

Colorado Legislative Council Staff Forecasts, 2002-2008

December 2002

COLORADO LEGISLATIVE COUNCIL STAFF FORECASTS, 2002-2008

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EXECUTIVE SUMMARY

This document is intended to provide information to help the General Assembly with the important budget deliberations in the upcoming 2003 legislative session. After presenting the outlook for General Fund revenues, we describe the implications for the needed budget reductions or enhancements that will be needed to balance the budget. Also included in this report are Legislative Council Staff's projections for Colorado's TABOR limit and Cash Fund revenues. Many items that drive state expenditures are also projected. The state's adult prison and youthful offender populations are forecast and compared with the available bed capacity to ascertain future construction needs for additional prisons. Enrollment, assessed values, and property taxes are projected in order to assess the amount of state aid required for pre-school through twelfth grade school finance. A common forecast of the national and state economies drives the revenue and budget projections provided in this publication. In addition to the summary provided below, more detailed summaries are provided at the start of each section. If you would like further information on these topics, please contact the staff members listed in this summary.

General Fund Revenue

While the economy has appeared to hit the bottom of the current downturn, it has also not turned around appreciably as of yet. General Fund revenue is 4.0% below last year through November. Revenue from an expected and awaited economic turnaround will not be sufficient to reach the annual estimate for FY 2002-03 made in September. Thus, we reduced the General Fund revenue forecast by \$113.4 million for FY 2002-03. Revenue will nearly match that of FY 2001-02. The revenue reduction will be cushioned by taking back an estimated \$59.2 million from the State Education Fund. Too much money was diverted to the State Education Fund in 2001. Statutes provide for a reconciliation of the diversion to the amount that should have been diverted.

Staff contact: Tom Dunn or Mike Mauer, (303) 866-3521.

General Fund Overview

The poor outlook for General Fund revenues for the rest of FY 2002-03 will necessitate additional budget actions beyond those already in place. Without such action, the General Fund excess reserve would have a shortfall. We expect an additional shortfall of \$150.9 million in FY 2002-03. The shortfall can be solved by further reductions in General Fund appropriations and/or transfers from other funds. Even after these solutions are enacted for the current budget year, General Fund appropriations cannot grow by the statutory six percent maximum in FY 2003-04 and FY 2004-05.

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Cash Fund Revenues

We project **total Cash Fund revenue** subject to the TABOR revenue limit to increase 3.6% in FY 2002-03 and 7.9% in FY 2003-04. The estimates were decreased by \$35.5 million for FY 2002-03 and by \$558.7 million for the entire forecast period.

Transportation-related cash funds, which include the Highway Users Tax Fund (HUTF) and the State Highway Fund, will decline by 1.7 % in FY 2002-03 and increase by 1.5% in FY 2003-04. A decline in fuel tax revenues and a smaller amount of local government matching funds for the TRANS projects cause the decline this year.

Unemployment insurance (UI) revenues from taxes and interest earnings will increase 20.9% in FY 2002-03 and 47.9% in FY 2003-04. Based on weak growth in taxable wages and increasing benefit payments to unemployed workers, we project that the solvency tax for the unemployment insurance fund will be instituted beginning in January 2004 and be in place for two years.

Staff contact: Natalie Mullis, (303) 866-3521.

Higher education cash funds will rise 9.5% in FY 2002-03, a result of enrollment increases from many unemployed workers returning to school.

Staff contact: Jonathan Lurie, (303) 866-3521.

Constitutional Spending Limit — the TABOR Limit

The state will have two additional years of no TABOR surplus in FY 2002-03 and FY 2003-04. The lack of a surplus in the latter year is attributable to the population adjustment contained in Senate Bill 02-179 and House Bill 02-1310. The population adjustment will be used in FY 2004-05 and FY 2005-06. The adjustment will reduce TABOR surpluses through the remainder of the forecast period. The TABOR surplus will be less than \$100 million when it occurs.

Staff contacts: Tom Dunn or Mike Mauer, (303) 866-3521.

Adult Incarcerated Offender Population

The total Department of Corrections (DOC) **jurisdictional population** is forecasted to increase by 6,248 inmates, to 24,293, during the six-year forecast period. The male population will increase by 5,490 inmates, a gain of 33.2% from June 30, 2002. The female population will increase by 758 inmates, or 50.3% more than the mid-2002 population.

Prison capacity for female inmates will be insufficient by March 2003, while the capacity for the male inmate population will run short one year later. By June 2008, these shortfalls will

grow to 391 beds for female prisoners and 3,646 beds for male prisoners. Incorporation of the planned but unfunded projects reduces the bed shortfall for male prisoners to 2,215. There are no current plans to expand female bed capacity.

The **parole population** under Colorado supervision is forecast to increase from 4,037 on June 30, 2002, to 5,877 at the end of the forecast period. The total number of parolees (in-state and out-of-state) will increase from 5,717 to 8,200 during the same time period.

Staff contact: Jonathan Lurie, (303) 866-3521.

Youth Incarcerated Offender Population

The Division of Youth Corrections (DYC) **average daily commitment population** will increase from 1,266.8 in FY 2001-02 to FY 1,414.6 in FY 2007-08. This represents an increase of 11.7%. There will be a commitment bed surplus of 207.5 beds in FY 2007-08.

The DYC **average daily detention population** will increase by 16.0% during the forecast period. There will be a detention bed shortfall of 9.5 beds in FY 2007-08.

Staff contact: Jonathan Lurie, (303) 866-3521.

Pre-Kindergarten to Twelfth Grade Enrollment

Enrollment for the 2003-04 school year is projected to increase by 1.18%, or by 8,429.5 fulltime-equivalent (FTE) students. This follows an increase of 1.59%, or 11,171 FTE students for the 2002-03 school year. A weak economy in Colorado over the next year is expected to reduce typical migration levels to the state and is responsible for the smaller enrollment increase.

We project that enrollment will increase by a compound annual average rate of 1.26% for the next five years. This increase amounts to 46,054.5 students. This growth compares to an annualized growth rate of 1.64% during the last five years.

Staff contact: Josh Harwood, (303) 866-3521.

Assessed Values

The **assessed value** of taxable property will increase by only 1.5% in 2003. In recent reassessment periods, assessed value increases exhibited strong double-digit gains. The weak economy, a roll-back of oil and gas values after the strong rise in the previous two years, and a large decrease in the residential assessment rate are responsible for the small increase in assessed values.

The **residential assessment rate** is evaluated every two years. It is anticipated that the rate will decrease from the current level of 9.15% to 8.13% in 2003, 7.68% in 2005, and 7.33% in 2007. The marked decline in the rate will be the second-highest relative decline since the biennial assessment cycle was introduced in 1989.

Assessed values in 2003 will decrease in 32 of Colorado's 64 counties. The values decline in some of these counties because of the downward swing of volatile oil and gas values, while other counties that typically have slow growth in market values for residential property will be heavily impacted by the decline of the residential assessment rate.

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Revenue and Economic Forecast

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REVENUE AND ECONOMIC FORECAST

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General Fund Revenue and Overview

- The estimate for General Fund revenue in FY 2002-03 was reduced by \$113.4 million. We project that General Fund revenue will be flat, following a 15.0% decline in FY 2001-02.
- Two factors will aid the General Fund in FY 2002-03. First, an estimated \$59.2 million will be transferred from the State Education Fund back to the General Fund. Too much revenue was diverted from the state's income taxes in 2001 because the extent of the economic downturn's impact on income tax collections was underestimated. State law provides for a "truing up" of the revenue diversion each year. Second, accruals to cash receipts will be approximately \$66 million larger than a year ago.
- The General Fund picture is brighter after FY 2002-03. Revenue will increase 6.8% in FY 2003-04. After FY 2003-04, revenue will increase at a 6.4% annual pace.
- In addition to the budget reductions and enhancements to the General Fund already proposed by the Governor, an additional \$150.9 million in reductions and/or transfers will need to be made to balance the budget. The Governor's proposals and line item vetoes already

accounted for nearly \$700 million to balance the budget.

- Even after a balanced General Fund for FY 2002-03 is attained, the outlook for the General Fund position in FY 2003-04 and FY 2004-05 is not positive. Assuming that the balancing for all three fiscal years is attained through reductions in General Fund appropriations, the cuts must total \$98.8 million and \$202.7 million in the last two years. If the budget is balanced through transfers rather than appropriations, it will take longer to reach balanced budgets.
- Based on a scenario of balanced budgets reached through General Fund appropriations, diversions of sales and use taxes to the Highway Users Tax Fund (HUTF) would resume in FY 2005-06. An estimated \$37.9 million would be diverted in that year and full diversions would resume thereafter. Additional money will be available to transfer to a reserve fund to resume accrual accounting for the TABOR refund beginning in FY 2006-07. Transfers from the excess reserve to the HUTF and Capital Construction Fund per the provisions of House Bill 02-1310 and Senate Bill 02-179 could be made beginning in FY 2006-07.

General Fund Revenue

This section presents the Legislative Council Staff outlook for General Fund revenues. Table 1 shows the forecast for FY 2002-03 through FY 2007-08.

"The Colorado economy remains weak."

The Colorado economy remains weak. Colorado employment in October was 60,400 below the peak in December 2000. While the bottom for employment was apparently reached in July, the number of jobs has increased by only 4,900 since then. Several large employers are still announcing layoffs. Employers are also reluctant to increase wages and salaries for their workers as evidenced by a reported 2.3% decline in wages and salaries during the first half of 2002. Consumer and business spending is weak, compounded by tourist reluctance to visit Colorado because of their own economic problems and fears of seeing fire- and drought-ravaged vistas. Additionally, the stock market was very weak in the third quarter of 2002.

These factors have contributed to similarly anemic revenues in the General Fund. Through November, revenues were 4.0% lower than the same period last year. Sales taxes were 3.3% below year-ago levels, while individual income taxes declined 3.6%. Corporate income taxes were 15.1% lower and use taxes dropped 4.9%.

We still believe that the economy will show gradual improvement through the remainder of the budget year, thus easing the current revenue shortfall. On a cash basis, we estimate that revenues will decline 2.2%, somewhat better than the 4.0% decline through November. Two positive factors will influence the estimate of General Fund revenue this fiscal year.

The first factor relates to the State Education Fund and had not been incorporated in previous forecasts. One-third of one percent of taxable income on state income tax returns is diverted from the General Fund to the State Education Fund. The diversions began in January 2001 after voter approval of Amendment 23 two months previously. The diversions were based on overly optimistic projections of the economy and resulting revenues throughout 2001. \$328.7 million was diverted in 2001. Nearly all income tax returns have been filed for 2001. Based on a compilation of taxable income by the Department of Revenue and an estimate of taxable income on 2001 tax year returns that have yet to be filed, only \$269.6 million should have been diverted. State law provides for a "truing up" of the diversion each May. A final estimate of the correction will be made at that time, but it appears likely that an estimated \$59.2 million will be transferred back to the General Fund from the State Education Fund.

The second factor relates to the accrual of

"...an estimated \$59.2 million will be transferred back to the General Fund from the State Education Fund."

revenues that will be realized after the close of the fiscal year. The second factor does not involve a methodological change from the September 2002 forecast. It is mentioned in this forecast to help explain the difference between cash basis collection trends and the final accrual estimate of revenues. For example, the sales taxes that are collected by retailers in June are paid to the state in July. The state books an estimate of the July receipts to the fiscal year that ended in June. While the accrual adjustments reduced revenue by \$117 million in FY 2001-02, they will reduce reveTable 1 Colorado General Fund, Accrual Basis December 2002 Revenue Estimates by Tax Category (Dollars in millions)

Percent Change 5.5 -1.5 5.0 2.4 5.3 6.6 6.5 6.6 4.0 -4.9 2.5 -1.5 -0.3 0.0 4.2 5.5 6.7 5.1 ٩N -2.1 8.4 ٩N 3.5 3.4 6.0 7.4 Sales and use taxes diverted to the Highway Users Tax Fund can be found in Table 2. In November 2000, Colorado voters approved Amendment 23 that deposits an amount equal to 0.33 percent of Colorado taxable income into the State Education Fund. These revenues are exempt from the TABOR spending limit. Includes only the amount credited to the General Fund. 53.9 191.8 35.0 29.2 Estimate FY 2007-08 0.0 175.7 51.0 13.6 33.4 376.2 \$4,767.0 \$0.0 4.7 0.0 25.4 \$14.7 102.5 22.8 29.1 2,242.6 \$2,516.3 \$4,775.9 \$5,152.2 -385.2 \$169.1 \$340. \$7,623. Percent Change 5.5 -1.5 2.6 5.3 6.5 6.0 6.5 6.5 6.5 -100.0 4.3 0.0 17.2 8.9 6.0 -1.5 6.5 1.8 0.0 3.9 5.1 5.1 2.7 ٩Z 3.7 10 166.5 13.0 184.5 36.8 28.5 24.6 \$14.9 95.5 22.9 51.7 -361.7 0.0 0.0 32.6 \$2,388.9 358.1 \$4,473.6 \$0.0 4.8 49.7 \$162.4 2,125.1 \$4,477.3 \$4,835.3 \$328.9 \$7,191.5 29.1 FY 2006-07 Estimate -90.4 21.2 5.8 5.5 -1.5 4.9 2.6 5.5 7.4 16.4 8.0 7.9 8.0 4.3 -2.0 2.8 9.6 ٩Z 3.8 40 6.8 -1.5 6.3 -1.4 0.0 3.1 Change Percent 158.5 52.5 12.3 31.8 \$4,203.9 337.8 \$1.8 176.9 31.4 \$15.1 89.6 22.5 Estimate FY 2005-06 0.0 \$4,201.8 4.8 45.7 0.0 2,014.3 \$2,269.5 \$4,541.7 -339.9 27.7 23.7 \$312.0 \$6,783.3 29.1 \$156.3 Percent Change 4.8 2.6 7.5 23.0 8.3 8.4 -46.9 -1.5 -0.6 5.4 6.0 1.5 5.3 8.4 :-0.0 8.3 2.8 2.3 ٩Z 3.8 -2.6 6.8 6.2 0.0 3.1 150.2 11.8 31.0 \$2,150.7 -315.0 \$18.9 169.6 27.0 84.3 22.8 Estimate FY 2004-05 0.0 290.1 4.9 25.9 0.0 \$15.4 \$1,904.4 53.3 \$3,915.5 \$4,205.6 \$3,890.6 41.7 22.8 \$310.8 \$6,352.0 29.1 \$151.6 6.0 -1.5 7.6 2.8 6.0 10.4 9.3 42.0 -27.8 2.0 5.6 28.8 3.0 6.9 -13.2 6.8 -1.5 5.6 -3.2 2.2 Percent Change 10.4 8.4 -4.7 0.1 ٩Z <u>،</u> 141.6 235.8 \$35.5 167.8 21.9 26.3 22.0 \$15.6 22.9 Estimate FY 2003-04 4.9 0.0 \$1,806.2 0.0 11.2 30.2 \$3,642.9 -290.9 \$3,587.8 40.7 79.4 29.1 \$147.0 54.1 \$2,043.4 \$3,878.7 \$5,950.3 \$319. -24.9 Percent Change -31.8 -5.0 0.9 -1.8 --4 21.2 -0.3 1.8 6.3 -19.2 -32.8 9.5 11.8 -4.2 -0.6 0.0 -0.4 4.5 0.4 0.6 2.4 -0.4 -0.4 -20.7 -2.1 -32.1 -19.5 133.6 55.0 215.8 -204.8 \$49.2 164.4 25.5 25.3 \$15.8 75.2 23.7 29.1 4.6 17.0 38.1 \$143.8 Estimate FY 2002-03 \$1,719.2 10.4 29.4 \$3,298.3 \$3,309.3 10.7 \$334 9 \$5,572.2 \$1,928.1 \$3,514.1 Percent Change -10.9 -5.0 4.5 -2.2 -16.7 -46.0 -19.0 -22.3 -12.2 8.9 8.5 -15.0 -3.0 13.9 40.5 0.7 9.5 -52.4 0.7 66.1 -5.8 -44.0 4.4 ٩Z 4.4 5 <u>ب</u> 140.6 29.5 ,962.7 178.0 154.6 25.3 31.9 72.0 23.6 28.9 -28.6 55.2 \$72.5 34.1 \$15.9 \$1,755.6 10.3 \$3,345.2 \$3,523.2 -272.9 \$3,250.3 5.7 23.3 11.2 \$5,571.6 \$140.4 \$358.6 2001-02 5 ≿ INCOME TAXES TO GENERAL FUND TOTAL REBATES & EXPENDITURES Aged Property Tax & Heating Credit Less: Portion directed to the State Totals may not sum due to rounding. NA: Not Applicable. REBATES & EXPENDITURES Medicaid (Intergovt. Transfer) **GROSS GENERAL FUND** Category TOTAL INCOME TAXES Old-Age Pension Fund Net Corporate Income Net Individual Income TABOR Overrefund Education Fund /B Fire/Police Pensions Tobacco Products Cigarette Rebate TOTAL EXCISE Interest Income TOTAL OTHER Court Receipts Other Income Pari-Mutuel Gaming /C Insurance Sales /A Cigarette Use /A Liquor Estate ≼ພູບ

nue by only an estimated \$51 million this year. This will improve the bottom line percentage change in the General Fund *vis-à-vis* FY 2001-02.

Based on these two factors, we estimate that General Fund revenue will be flat in FY 2002-03. General Fund revenue will increase by 6.8% in FY 2003-04, aided by a stronger economy and accrual adjustments that will turn significantly positive after two years of negative adjustments. After FY 2003-04, the General Fund will increase at a 6.4% annualized pace. This compares with a 6.6% average growth rate during the five-year period after the previous Colorado recession that ended in 1987.

The following sections detail the outlook for the major taxes in the General Fund. The estimates do not incorporate the impacts of the United Airlines bankruptcy declaration on December 9. The impacts cannot be estimated precisely at this time because the company has not said how Colorado jobs will be affected. United has approximately 7,800 workers in the state. We estimated that a reduction of 10% of the work force would reduce income and sales taxes by approximately \$3 million per year. This estimate does not include smaller impacts on other taxes or the indirect impacts on other sectors of the economy. When workers are laid off or wages are reduced, the reduced earnings and spending will filter through the economy such that other workers are also affected.

"Individual income taxes will decrease by 1.4% in FY 2002-03, following a 16.7% decline in FY 2001-02."

Individual income taxes will decrease by 1.4% in FY 2002-03, following a 16.7% decline in FY 2001-02. The lagging recovery for jobs

and associated wage and salary decreases, as well as a poor outlook for capital gains realizations, are contributing to another poor outcome for this tax source. We will not know the extent of much weaker capital gains for some time, but national estimates placed the decline at 42% in 2001. Our estimate incorporates an additional 15% decline in 2002. Interest earnings will be lower because of the low interest rate environment in 2002. Higher vacancy rates and downward pressure on rent levels will reduce rental income for many property owners. The stock market and wage outlook will rebound somewhat in 2003, leading to increases in individual income tax revenue. Individual income taxes will increase by 10.4% in FY 2003-04. The much stronger increase is due to accrual adjustments that account for an estimated 2.6% of the overall growth rate. After FY 2003-04, this revenue source will increase at an annualized rate of 7.0%.

Corporate income taxes exhibit the largest volatility of the major revenue sources. During the last 20 years, corporate income taxes have ranged from a gain of 59% to a decline of 46%. The large decline occurred in FY 2001-02. We estimate that corporate taxes will increase 21.2% in the current fiscal year. The strength will be largely due to positive accruals. In FY 2004-05, and FY 2005-06, substantial growth will happen because the time period for the accelerated depreciation provisions of this spring's new federal tax laws will have ended.

Sales taxes typically have a high correlation with economic activity, rising in an expansion and falling in a recession. Sales taxes have decreased in nine of the last ten months, compared with the previous year. The decline during the past ten months was 3.4%. The last extended period of sales tax declines was in Colorado's previous recession in 1986 and 1987. We estimate that sales taxes will decline by 2.1% in FY 2002-03. Consumer spending will gradually improve during the rest of the fiscal year, aided by increased spending by tourists. The ski season and thus reservations for lodging are appreciably better than this time last year. Sales tax revenue increases will range between 5.1% and 5.8% during the remainder of the forecast period. Increasing use of online purchasing will negatively influence the state's sales tax receipts.

Use taxes will decline 5.0% this year, following a decline of 10.9% in FY 2001-02. These tax receipts will be weak this year because of reduced economic activity in the telecom and construction industries. A positive trend for use taxes will resume after FY 2002-03.

"Estate taxes will be affected by a change in federal tax laws beginning in FY 2002-03."

Estate taxes will be affected by a change in federal tax laws beginning in FY 2002-03. The federal government is phasing out the credit for state estate taxes that can be used on a federal estate tax filing. This will flow through to Colorado's estate tax. The Colorado estate tax will no longer be effective for persons who die after 2004. (It should be noted that the federal estate tax repeal has a sunset date of 2011.) After FY 2005-06, the estate tax should be completely eliminated, though the state will likely collect minimal amounts for several years from delinquent filings and reassessments of property asset values.

Insurance premium taxes have surged over the past three years. A relatively large increase will occur again in FY 2002-03. We expect that gross taxes will increase by 9.3%. This gain will be partially offset, however, by a tax credit that may be claimed by insurance companies that make an investment of certified

capital in a certified capital company. The capital companies will provide investment funds to companies that create jobs in Colorado, with an incentive for investment in rural and distressed urban areas.

Gaming taxes that are credited to the General Fund will increase 11.8% in FY 2002-03. A portion of gaming taxes and fees spills over into the General Fund after allocations to the Division of Gaming for their administrative costs, the Tourism Promotion Fund, the State Historical Fund, the gaming counties and cities, and the State Highway Fund (SHF) for road improvements in gaming areas. The growth in the General Fund portion of gaming taxes is larger than the overall growth of gaming taxes. The relatively larger increase is attributable to a decrease in the appropriation from gaming revenues to the SHF for use in road projects near the gaming communities. While \$4.8 million was appropriated for last fiscal year, only \$1.0 million was appropriated for FY 2002-03. The Colorado Department of Transportation has requested that \$1.1 million of gaming receipts be appropriated for FY 2003-04. This figure is incorporated in the revenue estimate.

General Fund Overview

This section presents an overview of the General Fund balance taking into account the projected revenues, expenditures and appropriations, the reductions already proposed by the Governor, and future reductions that need to be made. Table 2 shows the General Fund Overview.

Many actions were taken to balance last year's budget. They included reductions of transfers to highways and capital construction projects, transfers from cash funds to the General Fund, a delay of the payback to the Controlled Maintenance Trust Fund, a refinancing of Medicaid

December	r 2002 Genera	I Fund Overvie (Dollars in millic	w with Budge	et Reductions			
	FY 2001-02	Estimate FY 2002-03	_ Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08
Beginning Reserve	\$469.3	\$137.6	\$212.4	\$230.1	\$235.9	\$250.0	\$265.0
Gross General Fund	5,571.6	5,572.2	5,950.3	6,352.0	6,783.3	7,191.5	7,623.4
Senate Bill 97-1 Diversion to the HUTF /A	***	0.0	0.0	0.0	-37.9	-237.3	-250.4
Transfers from/(Paybacks to) Other Funds	536.3	8.7	30.6	0.0	0.0	-36.1	-33.5
Capital Construction Freeze Savings to General Fund	****	24.2	c	с с	с с	с с	c r
		-3.U	-3.0	-3.0	-0.0 0	-3.U	-3.0
I ranster from the Controlled Maintenance Trust Fund /D Total Funds Available	253.4 \$6,830.6	0.0 \$5,739.8	0.0 \$6,190.3	0.0 \$6,579.2	0.0 \$6,978.2	0.0 \$7,165.0	0.0 \$7,601.4
EXPENDITURES:							
General Fund Appropriations /C Governor's Burdret Recommendations	\$5,643.0	\$5,950.4 -\$489.1	\$5,851.6	\$6,077.9	\$6,229.0	\$6,603.9	\$7,001.3
Necessary Additional Reductions		-\$150.9	-\$98.8	-\$202.7			
Medicaid Overexpenditure	0.0	NE	UN N	UN N	ΝΕ	μE	NE
Rebates and Expenditures	140.4	143.8	147.0	151.6	156.3	162.4	169.1
Reimbursement for Senior Property Tax Cut	0.0	62.6	55.1	56.5	54.1	56.1	56.1
Capital and Prison Construction	****	10.6	5.3	101.8	100.4	0.0	0.0
Transfer for Highway Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Controlled Maintenance Trust Fund /D	0.0	0.0	0.0	138.2	138.2	0.0	0.0
K-12 Settlement Funding Adds to GF Appropriation /C, E	10.0	0.0	0.0	20.0	20.0	20.0	20.0
TABOR Refund	927.2	0.0	0.0	0.0	30.2	31.2	8.1
Accounting Adjustments	-27.6	NE	ΒN	BN	ΨN	NE	W
Total Obligations	\$6,693.0	\$5,527.4	\$5,960.2	\$6,343.3	\$6,728.3	\$6,873.6	\$7,254.7
YEAR-END GENERAL FUND RESERVE:	\$137.6	\$212.4	\$230.1	\$235.9	\$250.0	\$291.5	\$346.7
STATUTORY RESERVE: 4.0% OF APPROPRIATIONS /F	0.0	212.4	230.1	235.8	250.0	265.0	280.9
GENERAL FUND EXCESS RESERVE	\$137.6	\$0.0	\$0.0	\$0.0	\$0.0	\$26.5	\$65.9
Reserved Funds for Resumption of Accrual Accounting	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$25.0	\$25.0
Funds in Excess Reserve to Highway Users Tax Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0	\$27.3
Funds in Evress Reserve to Canital Construction						\$0 £	\$13 E
RESERVE AS A % OF APPROPRIATIONS	2.4%	4.0%	4.0%	4.0%	4.0%	4.4%	5.0%
TABOR RESERVE REQUIREMENT: General & Cash Fund Emergency Reserve Requirement	\$232.6	\$235.0	\$251.7	\$268.3	\$281.2	\$295.0	\$309.2
Appropriations Growth /C	\$303.4	-\$342.6	\$232.4	\$142.5	\$353.7	\$374.9	\$397.4
Appropriations Growth Rate /C	5.67%	-6.06%	4.21%	2.48%	6.00%	6.00%	6.00%
Addendum: Amount Directed to State Education Fund	-\$272.9	-\$204.8	-\$290.9	-\$315.0	-\$339.9	-\$361.7	-\$385.2
NE: Not Estimated. Totals may not sum due to rounding. **** The diversion of sales and use tax revenues (\$55.2 million) to the HUTF, the Fund appropriations amount. A 10.355% of sales and use taxes are diverted to the Highway Users Tax Fund	t diversion (\$3.0 millio when the full six perc	n) to the Older America ent General Fund appre	ns Fund, and the tran opriations limit can be	isfer (\$83.3 million) to t attained. The amoun	the Capital Constructi it was capped at \$35.	on Fund are containec 2 million for FY 2001-0	d in the General 22 and does not
occur or is limited in some years thereafter due to General Fund revenue shortfal /B Includes \$1.0 million to the Supplemental Old Age Pension Health and Medic. /C The amounts for the K-12 settlement funding attributable to Senate Bill 00-18 addition, the Governor's budget recommendations assume that a \$210 million pa addition, the Governor's budget recommendations assume that a \$210 million pa	ls. al Care Fund and \$2.(1 are also appropriation yback to the Major Me real Fund on July 1, 20) million to the Older Arr ons from the General Fu dical Fund is counted a	nericans Fund for FY and and should be ad is an ap propriation an sre \$138.2 million fror	2002-03 and thereafte ded to the General Fu nd included in the 6% a m the General Fund to	r. nd appropriations line appropriations limit. ++a CMTF in FYs 200	to calculate total appi 아~04-05. Th	ropriations. In Governor's
budget recommendation moves the transfer to FYs 2004-05 and 2005-06. /E. The settlement requires that the General Fund have at least \$80 million in ex threshold, it has been included in this overview for all years except FY 2002-03, v mendation.	sess reserves for func- when it is to be funded	ing to take place. Beca	use the General Asso on Fund, and FY 200	embly has funded the s 3-04 when it is not funded	settlement in two budy ded from the General	get years without reach Fund in the Governor'	hing the \$80 million s budget recom-
/F The four percent statutory reserve was eliminated for FY 2001-02.							

