trade with Asia, which purchased 33.9 percent of Colorado exports during the same period. Exports are driven by scientific and precision instruments, with four such sectors accounting for just under half of international sales: optical, medical and surgical instruments; industrial machinery and computers; electronic, audio, and television equipment; and photographic and cinematographic goods.

Figure 36
Colorado Oil Production, 2001 to 2014
Three-Month Moving Average

Sources: Colorado Oil and Gas Conservation Commission. Data through March 2014.

Figure 37
Colorado Natural Gas Production, 2001-2014
Three-Month Moving Average



Sources: Colorado Oil and Gas Conservation Commission. Data through March 2014.

Different countries purchase different Colorado products. Colorado companies now export about $1.0 billion of meat each year, with Canada, Mexico, and Asian countries accounting for nearly 90 percent of purchases. In contrast, European nations purchase about 40 percent of Colorado's optical, medical, and surgical instrument exports, more than any other continent.

Summary

Through the first two quarters, 2014 has been a better year for Colorado's economy than for the nation as a whole. Most sectors are adding jobs and the unemployment rate is at its lowest level since the recovery began. Moreover, people are entering the labor force at the fastest pace in several years. A stronger labor market boosts personal and disposable income for Colorado residents, resulting in improvements in retail trade and the housing market.

Colorado is likely to continue to outperform the national economy through 2014 and 2015, but growth will be uneven across the state. Improvements in Denver and the northern Front Range are expected to outpace gains made in southern Colorado and on the Western Slope. The biggest downside risks to the state's economy will be affected by tighter monetary policy at the Federal Reserve, as well as global geopolitical conditions.

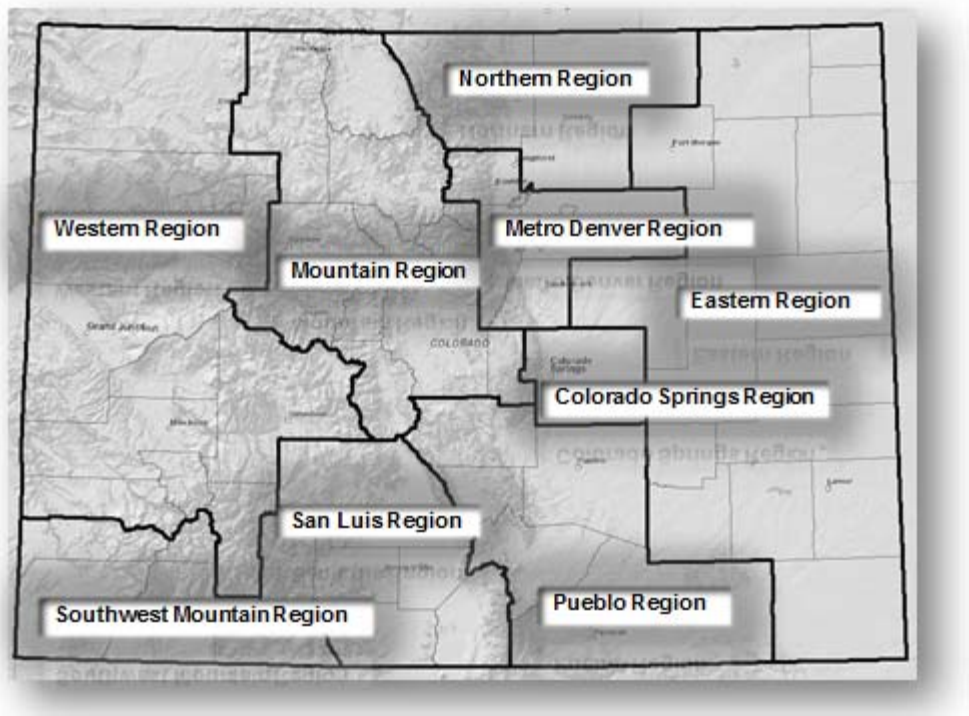
Table 16
Colorado Economic Indicators, September 2014 Forecast
(Calendar Years)

	2009	2010	2011	2012	2013	Forecast 2014	Forecast 2015	Forecast 2016
Population (thousands, July 1)	4,976.9	5,048.5	5,116.3	5,187.6	5,268.4	5,357.8	5,449.6	5,545.1
percent change	1.5%	1.4%	1.3%	1.4%	1.6%	1.7%	1.7%	1.8%
Nonagricultural Employment (thousands)	2,245.3	2,222.2	2,258.6	2,312.8	2,381.2	2,449.0	2,517.2	2,593.0
percent change	-4.5%	-1.0%	1.6%	2.4%	3.0%	2.8%	2.8%	3.0%
Unemployment Rate	8.1	9.0	8.5	7.8	6.8	5.6	5.1	4.8
Personal Income (millions)	$206,423	$210,608	$226,032	$237,461	$245,569	$258,738	$274,554	$294,235
percent change	-2.7%	2.0%	7.3%	5.1%	3.4%	5.4%	6.1%	7.2%
Wage and Salary Income (millions)	$112,294	$113,783	$118,740	$125,055	$129,977	$137,510	$146,739	$157,415
percent change	-3.8%	1.3%	4.4%	5.3%	3.9%	5.8%	6.7%	7.3%
Retail Trade Sales (millions)	$66,345	$70,738	$75,548	$80,073	$83,569	$88,627	$95,022	$101,962
percent change	-11.3%	6.6%	6.8%	6.0%	4.4%	6.1%	7.2%	7.3%
Home Permits (thousands)	9.4	11.6	13.5	23.3	27.5	29.8	34.4	37.6
percent change	-50.8%	23.9%	16.5%	72.6%	18.1%	8.2%	15.6%	9.2%
Nonresidential Building (millions)	$3,354	$3,147	$3,923	$3,692	$3,566	$3,998	$4,142	$4,374
percent change	-18.5%	-6.2%	24.7%	-5.9%	-3.4%	12.1%	3.6%	5.6%
Denver-Boulder Inflation Rate	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	2.8%	2.6%

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

Colorado Economic Regions

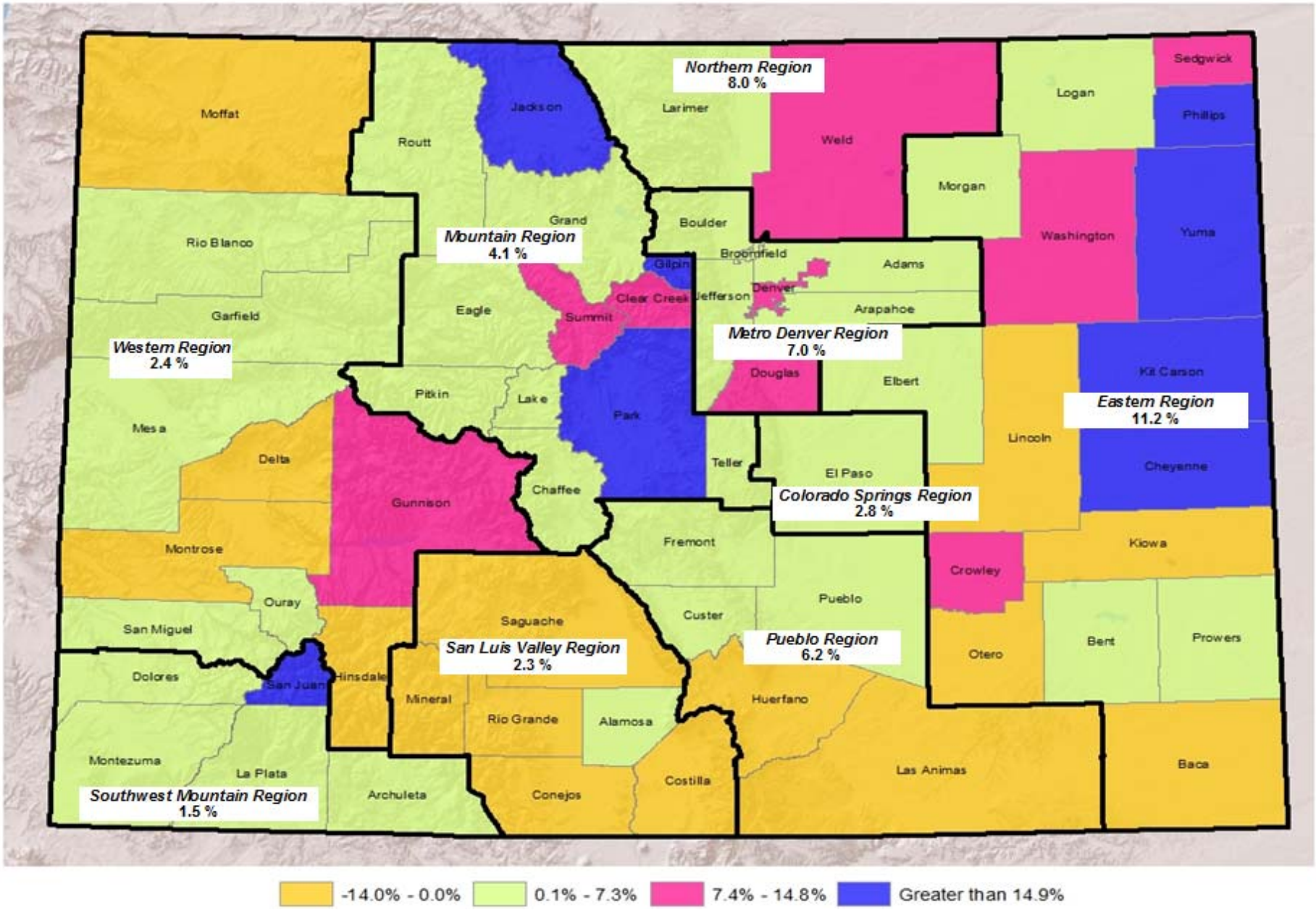
This section provides an overview of Legislative Council's nine economic regions for the state. Figure 38 provides a statewide overview of the unemployment rate by county and region through July 2014, the latest data available. Figure 39 presents retail sales growth by county and region from the first quarter of 2013 to the first quarter of 2014.



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.

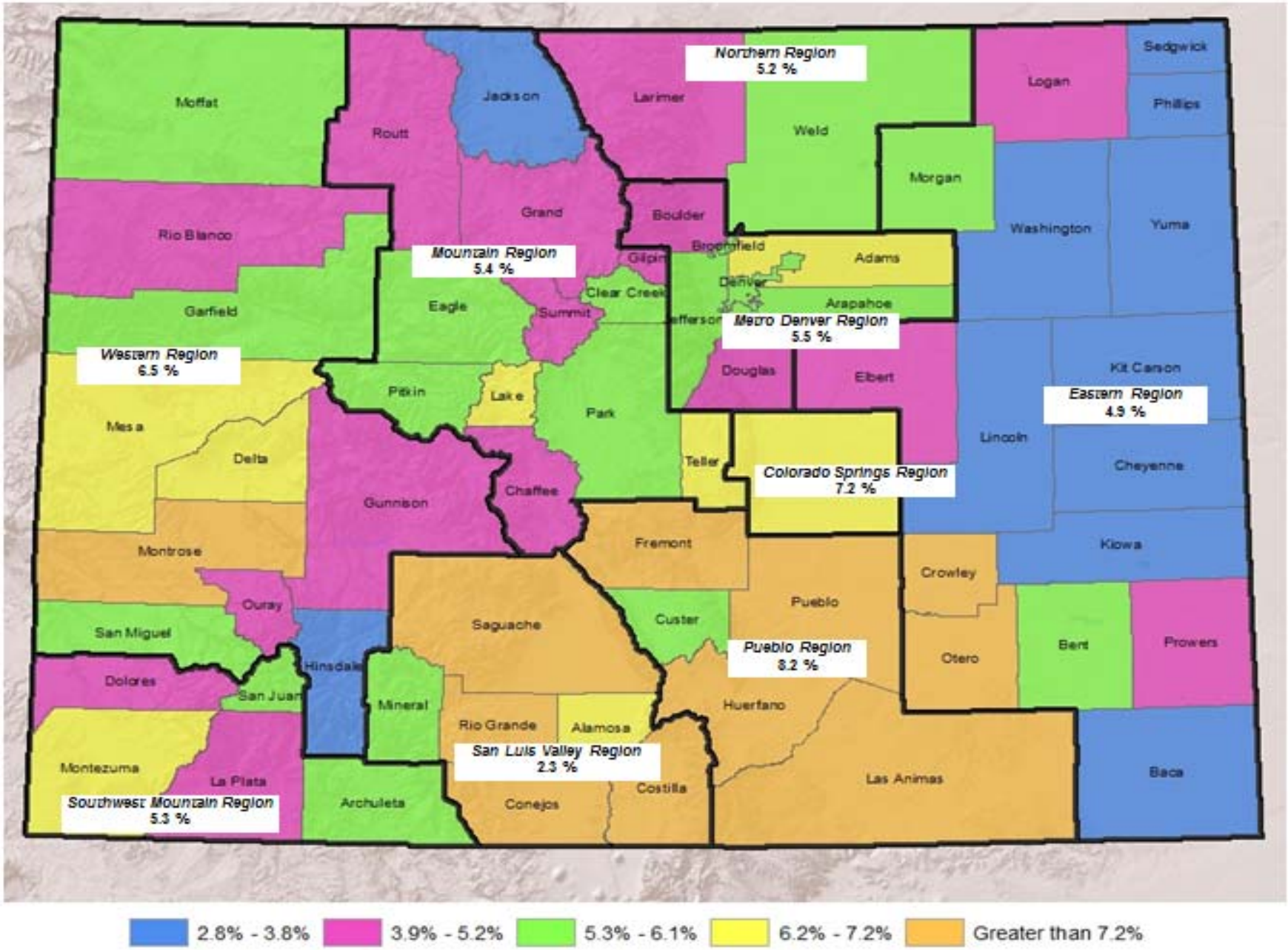
Like the employment data, residential housing permits and agriculture data are also based on surveys. This data is revised periodically. Retail trade sales data typically has few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year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

Figure 38
Retail Sales by County and Region
First Quarter 2014 vs. 2013



Source: Colorado Department of Revenue data through March 2014.

Figure 39
Unemployment Rate by County and Region
Through July 2014
Seasonally Adjusted

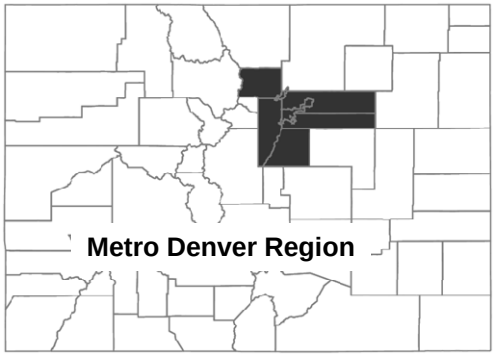


Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2014.

Metro Denver Region

A robust labor market, strong retail sales growth, and an improving nonresidential market continued to promote a strong economic environment for the Metro Denver region through the first half of 2013. In addition, higher homes prices and a low inventory of houses are supporting an increase in the number of new housing units. Table 17 shows economic indicators for the region.

Strong employment growth and a fast-falling unemployment rate in the Denver metropolitan area are creating one of the best labor markets in the country. In July 2014, the region reported its 33rd consecutive month of positive job growth. Year to date, employment growth 2.9 percent compared with the same period one year ago. Figure 40 shows seasonally adjusted nonfarm employment in the metro Denver area since January 2006. In July, the region's unemployment rate was 5.1 percent, down from 5.9 in January. The drop in the unemployment rate occurred despite continued gains in the number of people looking for work. The declining unemployment rate and the growth in the labor force are shown in Figure 41.



The housing market in the metro Denver region remains healthy. Price gains, increases in inventory, and quick home sales have combined to make the Denver area housing market favorable to sellers at a time when many metropolitan housing markets continue to favor buyers. Single-family permits in the Denver-Aurora area are up 23.9 percent in the first half of 2014

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

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-0.5%	1.8%	2.9%	3.5%	2.9%
Unemployment Rate /2	8.8%	8.3%	7.5%	6.4%	5.5%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	35.5%	-0.4%	58.5%	18.9%	23.9%
Single-Family (Boulder)	101.0%	-5.2%	29.0%	22.5%	37.1%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-1.5%	24.7%	14.2%	22.1%	14.4%
Square Footage of Projects	8.4%	36.5%	-8.6%	-10.2%	9.8%
Level (1,000s)	1,981,058	2,703,545	2,470,892	2,218,807	1,606,833
Number of Projects	-35.8%	-2.5%	5.9%	22.3%	25.1%
Level	591	576	610	746	554
Retail Trade Sales Growth /5	6.9%	4.3%	8.0%	4.6%	7.0%

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 2014.

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

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

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

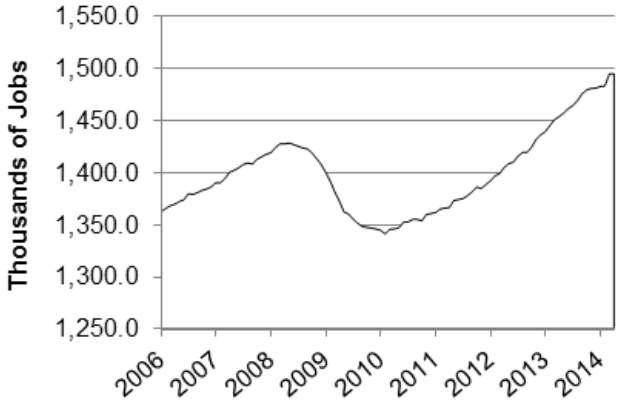
5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2014.

compared with the same period in 2013. Single-family permits in Boulder are up 37.1 percent. Figure 42 shows the number of residential housing permits issued in the Denver region since 2005.

A strong economy, low vacancy rates and rising lease rates, especially in downtown Denver, are encouraging more nonresidential development in the metro Denver area. The metro Denver area has started over 500 nonresidential projects through the first seven months of 2014, a 25.1 percent increase from the same period one year ago. These projects will add over 1.6 million square feet to the region's nonresidential inventory once complete. Figure 43 shows the volatility in the square footage of nonresidential building permits from 2008 through April 2014.