Table 2

with participating public hospitals, elimination of the General Fund reserve requirement, and a reduction of General Fund appropriations.

Without any budget reductions or enhancements, a budget shortfall would exist again this year. The shortfalls would explode in each year of the forecast period, reaching nearly \$7 billion. The Governor has taken some actions and proposed additional measures to balance the budget for FY 2002-03. These actions include the restriction of budgets for most state agencies, shifting the June payroll date to July, refinancing a portion of General Fund appropriations for K-12 education with State Education Fund monies, transfers from cash funds, and several other savings efforts. These actions combined with line item vetoes in the current budget, nearly \$700 million of cuts or transfers have already been proposed to balance this year's budget. The General Assembly has not adopted the changes for FY 2002-03 and may choose to use other measures to eliminate the budget shortfall. Any part of the Governor's plan that is not adopted will require that other savings be found on a dollar for dollar basis.

"...nearly \$700 million of cuts or transfers have already been proposed to balance this year's budget."

Based on the planned reductions and transfers, as well as restoring the reserve requirement to 4%, the budget would have been balanced for FY 2002-03 using the September 2002 revenue forecast. However, an analysis showed that the budget would have been out of balance after FY 2002-03. Additional appropriations reductions or other enhancements would have been required.

"...\$150.9 million must still be cut from the current year budget."

Because of a reduced revenue estimate for FY 2002-03 in this forecast, additional reductions in General Fund appropriations must now be made to balance the current year's budget. Alternatively, other cash fund transfers to the General Fund could be made. If only additional appropriations reductions are used, \$150.9 million must still be cut from the current year budget.

The Governor proposed a budget of \$5.916 billion for FY 2003-04. In order to accommodate this budget, the Governor suggested that the \$210 million payback to the Major Medical Fund be included within the six percent limit in FY 2002-03. However, given that an additional \$156.8 million must be taken from appropriations in FY 2002-03, the six percent allowable increase would provide an appropriations base of only \$5.851 billion in FY 2003-04. Other proposals for FY 2003-04 include an additional \$30.6 million infusion from cash funds and a tax amnesty program. another one-year delay of the repayment (\$138.2 million) to the Controlled Maintenance Trust Fund, and a reduction of the capital construction transfer (\$95.9 million savings).

Despite these moves, an additional \$98.8 million in FY 2003-04 and \$202.7 million in FY 2004-05 must be cut to balance the budget in those years. If the budget is balanced through cash fund transfers, it will take longer to restore balanced budgets. Cash fund transfers provide a one-time assistance to the budget problem. Reductions to General Fund appropriations provide ongoing reductions. For example, if \$10 million is cut from appropriations, it will help the budget by \$10 million in the first year and \$10.6 million in the second year for total savings of \$20.6 million. Once the budget is balanced, Senate Bill 97-1 diversions of a portion of sales and use tax revenues to the Highway Users Tax Fund (HUTF) can resume in FY 2005-06. A partial diversion would take place in the first year and a full diversion would take place in the last two years of the forecast period. The diversions to the HUTF would total \$525.6 million. A scheduled payback of \$69.6 million to several cash funds can occur over a two-year period starting in FY 2006-07. The payback of the

"Once the budget is balanced, Senate Bill 97-1 diversions of a portion of sales and use tax revenues to the Highway Users Tax Fund (HUTF) can resume in FY 2005-06."

cash funds is contingent on available monies. Additionally, funds would be available for transfers to three other funds beginning in FY 2006-07. House Bill 02-1015 provided for the transfer of up to \$25 million annually to a reserve fund to eventually establish the resumption of accrual accounting procedures for the TABOR refund. Although the General Fund Overview includes this transfer, it should be pointed out that the projected TABOR surplus in FY 2006-07 is only \$8.1 million. This amount could be accrued to the same year rather than booked in the following year. In effect, this would reverse House Bill 98-1414. As a result, the transfers mentioned in the next paragraph would be reduced by approximately one-half.

The two other transfers were enabled by the passage of House Bill 02-1310 and Senate Bill

02-179. These bills provided that when money is still available in the excess reserve, twothirds will be transferred to the HUTF and onethird will be transferred to the Capital Construction Fund. Over the last two years of the forecast period, the HUTF would receive \$28.2 million and the CCF would receive \$14.1 million.

This forecast does not include the settlement of the Arkansas River lawsuit by the state of Kansas. The court-appointed special master ruled in favor of Kansas in this lawsuit and tentatively ruled that Colorado owes \$28.9 million. The settlement must still be approved by the U.S. Supreme Court. The timing of the final approval is unknown. If the settlement monies come from the General Fund, it will place additional pressure on the Fund.

It is likely that the reimbursement of local governments for the costs of the senior citizen homestead exemption will be slightly less than the \$62.6 million appropriation for this purpose in FY 2002-03. Any savings will be reverted to the General Fund at the end of the year.

Another risk to the revenue forecast and overview is the prospect of additional federal income tax reductions to provide economic stimulus. If changes to the tax base (definitions of income and deductions) are made, Colorado income taxes would be negatively affected. If the economic stimulus is in the form of rate reductions or tax credits, Colorado's revenues would not be affected.

Cash Fund Revenue Forecasts

- Total cash fund revenue subject to the TABOR revenue limit will increase 3.6% in FY 2002-03, and increase at an average annual rate of 4.0% over the forecast period.
- After increasing 4.2% in FY 2001-02, revenue to the transportation-related cash funds will decrease 1.7% in FY 2002-03 and increase at an average annual rate of 1.7% over the forecast period. Highway Users Tax Fund revenues will be flat in FY 2002-03. Income subject to the TABOR spending limit in the State Highway Fund will decrease 28.7%, a result of fewer local government matching dollars for transportation projects.
- Total **higher education** revenue will increase 9.5% in FY 2002-03, accompanied by 4.5% growth in fulltime-equivalent student enrollment. Tuition revenue will grow 10.7% in FY 2002-03.
- Total **unemployment insurance** revenue will increase 20.9% in FY 2002-03. Tax revenues will grow 40.3% as a result of higher tax rates pushed up by recent large increases in benefit payments. Tax revenues will increase at an average annual rate of 7.5% over the forecast period. After

- increasing 165.7% in FY 2001-02, benefits will decline 19.9% in FY 2002-03 and at an average annual rate of 9.3% through FY 2007-08. The large amount of benefit payments will cause the fund balance to fall to a level that causes the solvency tax to be levied during 2004 and 2005. In addition, the 20% tax credit on regular UI taxes will no longer occur, starting on January 1, 2003, and throughout the forecast period. The fund balance will grow at an average annual rate of 6.5% to \$913.8 million by FY 2007-08. This forecast assumes that the \$142.7 million Special Reed Act transfer remains in the fund.
- Limited Gaming Cash Fund revenue will increase 3.2% in FY 2002-03, a substantially lower rate than in recent years. The recession in Colorado has lowered demand for gaming entertainment. However, demand should pick up with the economy, and these revenues will grow at an average annual rate of 7.1% through FY 2007-08.
- Finally, all **other cash fund** revenue will decline 0.4% in FY 2002-03 and increase at an average annual rate of 4.6% between FY 2001-02 and FY 2007-08.

This section presents the forecasts for cash fund revenue subject to the TABOR spending limit and describes several of the large cash funds. Table 3 presents a summary of all cash fund revenue subject to the TABOR spending limit.

After decreasing 6.1% during FY 2001-02, total cash fund revenue subject to the TABOR revenue limit will increase 3.6% in FY 2002-03 and at an average annual rate of 4.0% over the forecast period. The pattern of growth over the forecast period will be varied as a result of the unemployment insurance solvency tax, which will be in 2004 and 2005.

"The forecast of cash fund revenues was reduced by \$35.5 million in FY 2002-03..."

The forecast of cash fund revenues was reduced by \$35.5 million in FY 2002-03 and by a total of \$558.7 million between FY 2002-03 and FY 2007-08. While forecasts for most cash funds decreased, the largest decreases for the FY 2002-03 forecast occurred in motor fuel taxes and TABOR-revenues to the State Highway Fund. These decreases in FY 2002-03 were somewhat offset by increases in the forecasts for higher education tuition and unemployment insurance taxes. The largest decreases over the entire forecast period occurred in revenues to the Highway Users Tax Fund and unemployment insurance taxes. The forecast for Highway Users Tax Fund revenues was decreased by a total of \$209.4 million between FY 2002-03 and FY 2007-08. Meanwhile, the September forecast predicted that the unemployment insurance solvency tax would be in effect during calendar years 2004 through 2006. We currently expect that the solvency tax will only be in effect during 2004 and 2005. The forecast for UI taxes decreased by \$173.6 million over the forecast period.

Transportation-Related Cash Funds

Transportation-related cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller funds, increased 4.2% in FY 2001-02. Transportationrelated revenue will decrease 1.7% in FY 2002-03, and increase at an average annual rate of 1.7% through FY 2007-08 (Table 4).

The Highway Users Tax Fund. The Highway Users Tax Fund (HUTF) was created by the General Assembly as a result of the state constitutional requirement that the revenues from highway-related taxes and fees be used only for the construction, maintenance, and administration of public highways. Thus, revenue sources for the HUTF include taxes on the sale of motor fuel (74%), automobile registration fees (20%), and revenues from the sale of drivers licenses, court fines, penalties, and interest income (6%). In addition, as long as General Fund revenues are sufficient, the HUTF receives revenue from the Senate Bill 97-1 diversion and the excess General Fund reserve each year. The HUTF receives a diversion of 10.355% of the state's sales and use taxes and is only funded if there is enough revenue in the General Fund to fully fund the six percent increase in General Fund appropriations and the four-percent statutory reserve each year. House Bill 02-1310 and Senate Bill 02-179, identical measures that address transportation funding, direct that two-thirds of the excess General Fund reserve be transferred to the HUTF each year. Money remains in the excess General Fund reserve each year only after the Senate Bill 97-1 diversion and other obligations have been fully funded. Based on current law, General Fund revenues will not be sufficient for the Senate Bill 97-1 diversion to occur, nor will there be any money in the excess General Fund reserve to be transferred to highways over the entire forecast period.

Cash Fund Revenue Estimates by Category, December 2002 Table 3

Transportation-Related /A % Change	Action	Catimato						
Transportation-Related /A % Change	FY 01-02	ESUINALE FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	-Y 01-U2 to FY 07-08 CAAGR *
	\$813.9 4.2%	\$800.4 -1.7%	\$812.5 1.5%	\$832.7 2.5%	\$854.0 2.6%	\$875.1 2.5%	\$902.7 3.2%	1.7%
Higher Education /B	\$635.4	\$695.5	\$718.9	\$751.6	\$784.1	\$818.2	\$856.6	5.1%
% Change	-9.7%	9.5%	3.4%	4.5%	4.3%	4.4%	4.7%	
Unemployment Insurance /C	\$196.1	\$237.1	\$350.6	\$438.8	\$349.8	\$291.8	\$293.9	7.0%
% Change	-2.4%	20.9%	47.9%	25.1%	-20.3%	-16.6%	0.7%	
Limited Gaming Fund	\$99.1	\$102.3	\$109.3	\$118.5	\$128.6	\$139.0	\$149.6	7.1%
% Change	7.7%	3.2%	6.8%	8.4%	8.5%	8.0%	7.7%	
Capital Construction - Interest	\$17.5	\$6.1	\$7.6	\$13.8	\$16.5	\$11.6	\$8.2	-11.9%
% Change	-49.8%	-65.2%	25.2%	81.4%	19.2%	-29.8%	-29.6%	
Controlled Maintenance Trust Fund - Interest** /D % Change	\$0.5 -97.1%	\$0.0	\$6.1	\$17.0 179.3%	\$19.0 11.8%	\$19.0 -0.1%	\$18.9 -0.2%	81.7%
Insurance - Related	\$66.3	\$63.9	\$67.0	\$72.0	\$77.5	\$83.2	\$89.6	5.2%
% Change	29.0%	-3.6%	4.9%	7.5%	7.5%	7.5%	7.6%	
Regulatory Agencies	\$50.4	\$52.3	\$53.6	\$55.0	\$56.4	\$57.7	\$59.3	2.7%
% Change	-1.6%	3.6%	2.6%	2.5%	2.5%	2.5%	2.6%	
Severance Tax /E	\$57.5	\$48.6	\$46.8	\$49.6	\$48.6	\$51.6	\$55.1	-0.7%
% Change	-23.1%	-15.5%	-3.6%	6.0%	-2.0%	6.2%	6.8%	
Employment Support Fund	\$19.6	\$19.7	\$20.1	\$21.1	\$21.5	\$22.3	\$23.2	2.8%
% Change	-6.0%	0.6%	2.0%	4.7%	2.0%	3.7%	4.0%	
Petroleum Storage Tank Fund	\$21.3	\$19.8	\$20.1	\$9.7	\$9.9	\$10.2	\$10.4	-11.2%
% Change	-19.9%	-7.0%	1.5%	-51.9%	2.4%	2.7%	2.7%	
Other Cash Funds	\$254.8	\$266.9	\$282.4	\$298.5	\$315.5	\$333.7	\$353.1	5.6%
% Change	-2.8%	4.8%	5.8%	5.7%	5.7%	5.8%	5.8%	
Total Cash Fund Revenues	\$2,232.4	\$2,312.6	\$2,495.1	\$2,678.3	\$2,681.3	\$2,713.5	\$2,820.6	4.0%
Subject to the TABOR Limit	-6.1%	3.6%	7.9%	7.3%	0.1%	1.2%	3.9%	

/C Includes a 20% tax credit on unemployment insurance taxes during calendar years 2001 and 2002. Reflects the solvency tax in effect during calendar years 2004 and 2005. /D The principal balance of the Controlled Maintenance Trust Fund, or \$243.9 million, was transferred to the General Fund on July 1, 2001. The CMTF will be repaid in two installments on July 1, 2003 and July 1, 2004. /E This figure includes total severance tax revenue and interest earnings before distribution to the Local Government Severance Tax Fund.

After increasing 3.0% in FY 2001-02, total HUTF revenue will remain flat in FY 2002-03 and increase at an average annual rate of 2.4% through FY 2007-08. The forecast for HUTF revenue was lowered by \$18.3 million in FY 2002-03 and by a total of \$209.4 million over the forecast period. More than 80% of the decrease is attributable to a lower forecast for motor fuel taxes. Forecasts for interest earnings and drivers license fees were also reduced, while the forecast for registration fees did not change significantly.

"...motor fuel tax revenue will decrease 0.7% in FY 2002-03..."

After increasing 3.5% in FY 2001-02, **motor fuel tax revenue** will decrease 0.7% in FY 2002-03 and grow at an average annual rate of 2.0% between FY 2001-02 and FY 2007-08. Lower net migration into the state, the employment-recession, and weak tourism will all combine to reduce motor fuel taxes in FY 2002-03. While we expect healthier growth rates during the remainder of the forecast period, they will be growing off of a lower base than predicted in September. Thus, the forecast for motor fuel tax revenue was reduced by a total of \$177.4 million over the forecast period.

Vehicle registration revenue, much of which is paid on larger and newer vehicles, will increase 2.4% during FY 2002-03, after increasing 1.8% during FY 2001-02. Much of this growth, however, is due to a \$2.6 million accounting adjustment. The adjustment is a result of a substantial lag in information related to backfills from the General Fund for reduced registrations as a result of House Bill 00-1227, which refunds part of the TABOR surplus by lowering registration fees and then backfilling the HUTF for the lost revenue from the General Fund. Usually, this accounting adjustment would balance out over time, but because there was no TABOR surplus in FY 2001-02, the refund mechanism is not occurring during FY 2002-03, and thus the accounting adjustment will affect growth during FY 2002-03. Without the accounting adjustment, vehicle registration fees would have grown only 0.7% during FY 2002-03, a rate more indicative of the poor health of the economy.

"...much of the increase in sales activity that occurred during late 2001 and much of 2002 will be at the expense of automobile sales during late 2002 and part of 2003."

Because of the zero-percent financing deals and other incentives offered by automobile dealerships, registration fees grew at extremely healthy rates that belied the recession in Colorado during the first few months of the fiscal year. However, much of the increase in sales activity that occurred during late 2001 and much of 2002 will be at the expense of automobile sales during late 2002 and part of 2003. By November, sales at most new and used Colorado auto dealerships had slowed considerably. This is expected to continue until at least mid-2003. Registration fees will grow at an average annual rate of 3.5% over the forecast period.

The State Highway Fund. Once the taxes and fees generated by the HUTF are collected, they are disbursed to the state, counties, and cities in a manner stipulated by Colorado law. The state's share (approximately 55%) is credited to the State Highway Fund. House Bill 02-1310 and Senate Bill 02-179 direct that two-thirds of the excess General Fund reserve be funneled through the HUTF to the State Highway Fund each year. In addition, the Senate Bill 97-1 diversion and any capital construction transfers from the General Fund for transportation purposes are deposited into the State Highway Fund. Interest earnings in the fund are subject to the TABOR spending limit. In addition, the

Transportation Funds Revenue Forecast by Source, December 2002 Millions of Dollars Table 4

	Actual FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	FY 2001-02 to FY 2007-08 CAAGR *
Highway Users Tax Fund								
Motor Fuel and Special Fuel Taxes	\$544.6	\$540.7	\$553.6	\$567.6	\$581.5	\$597.3	\$613.6	2.0%
% change	3.5%	-0.7%	2.4%	2.5%	2.4%	2.7%	2.7%	
Registrations	\$151.4	\$155.0	\$159.2	\$165.7	\$172.1	\$178.5	\$186.3	3.5%
% change	1.8%	2.4%	2.7%	4.1%	3.8%	3.7%	4.4%	
Other Receipts /A	\$43.7	\$44.2	\$43.1	\$45.1	\$47.3	\$49.9	\$52.5	3.1%
% change	0.6%	0.9%	-2.5%	4.6%	5.0%	5.4%	5.4%	
Total Highway Users Tax Fund	\$739.7	\$739.8	\$755.9	\$778.4	\$800.8	\$825.6	\$852.4	2.4%
% change	3.0%	0.0%	2.2%	3.0%	2.9%	3.1%	3.2%	
State Highway Fund - Interest	\$50.1	\$35.7	\$31.5	\$28.6	\$26.5	\$25.1	\$25.6	-10.6%
% change	17.0%	-28.7%	-11.9%	-9.3%	-7.3%	-5.3%	2.2%	
Other Transportation Funds /B	\$24.2	\$24.9	\$25.1	\$25.8	\$26.7	\$24.4	\$24.7	0.3%
% change	21.6%	3.0%	1.0%	2.5%	3.5%	-8.4%	0.9%	
TOTAL: All Transportation Funds	\$813.9	\$800.4	\$812.5	\$832.7	\$854.0	\$875.1	\$902.7	1.7%
% change	4.2%	-1.7%	1.5%	2.5%	2.6%	2.5%	3.2%	
Addendum: Senate Bill 97-1 Revenue /C % change	\$35.2 -82.2%	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$0.0	NA
Two-Thirds Excess General Fund Reserve /C	AA	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	AN
Totals may not sum due to rounding and do not include Senate I	Bill 97-1 revenue	ss, which are 10.	355 percent of s	ales and use tay	t revenues, or the	transfer of two-thir	ds of the excess	General Fund

transferred to the HUTF. are ieral Fund and ē ate Bill The Sei reserve.

* CAAGR: Compound Average Annual Growth Rate.

/A Includes interest receipts, judicial receipts, drivers' license fees, gross ton mile tax revenues, and other miscellaneous receipts in the HUTF.

Revenues received by these funds include fees for emissions, motorcycle safety, emergency medical services, and the state's motor vehicle titling and registration system. 9 State Highway Fund received a large amount of matching funds from local governments during the last few years for projects accelerated with the use of Transportation Revenue Anticipation Notes. These local matching funds will fall somewhat during FY 2002-03 from the high level received last year and will fall further during the next few years. In addition, interest earnings are much lower in FY 2002-03 compared with year-ago levels. Thus, revenues subject to the TABOR spending limit will decrease 28.7% in FY 2002-03 and decrease at an average annual rate of 10.6% over the forecast period.

"House Bill 02-1310 and Senate Bill 02-179 created the statewide tolling enterprise within the Colorado Department of Transportation (CDOT)."

Statewide Tolling Enterprise. House Bill 02-1310 and Senate Bill 02-179 created the statewide tolling enterprise within the Colorado Department of Transportation (CDOT). The enterprise is authorized to finance new toll highways and lanes. According to CDOT, two studies of new toll lanes are in the very early stages. This forecast does not include any monies from toll roads.

Higher Education

The higher education forecast of revenue and enrollment is provided in Tables 5 and 6. Higher education cash fund revenue decreased 9.7% in FY 2001-02. This was due to an accounting adjustment pursuant to the Governmental Accounting Standards Board (GASB) statements 34 and 35, that required public higher education institutions to report scholarship allowances as transfers rather than revenue. Without this accounting adjustment, higher education cash funds increased 8.6%. The adjusted growth in higher education cash fund was due to the strong student enrollment gains as Coloradans returned to schools as a result of poor employment prospects. Enrollment increased 4.0% in FY 2001-02, the strongest growth in 12 years.

"Due to the continued weak economy, student enrollment will post another banner year with a 4.5% increase."

Due to the continued weak economy, student enrollment will post another banner year with a 4.5% increase. This will cause FY 2002-03 revenue to post a 9.5% growth rate in combined tuition and nontuition revenue (net of scholarship allowances). For FY 2002-03, the General Assembly approved tuition increase caps of 7.7 percent (5.7 percent for residents attending community college). The Governor vetoed these caps and directed the Governing Boards and the Colorado Commission on Higher Education to prepare a tuition increase plan with lower inflation caps.

The FY 2002-03 tuition caps were set at 6.2 percent for residents (4.7 percent for Metro State, State Colleges, and Community College systems) and 9.0 percent for nonresidents (7.7)percent for UNC, Metro State, State Colleges, and Community College systems). For subsequent years, tuition rate increases are estimated to be equal to the Statewide inflation rate. This forecast is higher than the September 2002 estimate due to a higher fall enrollment count. Once the economy recovers in 2003 and job growth improves, enrollment and revenue growth will moderate to normal levels. Over the six-year forecast period through FY 2007-08, higher education revenues will grow at a 5.1% average annual growth rate. Meanwhile, public higher education enrollment, based on the number of resident full-time equivalent students, will increase at an average annual pace of 1.4% over the forecast period.

FY 2001-02 to FY 2007-08 CAAGR * 4.7% 5.9% 4.4% 5.1% Estimate FY 07-08 \$795.6 4.3% \$228.2 5.7% \$856.6 4.7% -\$167.1 4.3% \$762.5 3.7% \$215.9 6.2% -\$160.2 3.7% \$818.2 4.4% Estimate FY 06-07 Higher Education Revenue Forecast by Source, December 2002 \$735.2 3.6% \$203.3 6.4% -\$154.4 3.6% Estimate FY 05-06 \$784.1 4.3% \$709.6 3.8% \$191.0 6.8% \$751.6 4.5% -\$149.1 3.8% Estimate FY 04-05 \$683.7 2.5% -\$143.6 2.5% \$178.8 6.0% \$718.9 3.4% Millions of Dollars Estimate FY 03-04 \$667.0 10.7% \$168.6 4.4% \$695.5 9.5% -\$140.1 8.8% Estimate FY 02-03 \$602.6 10.1% \$161.6 3.3% -\$128.8 10.7% \$635.4 -9.7% Actual FY 01-02 Scholarship Allowance Deductions **TOTAL Higher Education Cash Nontuition** % change **Tuition** % change % change % change

Table 5

Totals may not sum due to rounding.

CAAGR: Compound Average Annual Growth Rate.

Beginning FY 2001-02, scholarship allowances and tutition discounts were deducted from revenue pursuant to Governmental Accounting Standards Board (GASB) Statements #34 and #35.

		Та	ble 6						
	Higher Education Total Public Hi	on Enrollme igher Educa	ent Forecas tion FTE Stu	tt, Decemb Judent Enroll	er 2002 Iment				
	Actual FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	FY 2001-02 to FY 2007-08 CAAGR *	
Residents % change	122,062 4.1%	128,182 5.0%	127,972 -0.2%	128,966 0.8%	130,337 1.1%	131,794 1.1%	133,558 1.3%	1.5%	
Nonresidents % change	21,911 3.2%	22,237 1.5%	22,005 -1.0%	22,011 0.0%	22,163 0.7%	22,346 0.8%	22,696 1.6%	0.6%	
TOTAL Full-Time-Equivalent Students % change	143,972 4.0%	150,419 4.5%	149,977 -0.3%	150,977 0.7%	152,500 1.0%	154,140 1.1%	156,254 1.4%	1.4%	
Totals may not sum due to rounding.									

* CAAGR: Compound Average Annual Growth Rate.

Unemployment Insurance Trust Fund

Forecasts for unemployment insurance tax revenue, benefit payments, and the Unemployment Insurance (UI) Trust Fund balance are shown in Table 7. The UI Fund collects taxes from employers and uses the revenue for unemployment benefits. Growth in UI taxes depends upon employment and wage growth, the rate at which covered employees switch employers, and the amount of benefits paid to UI claimants in the past. The amount of benefits paid to UI claimants depends upon the unemployment rate and the average wage level from the prior calendar year. When the amount of benefits paid in the past falls, the average UI tax rate paid by all employers falls, and UI tax revenues fall, all else equal. Conversely, when the amount of benefits paid in the past rises, the average UI tax rate rises, and UI tax revenues rise, all else equal.

"The mass layoffs...culminated in a 165.7% increase in benefit payments during FY 2001-02."

The level to which taxes increase when wages increase is muted, since the tax base is capped at the first \$10,000 in wages paid to each covered employee per employer during the calendar year. However, wage growth in any calendar year has a significant effect on benefit payments two years later, and thus on the UI tax rate four years after the original calendar year in which wages increased. For example, total private wages grew 13.0% and 12.5% during calendar years 1999 and 2000, respectively. Taxable wages increased 7.3% and 5.8% during 1999 and 2000, and were boosted by an extremely mobile workforce that switched employers readily. However, along with mass layoffs, this wage growth contributed to a 165.7% increase in benefit payments during FY 2001-02, which led to an estimated increase of 37.0% in the effective UI tax rate for FY 2002-03, prior to adjustments made for the UI tax credit.

UI Background. The current situation for UI taxes, benefits, and the UI fund balance was caused by the dramatic turnaround in Colorado's economy during 2000 and 2001. Going into 2000, UI tax rates were at historical lows as a result of extremely low benefit payments during the late 1990s. When employment began to decline at a relatively slow rate during the first half of 2001, those layoffs, combined with the strong wage growth that occurred in 1998 and 1999, caused benefit payments to increase 18.0% in FY 2000-01. The mass layoffs in late 2001 and the first half of 2002, combined with the strong wage growth in 1999 and 2000, culminated in a 165.7% increase in benefit payments during FY 2001-02. Meanwhile, tax revenues have not yet reacted to the high level of benefit payments caused by the increased layoffs. Combined with decreases in taxable wages and a 20% tax credit, UI taxes declined 15.9% in FY 2000-01 and were essentially flat in FY 2001-02. Interest earnings to the fund were strong during FY 2000-01, but have been falling ever since. Thus, the fund balance began dropping from its high of \$801.9 million in September 2001 to \$626.9 million by June 2002, only 0.91% of total private wages in 2001. A solvency tax is triggered in Colorado when the UI fund balance as a percentage of total annual private wages in the preceding calendar year is at or below 0.9%. Thus, the UI fund balance was just barely large enough to prevent the solvency tax from starting in 2003.

UI Tax Forecast. Tax revenues will show a varied pattern of growth over the forecast period. The 20% tax credit on regular UI taxes will not occur starting in calendar year 2003 and throughout the entire forecast period. The tax credit is in effect when the fund balance is

at least 1.1% of total private wages during the preceding calendar year. Meanwhile, the solvency tax will be levied in 2004 and 2005. The fund balance will fall to 0.71% of 2002 total wages at the end of FY 2002-03 and will not return to solvency until the end of FY 2004-05. During FY 2002-03, the UI tax rate will react to the huge increase in benefits in recent years, and combined with a half-year impact from the absence of the 20% tax credit. will increase 40.3%. Taxes will increase 50.9% in FY 2003-04 as the solvency tax triggers on and there is another half-year impact from the lapsed 20% tax credit. In FY 2004-05, taxes will increase 25.1%, entirely as a result of a full-year impact from the solvency tax. Taxes will decrease during the next two fiscal years and will be flat in FY 2007-08. Over the forecast period, UI taxes will increase at an average annual rate of 7.5%.

UI Benefit Forecast. After increasing 165.7% in FY 2001-02, benefits will decrease 19.9% in FY 2002-03, 31.0% in FY 2003-04, 7.6% in FY 2004-05, and begin to grow slowly again thereafter. Over the forecast period, benefits will decrease at a compound average annual rate of 9.3%.

"The UI fund balance will fall to \$478.6 million on June 30, 2003, only \$28.6 million away from triggering a higher tax rate schedule."

The UI Trust Fund Balance. The UI fund balance will fall to \$478.6 million on June 30, 2003, only \$28.6 million away from triggering a higher tax rate schedule. Colorado law increases the UI tax rate schedule when the fund balance falls below \$450 million. The solvency tax will be levied during calendar years 2004 and 2005. Because of the solvency taxes the fund balance will begin to grow again, increasing at an average annual rate of 6.5% over the forecast period to \$913.8 million at the end of FY 2007-08. The Special Reed Act Transfer. Earlier this year, President Bush signed into law H.R. 3090, which, among other things, distributes a total of \$8 billion from the federal UI trust fund to the state UI trust funds. Colorado received \$142.7 million of this transfer, known as the Special Reed Act Transfer. The Department of Labor and Employment has placed this money into Colorado's trust fund until further notice. This forecast assumes that the entire \$142.7 million remains in the trust fund as available monies for current-law benefit payments. The statutory tax rate structure includes 12 separate schedules that are based upon the level of the fund balance. According to this forecast, up to \$28.6 million of the Reed Act Transfer could be taken out of the fund or used for extended benefits or expanded eligibility without substantially affecting the forecasts for UI taxes. However, if more than \$28.6 million were taken out, the fund balance would fall below \$450 million and a higher tax rate schedule would be in effect for 2004. If the entire \$142.7 million were taken out of the trust fund for other purposes or used for additional benefits or expanded eligibility, the fund balance would fall to \$335.9 million and \$411.8 million by the end of FY 2002-03 and FY 2003-04, respectively. Thus, tax rates would be substantially higher in 2004, since the tax rate schedule would shift from the lowest schedule to the fourth-lowest schedule, and slightly higher in 2005, since the tax rate schedule would be at the second-lowest schedule. In addition, it is very likely that the solvency tax would be in effect for an additional year.

Overview of Additional Cash Funds

This section provides brief descriptions of other large cash funds that are subject to the TABOR spending limitation. In FY 2001-02,

	Unemployr Revenues	nent Insurar , Benefits P	Table T are Trust Fu aid, The UI H Millions of L	7 Ind Forecast <i>Fund Balanc</i> Oollars	t, December e, and Solve	2002 ncy			
	Actual FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	FY 2001-02 to FY 2007-08 CAAGR *	
Beginning Balance Plus Income Received	\$794.1	\$626.9	\$478.6	\$563.5	\$756.7	\$855.1	\$887.4	1.9%	
Taxes /A Solvency Taxes /B Interest	\$150.7 \$0.0 \$45.4	\$211.4 \$0.0 \$25.8	\$238.6 \$80.3 \$31.8	\$236.8 \$162.6 \$39.3	\$239.9 \$57.4 \$52.4	\$232.8 \$0.0 \$59.0	\$232.7 \$0.0 \$61.2	7.5% 5.1%	
Total Revenues % change	\$196.1 -2.6%	\$237.1 20.9%	\$350.6 47.9%	\$438.8 25.1%	\$349.8 -20.3%	\$291.8 -16.6%	\$293.9 0.7%	7.0%	
Less Benefits Paid % change	-\$486.8 165.7%	-\$390.2 -19.9%	-\$269.1 -31.0%	-\$248.6 -7.6%	-\$254.6 2.4%	-\$262.7 3.2%	-\$270.8 3.1%	-9.3%	
Federal Reed Act Transfer /C	\$142.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	NA	
Accounting Adjustment /D	-\$19.1	\$4.8	\$3.3	\$3.1	\$3.1	\$3.2	\$3.3	NA	
Ending Balance	\$626.9	\$478.6	\$563.5	\$756.7	\$855.1	\$887.4	\$913.8	6.5%	
Solvency Ratio: Fund Balance as a Percent of Total Annual Private Wages /B	0.91%	0.71%	0.78%	1.01%	1.08%	1.05%	1.03%	2.0%	
Totals may not sum due to rounding. NA: Not Applicable.									
CAAGR: Compound Average Annual Growth Rate									
/A This includes taxes from private employers and eligible employers in calendar years 2001 and 2002	state and local go The tax credit w	vernments, pena vill not be in effec	lty receipts, 50% t after 2002.	of the surcharge	e, and the accrua	ll adjustment on t	taxes. Incorpora	tes a 20% tax credit fo	Ļ
/B The solvency tax is triggered when the fund bal: Employment.	ance as a percent	of total annual p	rivate wages fall	s below 0.9%. S	olvency tax estim	lates were made	by the Colorado	Department of Labor	and

/C One-time special Reed Act distribution from the Federal Unemployment Insurance Trust Fund. This transfer is assumed to be available to be spent on current-law benefits until otherwise ap-propriated by the General Assembly.

/D This is the accrual adjustment for benefits paid and other accounting adjustments.

These cash funds comprised 26.3% of total cash fund revenue. The forecast for each of these funds is contained in Table 3.

The *Limited Gaming Fund* receives license fees from gaming-related employees, vendors, and casinos and taxes levied on the adjusted gross proceeds (AGP) earned from gaming activity in Black Hawk, Central City, and Cripple Creek. Gaming revenue increased 7.7% in FY 2001-02. This growth was a result of continued demand for gaming entertainment and what we believe to be the tail-end of a trend toward larger casinos and away from smaller casinos. Larger casinos pay more taxes than smaller casinos because they reach the higher tax rates faster and more often than smaller casinos. The gaming tax currently ranges from 0.25% of the first \$2 million of AGP (or the total amount of wagers less winnings) to 20% of all AGP above \$15 million.

"Gaming revenue will increase only 3.2% in FY 2002-03."

Gaming revenue will increase only 3.2% in FY 2002-03. Larger casinos, which pay a higher tax rate than smaller casinos, continue to gain market share in the gambling towns. However, the recession in Colorado is reducing demand for gaming entertainment this year. We expect the gaming market in Colorado to mature somewhat by the end of the forecast period, with gaming revenue increasing at an average annual rate of 7.1% between FY 2001-02 and FY 2007-08, down substantially from the double-digit growth rates of recent years. The *Capital Construction Fund* retains money for construction of projects such as prisons and higher education facilities. Income to this fund is comprised largely of interest earnings on the unspent balance. The balance of the fund was substantially reduced in FY 2001-02 due to state budget problems. In FY 2002-03, a total of \$10.6 million will be transferred to

the Capital Construction Fund. Approximately \$100 million in transfers scheduled each year between FY 2003-04 and FY 2005-06 remains intact in current law. Interest earnings to the fund will fall from \$17.5 million in FY 2001-02 to \$6.1 million in FY 2002-03. The fund balance will grow slowly throughout the forecast period, but will continue to remain substantially lower than levels seen a year ago. Therefore, we expect income to the Capital Construction Fund to decline at an average annual rate of 11.9% from FY 2001-02 through FY 2007-08. If the \$100 million General Fund transfer is substantially reduced in FY 2003-04, as proposed by the Governor, Capital Construction Fund earnings will be much lower.

The Department of *Regulatory Agencies* regulates and enforces Colorado laws regarding various industries in Colorado. The department collects license and other fees from the professions that it regulates. Fee revenue is expected to grow 3.6% in FY 2002-03. Because most fees are related to employment levels, we expect DORA cash fund revenue to increase modestly during the remainder of the forecast period.

Insurance-related taxes are deposited into three cash funds administered by the Division of Workers Compensation in the Department of Labor and Employment. These taxes are imposed on workers compensation insurance premiums. Premiums on workers compensation insurance policies have grown during the past few years, and thus taxes on the premiums grew 29.0% in FY 2001-02. However, premium rates are expected to fall this year. Furthermore, interest earnings will fall substantially due to the transfer of \$75 million from the Major Medical Fund to the General Fund. Thus, these revenues will decrease 3.6% in FY 2002-03. Healthier growth rates will resume thereafter, and these revenues will increase at an average annual rate of 5.2% over the forecast period.

Severance taxes are levied on the value of extracted oil, gas, coal, and minerals. Final oil and gas severance taxes for a given year are reduced by a portion of a company's property taxes paid during the same year, but based on the previous year's income. Because the value of oil and gas can change substantially over the course of two years, this credit can alternately be very large relative to a taxpayer's severance tax liability or very small, and thus a volatile collections pattern can occur.

"Oil and gas taxes...will fall 19.1% in FY 2002-03 and 4.1% in FY 2003-04."

Total severance tax revenues, including interest earnings, have seen two years of abnormally high collections due to a concurrent spike in oil and gas prices and production, much of which occurred due to a federal subsidy that will no longer be available to most production in Colorado in the future. Prices for natural gas and for oil have fallen from their high levels of 2001. In addition, the pipeline capacity to export gas out of Colorado is booked and expensive relative to other states. Oil and gas taxes increased 112.1% in FY 2000-01, but fell 31.0% in FY 2001-02. Revenues will fall 19.1% in FY 2002-03 and 4.1% in FY 2003-04. Total severance taxes, excluding interest earnings, will decrease 16.0% in FY 2002-03 and decrease at an average annual rate of 0.7% over the forecast period.

Meanwhile, House Bill 02-1391 transferred \$20.2 million out of the Severance Tax Trust Fund, causing interest earnings to fall slightly in FY 2001-02 and substantially during the remainder of the forecast period. The bill directs that \$7.9 million be repaid when General Fund revenues reach a certain level, but that is not expected to occur during the forecast period unless certain corrections are used to address the budget problem. After decreasing 23.1% in FY 2001-02, all severance taxes and interest income will total \$49.1 million in FY 2002-03, a 14.6% decline. Between FY 2001-02 and FY 2007-08, we expect total severance tax revenues to increase at an average annual rate of 1.4%.

The *Employment Support Fund* (ESF) is designed to help maintain the solvency of the Unemployment Insurance Trust Fund (UI Fund). The ESF receives its revenue from the unemployment insurance surcharge tax. The surcharge tax is levied to cover benefits charged against employers who have gone out of business. After declining 6.0% in FY 2001-02, ESF revenues are expected to grow at an average annual rate of 2.8% over the forecast period.

The *Petroleum Storage Tank Fund* collects money to clean leaking underground gasoline storage tanks. Most of the fees collected in the fund are levied on tank truckloads of fuel products shipped within the state. The fee level is set in statute to fluctuate with the amount of money in the fund's reserve. The fee was \$75 during FY 2000-01 because of demand on the fund's resources. Demands for the money in the fund's reserve eased up in early FY 2001-02, and the fee dropped to \$50 on October 1, 2001. After decreasing 19.9% in FY 2001-02, revenues to the fund will decline another 7.0% in FY 2002-03. Interest earnings to the fund will be somewhat smaller due to a \$4.0 million transfer to the General Fund made during FY 2001-02 per House Bill 02-1391. The bill directs that the money be repaid to the fund once General Fund revenues reach a certain level, but that is not expected to occur during the forecast period unless certain corrections are used to address the budget problem. As a result of the recent fee change, the lost interest earnings, and a statutory reduction of the fee to \$25 in FY 2004-05, Petroleum Storage Tank Fund revenues are expected to decline at an average annual rate of 11.2% between FY 2001-02 and FY 2007-08.

"...interest income to the CMTF fell to \$0.5 million in FY 2001-02 and will be minimal in FY 2002-03."

The Controlled Maintenance Trust Fund

(CMTF) is a state trust fund from which the interest earned may be spent for maintenance of existing state facilities. Interest earnings to the Controlled Maintenance Trust Fund (CMTF) have shown a volatile pattern as a result of House Bill 01-1267, House Bill 02-1446, and House Bill 02-1391. House Bill 01-1267 required the principal balance of the CMTF (\$243.9 million) to be transferred to the General Fund on July 1, 2001. While House Bill 01-1267 originally scheduled the payback of \$276.4 million to the fund on July 1, 2002, state budgetary problems made that difficult to achieve. Thus, House Bill 02-1446 requires the payback of \$276.4 million in two equal installments of \$138.2 million on July 1, 2003, and July 1, 2004. Meanwhile, House Bill 02-1391 transferred \$9.5 million to the General Fund in March, leaving less than \$300,000 in the CMTF. Thus, interest income to the CMTF fell to \$0.5 million in FY 2001-02 and will be minimal in FY 2002-03. Interest income to the fund will recover as the principal

is paid back over the forecast period. Once the principal has been paid back in FY 2004-05, interest income to the CMTF will increase at a compound annual average rate of 3.7% through FY 2007-08. However, the Governor has proposed an additional delay of the payback. If this were to occur interest earnings to fund would take longer to recover to normal levels.

The *"other cash funds"* component includes approximately 174 smaller cash funds and can be quite volatile. These funds decreased 2.8% as a group in FY 2001-02. The decrease was due to the reclassification of the Unclaimed Property Trust Fund as TABOR exempt per Senate Bill 00-57. Without this reclassification, these revenues would have grown 5.9%. Revenue to this group of cash funds will increase at an average annual rate of 5.6% over the forecast period. House Bill 02-1391 and House Bill 02-1444 made transfers from several cash funds to the General Fund to help balance the state budget. The total loss in interest earnings subject to the TABOR spending limit in this group of cash funds was estimated at approximately \$300,000 during FY 2001-02. Interest earnings will be lower during the remainder of the forecast as well, since these transfers are not expected to be repaid during the forecast period.

The Constitutional Revenue Limit

- After exceeding the constitutional limit each year between FY 1996-97 and FY 2000-01, the state fell \$365.7 million below its allowable limit in FY 2001-02. The state will be \$454.2 million below the limit in FY 2002-03. The weak economy, coupled with the terrorist attacks in September 2001, the effects of the 2000 Census, tax cuts, and voterapproved changes for K-12 education and property tax cuts are responsible for the revenue falling below the limits.
- The impact of the population adjustment to account for the Census undercount during the 1990s will keep the state from having a surplus in FY 2003-04 as well. While the population adjustment will have an additional impact to reduce the surplus in FY 2004-05, the state will have a small surplus of \$30.2 million that year.
- The state's revenues will remain relatively close to the limit for the remainder of the forecast period with small surpluses each year.

This section presents a brief discussion of the TABOR revenue limit and the expected short-falls and surpluses after incorporating the General Fund and cash fund revenue forecasts. In addition, the impacts of the population adjustment for the Census underestimates during the 1990s are considered.

The provisions of **Article X**, **Section 20** of the state constitution (TABOR) require that any revenue collected above the TABOR limit be refunded to taxpayers within one year after the fiscal year in which the revenues were collected. TABOR limits the aggregate annual growth in most state revenues to inflation plus the annual percentage change in state population. The limit is applied to either the prior year's limit or to actual TABOR revenues collected in the prior year, whichever is less.

"Continued revenue shortfalls will cause the state to fall \$454.2 million below the TABOR limit in FY 2002-03."

The state first collected surplus TABOR revenue in FY 1996-97 and had surpluses for the next four years. During these years, the state collected and refunded \$3.25 billion in surplus revenue. However, the significant economic decline caused the state to collect \$365.7 million less in revenue than the populationadjusted limit allowed in FY 2001-02. Continued revenue shortfalls will cause the state to fall \$454.2 million below the TABOR limit in FY 2002-03. Table 8 shows the actual and estimated TABOR surpluses and shortfalls from FY 1996-97 through FY 2007-08.

Because the TABOR limit grows from the lower of either the past year's limit or actual revenue collected each year, the limit "ratchets" down in years that the state does not collect revenue up to the allowable limit. Therefore, even after having revenue fall a combined \$800 million below the limits in fiscal years 2001-02 and 2002-03, we would have projected the state to exceed its limit by \$283.7 million in FY 2003-04 and by more than \$500 million per year from FY 2004-05 through FY 2006-07. However, during the 2002 legislative session the General Assembly passed House Bill 02-1310 and Senate Bill 02-179, which contained provisions for making a **population adjustment** to the TABOR limit as allowed by the state's constitution.

Because the U.S. Census Bureau underestimated the state's population during the 1990s, the state refunded a total of \$483 million more to the taxpayers than would have been required under TABOR had the correct population estimates been used. To make up for this overrefund of surplus revenue, the legislation passed in 2002 provided that the state would carry forward any of the six percentage points of population growth that were available in the

	Sulpius Revenues
Fiscal Year	Amount
1996-97	\$139.0
1997-98	\$563.2
1998-99	\$679.6
1999-00	\$941.1
2000-01	\$927.2
2001-02	(\$365.7)
Forecast 2002-03	(\$454.2)
2003-04	(\$6.1)*
2004-05	\$30.2*
2005-06	\$31.2
2006-07	\$8.1
2007-08	\$71.0

Table 8 Estimated TABOR Surplus Revenues

* After application of the population adjustment during these years. Assumes population adjustment is maximized annually and must be implemented in tenths of a percentage point. TABOR limit for FY 2001-02 that revenues were insufficient to use and add them to future year's TABOR limits. The limit for FY 2001-02 was chosen because it incorporates the population growth from the 2000 Census, which includes the population that had been undercounted during the 1990s. In FY 2001-02, revenue fell sufficiently below the limit so that none of the population portion in the limit was used under the assumption that all of the inflation portion was used first. Therefore, the full six percentage points of population growth available in the FY 2001-02 TABOR limit were carried forward for future use.

As was previously mentioned, the current forecast anticipates that revenue will fall below the TABOR limit in FY 2002-03. Therefore, none of the population adjustment carry forward will be used during this year. In FY 2003-04, before application of the carry forward, the state would have experienced \$283.7 million in surplus revenues. However, with the application that year of 3.7 percentage points of the 6.0 percentage point carry forward, the projected surplus is eliminated and the state retains the \$283.7 million. During the following year, the state can apply the remaining 2.3 percentage points of the population adjustment, reducing that year's surplus from \$519.2 million to \$30.2 million. While the state has no further adjustment after that, the higher limit is retained indefinitely, allowing the state to keep more revenue each year than would have been the case without the adjustment. Table 9 provides a overview of the TABOR refund limit and related factors such as General and Cash

Fund Revenue collections under TABOR and the constitutionally mandated emergency reserve.

"...only the sales tax refund will be used through FY 2007-08."

Refund mechanisms. During years in which the state collects surplus revenue that must be refunded to the taxpayers, the refunds would currently be accomplished through the use of 19 refund mechanisms. Each of these mechanisms, except for the sales tax refund, has a threshold trigger amount that indicates when they are in effect. There must be enough surplus TABOR revenue to exceed a mechanism's threshold for the mechanism to be used that year. The sales tax refund does not have a trigger because it acts as a "catch all" refund mechanism and refunds any revenue that is not refunded through the other 18 mechanisms. Currently, the forecast indicates that no thresholds will be met for the first 18 mechanisms and only the sales tax refund will be used through FY 2007-08. In years when the per taxpayer sales tax refund is less than \$15, the state will refund an equal amount to each taxpayer. This will be the case in FY 2004-05 through FY 2006-07. When the refund averages more than \$15 per taxpayer, a sliding scale is used to refund revenue based on taxpayers' federal adjusted gross income. The sliding scale refund will be used for the FY 2007-08 surplus.

December 2002	Forecast for th	le TABOR Rev (Dollars in mil	enue Limit an lions)	d Emergency f	teserve		
	FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08
TABOR Revenues:							
General Fund /A	\$5,519.8 0.000	\$5,520.3	\$5,895.7	\$6,296.5	\$6,723.8 0.001 0	\$7,127.9 0 - 10 -	\$7,555.6
Cash Funds	2,232.4	2,312.6	2,495.1	2,678.3	2,681.3	2,713.5	2,820.6
Total TABOR Revenues	\$7,752.2	\$7,832.9	\$8,390.8	\$8,974.8	\$9,405.1	\$9,841.4	\$10,376.2
LIMIT:							
Allowable TABOR Growth Rate	10.0%	6.9%	7.2%	6.6%	4.8%	4.9%	4.8%
Inflation	4.0%	4.7%	2.1%	2.8%	3.2%	3.2%	3.2%
Population Growth	6.0%	2.2%	1.4%	1.5%	1.6%	1.7%	1.6%
Population Adjustment (6% Carried Forward)		0.0%	3.7%	2.3%	0.0%	0.0%	0.0%
Allowable TABOR Limit After Population Adjustment Revenues Above / (Below) TABOR Limit /B	\$8,126.2 -\$365.7	\$8,287.1 -\$454.2	\$8,396.9 -\$6.1	\$8,944.6 \$30.2	\$9,373.9 \$31.2	\$9,833.2 \$8.1	\$10,305.2 \$71.0
EMERGENCY RESERVE:							
TABOR Emergency Reserve /C	\$232.6	\$235.0	\$251.7	\$268.3	\$281.2	\$295.0	\$309.2
Totals may not sum due to rounding. Note: TABOR broadly defines spending such that expenditures are eq	qual to revenues. T	he statutory 6 perc	ent limit applies to t	he General Fund ap	propriations only.	Lhus, the two conce	pts are not directly
A These digues differ from the General Fund revenues reported in ot gaming revenues, unexpended prior-year Medicaid expenditures that a and use tax, after the over-refund of excess TABOR revenues. Senate	her tables because are booked in "othei e Bill 97-1 diverts 10	they net out revenur r revenue," and trar 0.355% of the gross	Les that are already sfers of unclaimed s sales and use tax	in the Cash Funds property are netted revenues to the Hig	to avoid double cou out. These figures hway Users Tax Fu	nting. For instance also include the ne ind.	the General Fund amount of sales

/B Includes \$8.3 million in FY 2001-02 for understated revenue from a prior year. /C In years where the projected revenues exceed the amount allowed by the Constitution, the reserve is calculated based on the limit, rather than on projected receipts. Given that the state will only retain the maximum allowed by the Constitution, it need only reserve three percent of such amount.
OVERVIEW OF THE ECONOMY

National Economy

This section provides a review of the recent performance of the national economy and the national economic forecast.

"A jobless recovery is keeping the economy from full potential."

Recent data. The revised report for inflationadjusted gross domestic product (GDP) indicated that the economy grew by 4.0% in the third quarter. The sharp increase from the first estimate of 3.1% was mostly attributable to larger inventory building. The first GDP release for the third quarter indicated that inventory accumulation was very weak and caused a great deal of concern about the future strength of the economy. While the higher inventory figures helped to allay concerns, the economy is still not out of the doldrums. A jobless recovery is keeping the economy from full potential. After four months of very modest gains, the number of jobs declined by 38,000 over the next three months. Consumer demand is largely spent-up

and the nascent manufacturing sector, which was the harbinger for last year's recession, has once again been showing signs of weakness in recent data.

While consumer spending was strong in the third quarter, it was driven by auto sales subsidized by zero percent financing. The zero percent financing plans were introduced last fall in response to the terrorist attacks. While overall low interest rates helped to facilitate zero percent auto loans, the extensive and successful use of these loans by consumers over the past year means that little growth will come from auto sales in upcoming quarters. Additionally, consumer confidence was shaken by the jobless recovery and extremely weak equity markets in the third quarter. Despite the nine-year low in consumer confidence in October, consumer spending rose 0.4% above September's levels. However, wages and salaries did not increase in October, thus giving concern as to whether consumer spending can keep up the pace. Consumer confidence did



that consumers will keep the recovery headed in the right direction. Initial reports for holiday spending were promising, but may be clouded by seasonal factors such as the late Thanksgiving weekend and the early Hanuk-

"...most manufacturing indicators have turned negative in recent months."

kah holiday.

Weakness in the manufacturing sector signaled the 2001 recession several months in advance with a decline in several important indicators. While the manufacturing sector was rebounding earlier this year, most manufacturing indicators have turned negative in recent months. The Institute of Supply Management Index was slightly below 50 in the past three months. A mark below 50 indicates that the manufacturing sector is in recession. The new orders component of the index has hovered around the 50 mark, suggesting that a sustained rise in output is not imminent. Industrial production has similarly stalled with declines in recent months, including a steep 0.8% decline in October. The weakness in the manufacturing industry suggests that both businesses and consumers are not very confident.