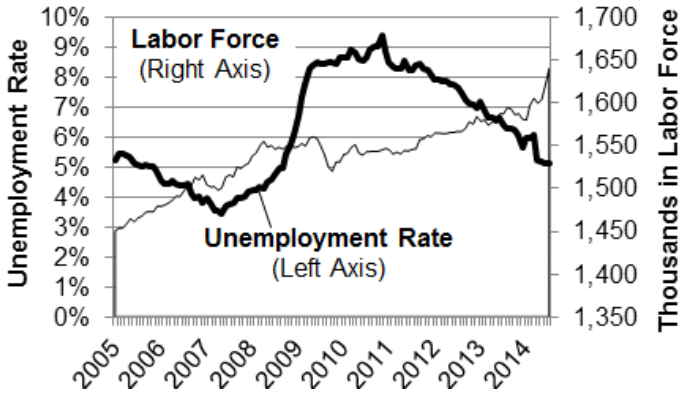
Retail trade sales in the metro Denver region grew 7.0 percent in the first quarter of 2014 compared with the same period in 2013. For all of 2013, retail trade sales increased 4.6 percent, on a year-over-year basis. The slightly higher rate of growth in the beginning of 2014 may be due to continued employment growth in the metro area, higher wages and salaries, and a strengthening housing market. These positive trends tend to fuel greater consumer confidence, which could also lead to more consumer spending.

Figure 40
Metro Denver Employment
Seasonally Adjusted



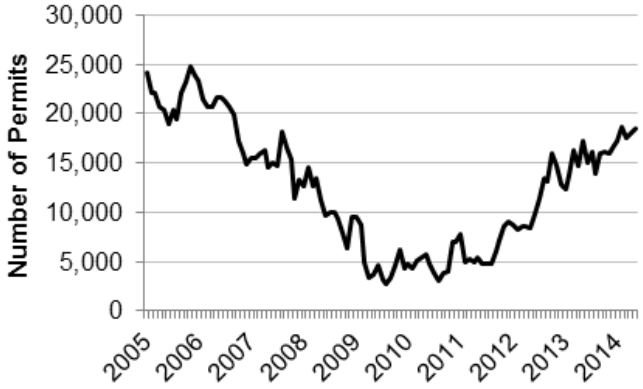
Source: U.S. Bureau of Labor Statistics; CES.
Data through July 2014.

Figure 41
Metro Denver Labor Force and Unemployment Rate
Seasonally Adjusted



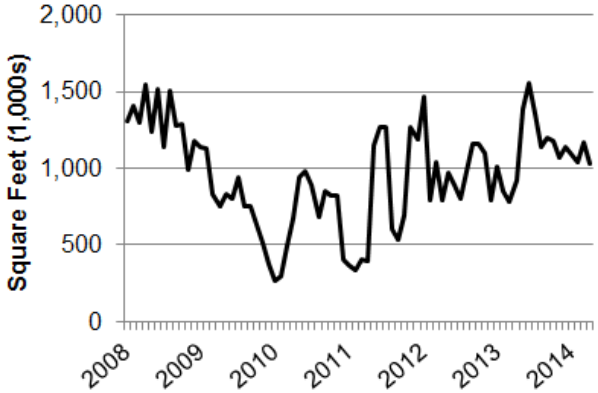
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through July 2014.

Figure 42
Metro Denver Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted Data



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

Figure 43
Metro Denver Nonresidential Building Permits: Square Feet
Three-Month Moving Average;
Non-Seasonally Adjusted Data



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

Northern Region

The northern region's economy, which encompasses Weld and Larimer counties, continues to be one of the strongest in the state. The unemployment rate for the Fort Collins-Loveland area is the lowest in the state, consumer spending continues to outpace the rest of the state, and new construction, especially in the Greeley area, continues to be strong. Growth in the energy sector, however, continues to be the real story. Growth in regional oil production, which has topped 30 percent annually over the last three years, is continuing apace through the first quarter of 2014. Regional natural gas production, which had grown between 10 and 12 percent annually during this three-year period, declined slightly in the first quarter of 2014 compared with the first quarter of 2013. Table 18 shows economic indicators for the region.

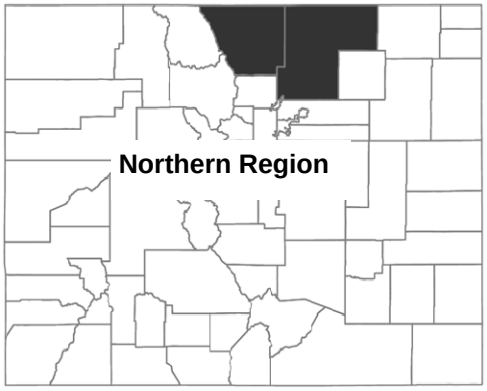


Table 18
Northern Region Economic Indicators
Weld and Larimer Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth /1					
Fort Collins-Loveland MSA	0.4%	1.9%	2.7%	3.1%	3.0%
Greeley MSA	-0.6%	4.0%	4.9%	5.1%	5.4%
Unemployment Rate /2					
Fort Collins-Loveland MSA	7.4%	6.9%	6.2%	5.4%	4.6%
Greeley MSA	10.2%	9.5%	8.5%	7.1%	5.8%
State Cattle and Calf Inventory Growth /3	-1.2%	10.2%	-3.4%	-8.7%	-3.2%
Natural Gas Production Growth /4	1.1%	10.7%	11.3%	13.8%	-3.6%
Oil Production Growth /4	7.7%	30.6%	32.3%	46.1%	33.6%
Housing Permit Growth /5					
Fort Collins-Loveland MSA Total	32.1%	45.7%	63.3%	31.3%	-3.1%
Fort Collins-Loveland MSA Single-Family	154.5%	1.0%	59.3%	28.8%	-34.9%
Greeley MSA Total	2.7%	-2.6%	58.8%	37.7%	20.4%
Greeley MSA Single-Family	10.4%	-3.1%	54.6%	45.6%	23.8%
Growth in Value of Nonresidential Construction/ 6					
Value of Projects	-48.8%	-11.8%	12.0%	54.9%	16.5%
Square Footage of Projects	-11.6%	-36.4%	42.1%	39.5%	34.1%
Level (1,000s)	277,193	244,493	273,779	424,079	315,667
Number of Projects	-15.5%	-5.1%	23.3%	-3.1%	95.1%
Level	136	129	159	154	158
Retail Trade Sales Growth /7					
Larimer County	7.8%	8.0%	5.8%	6.3%	4.1%
Weld County	10.1%	26.6%	5.2%	8.0%	11.9%

MSA = Metropolitan statistical area. NA = Not Available.

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

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

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

4/ Colorado Oil and Gas Conservation Commission. Data through March 2014.

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

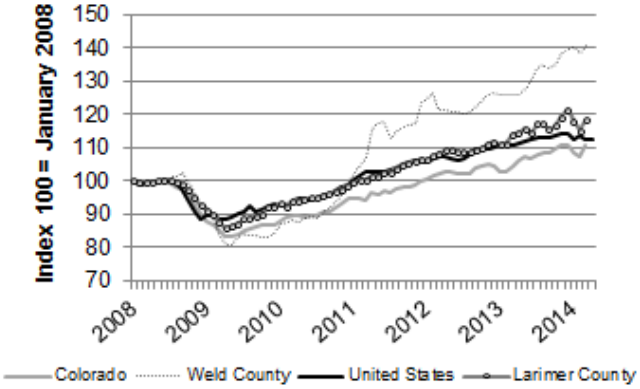
6/ F.W. Dodge. Data through July 2014. Prior forecasts reported Weld and Larimer Counties separately.

7/ Colorado Department of Revenue. Data through March 2014.

Figure 44
Fort Collins-Loveland and Greeley MSA
Nonfarm Employment
Seasonally Adjusted

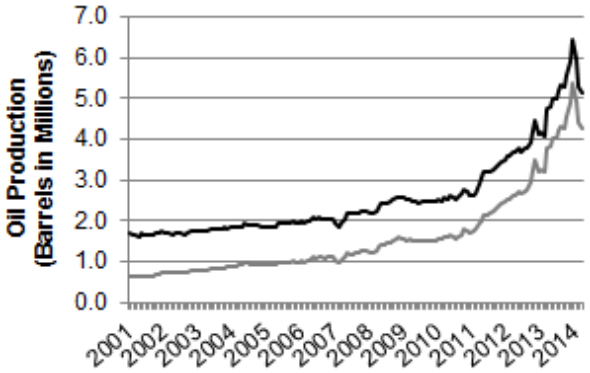
Source: U.S. Bureau of Labor Statistics; CES.
Data through July 2014.

Figure 45
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 2014; U.S. data through July 2014.

Figure 46
Colorado and Northern Region Oil Production, 2001 to 2013
(Monthly Data)



Source: Colorado Oil and Gas Conservation Commission.
Data through March 2014.

The region's labor market continues to be the strongest in the state. Nonfarm employment grew 3.0 percent in the Fort Collins-Loveland area and 5.4 percent through the first seven months of 2014 compared with a similar period in the prior year. Through the first seven months, the unemployment rate for the Fort Collins-Loveland area was 4.6 percent, the lowest of all the MSAs in the state, while the Greeley area's unemployment rate was slightly higher at 5.8 percent. Figure 44 shows total employment for both major metro areas in the region between January 2006 and July 2014.

Growth in the northern region's real estate market was mixed through the first six months of 2014. New residential construction permits for all properties fell 3.1 percent compared with the first half of 2013. The decline in permits may reflect the increase in interest rates that occurred over the last year. In the Greeley area, total residential construction permits grew 20.4 percent as the continued boom in oil and gas development in Weld County is driving up demand for residential construction.

The value of nonresidential projects in the northern region increased 16.5 percent in the first seven months of 2014 compared with the same period a year earlier. However, the number and total square footage of projects increased 95 percent and 34 percent, respectively. This, along with housing growth, has also helped drive growth in construction jobs for the region's labor market.

Retail sales continue to be strong in both Larimer and Weld County. As Figure 45 shows, consumer spending in both counties has outperformed the state, with the growth in sales in Weld County being particularly strong.