Businesses are not confident enough yet to resume large-scale hiring. Nonfarm employment in November was only 195,000 higher than the cyclical low point in April. During the 1990's expansion, businesses hired an average of more than 200,000 workers each month. Moreover, employment fell by 40,000 in November. The decline was unexpected in light of positive events for other employment data released during November. Ironically, one of the positive factors in the economy is holding hiring back. The productivity boom has not waned during the slowdown. Employ ers are reluctant to hire workers when productivity gains can contribute to output. Additionally, businesses are still under pressure to keep costs low in order to enhance profits and will be restrained in their hiring goals until profitability returns. There is good news and bad news in the recent data for claims for unemployment benefits. Initial claims have fallen in recent weeks indicating that the pace of layoffs is abating. The level of initial claims in the last week of November reached the lowest point since February 2001. Seasonal factors likely contributed to the large drop as claims in the following week rose by 83,000. Nonetheless, the four-week moving average for new jobless claims is below 400,000, a significant benchmark level. However, the number of continuing claims remains stubbornly high indicating that significant levels of hiring have not yet occurred. Additionally, the unemployment rate increased from 5.7% in October to 6.0% in November, matching the cyclical high

"Initial claims have fallen in recent weeks indicating that the pace of layoffs is abating."

in April.

The outlook for the labor markets is not positive. In addition to the lack of a turnaround, two leading indicators for a healthier jobs situation are not present. Hiring by temporary help agencies has done an about-face during the past three months. Employers typically rely on temporary workers at the beginning of a recovery until they are convinced that payrolls can be permanently expanded. Similarly, the average workweek has plateaued during the last three months. Employers typically use existing workers and expand their work hours during the initial stages of a recovery.

Low mortgage rates throughout 2002 provided the fuel for a strong housing market. Housing starts will reach a 16-year high in 2002, while sales of existing homes are at an all-time high and sales of new homes are very close to their record high. The housing market was one of the few bright spots in the national economy over the last two years.

The Federal Reserve Board reduced key interest rates for the first time this year in early November. While the Fed was clearly concerned about the recent economic weakness, it also adopted a neutral bias after the rate reductions. The Fed believes that the reductions should provide the impetus for more significant growth and that the risks between future growth and inflation are evenly balanced. Additionally, the Fed has nearly run out of options. Interest rates cannot go much lower. It would like to leave an option open for future interest rate cuts to address liquidity issues such as followed the stock market meltdown in 1987.

The National Economic Forecast. The following highlights summarize the national forecast. The detailed national economic forecast can be found in Table 10.

The economic recovery will be modest until 2004. Consumer demand did not weaken significantly during the 2001 recession and there is little pent-up demand as a result. Additionally, mortgage refinancing because of low interest rates peaked in 2002 and will not provide as significant a contribution to spending in the next year. Investment spending will be in negative territory in 2002 and eke out only a small gain in 2003. While investment in computers and technological equipment is starting to rebound, inventory investment has not yet started in earnest and high office vacancy rates will keep building investment sidelined for much of 2003. The economies of our major trading partners are weaker than our economy and will not provide significant demand to boost our

export industries. Inflation-adjusted gross domestic product (**GDP**) will increase 2.3% in 2002 and 2.5% in 2003. Many of the negative factors will subside and the U.S. economy will grow 3.7% in 2004 and 3.1% in 2005.

- The on-again, off-again recovery in the employment sector will remain weak for much of 2003 before gaining steam in 2004. Ongoing productivity gains contribute to the weak employment gains as companies seek to utilize increased productivity before hiring new workers. Employment will increase 0.6% in 2003, 2.1% in 2004 and 1.9% in 2005. The nation's **unemploy**ment rate will rise to 6.2% in 2003, following a 5.8% average in 2002. More entrants to the labor force who will not immediately find a job in 2003 will cause the increase. The rebounding economy will reduce the unemployment rate to 5.7% in 2004 and 5.2% in 2005.
- Income growth is in the middle of a threeyear lull. **Personal income** will rise 3.0% in 2002, following a 3.3% increase in 2001. Income will grow by 3.4% in 2003 before embarking on a more solid growth path of 4.7%, 5.1%, and 5.0% in the following three years. **Wage and salary** growth will be even weaker in 2002 with a 1.4% increase. Wages and salaries will increase 3.9% in 2003 before rising more sharply in 2004 and beyond.
- Record-low mortgage rates and a perceived stock-market alternative drove a 16-year high for **housing** starts in 2002. However, housing demand in 2002 has been above sustainable levels and will return to more normal levels with declines of 7.6% in 2003 and 1.9% in 2004. The expected declines over the next two years will not be precipitous, however, and the housing market will still sustain the economy.

- Inflation will remain muted over the next year. Weakness in the world economy, combined with excess capacity domestically, will hold consumer inflation to 2.0% in 2003, following a 1.5% rise in 2002. Inflation will remain low at 2.1% in 2004, before rising to 2.5% in 2005. A sharp rise in oil prices resulting from supply disruptions in a war in Iraq would cause prices to rise above the baseline forecast.
- The **risks to the economy** are more weighted to the downside than to the upside. *Consumer confidence* has generally been trending down. While a measurable link to consumer spending is not always evident, a sustained lack of consumer confidence would eventually be damaging to spending. The sharp decline in *equity markets* during the third quarter instigated

much of the more recent economic weakness. While the equity markets have risen since the end of the third quarter, a sustained increase will be a necessary ingredient for the economic expansion to become stronger. The markets will show ongoing increases if corporate profits rise. Once this occurs, venture capital funding will again play a prominent role in financing business expansion. The *global economy* is even weaker than the U.S. economy. In most cases, fiscal and/or monetary stimulus is needed to get international expansion underway, while structural reform is still required in Japan. If international economies do not begin to expand, our nation's export industries will remain weak. Middle East tensions are high, thus posing the risk of *oil supply disruptions* and the consequent energy price spikes and consumer uncertainty.

	1998	1999	2000	2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Gross Domestic Product (GDP)	\$8,781.5	\$9,274.3	\$9,824.7	\$10,082.1	\$10,438.3	\$10,902.5	\$11,570.7	\$12,206.4	\$12,918.4
percent change	5.6%	5.6%	5.9%	2.6%	3.5%	4.4%	6.1%	5.5%	5.8%
Inflation-adjusted GDP	\$8,508.9	\$8,858.9	\$9,191.4	\$9,214.6	\$9,426.5	\$9,662.2	\$10,019.7	\$10,330.3	\$10,691.9
percent change	4.3%	4.1%	3.8%	0.3%	2.3%	2.5%	3.7%	3.1%	3.5%
Nonagricultural Employment (millions)	125.9	128.9	131.8	131.9	130.8	131.6	134.4	136.9	138.9
percent change	2.6%	2.4%	2.2%	0.1%	-0.8%	0.6%	2.1%	1.9%	1.4%
Unemployment Rate	4.5%	4.2%	4.0%	4.8%	5.8%	6.2%	5.7%	5.4%	5.2%
Personal Income	\$7,426.0	\$7,786.5	\$8,406.6	\$8,685.3	\$8,942.4	\$9,245.3	\$9,679.3	\$10,170.9	\$10,679.6
percent change	7.0%	4.9%	8.0%	3.3%	3.0%	3.4%	4.7%	5.1%	5.0%
Inflation (Consumer Price Index)	1.6%	2.2%	3.4%	2.8%	1.5%	2.0%	2.1%	2.5%	2.5%
10-year Treasury Note	5.3%	5.6%	6.0%	5.0%	4.6%	4.6%	5.5%	5.8%	5.9%

 Table 10

 National Economic Indicators, December 2002 Forecast

 (Dollar amounts in billions)

For historical data, see Appendix A.

Colorado Economy

This section provides a review of the recent performance of the Colorado economy and the economic forecast for the state.

Recent performance. It is likely that the Colorado economy has reached the bottom point of the contraction. Seasonally adjusted employment hit its low point at 2,180,700 in July. July's employment was 65,300 below the peak in December 2000. However, the economy has not shown significant signs of improvement as of yet. Through October, the number of jobs was 2.1% below a year ago. Employment has been in a narrow range of 4,100 to 4,900 jobs above July's low point in the three subsequent months. Similarly, the unemployment rate has not improved significantly after falling sharply two months after its cyclical high of 5.7% in February. The unemployment rate was 5.2% in October.

Layoffs have tapered off from the high levels of 2001 and early 2002. Nonetheless, several prominent layoffs have been announced in recent months. AT&T Broadband will lay off 1,700 workers as a result of its merger with Comcast. The first 675 layoffs have already occurred. Hewlett-Packard announced layoffs for more than 16,000 workers worldwide. While the number of Colorado layoffs was not disclosed, they were likely significant. United Airlines announced layoffs numbering in the thousands before its bankruptcy declaration on December 9. Because Denver is a major hub for the airline, Colorado will be affected. At the very least, United workers face uncertainty about whether their jobs will be retained or their salaries maintained, and they will hold back on major economic decisions.

Other significant layoffs have also been announced. WorldCom Inc. laid off another 500 workers in December, following layoffs for 500 this past summer after the firm's financial difficulties were disclosed. Additional layoffs continued at high-tech firms such as Sun Microsystems, Atmel, Quantum, and Agilent Technologies.

Positive announcements of job hiring were few. Progressive Insurance will hire up to 1,200 workers in Colorado Springs over the next few years. The Colorado Mills shopping mall opened in Lakewood in late November with a work force of over 2,000. Transgenomic Inc. opened a research and manufactur-



ing plant in Boulder in October with 30 employees and plans to hire an additional 60 workers within a year. Colorado will likely see more biotech firms such as Transgenomic locate to the state.

> "Colorado's downturn is worse than the nation as a whole."

Colorado's downturn is worse than the nation as a whole. Using employment as a measure, national employment fell a maximum 1.3% below the peak, while Colorado employment dropped a maximum 2.9% below its peak level. Through most of the 1990s, the state was a leader in economic growth. As recently as 2000, the state's employment growth ranked third in the country. Although the state ranked 13th in 2001, the ranking was vastly different at the end of the year. By December 2001, the state's percentage change in jobs ranked 40th compared with December 2000. The downward trend continued throughout 2002. Colorado ranked 48th through October.

The state has been affected by the same factors as caused the national downturn. However, Colorado had a higher than average concentration in these key sectors. While strong growth in advanced technology and telecommunications advanced Colorado to high rankings during the 1990s, the collapse in these industries caused the state to fall near the bottom. A recovery in these industries has not yet occurred. Similarly, we have many tourist attractions in the state and Denver International Airport is a key hub for air travel. The national recession, compounded by the effects of the terrorist attacks, severely dampened travel in Colorado. Significant weakness existed in the manufacturing sector (jobs declined by 7.3%), communications (decline of 12.5%), and business services (decline of 11.5%). These three sectors account for 19% of employment in 2002. The weak employment market has had an im

"...spending was below year-ago levels in nine of the ten months thus far in 2002."

pact on income and spending in the state. After two quarters of 2002, wage and salary income lags 2.3% behind a year ago. Increased transfer payments have kept personal income slightly positive through the first half of the year, however. Using the state's sales tax receipts as a barometer, spending was below year-ago levels in nine of the ten months thus far in 2002. It has been surprising that the



state did not see a recovery in recent data from the immediate aftermath of last year's terrorist attacks. Sales tax receipts for September and October economic activity were 3.9% and 3.4%, respectively, below year-ago levels. In fact, the declines were somewhat sharper than the declines for July and August activity. Spending in Colorado has also been affected adversely by drought and wildfires.

What will the recovery look like? Chart 3 shows the percentage change in employment from the peak level for the 1980s recession and the current recession. The peak level for the 1980s recession was in December 1984. while the peak for the current slowdown was in December 2000. The patterns are somewhat similar. The current drop in employment started off at a slower pace and was accelerated by the September 2001 terrorist attacks. Beginning approximately 18 months after the peak in both periods, employment began to level off. This would suggest that Colorado's economy may have reached bottom. Nonetheless, attaining the previous peak employment level, almost 2.25 million jobs, is some time off.

Colorado is likely to benefit from the buildup of the national defense system. The Northern Command was headquartered in Colorado Springs earlier this year. Other associated employment with the Northern Command Center will gradually increase. Colorado was a major recipient of defense procurement funds during the Cold War. While this spending ramped down during the 1990s, the state's former position and its highly educated work force will likely make it a beneficiary of additional defense spending.

Colorado's turnaround will be shaped by national forces. Business inventories have reached the point that manufacturers will likely soon begin larger production increases. The state's manufacturing sector will benefit. The transportation sector will have to hire more employees to ship the newly produced goods. Retailers will hire more workers when incomes firm up and consumers begin spending again. Tourism will rebound when the national economic recovery is on more solid footing. Finally, the key to economic growth is productivity increases. Colorado's position as a high-tech leader will be restored as businesses and entrepreneurs create new technologies. The largest question about these events is when they will occur.

The Colorado forecast. The following highlights summarize the Colorado economic forecast. The detailed Colorado economic forecast can be found in Table 11. The economic recovery will get a gradual start in 2003 before picking up more steam. Colorado will begin to outperform the nation again in 2004 though the margin of difference will be smaller than it has been traditionally. The costs of housing and office space have yet to fall significantly compared with the rest of the country. Thus, the state will not have as strong a comparative advantage that it did when emerging from its 1980s recession and that provided the impetus for the booming 1990s.

"In 2002, Colorado will experience its fifth decline in employment since 1939."

- In 2002, Colorado will experience its fifth decline in employment since 1939. Employment will decline 2.4%, the largest downturn since 1944. Colorado will mirror the lack of a significant nationwide rebound in jobs in 2003. Employment will rise 0.6% in 2003 before rising 2.6% in 2004. The unemployment rate will average 5.3% in 2002 and drop slightly to 5.0% in 2003 and 4.8% in 2004.
- Income indicators will be similarly weak in 2003. After a 1.5% decline in 2002, wage and salary income will rise 2.8% in 2003.

- Business emphasis on profits and the mix of job creation will restrict wage growth in 2003. More robust employment growth and larger raises will boost wage and salary income by 6.4% in 2004. Personal income will rise 1.4% in 2002, 3.0% in 2003, and 5.4% in 2004. The growth rates in 2002 and 2003 are below the 4.5%threshold of Amendment 23, the funding mechanism for K-12 education passed in 2000. When personal income growth is below the threshold, the 5% maintenance of effort requirement for the General Fund may be waived. However, the overall funding level for education (inflation plus one percent plus enrollment growth) must be maintained so any decrease in General Fund effort would need to be afforded by the State Education Fund.
- The weak economy and low inflation have put a great deal of pressure on retailers in 2001 and 2002. After growing 11.1% in 2000, **retail trade** sales rose only 1.6% in 2001 and will drop an estimated 0.8% in 2002. A modest rise of 3.2% will occur in 2003. Pent-up demand will increase the gain to 5.1% in 2004.
- The recession and Colorado's relatively weak economy *vis-à-vis* the rest of the nation has reduced migration to the state in 2002. As a result, **population** growth in the state will slow from a 2.2% pace in 2001 to 1.4% in 2002. The lower migration trends will hold through the next several years. Population will increase 1.5% in 2003 and 1.6% in 2004. The expected lower population growth rates over the next several years will cause lower TA-BOR revenue limits. After averaging 2.7% during the 1990s, population is expected to increase at an annualized pace of 1.6% between 2001 and 2007.
- Several factors have slowed housing construction this year. The multi-family sector had boom years in 2000 and 2001, and thus was due for a cyclical slowdown. Rising vacancy rates that have reached a 12-year high are slowing construction further. The declininig trend for multi-family construction will extend into 2004. Low mortgage rates have helped an otherwise dismal single-family construction market hurt by weaker income growth and poor stock market conditions. We estimate that housing permits will total 44,800 this



year, the lowest since 1993. Housing permits will drop to 39,000 in 2003 and 37,800 in 2004 before rising through the remainder of the forecast period.

- Nonresidential construction has suffered from the high-tech and telecom slowdown. Office vacancy rates have soared over the past year. Thus, nonresidential construction will fall 23.4% in 2002 and declines will also occur in 2003 and 2004.
- The **inflation rate** in Colorado will subside to 2.1% in 2002 from an 18-year high of 4.7% in 2001. Lower energy prices compared with last year, a slowdown in housing price appreciation, deflationary trends in

some categories, and slow retail sales growth that constrains retailers from raising prices will keep inflation low in 2002. The inflation rate will rise after 2002 but will remain within an acceptable range.

• Colorado has additional **risks** to its projected recovery relative to the risks to the nation's economy. If the recovery in the telecommunications industry is pushed out further, Colorado will continue to lag the nation. The state will also be at risk from mergers and acquisitions by out-of-state firms that would potentially move jobs out of Colorado. Continuing drought and wildfires next summer would impact the agricultural and tourism sectors.
 Table 11

 Colorado Economic Indicators, December 2002 Forecast

	1998	1999	2000	2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	
Population (thousands), July 1 percent change /A	4,116.6 2.4%	4,226.0 2.7%	4,323.4 2.3%	4,417.7 2.2%	4,479.5 1.4%	4,546.7 1.5%	4,619.5 1.6%	4,698.0 1.7%	4,773.2 1.6%	4,849.6 1.6%	
Nonagricultural Employment (thousands) percent change	2,057.0 3.9%	2,131.9 3.6%	2,212.9 3.8%	2,231.9 0.9%	2,178.3 -2.4%	2,191.4 0.6%	2,248.4 2.6%	2,304.6 2.5%	2,362.2 2.5%	2.421.3 2.5%	
Unemployment Rate	3.8%	2.9%	2.7%	3.7%	5.3%	5.0%	4.8%	4.6%	4.4%	4.3%	
Personal Income (millions) percent change	\$118,413 8.9%	\$128,192 8.3%	\$142,752 11.4%	\$147,861 3.6%	\$149,931 1.4%	\$154,429 3.0%	\$162,768 5.4%	\$172,046 5.7%	\$182,025 5.8%	\$192,036 5.5%	
Wage and Salary Income (millions) percent change	\$69,604 11.3%	\$76,358 9.7%	\$86,002 12.6%	\$89,070 3.6%	\$87,734 -1.5%	\$90,191 2.8%	\$95,963 6.4%	\$101,720 6.0%	\$107,722 5.9%	\$113,647 5.5%	
Retail Trade Sales (millions) percent change	\$48.131 6.6%	\$52.209 8.5%	\$58.018 11.1%	\$58.947 1.6%	\$58,475 -0.8%	\$60.347 3.2%	\$63.424 5.1%	\$66.469 4.8%	\$70.124 5.5%	\$73.280 4.5%	
Home Permits (thousands) percent change	51.2 16.5%	49.3 -3.6%	54.6 10.7%	55.0 55.0	44.8 -18.5%	39.0 -12.9%	37.8 -3.2%	40.9 8.2%	43.3 5.9%	43.8 1.2%	
Nonresidential Building (millions) percent change	\$2.617 -12.4%	\$3.544 35.4%	\$3.339 -5.8%	\$3.325 -0.4%	\$2.547 -23.4%	\$2.218 -12.9%	\$2.136 -3.7%	\$2.183 2.2%	\$2.275 4.2%	\$2.425 6.6%	
Denver-Boulder Inflation Rate	2.4%	2.9%	4.0%	4.7%	2.1%	2.8%	3.2%	3.2%	3.2%	3.3%	
/A Colorado's population on ∆nril 1 2001	0 Mae 4 301 5	1 according		Incertic Bureau	The change	that are chown	in this table	for			

/A Colorado's population on April 1, 2000, was 4,301,261 according to the U.S. Census Bureau. The changes that are shown in this table for 1998 to 2000 are based on the intercensal estimates by the Census Bureau and do not reflect the original estimates used for TABOR purposes.

For more historical data, see Appendix A.

Adult Prison Population Projections

- The total Department of Corrections (DOC) population is projected to increase 34.6% — from 18,045 inmates on June 30, 2002, to 24,293 inmates on June 30, 2008. This corresponds to an average annual growth rate of 5.1%. Over this six-year forecast period, the male population will increase by onethird and the female population will increase by one-half.
- These projections **represent an increase over last year's estimates**. During FY 2001-02, the prison population grew 7.2%, compared with 5.2% in FY 2000-01. At the end of June 2002, the actual prison population was 2.5% greater than the December 2001 projection for that date. The actual male population at that time was 2.2% greater and the female population was 6.1% greater than last year's estimate.
- Without any new approved correctional facilities, the DOC will face a female bed shortfall by March 2003 and a male bed shortfall by March 2004. This shortfall includes filling the available

private prison capacity of 3,507 beds. By June 30, 2008, the DOC will face a projected **male bed shortfall** of 3,646 beds and a **female shortfall** of 391 beds. With the DOC's proposed expansion projects, including a new state penitentiary for high-security beds, the bed need will be cut by 1,431, leaving a remaining shortfall of 2,215 beds by June 30, 2008. However, the expansion projects in the DOC Bed Implementation Plan have not been funded or approved by the General Assembly.

• The total **in-state parole population** — excluding out-of-state and absconding parolees — will increase from 4,037 as of June 30, 2002, to 5,877 on June 30, 2008, growing at an average annual rate of 6.5% per year. The total number of parolees (in-state and out-of-state) will increase from 5,717 as of June 30, 2002, to 8,200 as of June 30, 2008, representing a 6.2% average annual increase. This section of the forecast provides: factors in prison commitments and an overview of legislation affecting the prison population; the prison forecast organized by admission type and gender; forecasted admissions to prison; the parole population projections; and parole as a factor influencing the prison population.

Factors in Prison Commitments

The factors that drive prison admissions can be classified into four groups: demographic variables; economic variables; judicial and public safety variables; and legislative changes. Although there is some expected correlation between these variable types (e.g., it is likely that economic growth affects population growth and population growth affects felo ny filings), the prison model avoids using strongly correlated variables. The following paragraphs describe the factors that influence prison commitments.

Population. All other things being equal, a larger population results in a greater number of criminal offenses and prison commitments. Colorado's adult population increased an average of 2.8% per year between 1990 and 2000, more than twice the average annual growth

rate of 1.3% in the 1980s. Likewise, the 1990s were a decade of strong prison population growth, with an average annual growth rate of 7.6% a year between June 1990 and June 2000. As Colorado's population is projected to continue to grow, we expect this to contribute to an increase in the total number of new admissions to prison. However, the state adult population is projected to grow at an average rate of 1.8% per year from 2000 to 2010. Slower population growth is one reason for the relatively slower prison population growth in the forecast period.

Economic Factors. When the economy is strong and jobs are created, income and earnings increase. Increased wages across all income levels mean that people are less likely to resort to crime for income, particularly nonviolent property crimes. Several studies suggest that weak earnings and employment growth lead to an increase in prison admissions. There is a lag time of a year to over two years for poor economic conditions to translate to increased crime, criminal filings, convictions, and ultimately, prison admissions for court commitments. Chart 5 illustrates the relationship between economic growth (gross domestic product) and prison admissions.



Felony Filings and Convictions. As criminal felony filings and convictions increase, prison admissions rise. The forecast uses these crime indicators because they are more proximate to prison admissions than other indicators, such as the Colorado Bureau of Investigation's (CBI) crime index, or arrest trends. Moreover, one of the strongest growth categories for Colorado prison admissions, drug crimes, is excluded from CBI's crime index.

Legislative Impact upon the Prison Population

Chart 6 illustrates the admissions, prison population growth, and sentencing laws passed by the General Assembly from FY 1982-83 to FY 2001-02. While demographic and economic factors are important factors in the increasing prison admissions, the modifications made to the Colorado Criminal Code have had the most significant impact on the growth of the inmate population.

"Of all legislation passed by the General Assembly, House Bill 85-1320 had the most significant impact upon the prison population."

Colorado's prison population more than doubled between FY 1984-85 and FY 1989-90. The strong growth during this period is due to *House Bill 85-1320*, which doubled the maximum of the presumptive sentencing range for all felony classes. This effectively expanded the sentence length of stay for new commitments, from an average of 20 months to almost 60 months. Of all legislation passed by the General Assembly, House Bill 85-1320 had the most significant impact upon the prison population. In the five years after its passage, the DOC population increased at an annual average rate of 16.1%. In the next few years, changes made by the General Assembly mitigated the effects of House Bill 85-1320. *Senate Bill 88-148* lowered the sentencing range for violent crimes and *Senate Bill 89-246* created a new class 6 felony with a presumptive sentencing range of one to two years in prison. As a result, Senate Bill 89-246 changed several class 5 felonies to class 6 felonies and some class 4 felonies to class 5 felonies.

The most dramatic legislation curbing population growth was *House Bill 90-1327*. This bill doubled the amount of earned time that inmates could accrue while serving their sentence (from five days to ten days per month), thus reducing the time to their earliest parole eligibility. After the passage of House Bill 90-1327, the prison population growth tapered significantly, averaging 6.4% in the next three fiscal years (FY 1990-91 to FY 1992-93).

House Bill 93-1302 restructured the criminal penalty presumptive ranges to shorten the maximum sentence, except for certain crimes that present "an extraordinary risk of harm to society." These include crimes of violence, incest, child abuse, stalking, and certain drug offenses. House Bill 93-1302 also provided for a mandatory period of parole for all inmates sentenced for felonies committed on or after July 1, 1993. This law caused a larger parole population and increased the frequency of parole revocations and re-admissions to prison. Due to the fact that offenders on mandatory parole represented all types (the parole population was no longer the "cream of the crop" as was the case before mandatory parole), the length of stay in prison increased for parole revocations. From FY 1998-99 to FY 2001-02, parole revocation length of stay increased from 9.4 months to 13.5 months. A more detailed discussion of the impacts of mandatory parole can be found in the section on the parole population forecast.





Releases

Admissions

In 1998, the General Assembly passed *House Bill 98-1156*, or the "Colorado Sex Offender Lifetime Supervision Act". This mandated that offenders convicted of a felony sex offense could be sentenced to a maximum prison term of one's lifetime. Any sex offender that was determined to be manageable in a community setting would be supervised throughout their lifetime. This increased the number of inmates serving longer sentences. As of September 30, 2002, the DOC estimated there were 325 inmates on lifetime supervision for a sex offense conviction, compared with 180 a year earlier.

"As of September 30, 2002, the DOC estimated there were 325 inmates on lifetime supervision for a sex offense conviction, compared with 180 a year earlier."

In 1998, the General Assembly passed *House* Bill 98-1160, which required revocated parolees to serve a 12-month period of supervision if they are within 12 months of discharging their parole period in prison. In other words, those inmates that completed their remaining parole period in prison for a revocation must serve an additional parole period of one year. This extended the time on parole for offenders and increased the likelihood of additional parole revocations to prison. The DOC is beginning to see the impacts of this law as offenders who: committed an offense after June 1998; have completed their first prison term; were placed on parole but were revoked back to prison, and; are now completing their parole time in prison to be returned to parole for another year of community supervision. According to the DOC, since mid-October, 20 parole returns have been released from prison to an additional year of community supervision. However, there are also 138 offenders who have been discharged after completing their parole period in prison. Some of these offenders will return to parole supervision. In November 2002, the parole caseload increased by 163 offenders (ten times the average monthly increase over the last two years). It is expected that this one-month jump is attributable to a cohort of discharged offenders placed back on parole.

Prison Population Trends and Forecast by Gender

Between June 1992 and June 2002, the prison population grew at an average rate of 7.5% per year. During this ten-year period, the male and female prison populations grew at average rates of 7.2% and 11.5% per year, respectively. The female prison population jumped 12.4% in FY 2001-02, after two years of single-digit growth. Table 12 illustrates the historical prison population by gender as well as incarceration rates by gender. Incarceration rates represent the prison population relative to the state population. The incarceration rate has increased over time, indicating that prison population has grown faster than the state population over the last ten years.

> "Between June 1992 and June 2002, the prison population grew at an average rate of 7.5% per year."

National Trends of Incarceration. The Colorado incarceration rate (ratio of prison population to state population) increased slower than the rest of the country from 1995 to 2001. The U.S. Department of Justice, Bureau of Justice Statistics (BJS) reported that the incarceration rate in all state prisons increased at an average rate of 8.5% per year, while the Colorado incarceration rate increased an average rate of 7.9% per year from 1995 to 2001. Colorado ranked 7th in the country in prison population growth over that time. In 2001, Colorado's incarceration rate ranked 21st in the country, the

						•	•					
Fiscal Year Ending	June 1992	June 1993	June 1994	June 1995	June 1996	1997 June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	<i>10- year Average Annual Growth Rate</i>
						Prison Pop	ulation					
Males	8,269	8,712	9,382	10,000	10,808	11,681	12,647	13,547	14,733	15,493	16,539	
Annual Grow	th	5.4%	7.7%	6.6%	8.1%	8.1%	8.3%	7.1%	8.8%	5.2%	6.8%	7.2%
Females	505	530	623	699	769	606	1,016	1,179	1,266	1,340	1,506	
Annual Grow	th	5.0%	17.5%	7.4%	14.9%	18.2%	11.8%	16.0%	7.4%	5.8%	12.4%	11.5%
Total	8,774	9,242	10,005	10,669	11,577	12,590	13,663	14,726	15,999	16,833	18,045	
Annual Grow	th	5.3%	8.3%	6.6%	8.5%	8.8%	8.5%	7.8%	8.6%	5.2%	7.2%	7.5%
					Ad	lult Incarcera	ation Rate					
Males	652.2	663.0	691.2	715.4	752.8	792.2	833.1	865.6	914.6	939.1	982.0	
Annual Grow	th	1.7%	4.3%	3.5%	5.2%	5.2%	5.2%	3.9%	5.7%	2.7%	4.6%	4.2%
Females	38.5	39.1	44.8	46.9	52.7	60.9	66.4	75.1	78.7	81.4	89.7	
Annual Grow	th	1.6%	14.6%	4.7%	12.4%	15.6%	9.0%	13.1%	4.8%	3.4%	10.2%	8.8%
Total	340.1	346.4	363.9	377.7	399.9	424.4	448.3	469.7	496.8	510.7	536.4	\0 1
Annual Grow	th	1.9%	5.1%	3.8%	5.9%	6.1%	5.6%	4.8%	5.8%	2.8%	5.0%	4.1%
Note: Incarcera	ation rates ba	sed upon 10	0,000 male o	or female (or	total) adult	(age 18 and e	over) Colora	dans.				

 Table 12

 Historical Prison Population by Gender

Prepared by Legislative Council Staff

same rank as a year earlier. Some western states had much higher incarceration rates: Arizona, Nevada, and California ranked 10th, 12th, and 13th, respectively. These rankings were similar for the female incarcerated population. Colorado ranked 14th in the female incarceration rate in 2001, up from 15th in 2000.

Prison Forecast by Gender. Table 13 illustrates the projected inmate population and growth. Between June 2002 and June 2008, the prison population will increase by an annual average rate of 5.1%, a slower rate relative to the past six- year period. The male and female inmate populations will increase at average annual rates of 4.9% and 7.0% during the forecast period. The growth of female prisoners is estimated to increase more than males because of the recent growth trends in female prison admissions and population, particularly in FY 2001-02, in which the number of female inmates jumped 12.4% and admissions went up 15.7%. However, through the forecast period, the prison population growth is expected to slow due to a lower statewide population growth rate. The economy also affects the forecast. In the short run, the weak economy will continue to push up prison admissions and population. Once the state economy improves in mid-to-late 2003, prison admission and population growth will taper beginning in FY 2004-05.

"Once the state economy improves in mid-tolate 2003, prison admission and population growth will taper beginning in FY 2004-05."

Comparison with Prior Forecasts. Chart 7 illustrates the December 2002 forecast compared with earlier forecasts. The December 2001 forecast estimated a prison population of 17,601 by June 2002. This forecast underesti-

	Ac	tual		-		Foreca	st		
Fiscal Year Ending	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006	June 2007	June 2008	2002 to 2008 Average Annual Growth Rate
				Prison	Population				
Males	15,493	16,539	17,513	18,457	19,350	20,247	21,147	22,029	4.00/
An	nual Growth	6.8%	5.9%	5.4%	4.8%	4.6%	4.4%	4.2%	4.9%
Females	1,340	1,506	1,650	1,813	1,966	2,090	2,183	2,264	= 00/
An	nual Growth	12.4%	9.6%	9.9%	8.4%	6.3%	4.5%	3.7%	7.0%
Total	16,833	18,045	19,163	20,270	21,316	22,337	23,330	24,293	F 40/
An	nual Growth	7.2%	6.2%	5.8%	5.2%	4.8%	4.4%	4.1%	5.1%
				Adult Inca	rceration Ra	te			
Males	939.1	982.0	1,023.1	1,061.1	1,092.2	1,122.0	1,150.5	1,176.6	0.40/
An	nual Growth	4.6%	4.2%	3.7%	2.9%	2.7%	2.5%	2.3%	3.1%
Females	81.4	89.7	96.7	104.5	111.3	116.1	119.0	121.2	- 10/
An	nual Growth	10.1%	7.8%	8.1%	6.5%	4.4%	2.5%	1.8%	5.1%
Total	510.7	536.4	560.5	583.5	602.4	619.7	635.4	649.4	
An	nual Growth	5.0%	4.5%	4.1%	3.2%	2.9%	2.5%	2.2%	3.2%

 Table 13

 Projected Prison Population by Gender

mated the prison population by 444 inmates, or 2.5%. The August 2002 interim forecast increased the projection of inmates but overestimated the September 2002 male prison population by 40 inmates and underestimated the female inmate population by 6 inmates. The December 2002 forecast reduces the male inmate forecast and pushes up the female inmate forecast. New forecasts of economic variables and prison length of stay also change the December 2002 forecast from earlier estimates.

Population Projections by Gender and Admission Type

There are two major types of prison admissions: court commitments and supervision returns. Table 14 provides the population projections by admission type and gender. One should note that there are miscellaneous admission types that are included in the total. However, these types are not discussed in this section.

Court Commitments. These inmates represent those that are sent to prison as a result of a

court-imposed sentence for a felony conviction. This group represented 76% of the prison population as of September 30, 2002. Over the last six years, this subpopulation increased an average of 5.8% per year. The population of court commitments is projected to increase from 13,560 as of June 30, 2002 to 18,338 as of June 30, 2008. This corresponds to an average of 5.2% per year from FY 2001-02 to FY 2007-08. The slower growth over the forecast period is due to a slowing statewide adult population growth and an economic recovery in 2003.

"Over the last six years court commitments increased an average of 5.8% a year. Supervision returns increased an average of 16% over that period."

Supervision Returns. These inmates represent those admissions that are returned to prison from a supervised placement such as parole or probation. These re-admissions may be returned to prison for a new crime committed while under supervision or they may be returned for a technical reason, such as not con-



	ĉ	urt Commitment	Į.	Sur	Arvision Return	20	Tots	I DOC Populati	20
Quarter Ending	Males	Females	Total	Males	Females	Total	Males	Females	Total
June 2002	12,455	1,105	13,560	3,908	387	4,295	16,539	1,506	18,045
September 2002	12,760	1,156	13,916	3,900	378	4,278	16,834	1,548	18,382
				Forecast					
December 2002	12,872	1,172	14,044	3,961	399	4,360	17,007	1,585	18,592
March 2003	13,125	1,195	14,320	3,987	412	4,399	17,287	1,620	18,907
June 2003	13,310	1,209	14,519	4,029	427	4,456	17,513	1,650	19,163
September 2003	13,510	1,232	14,742	4,062	441	4,503	17,746	1,687	19,433
December 2003	13,720	1,258	14,978	4,106	456	4,562	18,001	1,728	19,729
March 2004	13,914	1,285	15,199	4,154	471	4,625	18,242	1,769	20,011
June 2004	14,069	1,316	15,385	4,213	484	4,697	18,457	1,813	20,270
September 2004	14,230	1,344	15,574	4,272	496	4,768	18,676	1,854	20,530
December 2004	14,399	1,369	15,768	4,330	509	4,839	18,903	1,892	20,795
March 2005	14,568	1,393	15,961	4,384	520	4,904	19,127	1,928	21,055
June 2005	14,739	1,419	16,158	4,437	533	4,970	19,350	1,966	21,316
September 2005	14,906	1,442	16,348	4,487	545	5,032	19,567	2,001	21,568
December 2005	15,075	1,462	16,537	4,537	557	5,094	19,786	2,033	21,819
March 2006	15,250	1,479	16,729	4,586	569	5,155	20,011	2,063	22,074
June 2006	15,436	1,495	16,931	4,637	581	5,218	20,247	2,090	22,337
September 2006	15,617	1,508	17,125	4,688	593	5,281	20,480	2,115	22,595
December 2006	15,795	1,520	17,315	4,740	604	5,344	20,709	2,138	22,847
March 2007	15,967	1,531	17,498	4,793	616	5,409	20,934	2,161	23,095
June 2007	16,125	1,542	17,667	4,849	627	5,476	21,147	2,183	23,330
September 2007	16,278	1,551	17,829	4,905	639	5,544	21,358	2,204	23,562
December 2007	16,436	1,558	17,994	4,964	651	5,615	21,575	2,223	23,798
March 2008	16,598	1,566	18,164	5,027	663	5,690	21,799	2,243	24,042
June 2008	16,763	1,575	18,338	5,092	675	5,767	22,029	2,264	24,293
CAAGR	5.1%	6.1%	5.2%	4.5%	9.7%	5.0%	4.9%	7.0%	5.1%
Note: Other miscellaneous i CAAGR represents the com	types are included ir Ipound average ann	n the total. Therefor ual growth rate fron	e, totals do not ec n June 2002 to Jui	aual the sum of the ne 2008.	categories.				

tacting a parole officer or failing a drug test. As of September 30, 2002, supervision returns represented 23% of the prison population. Over the last six years, this subpopulation increased an average of 16.0% per year. This growth was due in part to the phase-in of inmates that were mandated to serve a parole period after their prison term. As the number of mandatory parolees increased, the pool of those that could be revoked increased as well. Moreover, these mandatory parole periods were longer than the parole periods set by the Parole Board. As the length of time on parole increased, so did the opportunities to commit illicit activities. As more and more of the prison population were eligible for a mandatory parole period, the growth of the supervision return subpopulation tapered. The population of supervision returns is projected to increase from 4.295 as of June 30, 2002 to 5.767 as of June 30, 2008. This corresponds to an average growth rate of 5.0% a year over the six-year forecast period.

Projected Prison Bed Surplus/ (Shortfall) by Gender

Table 15 presents the projected surplus or shortfall in prison beds by gender throughout the forecast period. The projected shortfall is based on the DOC's Draft December 2002 Bed Implementation Plan (FY 2002-03 to FY 2007-08). The plan includes both funded facility expansions and some projects that have not yet been approved for funding by the General Assembly. The funded facility expansion includes the build-out of the Denver Women's Correctional Facility (an additional 193 female beds, expected to be completed in FY 2003-04). The unfunded projects include the addition of 1,452 beds:

- 62 male beds at the Denver Reception and Diagnostic Center planned in FY 2004-05;
- 250 male beds at San Carlos Correctional Facility planned in FY 2005-06;
- 756 male high security beds in a second Colorado State Penitentiary planned in FY 2006-07; and
- 384 male high security beds at Arkansas Valley Correctional Facility planned in FY 2006-07;

This analysis assumes that the current total 3,507 bed capacity at private prison facilities will be dedicated to Colorado male inmates, as opposed to out-of-state inmates. This bed plan adjusts population down to reflect a percentage as off-grounds or moving between facilities and includes a 10% share of inmate population in community corrections placements.

Fiscal Year Ending	Bed Sh EXCLU DOC Expans	ortage JDING ion Projects	Bed Sł INCLL DOC Expans	iortage IDING sion Projects
	Male	Female	Male	Female
June 2003	0	(81)	0	(81)
June 2004	(457)	(29)	(457)	(29)
June 2005	(1,260)	(162)	(1,199)	(162)
June 2006	(2,056)	(262)	(1,749)	(262)
June 2007	(2,860)	(332)	(1,807)	(332)
June 2008	(3,646)	(391)	(2,215)	(391)

 Table 15

 Projected Prison Bed Surplus/(Shortfall) by Gender

Note: Capacity and forecast are adjusted for off-grounds population and bed vacancy due to natural movement.

The DOC will face a *female* bed shortfall of **50** beds by March 2003. By June 2003, the female bed shortfall will be 81. This will be alleviated somewhat by the completion of the Denver Women's Correctional Facility in FY 2003-04. However, by June 2008, the female prison bed shortfall will total 391 beds, representing 17% of the female prison population at that time. At this time, there are no additional capacity expansion projects for the female inmate population.

Meanwhile, the DOC will face a *male* bed shortfall of 250 beds by March 2004. By June 2004, the male bed shortfall will be 457 and by June 2008, the DOC will need 3,646 additional beds (or 16% of the male population at that time) for the expected prison population. Including the addition of the unapproved capacity projects, there will still be a male prison bed shortage of 2,215 beds by June 2008. This shortage represents 10% of the male population at that time.

Prison Admissions

Table 16 illustrates the projected growth of prison admissions for court commitments and supervision returns. Over the forecast period, court commitments are expected to grow at an average annual rate of 2.8% for females and 2.5% for males, while supervision returns are projected to increase at an average annual rate of 5.3% for females and 5.0% for males. The total number of female admissions (including other miscellaneous types) will increase an average of 3.7% a year from FY 2001-02 to FY 2007-08, while male admissions will grow an average of 3.4% a year over that period.

Court Commitments. In FY 2001-02, court commitments increased 17.4% and 11.0% for females and males, respectively. The rise in court commitments was due in part to the weak economy. Due to a continued weak economy, admissions for court commitments are not expected to slow until FY 2004-05.

			Fem	ales					Ma	les		
Fiscal	Co Commi	urt tments	Super Retu	vision urns	Subt Admis	total ssions	Co Commi	urt tments	Super Retu	vision Irns	Subt Admis	otal sions
rear	Admits	Growth	Admits	Growth	Admits	Growth	Admits	Growth	Admits	Growth	Admits	Growth
FY 1996-97	418		115		535		3,870		1,337		5,230	
FY 1997-98	457	9.3%	131	13.9%	590	10.3%	3,939	1.8%	1,637	22.4%	5,602	7.1%
FY 1998-99	475	3.9%	179	36.6%	655	11.0%	3,860	-2.0%	2,046	25.0%	5,947	6.2%
FY 1999-00	421	-11.4%	238	33.0%	660	0.8%	3,791	-1.8%	2,354	15.1%	6,193	4.1%
FY 2000-01	472	12.1%	240	0.8%	713	8.0%	4,003	5.6%	2,197	-6.7%	6,236	0.7%
FY 2001-02	554	17.4%	271	12.9%	825	15.7%	4,443	11.0%	2,419	10.1%	6,876	10.3%
					Fo	orecast						
FY 2002-03	568	2.5%	294	8.5%	862	4.5%	4,548	2.4%	2,506	3.6%	7,067	2.8%
FY 2003-04	616	8.5%	306	4.1%	922	7.0%	4,717	3.7%	2,657	6.0%	7,388	4.5%
FY 2004-05	643	4.4%	319	4.2%	962	4.3%	4,791	1.6%	2,827	6.4%	7,632	3.3%
FY 2005-06	649	0.9%	336	5.3%	985	2.4%	4,956	3.4%	2,935	3.8%	7,905	3.6%
FY 2006-07	649	0.0%	351	4.5%	1,000	1.5%	5,087	2.6%	3,071	4.6%	8,172	3.4%
FY 2007-08	655	0.9%	370	5.4%	1,025	2.5%	5,157	1.4%	3,238	5.4%	8,409	2.9%
CAAGR	2.8	%	5.3	%	3.7	%	2.5	%	5.0	%	3.4	%

 Table 16

 Admissions by Gender and Admit Type

Notes: Totals are not the sum of the categories. Other miscellaneous types are included in the Total. CAAGR represents compound average annual growth rate from FY 2001-02 to FY 2007-08.

Revocations and Returns. FY 2001-02 represented a sharp increase in supervision returns after a decline a year earlier. DOC attributed the decrease in FY 2000-01 to a streamlined effort between adult parole services and community corrections in which revocations were avoided by the use of community placements as an alternative penalty to prison returns. However, the number of releases to parole in FY 1999-00 declined 4.7%. The decline in the number of those placed on parole may also be responsible for the decline in revocations a year later. The number of returns for technical violations or new crimes will increase through the forecast period as the growth in the parole population will translate to more admissions for violations. As a result, we expect the upward trend for supervision returns to continue, though not as significant as the increases seen in FY 2001-02.

Prison Recidivism. Prison revocations and returns are often discussed in the context of recidivism. According to the DOC, the three-year recidivism rate from 1998 releases was 51.7%. In other words, 51.7% of all the prison releases in 1998 returned to prison as a new crime commitment or a technical revocation within three years. This recidivism rate is up

from the 1997 rate of 48.6%. The most recent national recidivism statistic is similar to Colorado's rate: 51.8% of releases among all state prisons were back in custody within three years.

Chart 8 illustrates the history and the forecast of admissions by type. Supervision returns

"In FY 1994-95, revocations and returns accounted for 23% of total admissions. In FY 2001-02, this group represented 35% of all prison admissions."

have become a larger share of all admisssions over time. In FY 1994-95, revocations and returns accounted for 23% of total admissions. In FY 2001-02, this group represented 35% of all prison admissions. The implementation of mandatory parole is one reason revocations have outpaced admissions from court sentences (this is discussed further in the section on the parole forecast). The forecast estimates that supervision returns will account for 38% of admissions in FY 2007-08.

Admissions and Population of Selected Crimes. Table 17 illustrates the trends in admissions and population of selected crime



Prepared by Legislative Council Staff

	Hab Offer	itual nders	Sex Off (including Supen	enders ı Lifetime <i>ision</i>)	Lifetime sion Offender fende	Supervi- I Sex / Sex Of- er Act	Esca Contra	ipes/ aband	Drug C (including Drug Of	crimes g Special fender)	Specia Offen	l Drug Iders	All Offe	nders
Year	Admits	Year-end Census	Admits	Year-end Census	Admits	Year-end Census	Admits	Year-end Census	Admits	Year-end Census	Admits	Year-end Census	Admits	Year-end Census
FY 1995-96	25	334	245	1,263	NA	39	329	875	998	1,463	NA	NA	5,371	11,577
FY 1996-97	36	373	274	1,372	NA	40	345	066	1,083	1,812	5	10	5,765	12,590
FY 1997-98	42	400	262	1,633	NA	36	362	975	1,166	2,441	6	23	6,192	13,663
FY 1998-99	49	425	264	1,730	NA	45	325	1,015	1,206	2,800	19	36	6,602	14,726
FY 1999-00	35	460	332	1,876	37	70	430	1,183	1,079	3,130	12	48	6,853	15,999
FY 2000-01	58	483	332	2,005	89	180	430	1,234	1,122	3,291	20	66	6,952	16,833
FY 2001-02	62	557	395	2,206	122	325	380	1,336	1,432	3,692	21	78	7,701	18,045
Average Annual Growth Rate (FY96 - FY02)	16.3%	8.9%	8.3%	9.7%	81.6%	128.3%	2.4%	7.3%	6.2%	16.7%	33.2%	50.8%	6.2%	7.7%
Notes: FY 2001-02 fig overlap with other typ	gures are pre ies.	eliminary. FY	′ 2001-02 pol	oulation figu	es are base	d upon Octoł	oer 1, 2002 d	census. Esca	apes include	violation of t	oail bond crin	nes. Habitua	I Offenders r	nay
Average Annual Grov 2001-02.	vth Rate for L	Lifetime Supe	ervision Sex (Offender is f	rom FY 1999	9-00 to FY 20	01-02. Avera	age Annual G	browth Rate 1	for Special D	rug Offender	's is from FY	1996-97 to F	≻

Table 17
 History of Prison Admissions and Population for Selected Crimes

Sources: Department of Corrections Annual Statistical Reports. Special Drug Offender admissions and population estimated by Legislative Council Staff.

types. In the last six years, every crime type except escapes increased at or faster than the rate of total admissions. For those crimes carrying long sentences, particularly lifetime supervision sex offenders, the population growth over the last six years outpaced admission growth. Drug crimes have represented the largest crime type of all admissions and the largest cohort in the overall prison population. While the proportion of drug crime admissions to total admissions has remained constant over the last few years (between 18% and 19%), the population of drug crimes has increased from 12.6% of the population at the end of FY 1995-96 to 20.5% of the population at the end of FY 2001-02.

Adult Parole Population Projections

Table 18 provides the parole population forecast from FY 2002-03 to FY 2007-08. The forecast estimates the parole population *supervised in Colorado* and the estimated parole population *served out-of-state*, including parole *absconders* — parolees who have not reported and are considered fugitives. The forecast estimates that the number of parolees *supervised in Colorado* will increase at an annual rate of 6.5% throughout the forecast period — from 4,037 parolees on June 30, 2002, to 5,877 parolees on June 30, 2008. The number of *total* parolees will increase at an average rate of 6.2% over the forecast period, from 5,717 parolees on June 30, 2008.

Factors in Parole Population Growth

The following section discusses three factors that affect the parole population: the implementation of mandatory parole; changes in the releases to parole; and trends in prison commitments.

Mandatory Parole. House Bill 93-1302 created mandatory parole for all inmates released from prison who committed a crime on or after July 1, 1993. The implementation of mandatory parole

Fiscal Year Ending	Parolees Supervised in Colorado	Annual Growth	Parolees out-of-state and Absconders	- Annual Growth	Total Parolees	Annual Growth
June 1998	3,219		1,433		4,652	
June 1999	3,722	15.6%	1,569	9.5%	5,291	13.7%
June 2000	3,685	-1.0%	1,537	-2.0%	5,222	-1.3%
June 2001	4,192	13.8%	1,646	7.1%	5,838	11.8%
June 2002	4,037	-3.7%	1,680	2.1%	5,717	-2.1%
			Forecast			
June 2003	4,367	8.2%	1,778	5.8%	6,145	7.5%
June 2004	4,627	6.0%	1,890	6.3%	6,517	6.1%
June 2005	4,890	5.7%	1,971	4.3%	6,861	5.3%
June 2006	5,171	5.7%	2,064	4.7%	7,235	5.5%
June 2007	5,509	6.5%	2,185	5.9%	7,694	6.3%
June 2008	5,877	6.7%	2,323	6.3%	8,200	6.6%
	Со	mpound Average A	nnual Growth Rate (J	une 2002 to June	2008)	
	6.	5%	5.6%	6	6.2	%

Table 18 Parole Population Projections

has affected the decisions made by the Parole Board. First, mandatory parole created an option for the Parole Board to defer early release to parole yet still assure a post-incarceration supervision period. Second, a mandatory parole period has increased the length of stay on parole, thereby increasing the possibility of parole revocation.

Mandatory parole increased prison length of

stay. Before mandatory parole, the Parole Board would grant an early parole prior to discharge in order to provide an inmate with supervised placement, easing him or her into the community. Inmates completing their sentence would be discharged to the general public and avoid supervision altogether. With the implementation of mandatory parole, the Parole Board had the option of deferring parole until an inmate completed the sentence, at which point the inmate would still serve a required parole period. In other words, the Parole Board has been able to use mandatory parole as a "safety net" to defer an otherwise early parole. Therefore, the implementation of mandatory parole has influenced an increased prison length of stay for new commitments.

Mandatory parole increased the number of returns to prison. Due to the increased number

of parolees with mandatory minimum parole periods, the length of stay on parole has also increased, from an estimated 12.2 months in June 1997 to an estimated 15.5 months in June 2002. The mandatory length of stay on parole varies by felony class. For class 6 felons, the sentence length on parole is one year. The parole length is two years for class 5 felons, three years for class 4 felons, and five years for class 2 and 3 felons. With more parolees serving longer parole periods, there is a higher probability of revocation. Therefore, the implementation of mandatory parole has also had the effect of increasing the number of parole revocations and the prison population.

The largest share of supervision returns is from parole revocations. Technical parole revocations (revocations for failing to meet one's parole plan — failing a drug test or not contacting one's parole officer — as opposed to committing a new crime) have increased significantly since FY 1992-93. One reason these returns have increased is that the number of releases to parole has also risen, due to the implementation of mandatory parole. The time in prison for technical returns has also increased each year since FY 1999-00. In FY 2001-02, the length of stay in prison for a technical parole return was 13.5 months. An



estimated 70% of technical returns completed their parole time in prison. Due to House Bill 98-1160, these discharges serve an additional 12 months of parole supervision. Chart 9 below illustrates the trends of releases to parole, the number of technical parole revocations, and the average length of stay for a technical return.

Parole Board Release and Revocation

Trends. Table 19 displays the trend of Parole Board release and revocation hearings from FY 1996-97 to FY 2001-02. Over the past five years, the Parole Board release rate has decreased (from 29.1% in FY 1996-97 to 20.9% in FY 2001-02), while the number of release hearings has not grown significantly (increasing at an average annual rate of 1.4% in the last four years). Meanwhile, the Parole Board has also increased its revocation rate (from 62.4% in FY 1996-97 to 75.1% in FY 2001-02) faster than the rate of revocation hearings growth. These trends decrease the projected parole population and increase the projected prison population. **Prison Commitment Trends.** Another factor in the rise in parole deferrals has been the trend of prison commitments with longer sentences. It is likely that increased admissions for statutorilydefined crimes of violence (corresponding to longer sentences) may influence the rise in parole deferrals. The proportion of court commitment admissions that have committed a violent crime increased from 13.5% in FY 1992-93 to 28.0% in FY 1999-00 but dipped to 25.5% in FY 2001-02. Meanwhile, the percentage of violent offenders (i.e., those that committed a violent crime) in the prison population increased from 36.4% in FY 1993-94 to 43.5% in FY 1999-00 but has dipped to 41.7% in FY 2001-02. Chart 10 illustrates the trend in admissions and population of offenders committing violent crimes.