The northern region continues to be, by far, Colorado's most productive region for oil and gas development. The region is now home to over 80 percent of the state's oil production and nearly 20 percent of the state's natural gas production, and future development continues to emphasize oil. In the first three months of 2014, while monthly oil production declined slightly, oil production was still up 33.6 percent compared with the first three months of 2013. In contrast, regional natural gas production fell by 3.6 percent compared with the first three months of 2013. This concentrated growth is the result the continued success of plays in the Wattenberg field within the Denver-Julesberg Basin. Figure 46 shows the northern region's oil production compared with production statewide through the first three months of 2014.

Colorado Springs Region

The economic performance in the Colorado Springs region continues to lag behind other urban areas along the Front Range. Employment growth in the region has been relatively flat thus far in 2014, growing by less than one percent. Permits issued for the construction of single-family homes are down through July 2014 compared with the same period one year ago. Growth in retail trade sales has slowed relative to 2013. However, the nonresidential market continues to improve slowly amidst a steady decline in average vacancy rates. Table 19 shows economic indicators for the region.

Thus far in 2014, Colorado Springs has seen slower employment growth than in 2013. Jobs increased 2.0 percent in 2013, but are up only 0.9 percent through the first seven months of 2014. Employment growth has been low in the region for several years, with last year's modest growth being the fastest since 2006. The region's unemployment rate declined steadily throughout 2013, averaging 8.0 percent for the year. Through July 2014, the unemployment rate has averaged 7.2 percent. Figure 47 shows the unemployment rate and the labor force since 2005.

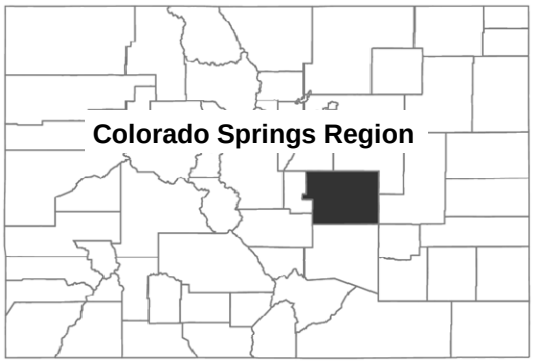


Table 19
Colorado Springs Region Economic Indicators
El Paso County

	2010	2011	2012	2013	YTD 2014
Employment Growth /1					
Colorado Springs MSA	-1.0%	1.3%	1.0%	2.0%	0.9%
Unemployment Rate /2	9.8%	9.5%	9.2%	8.0%	7.2%
Housing Permit Growth /3					
Total	27.9%	29.1%	33.0%	17.2%	8.7%
Single-Family	23.2%	-3.8%	50.1%	19.2%	-9.8%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-35.2%	17.5%	-1.6%	24.9%	-32.1%
Square Footage of Projects	-12.7%	16.8%	0.5%	6.3%	2.5%
Level (1,000s)	408,452	477,253	479,770	510,119	220,346
Number of Projects	24.6%	10.5%	-11.7%	-2.2%	18.8%
Level	370	409	361	353	190
Retail Trade Sales Growth /5	7.9%	8.2%	5.5%	4.1%	2.8%

MSA = Metropolitan statistical area. NA = Not Available.

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

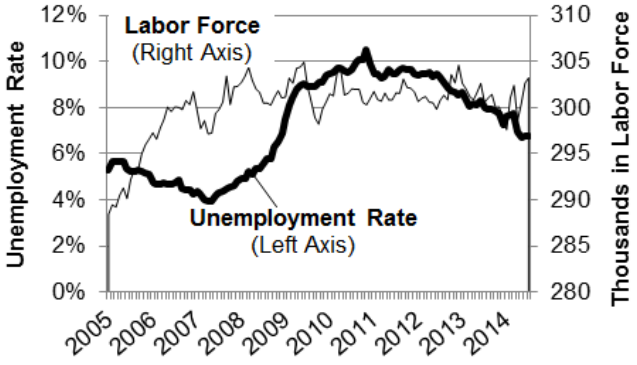
2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through July 2014.

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

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

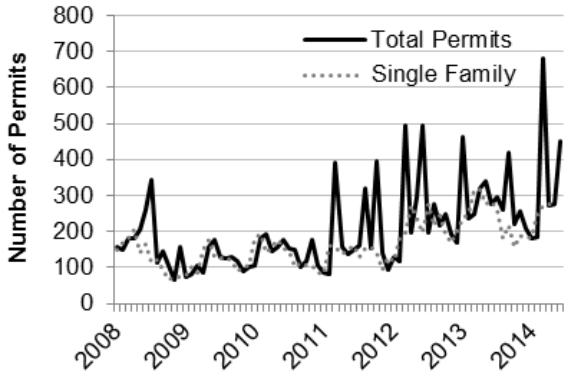
5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2014.

Figure 47
Colorado Springs MSA
Unemployment Rate and Labor Force
Seasonally Adjusted Data



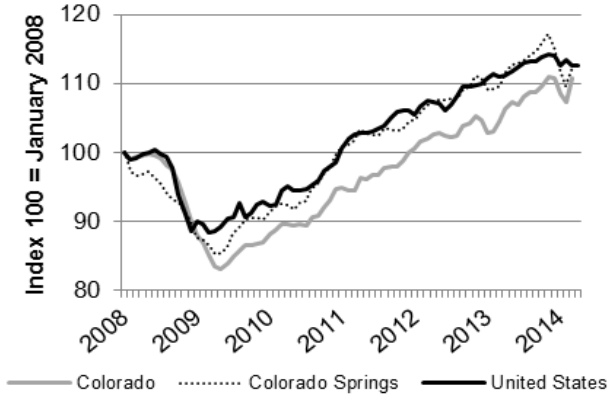
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through July 2014.

Figure 48
Colorado Springs MSA
Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Data



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

Figure 49
Colorado Springs MSA Retail Sales Indexed to January 2008
Seasonally Adjusted Data



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

Year to date, the total number of residential permits in Colorado Springs increased 8.7 percent compared with the same period one year ago. The increase is mainly the result of several large multifamily properties scheduled to start construction. The past two years saw relatively rapid growth in single-family housing permits, but these have fallen 9.8 percent so far in 2014. Figure 48 shows residential building permits in the Colorado Springs region.

Recent indicators continue to show that the Colorado Spring's nonresidential market is improving, although slowly. Average vacancy rates continue to trend downward in most markets, boosting new construction starts. Year to date, the number of nonresidential construction projects is up 18.8 percent, though the total square footage of these projects is less than the previous year. Several large projects started in 2013 remain active construction sites in 2014, including renovation of the Kinder Morgan corporate campus, renovation and build out of the St. Francis Medical Center, and construction of a new facility for the Rocky Mountain Classical Academy, which, when complete, will be the largest charter school facility in the state.

After growing 5.5 percent in 2012, retail sales growth slowed to 4.1 percent in 2013 and 2.8 percent in the first three months of 2014. Figure 49 indexes seasonally adjusted retail sales for Colorado Springs, the state, and the nation.

Pueblo — Southern Mountains Region

Recent economic indicators suggest that the Pueblo region's economy is improving. More people are working in the region than one year ago and the unemployment rate has continued to steadily decline through the year. The region's relatively affordable housing is helping in the recovery of the residential construction market. More nonresidential projects have started during the first seven months of 2014 than in the entire year of 2013. Retail sales growth continues to lag behind the state but is up 2.3 percent compared with the same period one year ago. Table 20 shows economic indicators for the region.

Increased demand for wind turbines has aided in the improvement of the region's labor market. Vestas, the world's largest seller of wind turbines, operates a tower facility in Pueblo County. The company's wind project orders have been picking up since 2013. As a result, the company has been steadily increasing their payrolls. Through the first half of 2014, employment is up 1.9 percent in Pueblo County and 1.4 percent throughout the entire region. Unemployment in the region fell from an average of 9.5 percent in 2013 to an average of 8.6 percent in the first half of 2014. The Pueblo region's seasonally adjusted unemployment rate and labor force are shown in Figure 50.

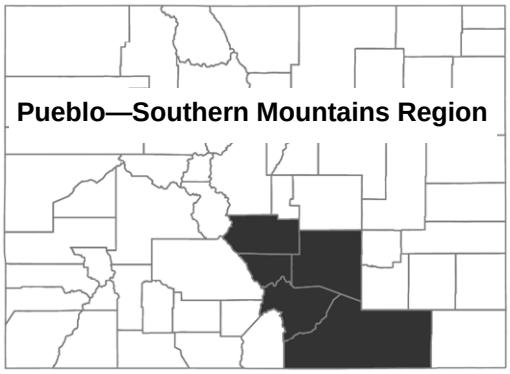


Table 20
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2010	2011	2012	2013	YTD 2014
Employment Growth					
Pueblo Region /1	-1.3%	0.1%	-1.1%	-1.0%	1.9%
Pueblo MSA /2	-0.1%	1.5%	-0.2%	1.1%	1.9%
Unemployment Rate /1	10.4%	10.4%	10.3%	9.5%	8.2%
Housing Permit Growth /3					
Pueblo MSA Total	13.6%	-45.5%	50.9%	-8.1%	19.7%
Pueblo MSA Single-Family	-37.9%	-49.6%	125.4%	-40.6%	19.7%
Growth in Value of Nonresidential Construction /4					
Value of Projects	-62.2%	-58.1%	717.4%	-75.3%	60.0%
Square Footage of Projects	-71.5%	3.9%	386.2%	-72.0%	153.7%
Level (1,000s)	21,454	22,288	108,358	30,389	53,435
Number of Projects	-20.4%	5.1%	-34.1%	11.1%	100.0%
Level	39	41	27	30	38
Retail Trade Sales Growth /5	6.6%	6.8%	6.0%	4.4%	6.2%

MSA = Metropolitan statistical area. NA = Not Available.