It is difficult to determine the impact of prison commitments as admissions have varying parole eligibility dates and the impact is spread over a long time frame. However, one of the factors affecting the decision to grant parole is the type of crime committed. As the parole eligibility pool is represented by more admissions for violent crimes, it is likely that the rate of discretionary

	Re	lease Decis	ions	Revo	ocation Dec	isions		
Decision Type	Granted	Subtotal	Percent of Subtotal	Revoked	Subtotal	Percent of Subtotal	Total Decisions *	Annual Growth
FY 1996-97	2,659	9,126	29.1%	1,239	1,986	62.4%	30,057	
FY 1997-98	2,775	9,398	29.5%	1,618	2,487	65.1%	32,209	7.2%
FY 1998-99	2,758	8,923	30.9%	2,073	3,053	67.9%	34,317	6.5%
FY 1999-00	2,053	8,761	23.4%	2,447	3,491	70.1%	34,811	1.4%
FY 2000-01	2,220	9,442	23.5%	2,269	3,212	70.6%	36,225	4.1%
FY 2001-02	2,039	9,761	20.9%	2,546	3,392	75.1%	37,275	2.9%
CAAGR		1.4%	-5.2%		11.3%	15.5%	4.4%	

Table 19 Trend of Parole Board Hearings and Decisions, FY 1996-97 to FY 2001-02

* Includes hearings that were waived by the inmate or ordered waived as well as decisions to issue warrants, table hearings, rescind prior decisions, or to discharge or suspend parolees.

Source: Department of Corrections Planning and Analysis. FY 2001-02 data are preliminary.

release to parole will diminish. This is particularly true in the long run as offenders committing violent crimes are not eligible for parole as early in their sentences as other offenders. This factor is magnified with the implementation of mandatory parole for all inmates. With mandatory parole, Parole Board members can defer parole for inmates committing violent crimes until sentence discharge without giving up a supervised placement.



Juvenile Corrections Population

- The average daily detention population in the custody of the Division of Youth Corrections (DYC) will increase from 538.6 in FY 2001-02 to 625.0 in FY 2007-08, growing at an average annual rate of 2.5% a year. The detention population excludes the population served by the Community Accountability Program, a short-term juvenile probation program managed by DYC.
- The DYC average daily commitment population will increase from 1,266.8 in FY 2001-02 to 1,414.6 in FY 2007-08,

growing at an average annual rate of 1.9% a year.

- Based on the FY 2002-03 DYC funded capacity, there will be a **detention bed shortfall** of 9.5 beds in FY 2007-08. However, there will be a projected **commitment bed surplus** of 207.5 in FY 2007-08.
- The average daily **parole population** will increase from 692.9 in FY 2001-02 to 712.2 in FY 2007-08, growing at an average annual rate of 0.5% a year.

This section of the forecast provides: an overview of juvenile offender sentence placements; recent trends in the juvenile offender population; a discussion of the factors driving the juvenile offender population; the estimates for the detention, commitment, and parole populations from FY 2002-03 to FY 2007-08; and estimates of bed shortfalls based on department-provided capacity plans.

Juvenile Offender Sentencing Options

There are several placements available for juvenile offenders. Juveniles that are not prosecuted as adults are managed through the juvenile courts to determine whether the youth committed an act of delinquency. If the court determines beyond a reasonable doubt that the juvenile defendant committed a crime, the juvenile is *adjudicated* a delinquent. Upon determination of guilt, the court may sentence a juvenile to any one or a combination of the following:

- *Commitment to DYC.* A juvenile 12 years of age or older may be committed to DYC for one to seven years (depending on the offense and the juvenile's offense history) if the juvenile committed an offense classified as a felony or misdemeanor if committed by an adult. A juvenile under 12 may be committed to DYC only if the offense would constitute a class 1, 2, or 3 felony. Juveniles between 18 and 21 may be committed to DYC if they are adjudicated for an offense committed prior to their 18th birthday or upon revocation of probation.
- **Detention.** The court may sentence a juvenile to detention if he or she is found guilty of an offense that constitutes a class 3, 4, 5 or 6 felony or a misdemeanor. Detention may not exceed 45 days and is not an option for juveniles adjudicated for class 1 or class 2 felonies

- Commitment to the Community Accountability Program (CAP). As a condition of probation, the court may sentence a juvenile to the CAP, a privately-operated, 60day residential program focusing on restorative justice (offenders working directly with victims to repair any harm done) and youth skill development. The residential phase is followed by an aftercare restorative justice program that continues through the juvenile probation period
- Confinement in county jail or community corrections. Juveniles between 18 and 21 who have been adjudicated delinquents prior to their 18th birthday may be sentenced to county jail for up to six months or to a community correctional facility or program for up to one year.
- *Placement in alternative legal custodies.* The court may place a juvenile in the legal custody of a relative or other guardian and may impose guidelines for that placement, including probation. The court may also place the juvenile in the custody of a county department of social services or a child placement agency such as a family child care home, foster care home, a hospital, or a child care center.
- *Imposition of a fine or restitution.* Fines of not more than \$300 may be imposed by the court. The court may also order a juvenile to pay restitution to the victim(s) for the actual amount of any damages caused.

Division of Youth Corrections Sentencing Placements and Population Overview

The three major categories of services provided by the DYC include commitment, detention, and community services, including parole. Juveniles sentenced to the DYC may be sentenced either to commitment or detention. Commitment is a court-ordered transfer of legal custody to the Department of Human Services following an adjudicatory hearing on charges of delinquence by a youth. Detention is typically for less serious offenses and involves a short-term confinement to a detention facility.

Detention. Detention facilities house youths who are awaiting trial and youths who receive a short-term sentence of up to 45 days. The DYC operates eight secure detention centers and contracts for an additional 80 detention beds. Youths held in detention may be grouped into three categories:

- *Preadjudicated* youths are those who have been arrested and are awaiting a court hearing;
- *Sentenced* youths have received a courtimposed sentence to a state detention facility of up to 45 days; and
- *Committed* youths are those who have been adjudicated and committed to the custody of the DYC by a court and are awaiting placement in a commitment facility or community placement.

Senate Bill 91-94, authorized the creation of local judicial district-based programs designed to provide alternatives and sentencing options for preadjudicated and adjudicated youths who would otherwise be placed in the custody of DYC. By FY 1993-94, these programs were implemented in all 22 state judicial districts. The main goal of the Senate Bill 91-94 initiative has been to reduce the populations of juveniles in detention and commitment. Funds are allocated to each judicial district by the Department of Human Services based on a formula that includes each district's proportion of youths ages 10 to 17, juvenile arrests, probation intakes, and the number of new commitments to the department. In FY 2000-01 (the most recent data available), local Senate Bill 91-94 programs admitted 9,870 youths as part of a diversion-from-detention strategy.

Detention Population Overview. In FY 2001-02 the detention population averaged 538.6 youths, a 1.8% increase from the prior year. This is a smaller growth rate than the average annual growth rate of 2.4% over the past six years. It is especially notable because the DYC had estimated an increase in detention admissions because for the first seven months of FY 2001-02, there was no short-term alternative to detention (the Community Accountability Project, the replacement of the Regimented Juvenile Training Program, was not implemented until February 2002). The DYC attributes the slow growth to the use of local diversionary placements, such as Senate Bill 91-94 community programs, that are designed to reduce detention admissions. However, through the first four months of FY 2002-03, the detention population averaged 545.8 youths, a 2.6% increase over the first four months of FY 2001-02. Chart 11 shows the recent admission and population trends in detention.

"The detention population increased 1.8% in FY 2001-02 but increased 2.6% in the first four months of FY 2002-03."

Length of stay in detention varies significantly by the legal status of the juvenile. Youths in detention awaiting a commitment placement can spend a month waiting for a placement and youths sentenced to detention may spend no more than two weeks serving a courtordered sentence. On the other hand, preadjudicated juveniles may remain in detention for few days. The average length of stay in deten-



tion facilities (excluding CAP admissions, for which the length of stay is estimated at 60 days) in FY 2001-02 was 13.8 days, up 2.0% from the prior year. Most stays, however, were shorter than 14 days, as the median length of stay was 5 days. The average length of stay was skewed up by longer lengths of stay for sentenced youth and youths awaiting commitment placements.

Commitment. The commitment population consists of juveniles who have been adjudicated for a crime and committed to the custody of DYC. A juvenile may be sentenced to the custody of DYC for a period between one and seven years. In four types of situations, juveniles are automatically classified as special offenders and subject to specific penalties. These instances relate to the type of crime committed and/or history of prior adjudication.

• A juvenile is determined to be a *mandatory sentence offender* if he or she is adjudicated delinquent for committing a crime. Mandatory sentence offenders are committed or placed out of the home for no less than a year, unless the court determines otherwise.

- A *repeat juvenile offender* has been previously adjudicated a juvenile delinquent and is adjudicated again or has probation revoked for an act that constitutes a felony. Repeat juvenile offenders are committed to an out-of-home placement for no less than a year.
- A *violent juvenile offender* is one who is adjudicated a juvenile delinquent for an act that constitutes a crime of violence if committed by an adult. Violent juvenile offenders are committed or otherwise placed out of the home for at least a year, unless a juvenile is between the ages of 10 and 12 and the court determines that a lesser sentence is appropriate.
- An *aggravated juvenile offender* is a juvenile that is adjudicated delinquent or has probation revoked for an act that constitutes a class 1 or class 2 felony or unlawful sexual behavior. Juveniles are also deemed to be aggravated juvenile offenders if previously adjudicated delinquent for an act that constitutes a felony and are sub-

sequently adjudicated delinquent or have probation revoked for an act that constitutes a crime of violence. Any juvenile adjudicated an aggravated juvenile offender for an offense other than a class 1 felony may be sentenced to the DYC for up to 5 years, but no less than 3 years. Juveniles adjudicated for class 1 felonies may be committed for up to 7 years.

Commitment Population Overview. In FY 2001-02, the commitment population increased 1.1% to an average daily population of 1,266.8. This is a small growth rate compared with the average annual growth of 8.8% a year from FY 1995-96 to FY 2001-02. The DYC attributed the low growth rate to a general decrease in crime as evidenced by reduced delinquency filings and by an increased use of aftercare services in other placements that reduced the need for the last-resort commitment placement. However, through the first four months of FY 2002-03, the commitment population averaged 1,308.0, a 5.4% increase over the first four months of FY 2001-02. Figure 11 shows the recent admission and population trends in commitment.

"The commitment population increased 1.1% in FY 2001-02, but increased 5.4% through the first four months of FY 2002-03."

The average length of stay of a juvenile released from DYC residential commitment in FY 2001-02 was 17.6 months, an 8.2% increase from the prior year. Much of this increase was due to the increase in the proportion of repeat offenders, whose length of stay is typically longer than first-time commitments. The population of re-commitments increased from 545 in FY 1999-00 to 637 in FY 2001-02, a 17% jump over two years.

Influences on the Juvenile Offender Population

The growth in the juvenile offender population and its recent increase in FY 2002-03 are related to a combination of factors. Demographic factors, juvenile delinquency, economic factors, school participation, available diversion programs, and legislation passed by the General Assembly all affect the juvenile offender population.



Demographic factors. One important factor that drives the juvenile offender population is the state's juvenile population. The juvenile population used for the forecast is the age group of 10 to 17 years old. While this population increased 40% between 1990 and 2000, it is expected to increase less than 10% from 2000 to 2010. The slow juvenile population growth in the forecast period will translate to a slow growth in detention and commitment.

Juvenile Delinquency. The incidence of juvenile delinquency influences the juvenile offender population. There are two main proxies for juvenile delinquent activity: juvenile arrests and juvenile delinquency filings. Both of these variables decreased in recent years. In each year from 1997 to 2001, juvenile arrests decreased, most recently dropping 7%. This contributed to the slowing growth of the DYC commitment and detention populations. However, FY 2001-02 juvenile delinquency filings increased 3.9% after two years of declines.

Economic Variables. Economic opportunities for families play a role in both the detention and commitment population projections. Household income and employment is linked to decreased participation in criminal activities. More direct economic participation, such as teenage employment or labor market participation, may reduce juvenile delinquency, and thus reduce commitment to the DYC. Historically, employment opportunities for youths increase in times of strong economic growth and tight labor markets. As employers find difficulty in hiring adult workers, they tend to hire younger and less experienced workers. Recently, however, youths have pulled out of the labor market because there are few jobs available for adults, let alone teenagers.

School participation. School dropout and graduation rates are also strongly correlated to juvenile delinquency. Colorado dropout rates

for grades 7 through 12 have decreased during each of the last three school years (1998-99 through 2000-01). These variables tend to decrease the population in the custody of DYC.

State and local policy changes influence detention and commitment. Policies which change the capacity of detention facilities or create or restrict judges' sentencing alternatives for delinquent juveniles affect the detention population. Several policy changes in the past few years significantly affected the detention population. These include the creation of alternative programs, such as Senate Bill 91-94, the 1995 federal court-ordered cap on the Denver Gilliam Youth Services Center's population, juvenile handgun legislation, and the funding and construction of new detention beds.

Legislative Impact upon the DYC Population

Several legislative actions have mandated minimum sentences, authorized alternatives to detention and commitment, and established aftercare provisions. The following paragraphs discuss the significant legislation and their impacts on the DYC population.

Senate Bill 91-94: Concerning the allocation of services for juveniles. This bill allowed communities to set up diversionary, alternative, community-based programs to prevent youths from being incarcerated (detained or committed). It also required that local advisory committees develop criteria for the placement of juveniles in incarceration. According to DYC, this legislation has had more impact in reducing detention admissions than commitment admissions.

House Bill 93S-1005: Regimented Juvenile Training Program. This bill created the Regimented Juvenile Training Program, a militarystyle intensive "Boot Camp" intended to be a diversion from detention and commitment. Youths were not sentenced to the custody of DYC, but to juvenile probation with a court-imposed condition to complete the program. This program offered 80 beds for a maximum length of stay of 60 days. The program was to be repealed by July 1, 1997. However, Senate Bill 97-50 extended the program until July 1, 2000, and Senate Bill 00-50 extended the program through July 1, 2001, at which time the program ended. The program was replaced by the Community Accountability Project (discussed later in this section) in FY 2001-02.

House Bill 96-1005: Concerning juvenile

justice. This bill increased the maximum commitment sentence length to five years for aggravated offenses and to seven years for crimes that would constitute an adult class one felony. This bill also established sentence lengths for non-aggravated offenses of up to two years.

Perhaps the most significant feature of this bill was the establishment of a mandatory minimum parole period for all juvenile offenders who committed a crime on or after January 1, 1997. Mandatory parole has not only increased the parole population, it has increased the number of commitment admissions as more juveniles on parole has led to more parole revocations back to commitment. Mandatory parole has also increased the length of stay for commitments because of the increase in re-committed offenders. In FY 2001-02, length of stay for re-commitments was almost 40% greater than for new commitments.

"Mandatory parole has increased the number of commitment admissions as revocations."

House Bill 97-1318: Juvenile facility contract for Ridge View. This bill authorized the Department of Human Services to contract

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with a single entity to design, build, and operate a "campus-style" facility that would implement alternative education and vocational training in an academic correctional model. This became the 500-bed Ridge View commitment facility and high school. Ridge View began serving youths in July 2001.

House Bill 99-1094: Aggravated juvenile offenders. This bill mandated a minimum sentence of three years for juvenile offenders adjudicated for committing the equivalent of an adult class 1 or class 2 felony. The maximum sentence remained at five years for crimes equivalent of class 2 felonies and seven years for crimes equivalent of class 1 felonies.

Senate Bill 01-077: Reducing juvenile parole. This bill reduced the minimum parole period from twelve months to nine months for certain nonviolent juveniles. This bill took effect beginning FY 2001-02 and had an impact in decreasing the parole population. In FY 2001-02, the parole population decreased for the first time in five years.

"In FY 2001-02, the parole population decreased for the first time in five years."

House Bill 01-1357: Community Accountability Program. This bill created the Community Accountability Program (CAP) to replace the Juvenile Regimented Inmate Training Program ("Boot Camp") that sunset June 30, 2001. The program was originally intended to have a similar capacity as the Boot Camp — 80 beds with a maximum length of stay of 60 days with aftercare programs upon completion. However, the program incorporated more aftercare services during the youth's transition back to the community. Youth would be sentenced to the program as a condition of probation. Probation responsibilities are typically handled by the Judicial Department. However, because the DYC has expertise in operating and managing contracts for residential programs, the DYC oversees this program.

The CAP implementation was delayed seven months (from July 2001 to February 2002) while proposals were reviewed. At that time, DYC estimated there would be an impact upon detention and commitment populations reflecting the substitution of detention or commitment placements for boot camp sentences. However, in the seven months in which the Boot Camp or regional CAP did not exist, there was no significant impact upon detention or commitment. Due to the delay in implementation, the CAP was appropriated for 20 beds through FY 2001-02. By June 2002, the CAP program averaged a daily population of 15.2 youths.

For FY 2002-03, the CAP was appropriated for 60 beds. However, through October 2002, the CAP monthly population has not exceeded 20 beds. The DYC has offered, as a part of the Governor's budgetary restrictions, a FY 2002-03 and FY 2003-04 budget reduction to a 20 bed appropriation for the CAP. *Capacity Additions to Commitment and De-*

"By June 2002, the Community Accountability Program averaged a daily population of 15.2 youths."

tention Services. The General Assembly authorized and appropriated funds to the DYC for the construction and operation of a 40-bed girls unit (The Betty K. Marler Youth Services Center). The Center became operational in July 2002. The General Assembly also approved the design of a 20-bed mental health unit at the Pueblo Mental Health Institute. However, due to budgetary cuts in FY 2001-02 and FY 2002-03, the construction of this project has been delayed.

DYC Detention Population Projections Versus Capacity

Through October of this fiscal year, the detention population has averaged 545.8 youths, an increase of 2.6% over the first four months of FY 2001-02. With the assistance of diversionary programs such as the Senate Bill 91-94 initiatives, the DYC detention population will settle to 540.0 youths in FY 2002-03, representing a 0.3% increase over FY 2001-02. Over the six-year forecast period, the detention population will increase to 625.0. This represents an average annual growth rate of 2.5% a year. However, the detention rate (the ratio of the detention population to the juvenile population eligible for DYC custody, age 10 to 17) is expected to increase an average of 1.7% per year. Table 20 presents the yearly detention population estimates.

Table 20 also presents the estimated detention bed surplus or shortfall through the forecast period. In the past, DYC has used a surplus, when available, for either commitment of detention populations in facilities that provide both services. DYC has also decreased its use of contract bed facilities. Based on the December 2002 projections, without conversion or a contract reduction of beds, the DYC will maintain a bed surplus through FY 2006-07, but will encounter a *detention bed shortfall* of 9.5 beds in FY 2007-08.

Projected Admissions and Average Length of Stay. In FY 2001-02, detention admissions decreased 0.2% after falling 1.2% in FY 2000-01. The reduction to admissions has been partly attributable to the success of the Senate Bill 91-94 programs. Because of an expected slow growth trend in the number of Colorado juveniles and an increasing use of Senate Bill 91-94 diversion programs, the growth in DYC detention admissions will remain relatively flat through the next six years, growing at an average annual 0.7% rate. Length of stay in
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
		Actual				Fore	cast		
State	512.0	529.1	538.6	540.0	551.2	564.4	585.2	605.3	625.0
Ar	nnual Growth	3.3%	1.8%	0.3%	2.1%	2.4%	3.7%	3.4%	3.3%
FY 2002-03	to FY 2007-08	3 Compound A	Average Annu	al Growth Rate	e (CAAGR)				2.5%
			DETENTION	RATE(per 10	0,000 juvenile	es age 10-17)			
State	104.4	105.2	105.4	104.4	105.7	107.4	110.7	113.7	116.7
Annual Growth 0.8% 0.2% -0.9% 1.2% 1.6% 3.1% 2.7%									2.6%
FY 2001-02	to FY 2006-07	7 Compound A	Average Annu	al Growth Rate	e (CAAGR)				1.7%
			Comparis	on with DYC	Long Range	Bed Plan			
Capacity				595.5	615.5	615.5	615.5	615.5	615.5
Surplus/(Sh	ortfall)			55.5	64.3	51.1	30.3	10.2	(9.5)

Table 20Detention Population and Bed Shortfall

Table 21Detention Admissions and Length of Stay

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
		Actual				Fore	cast		
State	14,829	14,658	14,631	14,984	14,871	14,791	14,986	15,145	15,280
A	nnual Growth	-1.2%	-0.2%	2.4%	-0.8%	-0.5%	1.3%	1.1%	0.9%
FY 2001-02	to FY 2007-08	8 Compound A	Average Annua	al Growth Rate	e (CAAGR)				0.7%
			L	ENGTH OF S	TAY (in days	;)			
State	13.2	13.6	13.8	13.5	13.9	14.4	14.7	15.0	15.4
A	nnual Growth	3.0%	1.5%	-2.2%	3.0%	3.6%	2.1%	2.0%	2.7%

detention rose 1.5% in FY 2001-02 and, beginning in FY 2003-04, will increase through the forecast period. Estimates for detention admissions and length of stay are provided in Table 21.

DYC Commitment Population Projections Versus Capacity

Through October of this fiscal year, the commitment population has averaged 1,308.0, an increase of 5.4% over the first four months of FY 2001-02. Through the rest of FY 2002-03, the commitment population will continue to rise, resulting in an average population of 1,332.2, a 5.2% rise over last year. By FY 2007-08, the commitment population will increase to 1,414.6, representing an average annual growth rate of 1.9% a year. However, the commitment rate (the ratio of the commitment population to the juvenile population eligible for DYC custody, age 10 to 17) is expected to increase an average of 1.1% per year. Increased admissions and longer lengths of stay (due to an rising population of parole revocations and re-commitments) contribute to the population growth in the forecast period. Table 22 provides the yearly commitment population estimates from FY 2002-03 to FY 2007-08.

Table 22 also provides the population projections by gender. The male commitment population increased a slight 0.5% in FY 2001-02, the smallest increase in over ten years. By FY

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
		Actual				Fore	cast		
State	1,198.3	1,252.9	1,266.8	1,332.2	1,373.6	1,392.3	1,399.2	1,404.4	1,414.6
Ani	nual Growth	4.6%	1.1%	5.2%	3.1%	1.4%	0.5%	0.4%	0.7%
FY 2001-02 to	o FY 2007-08	Compound	Average Anr	nual Growth F	Rate (CAAGF	R)			1.9%
		Inc	arceration R	Rate (per 100),000 juvenile	es age 10-17)	1		
State	244.3	249.1	247.8	257.6	263.3	265.0	264.6	263.8	264.1
Annual Growt	h	2.0%	-0.5%	4.0%	2.2%	0.6%	-0.2%	-0.3%	0.1%
FY 2001-02 to	o FY 2007-08	Compound	Average Anr	nual Growth F	Rate (CAAGF	R)			1.1%
			Commi	tment Popu	lation by Ge	nder			
Males	1,058.3	1,122.2	1,127.9	1,186.2	1,220.2	1,230.5	1,236.7	1,241.0	1,250.0
Annual Growth 6.0% 0.5% 5.2% 2.9% 0.8% 0.5% 0.3%									0.7%
FY 2001-02 to	o FY 2007-08	Compound	Average Anr	nual Growth F	Rate (CAAGF	R)			1.7%
Females	140.0	130.7	138.9	146.0	153.4	161.8	162.5	163.4	164.6
Ani	nual Growth	-6.6%	6.3%	5.1%	5.1%	5.5%	0.4%	0.6%	0.7%
FY 2001-02 to	o FY 2007-08	Compound	Average Anr	nual Growth F	Rate (CAAGF	R)			2.9%
			Comparisor	n with DYC L	ong Range	Bed Plan			
Capacity				1,489.1	1,569.3	1,622.1	1,622.1	1,622.1	1,622.1
Surplus/(Sho	ortfall)			156.9	195.7	229.8	222.9	217.7	207.5

Table 22Commitment Average Daily Population and Projected Bed Surplus

2007-08, the male population will reach 1,250.0, having increased an average annual rate of 1.7% a year. Meanwhile, the female commitment population increased 6.3% in FY 2001-02, nearly erasing the decline seen a year earlier. By FY 2007-08, the female population will reach 164.6, representing an average annual growth rate of 2.9%.

Table 22 also presents the estimated commitment bed surplus through the forecast period. Available capacity includes funded expansions, such as a 40-bed girls unit, but does not include adjustments to in-state contract facility beds or conversions to or from detention beds in multi-designation facilities. Without an addition, conversion, or a contract reduction of beds, the DYC will have a *commitment bed surplus* of 207.5 beds in FY 2007-08. **Projected Admissions and Average Length of** Stay. Table 23 provides the admission projections and the estimated length of stay for commitment placements. After two years of declines, commitment admissions jumped 10% in FY 2001-02. This was due in part to poor economic conditions that impacted an increase in juvenile delinquency filings. Moreover, the increase of youths on mandatory parole drove up the number of revocations and re-commitments. It may also be possible that the delayed implementation of the Community Accountability Program led to an increase in commitment admissions (in order to determine such an impact, one would have to survey juvenile courts as to whether they sentenced youths to commitment because of a lack of placement options). Over the forecast period, we expect admissions to grow at a 1.5% annual rate.

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
		Actual				Fore	cast		
State	848	766	843	870	893	886	889	906	920
Ann	ual Growth	-9.7%	10.1%	3.2%	2.6%	-0.8%	0.3%	1.9%	1.5%
FY 2001-0	2 to FY 200	7-08 Compo	und Averag	e Annual Gr	owth Rate (C	CAAGR)			1.5%
				GEN	DER				
Males	738	677	742	766	777	771	774	788	797
Ann	ual Growth	-8.3%	9.6%	3.2%	1.4%	-0.8%	0.4%	1.8%	1.1%
FY 2001-0	2 to FY 200	7-08 Compc	ound Averag	e Annual Gr	owth Rate (C	CAAGR)			1.2%
Females	110	89	101	104	116	115	115	118	123
Annual Growth -19.1% 13.5% 3.0% 11.5% -0.9% 0.0% 2.6%							4.2%		
FY 2001-0	2 to FY 200	7-08 Compc	ound Average	e Annual Gr	owth Rate (C	CAAGR)			3.3%
			LENGTH C	F STAY (in	months) ES	STIMATES			
Males	15.8	16.5	18.2	18.6	18.8	19.1	19.2	18.9	18.8
Females	12.7	14.3	13.2	13.4	12.7	13.5	13.6	13.3	12.8
Total	15.4	16.3	17.6	17.9	18.2	18.5	18.5	18.1	18.0
Ann	ual Growth	5.8%	8.0%	1.7%	1.7%	1.6%	0.0%	-2.2%	-0.6%

Table 23Commitment Admissions by Region and Gender and Length of Stay

The average residential length of stay increased from 16.3 months in FY 2000-01 to 17.6 months in FY 2001-02, due in part to an increase in re-commitments who tend to stay longer in commitment facilities. While we do not anticipate a significant increase in the length of stay for all commitments, we do anticipate a slight increase in male length of stay, attributable to an increase in male recommitments.

"As a result of Senate Bill 01-077, the juvenile parole population will not grow as significantly over the forecast period as it did prior to FY 2001-02."

Juvenile Parole Population Projections

Table 24 reports the juvenile parole population projections. Because a mandatory parole period of 12 months was implemented by House Bill 96-1005 (effective for those committing offenses on or after January 1, 1997), parole length of stay and the parole caseload increased significantly. In FY 1997-98, the parole length of stay averaged 6.8 months for discharges. In FY 2000-01, parole length of stay averaged 11.9 months. However, with the passage of Senate Bill 01-077, the miniumum parole period was reduced to 9 months for nonviolent offenders. In FY 2001-02, the parole population decreased 3.9%, the first decline in five years. Through the first five months of FY 2002-03, the parole population averaged 543.2, a 26.3% decrease from the same period a year ago.

As a result of Senate Bill 01-077, the juvenile parole population will not grow as significantly over the forecast period as it did prior to FY 2001-02. In FY 2002-03, the population will decline 18.7% to 563.5. However, we expect the parole population to trend up again after this fiscal year. Over the forecast period, the parole population will increase to 712.2 in FY 2007-08, growing at an average annual rate of 0.5%.

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
		Actual				Fore	cast		
State	601.7	720.7	692.9	563.5	579.1	634.4	662.0	676.8	712.2
Annı	al Growth	19.8%	-3.9%	-18.7%	2.8%	9.5%	4.4%	2.2%	5.2%
FY 2001-	02 to FY 2	007-08 Coi	mpound Av	verage Ann	ual Growth	n Rate (CA)	AGR)		0.5%

 Table 24

 Division of Youth Corrections Parole Population, Historical and Projected

School Enrollment Projections

- Enrollment across the State of Colorado will increase by 1.18%, or 8,429.5 FTE students, during the 2002-03 school year. Therefore, during the 2003-04 school year, 721,607 FTE students will be enrolled in Colorado schools. This growth represents significantly smaller gains than were experienced over much of the past decade. The slower rate of increase is due to expected lower migration as a result of the weaker economy.
- Our projections indicate that school enrollment over the next five years will increase at a compound average annual growth rate of 1.26%, which totals 46,054.5

additional students. This five-year average growth rate compares with a 1.64% compound average annual growth rate over the previous five years.

• As in past years, the metro-Denver, Colorado Springs, Pueblo, and northern regions will experience the largest enrollment increases during the 2002-03 school year with growth rates over 1.0%. The western and north central mountain regions will see minimal gains in pupil counts, while the southeast, southwest, San Luis Valley, and north central plains will experience enrollment declines. This section of the forecast presents Legislative Council Staff's preliminary full-timeequivalent (FTE) enrollment projections for Colorado's pre-kindergarten through twelfth grade public schools. FTE enrollment is forecast to help determine funding levels for Colorado's 178 school districts. Final projections will be made after receiving school district input on our projections.

Actual full-time-equivalent pre-kindergarten through twelfth grade enrollment in the 2002-03 school year was 713,177.5 students. This represented an increase of 1.59%, or 11,171 students, over the 2001-02 level. This enrollment level was 1,070.5 FTE students, or 0.15%, higher than Legislative Council Staff forecasted in December 2001.

"...enrollment in the 2003-04 school year is expected to increase 1.18%..."

The exceptional economic and population growth that Colorado experienced in the 1990s led to record enrollment growth from the late 1990s through 2001. However, due to slower employment growth, migration into Colorado is significantly lower than in recent years. Furthermore, based on figures from the 2000 Census, high school graduates will outnumber incoming kindergarten and first graders over the next several years as the last of the babyboomers' children finish their secondary education. For these reasons, it is anticipated that enrollment growth will be slower throughout the forecast period. FTE enrollment in the 2003-04 school year is expected to increase 1.18%, while the compound average annual growth rate over the next five years is expected to be 1.26%. These anticipated growth rates compare with growth rates of 1.60% for the current school year and a compound average annual growth rate of 1.64% over the last five years.

Table 25 identifies the anticipated growth in FTE enrollment over the next five years for each of Colorado's regions. Additionally, Chart 13 shows the makeup of the regions, as well as identifies the anticipated increase in FTE enrollment for the 2002-03 school year.

Continued residential construction along portions of the front range will help the Colorado Springs, metro-Denver, and northern Colorado regions to dominate gains in FTE enrollment over the forecast period. Together, these regions will account for nearly 93% of enrollment growth over the forecast period, while representing only 78.8% of statewide enrollment. FTE enrollment growth in the northern region will begin to slow, as many large construction projects have stalled or been delayed due to the slowing economic conditions. Furthermore, the faltering high-tech sector will have a lasting effect on this region's enrollment. The region is expected to stabilize near its current growth rate, adding 1.16% for the 2003-04 school year. The large growth that will occur in some districts along the front range will be tempered by several especially larger, land-locked districts with aging population bases. Most notably, the state's largest district, Jefferson County, will continue its slow decline over the forecast period.

The Colorado Springs region, which consists of El Paso and Teller counties, had an increase of 1.89% in FTE enrollment in the 2002-03 school year. This region has been growing in large measure, as a result of the influx of residents created through its various high-tech developments. However, employment in this sector has slowed dramatically, and enrollment has already slowed from its peak growth rates near 2.5% as recently as the 2000-01 school year. Therefore, we are forecasting a 1.78% increase in FTE enrollment for the 2003-04 school year and a compound average annual growth rate of 1.69% for the next five years. Table 25 Colorado FTE Enrollment by Region

			Percent	Average								
Region	2002-03	2003-04	Change	2004-05	Change	2005-06	Change	2006-07	Change	2007-08	Change	Growth
Metro-Denver	393,998.5	399,977.5	1.52%	405,220.0	1.31%	410,539.5	1.31%	417,438.0	1.68%	423,832.5	1.53%	1.47%
Colorado Springs	97,118.0	98,845.0	1.78%	100,586.0	1.76%	102,111.0	1.52%	103,774.5	1.63%	105,620.5	1.78%	1.69%
Northern	70,604.0	71,419.5	1.16%	72,372.0	1.33%	73,257.5	1.22%	74,486.5	1.68%	75,610.0	1.51%	1.38%
Western	44,467.5	44,687.0	0.49%	44,931.0	0.55%	45,198.5	0.60%	45,561.0	0.80%	45,886.0	0.71%	0.63%
Pueblo	31,367.5	31,707.5	1.08%	32,022.0	0.99%	32,274.5	0.79%	32,383.5	0.34%	32,595.0	0.65%	0.77%
North Central Mountains	20,359.0	20,363.5	0.02%	20,385.0	0.11%	20,600.0	1.05%	20,837.5	1.15%	21,100.0	1.26%	0.72%
North Central Plains	19,315.5	19,281.5	-0.18%	19,294.0	0.06%	19,298.5	0.02%	19,344.5	0.24%	19,378.5	0.18%	0.07%
Southwest	14,393.0	14,200.0	-1.34%	14,160.0	-0.28%	14,213.0	0.37%	14,263.0	0.35%	14,270.5	0.05%	-0.17%
Southeast	12,979.5	12,746.0	-1.80%	12,728.5	-0.14%	12,716.5	-0.09%	12,662.5	-0.42%	12,641.0	-0.17%	-0.53%
San Luis Valley	8,575.0	8,377.5	-2.30%	8,310.0	-0.81%	8,282.0	-0.34%	8,227.5	-0.66%	8,180.5	-0.57%	-0.94%
Statement of the	7101775	0 203 102	1 1 00/	2000062	1 1 60/	0 101 002	1 1 60/	710 070 5	/007 7	7EO 111 E	1 250/	1 260/
	113,177.0	121,001.0	1.18%	130,008.5	1.10%	130,491.0	1.10%	140,910.0	1.42%	109,114.0	1.35%	1.20%

The final two regions along the front range, metro-Denver and Pueblo, will also experience enrollment gains in the next several years, though in differing degrees. Enrollment in the metro-Denver region is predicted to increase by 1.52% in the next school year. The most noteworthy gains in this region will come in Douglas County, though some will also come from the Brighton and Northglenn-Thornton school districts in northern Adams County. The Pueblo region, consisting of Pueblo, Fremont, and Custer counties, will see an increase of 1.08% in enrollment for the 2003-04 school year, as less-than-average growth is expected throughout the forecast period. The vast majority of growth expected in this region will come from the Pueblo rural school district. consisting largely of those parts of Pueblo County not located within the City of Pueblo.

"Only the southeast region and San Luis Valley are expected to see a decline in school enrollment over the five-year forecast period."

The southeast Colorado region, comprised of Baca, Bent, Crowley, Huerfano, Kiowa, Las Animas, Otero, and Prowers counties, is projected to experience an enrollment decrease of 1.80% for the 2003-04 school year. Prior to 2002-03, this region experienced significant annual enrollment declines. While moderate declines are forecasted beyond 2003-04, they are not expected to be as steep. Only the southeast, southwest, and San Luis Valley regions are expected to see a decline in school enrollment over the five-year forecast period. This year, the southeast and San Luis Valley regions experienced their first enrollment increases in five years. This was due in large measure to the expansion of their online education programs, especially in the southeast region. The region's enrollment grew by 4.04%, as the Branson Alternative School expanded exponentially last year.

Residential development typically provides the catalyst for enrollment growth. Therefore, areas in suburban Colorado Springs and suburban Denver, where there has been long-term new home growth, will continue to see some of the highest growth rates. In El Paso County, the Falcon school district is expected to have the highest average annual percentage growth over the forecast period. Among the other districts expected to see significant longterm growth are the Brighton school district in Adams County, Douglas County school district, Windsor school district in Weld County, and the Lewis-Palmer school district in northwest El Paso County.

A recent trend affecting enrollment numbers has been the proliferation of online education. Though available in some form in 21 school districts, online education has had the largest effect on district enrollment in rural areas. most notably the Branson, Vilas, and Monte Vista school districts. Branson saw enrollment increase by more than 350% this year alone. Because these districts can draw students from all corners of Colorado, there can be a situation where there is little relationship between local growth and enrollment growth. The continued viability of such programs is still under scrutiny. There are just under 2,000 currently enrolled in online programs, a 179% increase over 2001-02 figures. The Colorado Department of Education reports that, despite this growth in overall students, only 41% of students enrolled in an online program in 2001-02 continued with the program.

This school enrollment forecast was prepared utilizing a variety of economic and demographic variables. The most significant variables included school-age population, employment, migration, and number of births. These variables had historical changes that best patterned that of the school enrollment in each district. Efforts were also made to identify recent trends that would not be reflected in the economic and demographic variables, such as

North Central Plains -0.18% Southeast -1.80% colorado Spring: Metro-Denver Northern 1.78% 1.16% 1.52% Pueblo 1.08% San Luis Valley North Central -2.30% Mountains 0.02% Southwest -1.34% Western 0.49%

Chart 13. Estimated Enrollment Growth 2003-04 School Year large employers entering or leaving a district, announcement of new residential developments, etc. Additional discussions will occur between Legislative Council Staff, the Colorado Department of Education, and school district representatives prior to a final forecast being issued in January 2003.

Assessed Values Projections

- The **residential assessment rate** will decline steadily from its current 9.15% to 8.13% in 2003, 7.68% in 2005, and 7.33% in 2007.
- Total assessed values for all property • classes are expected to increase by 1.5% in 2003 to a total value of \$61.4 billion. In reassessment years, value growth over the previous two years is reflected, as well as new construction over the last year. The relatively small increase in 2003, 1.5% compared with 19% in 2001, was caused by a significantly larger proportional drop in the residential assessment rate than in recent reassessment cycles. By 2008, assessed values are anticipated to total \$71.3 billion, which reflects a compound average annual growth rate of 2.8%. By contrast, assessed values increased at an annual rate of 10.2% since 1996.
- Total residential *market* value increased by 35.5% in the last two-year reassessment cycle ending in 2001. Due to the recent economic downturn, market values are expected to increase by smaller rates over the forecast period, including by 18.6% in 2003 over 2001 figures. The expected increase in residential market values in the

2005 and 2007 reassessment cycles are 11.6% and 13.8%, respectively.

- Because the residential assessment rate is • declining at roughly the same rate as residential market values are rising, residential assessed values are expected to increase by only 0.7% in 2003. Residential assessed values increased 4.7% in 2002, representing only new construction, as it was not a reassessment year. The forecasted decrease in the residential assessment rate will temper increases in residential assessed value relative to the anticipated increases in market value. Over the six-year forecast period, residential assessed values will increase at a compound average annual rate of 2.9%.
- Nonresidential assessed values are expected to increase by 2.2% in 2003 and at a compound average annual rate of 2.7% through 2008. Sustained high vacancy rates have led to flat or falling lease rates and a boom in lease incentives in both commercial and industrial markets. Furthermore, the oil and gas sector will see values come back down to earth as prices for natural gas stabilize.

This section discusses the forecast for assessed values and the residential assessment rate. The projections for assessed values are a factor in determining Colorado's public schools.

Fueled by unprecedented economic conditions, total assessed values for all property classes increased dramatically over the past decade. Since 1995, assessed values have grown by an average 9.2% annually. However, due to the current economic slump, we project that values will grow by an average of 2.8% annually throughout the forecast period. Overall, we anticipate assessed values to total \$61.4 billion in 2003, a 1.5% increase, and reach \$71.3 billion by 2008.

The Gallagher Amendment to the Colorado Constitution requires that residential assessed values must be approximately 45% of total assessed values. When the market values of residential property increase faster than the value of nonresidential property, the residential assessment rate (RAR) must decline to hold residential assessed values at 45% of total assessed values. Despite the fact that the residential market has cooled down only very recently, commercial markets turned down much more quickly. Furthermore the oil and gas sector saw values grow by more than 88% from 2000 to 2002, as natural gas and oil prices spiked. Recently, these have come down to historically stable price levels, which will result in significantly lower assessed values for oil and gas property. This will help stunt growth in nonresidential assessed values. Also, assessed values for oil and gas properties will decline beginning in 2003, helping to limit growth in nonresidential values. Thus, the RAR will decline to maintain a 45% residential/55% nonresidential balance. This forecast anticipates the RAR will be 8.13% in 2003, 7.68% in 2005, and 7.33% in 2007.

Forecasted residential and nonresidential assessed values are shown in Table 26. Residential *assessed* values are expected to increase at a compound average annual rate of 2.9%, while nonresidential assessed values will increase at an average of 2.7% per year. At the end of the forecast period, assessed values will total \$71.3 billion.

A discussion of recent trends in assessed values and our forecast of nonresidential and residential assessed values, including the residential assessment rate, follows.

			(millions of dollar	rs)		
Year	Residential Assessed Value	Percent Change	Nonresidential Assessed Value	Percent Change	Total Assessed Value	Percent Change
2002	\$28,883	4.7%	\$31,630	1.9%	\$60,513	3.2%
2003	\$29,072	0.7%	\$32,328	2.2%	\$61,399	1.5%
2004	\$29,983	3.1%	\$32,433	0.3%	\$62,416	1.7%
2005	\$30,640	2.2%	\$33,543	3.4%	\$64,184	2.8%
2006	\$31,601	3.1%	\$34,056	1.5%	\$65,658	2.3%
2007	\$33,294	5.4%	\$36,300	6.6%	\$69,594	6.0%
2008	\$34,234	2.8%	\$37,100	2.2%	\$71,333	2.5%

 Table 26

 Residential and Nonresidential Assessed Values (millions of dollars)

Recent Trends

Assessed values have consistently grown since 1990, though the largest of these increases came between 1995 and 2001. Following the path led by the booming state and national economies, assessed values grew by an average of 10.5% annually over that period. Contributing factors to residential assessed value gains include strong employment growth, high migration, low mortgage rates, a booming stock market, and high consumer confidence through most of this period. Meanwhile, a faltering office market and sharp declines in oil and gas prices have put an end to the booming property values seen over the last several years and discouraged new construction in nonresidential sectors.

Nonresidential Assessed Values

Assessed values in the nonresidential property classes totaled \$31.6 billion in 2002, representing a 1.9% increase over 2001 values. However, vacancy rates are not yet stabilizing, as increases in office, retail, and, to a lesser extent, industrial buildings, have led to unparalleled lease incentives. Therefore, the healthy increases in nonresidential construction that have characterized the last several years have fallen off substantially. Also, oil and gas values hit record high levels in 2002, but will fall significantly in 2003. The oil and gas sector will not attain the peak values of 2002 during the rest of the forecast period. Thus, nonresidential assessed values are anticipated to increase at a compound average annual rate of 2.7% over the forecast period, increasing to \$37.1 billion by 2008.

The nonresidential sector consists of eight property classes: commercial, vacant land, state assessed, industrial, oil and gas, natural resources, producing mines, and agriculture. Table 27 identifies 2002 assessed values for each of the eight property classes and shows the anticipated increases in each class over the forecast period. The outlook for these property classes is discussed in the following paragraphs.

The **commercial** property class is the largest nonresidential property class, comprising nearly 55% of all nonresidential property. Commercial property assessed value totaled

			Fore	ecast	
Property Class	2002 Assessed Value	2003 Assessed Value	Percent Change	2008 Assessed Value	2002-2008 An- nual Avg. Growth Rate
COMMERCIAL	\$17,254	\$18,156	5.2%	\$20,575	3.0%
STATE ASSESSED	\$3,885	\$4,070	4.8%	\$4,880	3.9%
VACANT LAND	\$3,795	\$4,183	10.2%	\$4,627	3.4%
OIL & GAS	\$2,799	\$1,937	-30.8%	\$2,720	-0.5%
INDUSTRIAL	\$2,748	\$2,809	2.2%	\$3,020	1.6%
AGRICULTURE	\$813	\$806	-0.8%	\$861	1.0%
NATURAL RESOURCES	\$272	\$285	4.7%	\$321	2.8%
Producing Mines	\$65	\$83	28.7%	\$96	6.8%
Total	\$31,630	\$32,328	2.2%	\$37,100	2.7%

Table 27Nonresidential Assessed Values by Class

\$17.3 billion in 2002, an increase of 2.2% over 2001. Following a down year in 2001, the value of commercial construction across Colorado is down another 31.2% through October 2002, compared with the same period in 2001. The value of all nonresidential construction has declined 18.5% through October 2002. Declines are widespread with the largest subclass, office and bank buildings, off over 50% from October 2001 levels. Prolonged high vacancy rates have prompted owners to lower lease rates and offer increasing lease incentives. The weak employment market, coupled with the collapse of the Internet startup boom, appear to be dramatically affecting Denver's suburban office markets, as substantial increases in vacancy rates continue to plague the U.S. 36 corridor and south suburban areas.

Metro Denver's office market continues to feel the effects of the weakening economy. At the end of the third quarter of 2002, the vacancy rate had risen to 17.9%, from 12% a year ago. Just over 2 million square feet of office space came online in Denver through third quarter 2002. Douglas County will continue to see the most significant nonresidential construction over the forecast period, though less than in recent years, as developers look to meet demand created by its fast-growing population base.

Significant amounts of retail construction are still coming online to meet Colorado's recent boom in population. This has been led by the continued expansion around Broomfield's Flat-Iron Crossing Mall, which opened in August 2000, as well as the opening of the Colorado Mills Mall in Lakewood. As retail spending has slowed statewide, we anticipate a similar slowdown in retail construction over the next few years.

Market conditions will allow only moderate gains in commercial value, with some areas seeing declines at times during the forecast period. Statewide, commercial assessed values will rise to \$18.2 billion in 2002, an increase of 5.2%. By the end of the forecast period in 2008, commercial assessed values are expected to be \$20.6 billion, an increase of 19.2% from its current levels.

State assessed properties totaled \$3.9 billion in assessed value in 2002. The utility, airline, pipeline, and railway sectors make up the vast majority of value in this category. State assesed increased 7.7%, a record jump for this property class. In the future, state assessed property will see increases in value, though smaller than in recent years. During the forecast period, growth in state assessed values will be limited by the effects of decreased airline operations following the September 11th tragedies, and, more recently, the bankruptcy of United Airlines. Also, continued trouble in the telecom industry could affect valuations in this class. Assessed values in this class are expected to total \$4.9 billion by 2008, which reflects a compound average annual growth rate of 3.9%.

In 2002, **vacant land** fell behind state-assessed property as the third largest nonresidential class totaling nearly \$3.8 billion, a 4.8% decrease. A moderate decrease is common in nonreassessment years, as new construction causes the reclassification of newly developed land, thus decreasing the inventory of vacant land. However, in times of healthy growth, the increased demand for housing, commercial, and industrial property leads to sharp increases in value during reassessment years. Therefore, the assessed value of vacant land is expected to increase by 10.2% in 2003 while increasing over the entire forecast period by 21.9%, rising to a total assessed value of \$4.6 billion in 2008.

Assessed values in the **industrial** property class decreased by 1.1% in 2002. The lower lease rates and weak labor market that have

also plagued the commercial sector, led to the first decline in industrial property values since 1993. These conditions, though stabilizing, are not expected to improve dramatically over the forecast period. As a result, these values are expected to increase by 2.2% in 2003 to \$2.8 billion. By the end of the forecast period, industrial assessed values are expected to rise 9.9% to \$3.0 billion, which reflects an average increase of 1.6%.

"If oil and gas property values were to stay flat, the residential assessment rate would be 8.35% instead of the 8.13% currently projected."

The values in the oil and gas, natural resources, and producing mines classes are based on the income derived from the extraction of the earth's resources. Because these classes are reassessed each year based on the prior year's income, the assessed values in these classes tend to be more volatile than other property classes. Following a 78.2% increase in 2001, oil and gas assessed values increased by 5.7% in 2002, due in large part to increased production to take advantage of historically high prices. These high prices returned to more stable levels in 2002. Furthermore, production has leveled off. For these reasons, there will be a dramatic fall off of 30.8% in oil and gas property values in 2003. Oil and gas assessed values are expected to be generally flat over the forecast period, decreasing at a compound average annual rate of 0.5% through 2008. This property class has had a significant impact in determining the new residential assessment rate. If oil and gas property values were to stay flat, the residential assessment rate would be 8.35% instead of the 8.13% currently projected. The difference in the rate accounts for nearly \$800 million in residential assessed value in 2003.

The **natural resources** property class is dominated by the coal industry. Relative to the rest of the country, Colorado's coal industry is enjoying a stellar year. Though coal sales are down 3% nationally, they are up 4% in Colorado. Additionally, production in 2002 is on pace to set a record for the second consecutive year. These successes have been tempered by slowly declining prices. As a result, assessed values for the natural resources class are expected to increase by 4.7% in 2003. Over the entire forecast period, the coal market is expected to remain healthy, helping assessed values for this class increase to \$320 million by 2008, which amounts to a compound average annual growth rate of 2.8%.

Producing mines is the smallest property class totaling just over \$65 million in assessed value in 2002, falling 25.8% over 2001 values. Over half the value in this class is accounted for by the Henderson Mine in Clear Creek County. A spike in molybdenum oxide prices early in 2002 will help boost values in 2003. Due also to increases in gold prices from the Cresson gold mine in Teller County, statewide assessed values for producing mines are expected to increase by 28.7% in 2003. Over the forecast period, values will increase by an average annual rate of 6.8%, to \$95.9 million in 2008.

The final nonresidential property class is **agriculture**. Since agriculture assessed values are based on a ten-year moving average of income, the property class rarely sees significant changes from year to year. Though changes tend to occur based on long-term trends in agriculture, the 2002 drought will have a moderate effect on values in the near term. Agriculture assessed values totaled \$813 million in 2002. Following a 1.7% increase in 2002, agriculture assessed values are expected to decrease by 0.8% in 2003. Agriculture assessed values will increase at a compound average annual rate of 1.0% over the forecast period.

Residential Assessed Values

In this section, the forecast for residential market values and the determination of the residential assessment rate is discussed. The application of the residential assessment rate to residential market values determines residential assessed values.

Residential Market Values. Total residential market values increased 35.5% in 2001 from the previous reassessment in 1999. Due to slower demand from weaker migration, we expect that market value increases will slow to 18.6% in 2003 over 2001 figures. Residential market values will continue to slow as the weak economy and higher mortgage rates lead to lower demand. An 11.6% increase is expected over the next cycle, which ends in 2005, followed by a 13.8% change through 2007. The overall increase in residential market value will total 48% from 2002 through 2008, bringing the total market value of all residential property to an estimated \$467 billion by 2008.

The increase in residential market values is considerably weaker than forecasted last year, as the Colorado economic slowdown lowered expectations for job growth and migration. Furthermore, a factor leading to the resiliency seen in the residential market has been record low mortgage rates, which are expected to rise. Also, the market for second homes in Colorado's mountain communities has slowed with the weak economic conditions, resulting in lower growth rates than have been experienced over the last five years. Along with the weakening demand in major suburban areas, this will lead to a decrease in the number of new residential units permitted for the second straight year in 2003 to 38,300 units from 44.000 units in 2002.

Residential Assessment Rate. The adjustment of the residential assessment rate is intended to stabilize residential real property's share of total assessed value at approximately 45%. This constitutional provision passed in 1982 and is known as the Gallagher Amendment. Economic factors driving market values and/or property income in the residential and nonresidential sectors affect the relative balance of these sectors and determine the RAR. Because residential market values have grown at a faster rate than nonresidential property since 1982 (or have declined at a slower pace), the RAR decreased from 21.0% in 1982 to 9.15% in the current assessment cycle of 2001 and 2002.

For 2003, it is anticipated that the growth in residential market values will far outpace that of nonresidential values. Thus, the RAR is expected to continue to decline through the 2007 assessment cycle. The decline is more than was forecasted at this time last year due, in large part, to dramatic declines in oil and gas values. The residential assessment rate is estimated to decrease to 8.13% in 2003 and 2004, 7.68% in 2005 and 2006, and 7.33% in 2007 and 2008. Table 27 indicates residential market and assessed value, as well as the RAR for 1991 through the forecast period.

Residential Assessed Values. The decline of the RAR will temper the growth of residential assessed values as compared to residential market values. Although residential market values are expected to increase by 18.6% during the current reassessment cycle, residential assessed values will only increase by 5.4%. The effect of the RAR is to bring total residential assessed value increases to a comparable growth rate of all nonresidential assessed values. Overall, residential assessed values will increase to \$34.2 billion by 2008, or a compound average annual growth rate of 2.9% over the forecast period.

Risk Factors

There is some concern that a home price bubble exists in parts of Colorado, most specifically in metro Denver. Though we are not expecting prices to decline, there is some potential for that to occur in isolated instances. Over the last decade, home prices have far outpaced income growth. In the metro Denver area, the median home price has shot up twice as fast as incomes since 1991, to \$218,300 in 2001. Furthermore, if mortgage rates were to rise significantly, many potential homebuyers could be priced out of the market, putting downward pressure on home prices.