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

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

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

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

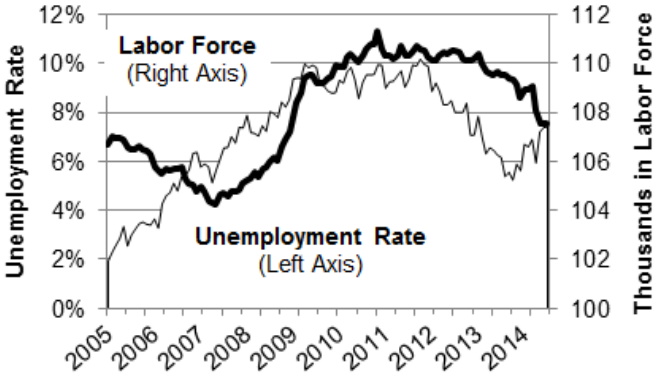
5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2014.

Growth in the region's retail sales continues to lag behind the statewide average. However, retail sales for the region are higher through the first quarter of 2014 compared with the same period one year ago. Retail sales grew just 1.4 percent in 2013 and 2.3 percent in the first three months of 2014. Figure 51 indexes retail trade sales for the Pueblo region, the state, and the nation to January 2008 levels.

Residential and nonresidential construction also appears to be recovering, although from relatively low levels. The total number of housing permits issued in Pueblo County increased 19.7 percent through July 2014 compared with the same period in 2013. Pueblo's seasonally adjusted single-family and overall residential building permits are shown in Figure 52.

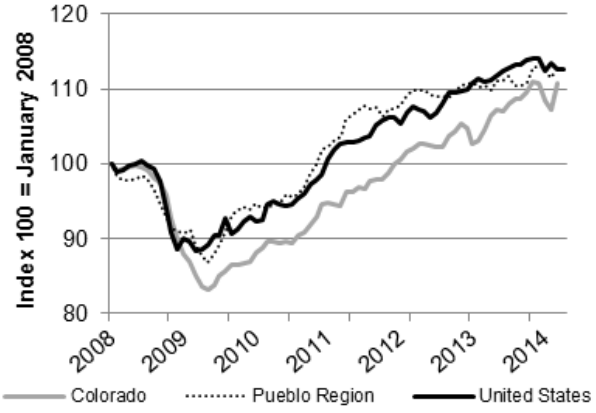
Nonresidential construction in the region is also making gains. Both the value of nonresidential construction projects and the square footage of projects increased considerably in the first seven months of 2014 compared with the same period in 2013.

Figure 50
Pueblo Region Unemployment Rate and Labor Force
Seasonally Adjusted



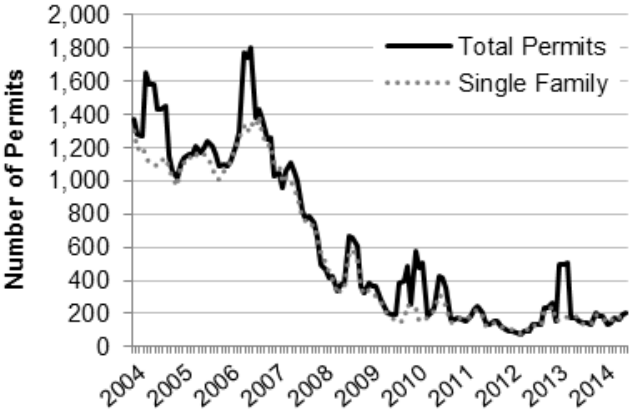
Source: U.S. Bureau of Labor Statistics; LAUS. Data through July 2014.

Figure 51
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



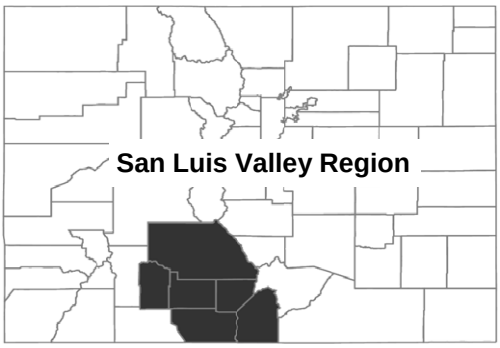
Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through March 2014; U.S. data through April 2014.

Figure 52
Pueblo Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Nominal Data



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

San Luis Valley Region



The economy in the San Luis Valley continues to lag behind other parts of the state. After slowing in the second half of 2013, the region's labor market and consumer spending made only small gains through the first half of 2014. After a drier than usual 2013, agricultural production is expected to rebound, while the housing market slowed as the number of residential construction permits has declined. Table 21 shows economic indicators for the region.

The region's labor market continues to be sluggish. After declining in each of the last four years, including a 2.6 percent drop in 2013, nonfarm employment was up 1.1 percent in the first seven months of 2014 compared with the same period in 2013. Through July, the regional unemployment rate was 8.1 percent. Although the rate has been steadily declining since 2011, it is still among the highest rates for any region in the state. It is important to note that labor market data for rural areas can contain meaningful measurement error and are frequently revised. In addition, due to its reliance on agriculture, the region's economy experiences different trends than more urban areas of the state. Figure 53 shows that over the last few years, the region's unemployment rate has remained high even amidst a shrinking labor force.

Consumer spending, as measured by retail trade sales, is looking up. After increasing only 1.4 percent in 2013, sales have increased 2.4 percent through the first quarter compared with the first quarter of 2013. Figure 54 shows changes in the region's consumer spending relative to changes in the nation and the state.

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

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-2.0%	-1.5%	-0.6%	-2.6%	1.1%
Unemployment Rate /1	8.7%	9.4%	9.4%	9.1%	8.1%
Statewide Crop Price Changes /2					
Barley					
Acres Harvested	49,100	48,700	43,100	46,600	48,600
Crop Value ($/Acre)	551.6	702.9	904.6	824.4	NA
Potatoes					
Acres Harvested	55,200	53,900	54,000	49,600	54,000
Crop Value ($/Acre)	4,905	4,304	2,668	3,833	NA
Housing Permit Growth /3	14.0%	-9.2%	41.5%	15.0%	-29.0%
Retail Trade Sales Growth /4	6.9%	9.5%	2.9%	1.4%	2.3%

NA = Not Available.

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

2/ National Agricultural Statistics Service.

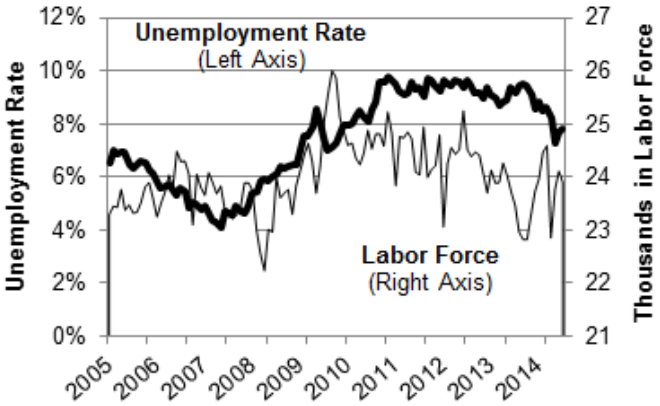
3/ F.W. Dodge. Data through July 2014.

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

Agriculture is integral to the San Luis Valley economy, where most of Colorado's barley, potatoes, and vegetables are grown. Potatoes are the region's most valuable crop, followed by alfalfa hay and barley. The number of potato acres harvested fell in 2013, partially because weather conditions were dry for much of the growing season. The per-acre value of production, however, increased as a result of higher prices. While potato prices are basically unchanged through the first eight months of 2014 relative to the same period in 2013, preliminary estimates have the number of harvested acres returning to 2012 levels. This likely implies substantial growth in overall production value.

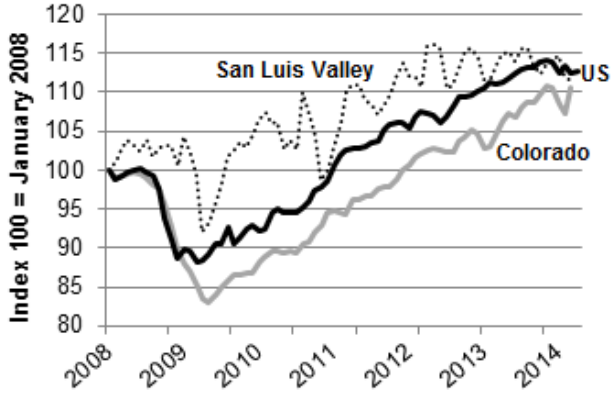
After increasing for two consecutive years, the number of permits for residential construction activity has declined 29.0 percent through the first seven months of 2014 compared with the same period a year ago. This change is not as large as it might appear, however, as the regional economy is relatively small and thus, economic data related to the region's construction industry tends to be particularly volatile.

Figure 53
San Luis Valley
Unemployment Rate and Labor Force
Seasonally Adjusted



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

Figure 54
San Luis Valley Trends in Retail Trade Sales
Three-Month Moving Average; Seasonally Adjusted
Nominal Data

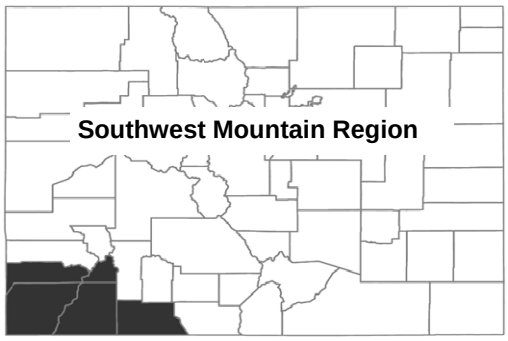


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through March 2014.
U.S. data through April 2014.

Southwest Mountain Region

Like other tourism-dependent regions, the southwest mountain region's economy is showing consistent signs of improvement. The labor market is improving, consumer spending is growing, and there are signs of increased tourism activity in the region as national park visitation has begun to increase after two years of decline. Table 22 shows economic indicators for the region.

The labor market in the southwest mountain region is healthy and out-performing most regions of the state. After growing less than 1 percent annually in each of the last two years, nonfarm employment accelerated in the first seven months of 2014, increasing 5.2 percent compared with the same period in 2013. As shown in Figure 55, the region's unemployment rate has continued to drop in 2014 despite increases in the labor force. The rate averaged 6.4 percent in 2013 and has fallen to 5.3 percent through the first seven months of 2014.



Part of the improvement in the labor market is due to increased construction activity in the region. Residential building permits increased 7.9 percent in the first seven months of 2014 after increasing 44.7 percent in 2013. This is the third highest regional growth rate for residential construction in the state. It also thus far represents the third consecutive year of growth after a period where regional housing permits declined in five out of six years.

The region's retail trade is continuing the healthy growth exhibited over the last few years. Consumer spending, as measured by retail trade sales, increased 5.5 percent in 2013 and 4.4 percent through the first quarter of 2014 compared with the first quarter of 2013. Although still below the statewide average, this growth is higher than several other regions in the state. Figure 56 shows regional consumer spending compared with statewide and national measures.

Table 22

Southwest Mountain Region Economic Indicators

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

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.2%	-0.9%	0.8%	0.4%	5.2%
Unemployment Rate /1	8.3%	7.9%	7.3%	6.4%	5.3%
Housing Permit Growth /2	38.0%	-29.5%	2.4%	44.7%	7.9%
Retail Trade Sales Growth /3	1.9%	9.0%	6.1%	5.5%	4.4%
National Park Recreation Visitors /4	1.5%	1.9%	-13.8%	-5.9%	1.5%

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

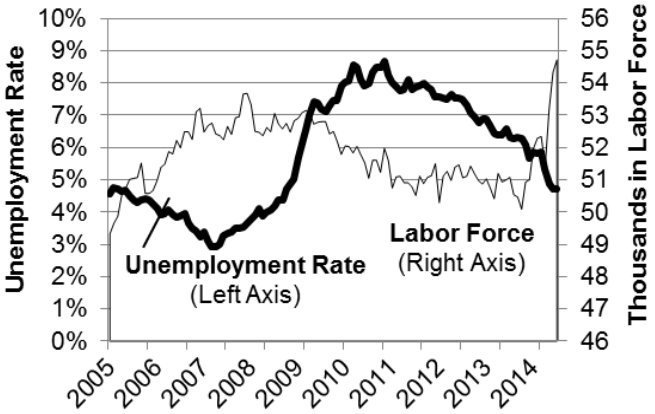
2/ F.W. Dodge. Data through July 2014. Prior forecasts had data for La Plata County only.

3/ Colorado Department of Revenue. Data through March 2014.

4/ National Park Service. Data through July 2014. Recreation visitors for Mesa Verde and Hovenweep national parks.

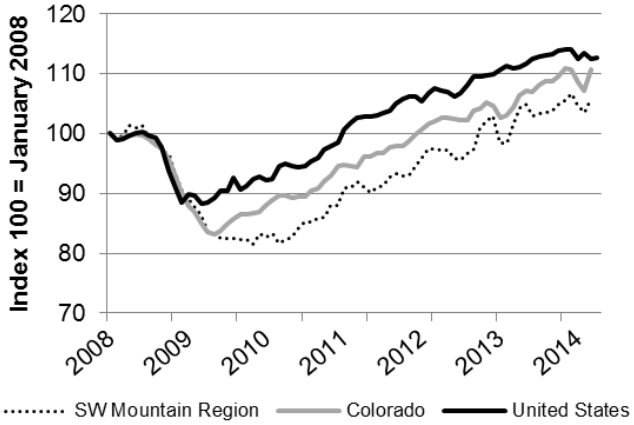
The improving national economy has helped buoy tourism within the region. Visitation at Mesa Verde National Park and Hovenweep National Monument increased through the first half of 2014 relative to the same period in 2013. This is potentially a positive sign after two years of declines and general stagnation in visitation levels since the onset of the recession.

Figure 55
Southwest Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



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

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

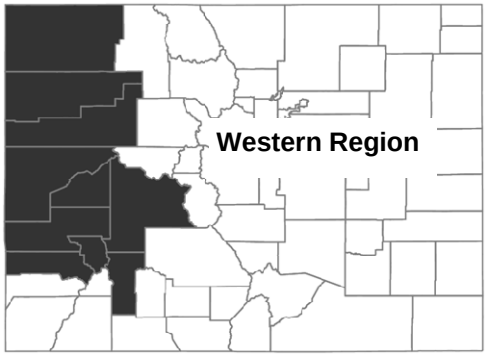


Source: Colorado Department of Revenue. Data through July 2014.

Western Region

Western Colorado's economy is finally exhibiting signs of recovery in some areas. Through the first half of 2014, employment is growing faster than at any time since 2007 and the unemployment rate fell to its lowest level since 2008. Although growth in retail trade sales has continued to lag other parts of the state, there has been improvement both in the housing market and in nonresidential construction activity. Natural gas exploration also exhibited growth, but this may be due to a seasonal spike in natural gas prices. Table 23 shows economic indicators for the region.

Employment in western Colorado has begun to show improvement. Through the first seven months of 2014, regional employment grew 2.5 percent compared with the same period in 2013. The regional unemployment rate has dropped to 6.5 percent. Although this rate is still above the statewide average, it has been steadily declining since 2010. The relationship between the region's labor force and unemployment rate is shown in Figure 57.



Consumer spending in western Colorado has recovered from the recession more slowly than in other parts of the state, with growth lagging far below both state and national levels. Growth in regional retail trade sales continues to be among the lowest in the state. In the first three months of 2014, consumer spending grew only 2.4 percent compared with the same period a

Table 23

Western Region Economic Indicators

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

	2010	2011	2012	2013	YTD 2014
Employment Growth					
Western Region /1	-5.5%	-0.6%	0.3%	-0.7%	2.5%
Grand Junction MSA /2	-4.5%	0.6%	0.9%	0.5%	1.2%
Unemployment Rate /1	10.1%	9.4%	8.5%	7.5%	6.5%
Natural Gas Production Growth /3	5.2%	6.7%	2.3%	-10.8%	13.0%
Housing Permit Growth /4	2.0%	-20.8%	22.4%	-1.0%	11.8%
Growth in Value of Nonresidential Construction /4					
Value Projects	28.4%	-59.2%	26.0%	-43.5%	42.9%
Square Footage of Projects	19.0%	-60.1%	13.2%	-26.2%	110.8%
Level (1,000s)	275,162	109,905	124,368	91,799	157,725
Number of Projects	-29.5%	-32.7%	16.7%	-32.5%	-14.3%
Level	98	66	77	52	30
Retail Trade Sales Growth /5	2.2%	8.8%	1.0%	3.5%	2.4%

MSA = Metropolitan statistical area. NA = Not Available.

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

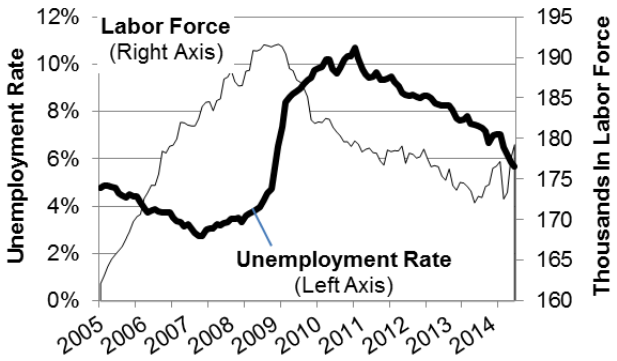
2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through July 2014.

3/ Colorado Oil and Gas Conservation Commission. Data through March 2014.

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

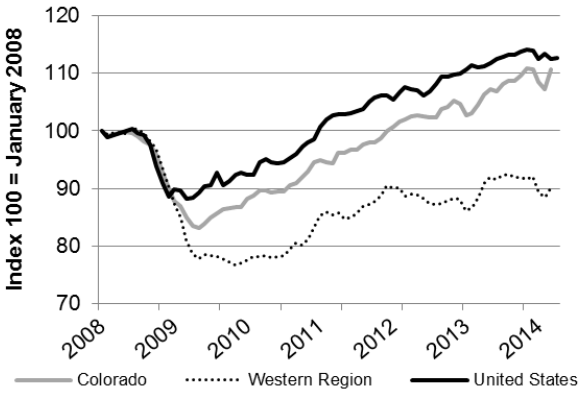
5/ Colorado Department of Revenue. Seasonally adjusted. Data through March 2014.

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



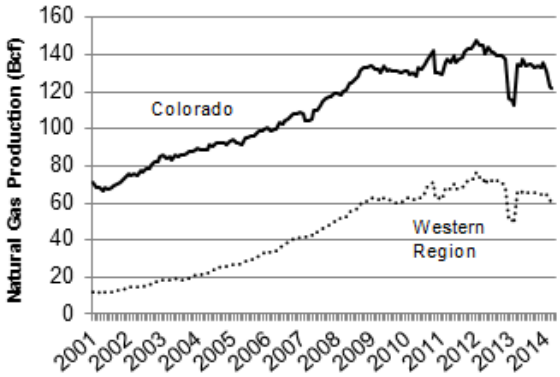
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through July 2014.

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



Source: Colorado Department of Revenue.
Data through March 2014. U.S. data through April 2014.

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



Source: Colorado Oil and Gas Conservation Commission.
Data through March 2014.

year earlier, down from the 3.5 percent growth of 2013. Figure 58 shows trends in consumer spending in the western region compared to national and statewide trends, as represented by retail trade sales since the beginning of 2008.

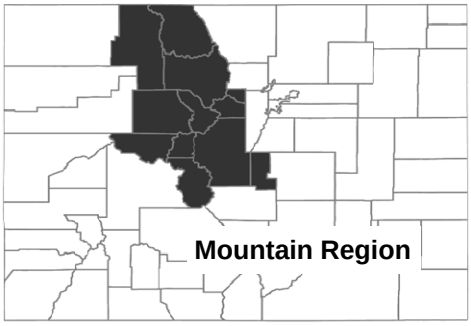
Through the first seven months of 2014, regional building permits are up 11.8 percent compared with the first seven months of 2013. This follows the pattern exhibited in 2013 of rapid growth in the region's permits in the first half of the year. However, regional building permits overall declined 1.0 percent in 2013 on a year-over-year basis, as the growth in the spring was more than offset by declines in the second half of the year. It appears that this pattern may be holding in 2014.

In terms of the number of projects, growth in regional nonresidential construction activity declined 14.3 percent through the first seven months of 2014 compared with a similar period in 2013. However, total square feet more than doubled and total project value increased by 42.9 percent. The increase is primarily due to the high value of hospital projects in Rio Blanco and Mesa counties and public administration projects in Gunnison County.

Natural gas development is important for the region. Through the first quarter of 2014, the region accounted for 48 percent of the state's production, and experienced an 13.0 percent increase in the first quarter of 2014, relative to the first quarter of 2013. This uptick is undoubtedly the result of seasonal spikes in gas prices during the winter months. This increase is unlikely to hold through the remainder of 2014, however, as natural gas prices have returned to lower levels. Figure 59 compares regional and statewide natural gas production through March 2014.

Mountain Region

After a successful ski season, the mountain region continued to make meaningful economic gains through the first half of 2014. Job growth continued to improve, and the regional unemployment rate, which has declined steadily since 2010, fell further in the first part of 2014. While the real estate market slowed compared with 2013, growth in retail sales remained strong through March 2014. Table 24 shows economic indicators for the region.



Growth in the regional labor market continues to accelerate. Through the first seven months of 2014, regional employment grew 2.3 percent compared with the same period one year ago. The region's unemployment rate fell to 5.4 percent on an annual average basis, among the lowest in the state. Figure 60 shows the region's nonfarm employment from January 2005 to July 2014, the most recent data available.

After displaying strong growth throughout 2013, the mountain region's residential real estate market slowed during the spring. Through the first seven months of 2014, the number of housing permits was 20.7 percent lower than during the same period a year earlier. Figure 61 shows the trends of residential building permits and the value of residential construction in the mountain region from January 2008 through April 2014.

In contrast, the mountain region's non-residential development continues to be strong through the first seven months of 2014. The region saw 28 nonresidential construction projects started thus far in 2014.

Table 24

Mountain Region Economic Indicators

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

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.7%	-0.4%	1.0%	1.1%	2.3%
Unemployment Rate /1	9.1%	8.3%	7.4%	6.4%	5.4%
Housing Permit Growth /2	-17.6%	2.9%	6.9%	69.3%	-20.7%
Growth in Value of Nonresidential Construction /2					
Value of Projects	76.2%	169.1%	-27.7%	-21.7%	100.9%
Square Footage of Projects	33.4%	195.4%	-57.4%	-8.6%	14.3%
Level (1,000s)	87,845	259,490	110,518	101,044	56,750
Number of Projects	2.0%	-13.7%	11.4%	2.0%	0.0%
Level	51	44	49	50	28
Retail Trade Sales Growth /3	7.8%	8.0%	5.8%	6.3%	4.1%

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

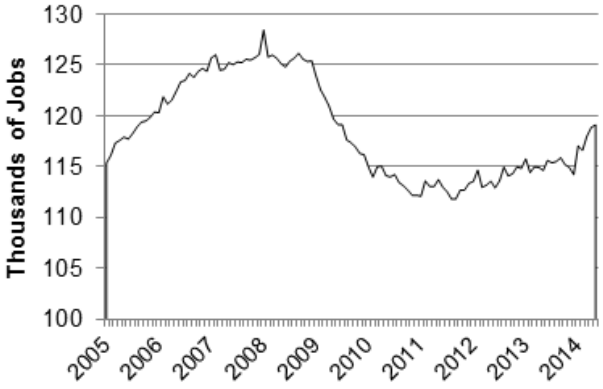
2/ F.W. Dodge. Data through July 2014. Prior forecasts reported Eagle, Pitkin & Summit Counties and Routt County separately.

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

After enjoying a banner year due to the heavy snowpack, many businesses in the mountain region are projected to post record occupancy and revenue figures for the third consecutive summer. Over the last few years, many mountain businesses have been actively marketing their summer events calendars to boost tourism during a period that was historically their offseason. In June 2014, Destimetrics, a supplier of lodging metrics for mountain resorts, reported that occupancy rates for local mountain resorts increased 9 percent and revenue increased by14 percent compared with year-ago levels.

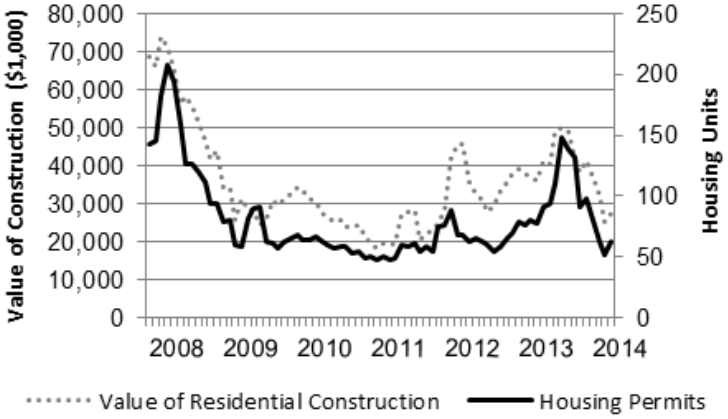
Retail sales increased 4.1 percent from January to March 2014 compared with the same period in 2013. Increased visitation levels to the region and an improving economy have helped boost retail sales. Even with this improvement, however, the growth in regional retail sales continues to lag behind both the state and the nation. Figure 62 indexes the region's retail sales growth to that of the state as a whole and the nation.

Figure 60
Mountain Region Nonfarm Employment
Seasonally Adjusted



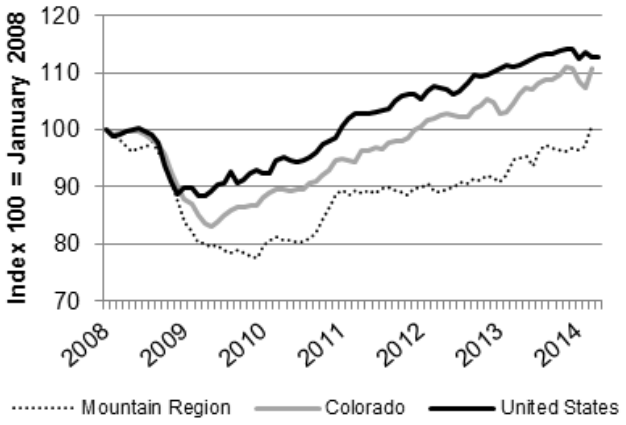
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through July 2014.

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



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

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

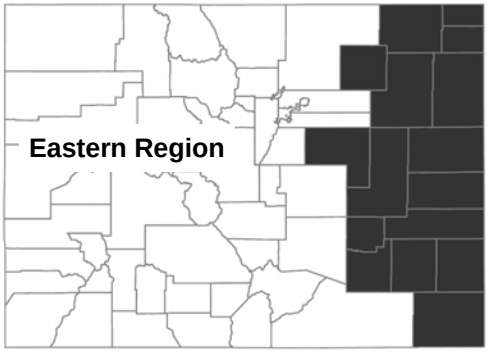


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through March 2014; U.S. data through April 2014.

Eastern Region

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

As shown in Figure 63, crop prices for corn, alfalfa hay, and wheat are all declining through the first seven months of 2014. The price of alfalfa hay, a crop primarily used as feed for cattle, is declining from the particularly high levels it reached when it spiked in 2011 and early 2012. The price of corn has also fallen sharply due to anticipated record yields nationwide. The price of wheat has declined more modestly. At the same time, falling corn and hay prices, smaller than normal herd sizes, and increased consumer demand are creating an exceptionally positive outlook for Colorado beef producers.



Because of the predominant role of agriculture in the region's economy, employment trends differ from those in more urban areas of the state. Although regional non-farm employment levels had been declining since 2011, through July, nonfarm employment is up 3.3 percent compared with the first seven months of 2013. Data on the region's unemployment rate and labor force which are taken from a survey that includes agricultural workers are shown in Figure 64. The unemployment

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

	2010	2011	2012	2013	YTD 2014
Employment Growth /1	-3.7%	1.0%	-1.8%	-2.5%	3.3%
Unemployment Rate /1	6.7%	6.4%	6.3%	5.8%	4.9%
Crop Price Changes /2					
Wheat $/bushel	-7.6%	41.7%	4.2%	0.8%	-8.3%
Corn $/bushel	-1.5%	59.3%	9.2%	-2.8%	-34.6%
Alfalfa Hay (Baled) $/ton	-15.9%	40.9%	37.0%	-0.1%	-8.7%
Dry Beans $/hundredweight	-14.5%	28.5%	30.0%	-17.3%	-4.9%
Livestock /3					
State Cattle and Calf Inventory Growth	-1.2%	10.2%	-3.4%	-8.7%	-3.2%
Milk Production	-0.8%	6.5%	7.1%	3.5%	7.6%
Retail Trade Sales Growth /4	10.1%	13.7%	4.1%	2.4%	11.2%

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

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

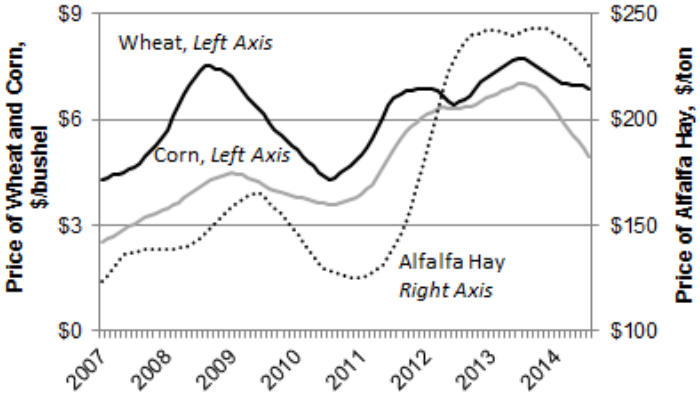
3/ National Agricultural Statistics Service. Data through July 2014.

4/ Colorado Department of Revenue. Data through March 2014.

rate fell to an average 4.9 percent during the first seven months of 2014 from an average of 5.8 percent in 2013. This decrease occurred even amidst an increase in the region's labor force, indicating strong regional job growth.

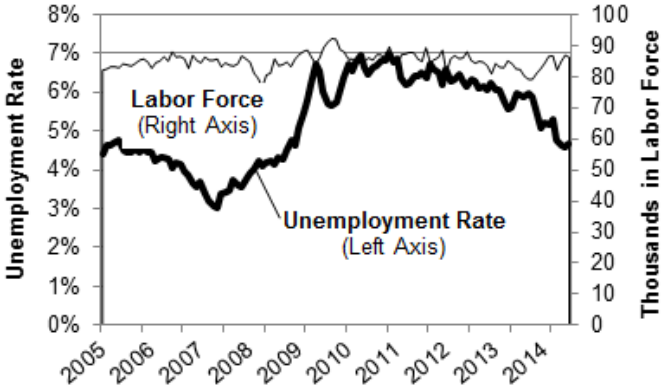
Figure 65 compares growth the retail trade sales in the eastern plains region to growth for the state and the nation. After growing slowly in 2012 and 2013, consumer spending in the region has increased 11.2 percent through the first five months of 2014. This growth rate is comparable to 2010 and 2011, both very profitable years for the agricultural industry.

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



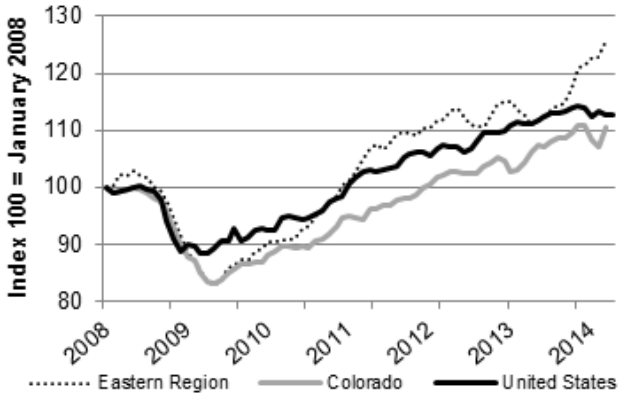
Source: National Agricultural Statistics Service. Annual data through July 2014.

Figure 64
Eastern Region Labor Force and Unemployment Rate
Seasonally Adjusted



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

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



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

Appendix A
Historical Data

National Economic Indicators

(Dollar Amounts in Billions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Domestic Product	$9,660.6	$10,284.8	$10,621.8	$10,977.5	$11,510.7	$12,274.9	$13,093.7	$13,855.9	$14,477.6	$14,718.6	$14,418.7	$14,964.4	$15,517.9	$16,163.2	$16,768.1
percent change	6.3%	6.5%	3.3%	3.3%	4.9%	6.6%	6.7%	5.8%	4.5%	1.7%	-2.0%	3.8%	3.7%	4.2%	3.7%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$12,065.9	$12,559.7	$12,682.2	$12,908.8	$13,271.1	$13,773.5	$14,234.2	$14,613.8	$14,873.7	$14,830.4	$14,418.7	$14,783.8	$15,020.6	$15,369.2	$15,710.3
percent change	4.7%	4.1%	1.0%	1.8%	2.8%	3.8%	3.3%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.3%	2.2%
Unemployment Rate	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%
Inflation (Consumer Price Index)	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%
10-Year Treasury Note	5.6%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.3%
Personal Income	$7,983.8	$8,632.8	$8,987.1	$9,149.5	$9,486.6	$10,048.3	$10,609.3	$11,389.0	$11,994.9	$12,429.6	$12,087.5	$12,429.3	$13,202.0	$13,887.7	$14,166.9
percent change	5.2%	8.1%	4.1%	1.8%	3.7%	5.9%	5.6%	7.3%	5.3%	3.6%	-2.8%	2.8%	6.2%	5.2%	2.0%
Wage and Salary Income	$4,458.0	$4,825.9	$4,954.4	$4,996.4	$5,137.8	$5,421.9	$5,692.0	$6,057.4	$6,395.2	$6,531.9	$6,251.4	$6,377.5	$6,633.2	$6,932.1	$7,124.7
percent change	6.6%	8.3%	2.7%	0.8%	2.8%	5.5%	5.0%	6.4%	5.6%	2.1%	-4.3%	2.0%	4.0%	4.5%	2.8%
Nonfarm Employment (millions)	129.2	132.0	132.1	130.6	130.3	131.7	134.0	136.4	137.9	137.2	131.2	130.3	131.8	134.1	136.4
percent change	2.5%	2.2%	0.0%	-1.1%	-0.2%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.7%

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

Colorado Economic Indicators

(Dollar Amounts in Millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nonagricultural Employment (thous.)	2,132.1	2,214.2	2,227.2	2,184.8	2,152.5	2,179.4	2,225.8	2,279.8	2,331.1	2,350.6	2,245.3	2,222.2	2,258.6	2,312.8	2,381.2
percent change	3.7%	3.8%	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%
Unemployment Rate (%)	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.3	3.8	4.8	8.1	9.0	8.5	7.8	6.8
Personal Income	$130,663	$147,056	$155,922	$156,089	$159,387	$166,687	$177,899	$191,775	$202,718	$212,243	$206,423	$210,608	$226,032	$237,461	$245,569
percent change	8.8%	12.5%	6.0%	0.1%	2.1%	4.6%	6.7%	7.8%	5.7%	4.7%	-2.7%	2.0%	7.3%	5.1%	3.4%
Per Capita Income	$31,387	$34,227	$35,231	$34,761	$35,195	$36,434	$38,407	$40,627	$42,199	$43,406	$41,515	$41,717	$44,179	$45,775	$46,610
percent change	5.6%	9.0%	2.9%	-1.3%	1.2%	3.5%	5.4%	5.8%	3.9%	2.9%	-4.4%	0.5%	5.9%	3.6%	1.8%
Wage and Salary Income (millions)	$76,643	$86,416	$89,130	$88,090	$89,281	$93,570	$98,788	$105,665	$112,510	$116,682	$112,294	$113,783	$118,740	$125,055	$129,977
percent change	9.7%	12.8%	3.1%	-1.2%	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.4%	5.3%	3.9%
Retail Trade Sales (millions)	$52,609	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569
percent change	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%
Housing Permits	49,313	54,596	55,007	47,871	39,569	46,499	45,891	38,343	29,454	18,998	9,355	11,591	13,502	23,301	27,517
percent change	-3.6%	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%
Nonresidential Construction (millions)	$3,799	$3,498	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,692	$3,566
percent change	28.7%	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.9%	-3.4%
Denver-Boulder Inflation Rate	2.9%	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%
Population (thousands, July 1)	4,226.0	4,338.8	4,444.5	4,504.7	4,555.1	4,608.8	4662.5	4,745.7	4,821.8	4,901.9	4,976.9	5,048.5	5,116.3	5,187.6	5,268.4
percent change	2.7%	2.7%	2.4%	1.4%	1.1%	1.2%	1.2%	1.8%	1.6%	1.7%	1.5%	1.4%	1.3%	1.4%	1.6%

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

NA = Not Available.