Another component to the forecast that could have an important impact on assessed values over the next several years is the oil and gas class. Because it is such a volatile property class, variations in value similar to that which is expected next year could play an ever more significant role in determining the residential assessment rate, and therefore, overall assessed values. This is especially noteworthy as it pertains to counties in which property values are heavily weighted toward oil and gas, such as Cheyenne, Rio Blanco, and La Plata counties.

County Level Assessed Values

Because the residential assessment rate is based on statewide valuations, the effect that the declining rate will have on county level assessed values varies widely. Chart 14 illustrates the various projected growth levels for 2003 assessed values in Colorado counties.

Residential construction in the near term will be concentrated along the northern front range, and value growth has been more robust in these areas as well. That, coupled with a more diverse property base, will help keep assessed values in most northern front range counties increasing. The exception here is Weld County, which will suffer from the aforementioned decline in oil and gas valuations.

Colorado's mountain counties, which have seen some of the largest increases in assessed value are expected to continue the trend, though to a lesser degree. While residential markets have slowed, nearly all mountain counties are reporting price increases. Also, resort projects, such as the new Ritz-Carlton in Eagle County, will help bolster future assessed value growth.

Year	Residential Market Value	Percent Change	Residential Assessment Rate	Residential Assessed Value	Percent Change
1991	\$89,865	1.8%	14.34%	\$12,887	-2.7%
1993	\$103,989	15.7%	12.86%	\$13,373	3.8%
1995	\$146,285	40.7%	10.36%	\$15,155	13.3%
1997	\$181,454	24.0%	9.74%	\$17,674	16.6%
1999	\$222,505	22.6%	9.74%	\$21,672	22.6%
2001	\$301,563	35.5%	9.15%	\$27,593	27.3%
2003*	\$357,584	18.6%	8.13%	\$29,072	5.4%
2005*	\$398,963	11.6%	7.68%	\$30,640	5.4%
2007*	\$454,216	13.8%	7.33%	\$33,294	8.7%

Table 28 Residential Assessment Rate and Values (millions of dollars)

*Forecast

The large decline in the residential assessment rate relative to residential property value growth, coupled with the aforementioned decrease in oil and gas property values, will cause decreases in assessed values in half of Colorado's counties. Though most of these declines are small and temporary, rural counties that are heavily weighted in oil and gas property will get hit hardest. Cheyenne County is expected to see a decline in assessed values of 17% in 2003.

0	Assesse	d Value	Percent	O sum to	Assessed Value		Percent
County	2002	2003	Change	County	2002	2003	Change
Adams	\$3,343,110,670	\$3,630,773,637	8.6%	Kit Carson	\$92,396,610	\$91,120,912	(1.4%)
Alamosa	105,082,050	106,566,633	1.4%	La Plata	1,872,066,280	1,511,253,123	(19.3%)
Arapahoe	6,710,546,210	6,874,971,435	2.5%	Lake	79,692,930	78,767,422	(1.2%)
Archuleta	181,921,540	188,419,259	3.6%	Larimer	2,963,616,760	3,108,464,316	4.9%
Baca	59,352,160	56,870,451	(4.2%)	Las Animas	250,140,670	227,508,462	(9.0%)
Bent	51,851,330	50,635,809	(2.3%)	Lincoln	53,983,290	53,550,787	(0.8%)
Boulder	4,533,133,932	4,660,000,523	2.8%	Logan	151,747,130	143,899,267	(5.2%)
Broomfield	823,462,361	818,577,707	(0.6%)	Mesa	955,176,300	970,813,404	1.6%
Chaffee	235,879,620	240,017,737	1.8%	Mineral	22,199,760	22,896,538	3.1%
Cheyenne	99,787,365	82,821,123	(17.0%)	Moffat	321,015,280	310,488,315	(3.3%)
Clear Creek	175,363,770	182,127,867	3.9%	Montezuma	249,298,770	234,043,737	(6.1%)
Conejos	39,502,160	40,361,638	2.2%	Montrose	301,241,400	305,612,486	1.5%
Costilla	66,151,140	66,034,262	(0.2%)	Morgan	338,115,870	334,065,451	(1.2%)
Crowley	24,335,090	24,019,333	(1.3%)	Otero	105,048,620	104,712,425	(0.3%)
Custer	61,858,590	62,746,518	1.4%	Ouray	101,169,030	101,806,408	0.6%
Delta	189,114,800	194,613,637	2.9%	Park	292,753,675	300,990,373	2.8%
Denver	7,975,097,730	8,182,566,329	2.6%	Phillips	43,334,630	42,400,231	(2.2%)
Dolores	33,725,090	32,753,845	(2.9%)	Pitkin	1,801,493,770	1,850,791,329	2.7%
Douglas	3,031,479,460	3,256,709,196	7.4%	Prowers	94,192,880	91,760,834	(2.6%)
Eagle	2,042,805,190	2,134,706,700	4.5%	Pueblo	993,021,390	976,152,419	(1.7%)
El Paso	5,030,812,190	5,011,092,082	(0.4%)	Rio Blanco	339,607,520	286,617,979	(15.6%)
Elbert	205,583,840	210,770,508	2.5%	Rio Grande	119,878,770	120,120,327	0.2%
Fremont	297,402,440	305,431,809	2.7%	Routt	670,799,010	689,282,839	2.8%
Garfield	918,295,640	845,909,654	(7.9%)	Saguache	43,626,970	43,598,160	(0.1%)
Gilpin	266,471,430	257,165,884	(3.5%)	San Juan	24,890,270	25,558,100	2.7%
Grand	469,850,870	488,626,223	`4.0%	San Miguel	474,778,040	496,527,160	4.6%
Gunnison	373,137,290	389,834,470	4.5%	Sedgwick	30,250,010	30,109,831	(0.5%)
Hinsdale	34,875,429	36,370,300	4.3%	Summit	1,199,732,402	1,235,785,942	3.0%
Huerfano	106,757,860	98,401,113	(7.8%)	Teller	321,783,882	350,427,019	8.9%
Jackson	24,423,344	23,607,345	(3.3%)	Washington	77,851,680	72,234,157	(7.2%)
Jefferson	5,986,236,730	6,072,253,782	1.4%	Weld	2,426,376,760	2,374,594,274	(2.1%)
Kiowa	30,698,920	26,825,494	(12.6%)	Yuma	173,277,400	161,433,445	(6.8%)
			ļ	Total	\$60 512 664 000	\$61 300 060 777	1.5%

Table 292003 Assessed Value Growth



Chart 14.

Appendix Historical Data

\$9,214.6 0.3% \$8,723.5 4.9% 131.9 0.1% \$10,082.1 2.6% 2.8% 4.8% 5.0% 2001 \$9,824.7 5.9% \$9,191.4 3.8% \$8,319.2 7.0% 131.8 2.2% 4.0% 3.4% 6.0% 2000 \$9,274.3 5.6% \$8,858.9 4.1% \$7,777.3 4.7% 128.9 2.4% 4.2% 2.2% 5.6%1999 \$8,781.5 5.6% \$8,508.9 4.3% \$7,426.0 7.0% 125.9 2.6% 4.5% 5.3% 1.6% 1998 \$6,937.0 6.0% \$8,318.4 6.5% \$8,159.4 4.4% 4.9% 122.7 2.6% 2.3% 6.4% 1997 \$7,813.2 5.6% \$6,547.4 5.6% 119.6 2.0% \$7,813.1 3.6% 5.4% 3.0% 6.4% 1996 \$7,400.6 4.9% \$7,543.8 2.7% \$6,200.9 5.3% 117.2 2.7% 5.6% 2.8% 6.6% 1995 \$7,054.3 6.2% \$7,347.7 4.0% \$5,888.1 5.0% 114.1 3.1% 6.1% 2.6% 7.1% 1994 \$6,642.3 5.1% \$7,062.6 2.7% 3.0% 5.9% \$5,610.0 4.1% 110.7 1.9% 6.9% 1993 \$6,319.0 5.6% \$5,390.4 6.0% 108.6 0.3% \$6,880.1 3.1% 7.5% 3.0% 7.0% 1992 \$5,986.2 3.2% \$6,676.4 -0.5% \$5,085.4 3.7% 108.3 -1.1% 6.9% 4.2% 7.9% 1991 \$5,803.3 5.7% \$6,707.9 1.8% \$4,903.2 6.6% 109.4 1.4% 5.6% 5.4% 8.6% 1990 \$5,489.1 7.5% \$6,591.8 3.5% \$4,599.8 7.7% 107.9 2.5% 4.8% 5.3% 8.5% 1989 \$5,108.3 7.7% \$6,368.3 4.2% \$4,272.1 7.8% 105.2 3.2% 4.1% 5.5%8.8% 1988 \$4,742.5 6.5% \$6,113.3 3.4% \$3,962.5 6.7% 102.0 2.6% 6.2% 3.6% 8.4% 1987 \$4,452.9 5.7% \$3,712.5 5.6% 99.3 2.0% \$5,912.4 3.4% 7.0% 1.9% 7.7% 1986 Domestic Product (billions of 1996 dollars) percent change Nonagricultural Wage and Salary Employment (millions) percent change Personal Income (billions) percent change Inflation (Consumer Price Index) Gross Domestic Product (billions) Inflation-adjusted Gross 10-Year Treasury Note Unemployment Rate percent change

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

National Economic Indicators

Colorado Economic Activity (Dollar amounts in millions)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Nonagricultural Employment (thous.)	1,408.3	1,412.6	1,436.1	1,482.3	1,520.9	1,545.0	1,596.9	1,670.7	1,755.9	1,834.4	1,900.4	1,979.5	2,057.0	2,133.5	2,212.9	2,231.9
percent change	-0.7%	0.3%	1.7%	3.2%	2.6%	1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.9%	3.7%	3.7%	0.9%
Unemployment Rate	7.4%	7.7%	6.4%	5.8%	5.0%	5.1%	6.0%	5.3%	4.2%	4.2%	4.2%	3.3%	3.8%	2.9%	2.7%	3.7%
Personal Income	\$51,062	\$53,528	\$56,387	\$60,760	\$65,094	\$68,992	\$74,206	\$80,212	\$85,859	\$92,946	\$100,012	\$108,765	\$118,413	\$128,192	\$142,752	\$147,860
percent change	3.2%	4.8%	5.3%	7.8%	7.1%	6.0%	7.6%	8.1%	7.0%	8.3%	7.6%	8.8%	8.9%	8.3%	11.4%	3.6%
Per Capita Income	\$15,741	\$16,403	\$17,236	\$18,499	\$19,680	\$20,369	\$21,227	\$22,197	\$23,054	\$24,289	\$25,513	\$27,067	\$28,765	\$30,334	\$33,018	\$33,470
percent change	2.3%	4.2%	5.1%	7.3%	6.4%	3.5%	4.2%	4.6%	3.9%	5.4%	5.0%	6.1%	6.3%	5.5%	8.8%	1.4%
Wage and Salary Income	\$30,442	\$31,342	\$32,868	\$34,674	\$37,127	\$39,563	\$42,714	\$45,778	\$48,992	\$52,874	\$57,205	\$62,524	\$69,604	\$76,344	\$86,056	\$88,434
percent change	2.9%	3.0%	4.9%	5.5%	7.1%	6.6%	8.0%	7.2%	7.0%	7.9%	8.2%	9.3%	11.3%	9.7%	12.7%	2.8%
Retail Trade Sales	\$23,452	\$23,466	\$24,886	\$26,160	\$27,544	\$28,932	\$31,298	\$34,180	\$38,100	\$39,955	\$42,629	\$45,142	\$48,131	\$52,209	\$58,018	\$58,947
percent change	NC	0.1%	6.1%	5.1%	5.3%	5.0%	8.2%	9.2%	11.5%	4.9%	6.7%	5.9%	6.6%	8.5%	11.1%	1.6%
Housing Permits	30,961	17,988	12,864	11,131	11,897	14,071	23,484	29,913	37,229	38,622	41,135	43,305	51,156	49,313	54,596	55,007
percent change	-5.7%	-41.9%	-28.5%	-13.5%	6.9%	18.3%	66.9%	27.4%	24.5%	3.7%	6.5%	5.3%	18.1%	-3.6%	10.7%	0.8%
Nonresidential Construction	\$1,214	\$948	\$973	\$946	\$939	\$1,610	\$1,539	\$1,578	\$1,581	\$1,841	\$2,367	\$2,986	\$2,617	\$3,544	\$3,339	\$3,325
percent change	-29.7%	-21.9%	2.6%	-2.8%	-0.7%	71.4%	-4.4%	2.6%	0.2%	16.4%	28.6%	26.2%	-12.4%	35.4%	-5.8%	-0.4%
Denver-Boulder Inflation Rate	0.7%	2.7%	2.6%	1.8%	4.4%	3.9%	3.7%	4.2%	4.4%	4.3%	3.5%	3.3%	2.4%	2.9%	4.0%	4.7%
Population (thousands, July 1)	3,243.8	3,263.4	3,271.4	3,284.5	3,307.6	3,387.1	3,495.9	3,613.7	3,724.2	3,826.7	3,920.0	4,018.3	4,116.6	4,226.0	4,323.4	4,417.7
percent change	0.9%	0.6%	0.2%	0.4%	0.7%	2.4%	3.2%	3.4%	2.7%	2.8%	2.0%	2.0%	2.4%	2.7%	2.3%	2.2%
NC: The Department of Revenue changed it:	s definition of	retail trade sta	arting with 19	986 data. Hei	nce, 1985 al	nd 1986 data	are not com	parable.								

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Sources: Colorado Department of Labor and Employment, U.S. Department of Commerce, Colorado Department of Revenue, U.S. Bureau of the Census, U.S. Bureau of Labor Statistics, F.W. Dodge.

Colorado Employment Growth by Industry

	Compound Average Annual Growth Rate 1970-1980	Compound Average Annual Growth Rate 1980-1990	Compound Average Annual Growth Rate 1990-2000	Growth Rate 2000-2001
NONFARM EMPLOYMENT	5.4 %	2.0 %	3.8 %	0.9 %
MINING	10.0	-5.8	-4.2	8.9
Metal Mining	7.5	-11.5	-7.5	-12.2
Coal Mining	11.6	-7.3	-3.3	6.7
Oil & Gas Extraction	11.4	-3.7	-5.4	14.4
CONTRACT CONSTRUCTION	6.5	-1.9	9.8	2.9
General Building Contractors	3.5	-4.6	8.5	-1.6
Heavy Construction Contractors	7.2	-2.5	6.1	7.7
Special Trade Contractors	8.3	-0.5	11.0	3.4
MANUFACTURING	4.4	0.7	0.6 */**	-3.3
Durable Goods	5.3	0.3	0.9 *	-2.8
Nondurable Goods	2.8	1.4	0.2 **	-4.2
Food & Kindred Prod.	1.4	0.7	-0.2	1.3
Printing & Publishing	5.3	4.0	1.8	-8.0
TRANSPORTATION & PUBLIC UTILITIES	4.5	1.9	4.2 **	-0.9
Communications	4.6	2.0	7.1 **	-1.3
WHOLESALE & RETAIL TRADE	5.8	2.0	3.5	1.1
Wholesale Trade	5.9	1.0	2.7	-1.7
Retail Trade	5.8	2.3	3.7	1.8
General Merchandise Stores	-1.2	1.8	3.6	1.3
Food Stores	5.7	2.4	1.9	0.6
Automotive Dealers & Service Stations	3.3	0.8	3.6	2.6
Eating & Drinking Establishments	9.0	3.0	3.9	2.8
FINANCE, INSURANCE, & REAL ESTATE	6.8	2.4	3.9	1.5
SERVICES	6.9	4.7	5.4 *	0.8
Hotel & Other Lodging	6.5	3.3	2.3	-2.9
Personal Services	2.1	2.4	2.4	3.1
Business Services	7.2	6.2	9.4 *	-4.4
Amusements & Recreation	7.7	4.4	6.0	0.9
Health Services	5.3	4.3	2.9	4.0
Hospitals	NA	NA	0.3	4.6
GOVERNMENT	3.3	1.3	2.0	2.3
Federal Government	1.6	0.9	-0.4	-3.1
State Government	2.9	1.1	1.9	1.8
Education	4.1	0.4	1.7	1.6
Local Government	4.3	1.5	2.8	4.0
Education	3.6	1.2	2.6	5.3

NA: Not Available.

Source: Colorado Department of Labor and Employment.

* In 1991, a large company was reclassified from the durable manufacturing industry to business services. In part, this reclassification accounts for the weakness in durable manufacturing and the strength in services.

** In 1995, a large company was reclassified from the non-durable manufacturing industry to communications, electricity, and gas. In part, this reclassification accounts for the weakness in non-durable manufacturing and the strength in communications, electricity, and gas.

Percent Distribution of Nonagricultural Employment

	19(30	197	0	198	00	199	0	200	5
	Colorado	U.S.								
Mining	3.0 %	1.3 %	1.9 %	% 6.0	2.9 %	1.1 %	1.3 %	0.6 %	0.6 %	0.4 %
Construction	6.5	5.4	5.5	5.1	6.2	4.8	4.2	4.7	7.5	5.1
Manufacturing	17.0	31.0	15.8	27.3	14.4	22.4	12.7	17.4	8.9 *	13.4
Wholesale & Retail Trade	24.0	21.0	23.3	21.2	24.4	22.4	24.4	23.6	23.7	23.0
Finance, Insurance, & Real Estate	4.9	4.9	5.3	5.1	6.1	5.7	6.4	6.1	6.5	5.8
Services	14.8	13.6	17.5	16.3	20.3	19.8	26.5	25.5	30.9 *	31.1
Transportation & Public Utilities	8.5	7.4	6.9	6.4	6.3	5.7	6.3	5.3	6.4 *	5.4
Government	21.4	15.4	23.6	17.7	19.5	18.0	18.2	16.7	15.5	15.9

Source: Colorado Department of Labor and Employment; U.S. Department of Labor, Bureau of Labor Statistics.

Note: Totals may not sum to 100 percent due to rounding.

* In Colorado, a large company was reclassified from manufacturing to services in 1991, and another was re-classified from manufacturing to transportation and public utilities in 1995. These transfers account for some of the decline in manufacturing and growth in the other areas in Colorado.

Colorado Nonagricultural Employment by Category (in thousands)

Mining 25.8 21.3 20 percent change -21.6% -17.4% -2.8' Construction 77.6 67.3 60 Percent change -10.1% -13.3% -10.3' Manufacturing - 118.9 116.8 119 Durable -3.9% -1.8% 2.1' Manufacturing - 118.9 116.8 119 Durable -3.9% -1.8% 2.1' Non-Durable -66.4 67.7 70 Percent change -3.1% 2.0% 4.0' Non-Durable -3.1% 2.0% 4.0' Percent change -3.1% 2.0% 3.5' Public Utitities -1.7% 1.5% 3.5' Public Utitities -1.7% 2.3% 2.0' Public Utitities -3.2% -2.3% 2.0'	20.7 2.8% -5												
Construction 77.6 67.3 60 percent change -10.1% -13.3% -10.3 Manufacturing - 10.1% -13.3% -10.3 Manufacturing - 118.9 116.8 119 Durable -3.9% -1.8% 2.1 Manufacturing - 66.4 67.7 70 Non-Durable -3.1% 2.0% 4.0 Percent change -3.1% 2.0% 4.0 Percent change -1.7% 1.5% 3.5 Public Utitities -1.7% 1.5% 3.5 Percent change -3.2% -2.3% 2.0%		19.6 19.9 5.3% 1.5%	9 18.6 6.5%	16.6 -11.0%	16.1 -2.9%	15.6 -3.0%	14.8 -4.8%	13.7 -7.8%	14.0 2.2%	14.2 1.4%	13.0 -8.5%	12.9 -0.8%	14.0 8.9%
Manufacturing - 118.9 116.8 119 Durable -3.9% -1.8% 2.1 Percent change -3.9% -1.8% 2.1 Manufacturing - 66.4 67.7 70 Non-Durable -3.1% 2.0% 4.0' Transportation, -3.1% 2.0% 4.0' Transportation, 87.0 88.3 91 Public Utilities -1.7% 1.5% 3.5' Wholesale Trade 73.3 76.5 78. Percent change -1.7% 2.3% 2.0'	60.4	60.0 63.(66.5	74.8	86.0	97.1	102.1	111.0	119.0	132.6	147.0	162.3	167.0
	0.3% -C).7% 6.0%	64.6%	12.4%	15.1%	12.8%	5.2%	8.7%	7.2%	11.4%	10.9%	10.4%	2.9%
Manufacturing - Non-Durable66.4 66.467.7 67.770 4.0'Percent change-3.1%2.0%4.0'Transportation, Communications & Public Utilities87.088.391Public Utilities-1.7%1.5%3.5'Wholesale Trade78.376.578Percent change-3.2%-2.3%2.0'	2.1%	21.5 119. 1.9% -1.5%	7 111.2 * 6 -7.1%	109.9 -1.2%	110.4 0.5%	112.0 1.4%	117.8 5.2%	122.6 4.0%	128.4 4.7%	131.8 2.6%	129.6 -1.7%	130.9 1.0%	127.3 -2.8%
Transportation, Communications & 87.0 88.3 91. Public Utilities 87.0 88.3 91. Percent change -1.7% 1.5% 3.5 ⁶ 3.5 ⁷⁸ Wholesale Trade 78.3 76.5 78. Percent change -3.2% -2.3% 2.0 ⁷⁸	70.4 4.0%	71.9 73.9 2.1% 2.2%	5 74.4 6 1.2%	76.1 2.3%	77.7 2.1%	78.9 1.5%	74.5 ** -5.5%	74.5 -0.1%	75.6 1.5%	75.6 -0.0%	75.0 -0.8%	75.0 0.0%	71.9 -4.2%
Wholesale Trade 78.3 76.5 78. percent change -3.2% -2.3% 2.0'	91.4	93.7 96.7	1 97.8	99.8	104.3	108.3	117.5 **	121.1	123.8	130.2	139.7	145.2	143.9
	3.5% 2	2.5% 2.6%	6 1.8%	2.0%	4.5%	3.8%	8.5%	3.1%	2.2%	5.1%	7.3%	3.9%	-0.9%
	78.0	81.4 83.	1 83.1	83.6	86.4	91.4	95.3	98.2	102.1	104.1	105.9	108.9	107.0
	2.0%	1.4% 2.1%	6 0.0%	0.6%	3.3%	5.8%	4.2%	3.0%	4.0%	2.0%	1.7%	2.8%	-1.7%
Retail Trade 270.2 271.5 274 percent change -0.3% 0.5% 1.3'	274.9 2	82.5 288. ⁷	7 292.4	302.0	317.6	338.1	358.0	367.7	378.0	387.6	401.1	414.8	422.4
	1.3% 2	2.8% 2.2%	6 1.3%	3.3%	5.2%	6.5%	5.9%	2.7%	2.8%	2.5%	3.5%	3.4%	1.8%
Finance, Insurance & Real Estate 98.7 98.6 95. percent change 3.0% -0.1% -2.9	95.7 2.9% 1	96.8 96.9 1.1% 0.1%	96.7 6-0.2%	99.9 3.3%	106.2 6.3%	111.1 4.7%	113.4 2.0%	119.0 5.0%	127.4 7.1%	135.7 6.5%	140.8 3.7%	142.0 0.9%	144.1 1.5%
Services 329.4 342.3 358	358.8 3	83.6 402.0	5 421.1 *	443.4	469.4	504.1	537.2	563.8	595.5	622.8	651.3	684.0	689.4
percent change 2.3% 3.9% 4.8	4.8% 6	3.9% 5.0%	6 4.6%	5.3%	5.9%	7.4%	6.6%	4.9%	5.6%	4.6%	4.6%	5.0%	0.8%
Government 256.0 262.2 266 percent change 2.9% 2.4% 1.7	266.7 2	71.4 276.8	3 283.3	291.1	296.7	299.3	303.7	308.7	315.6	322.3	328.4	337.0	344.9
	1.7% 1	1.8% 2.0%	6 2.3%	2.8%	1.9%	0.9%	1.5%	1.7%	2.2%	2.1%	1.9%	2.6%	2.3%
TOTAL 1,408.3 1,412.6 1,436.	436.1 1,4	82.3 1,520.9) 1,545.0	1,596.9	1,670.7	1,755.9	1,834.4	1,900.4	1,979.5	2,057.0	2,131.9	2,212.9	2,231.9
percent change -0.7% 0.3% 1.7'	1.7% 3	3.2% 2.6%	6 1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.9%	3.6%	3.8%	0.9%

Note: Totals may not sum due to rounding. Source: Colorado Department of Labor and Employment. • In 1995, a large company was reclassified from the durable manufacturing industry to business services. In part, this reclassification accounts for the weakness in durable manufacturing and the strength in services. • In 1996, a large company was reclassified from the non-durable manufacturing industry to transportation, communications, and public utilities. In part, this reclassification accounts for the weakness in durable manufacturing and the strength in services.

Prepared by Legislative Council Staff

State	Nonfarm Emp Growth 199	oloyment 9-2000	Per Capita Per Income 200	sonal 00	Unemployme 2000	ent Rate
Alabama	0.7	48	\$23,471	44	4.6	39
Alaska	2.2	22	\$30,064	15	6.6	50
Arizona	3.9	2	\$25,578	37	3.9	24
Arkansas	1.7	36	\$22,257	47	4.4	37
California	3.8	5	\$32,275	8	4.9	41
Colorado	3.9	4	\$32,949	7	2.7	6
Connecticut	1.5	40	\$40,640	1	2.3	2
Delaware	1.9	31	\$31,255	12	4.0	29
Florida	3.7	6	\$28,145	23	3.6	18
Georgia	2.8	10	\$27,940	24	3.7	21
Hawaii	3.1	8	\$28,221	22	4.3	36
Idaho	3.9	3	\$24,180	41	4.9	41
Illinois	1.2	45	\$32,259	9	4.4	37
Indiana	1.4	43	\$27,011	31	3.2	12
Iowa	0.7	49	\$26,723	33	2.6	4
Kansas	1.4	42	\$27,816	27	3.7	21
Kentucky	1.6	37	\$24,294	40	4.1	30
Louisiana	1.9	33	\$23,334	45	5.5	47
Maine	3.0	9	\$25,623	36	3.5	15
Maryland	2.6	14	\$33,872	5	3.9	24
Massachusetts	2.5	16	\$37,992	2	2.6	4
Michigan	2.1	25	\$29,612	17	3.6	18
Minnesota	2.1	24	\$32,101	10	3.3	14
Mississippi	0.3	50	\$20,993	50	5.7	49
Missouri	1.1	46	\$27,445	28	3.5	15
Montana	2.3	21	\$22,569	46	4.9	41
Nebraska	1.9	32	\$27,829	26	3.0	9
Nevada	4.7	1	\$30,529	14	4.1	30
New Hampshire	2.5	18	\$33,332	6	2.8	7
New Jersey	2.4	19	\$36,983	3	3.8	23
New Mexico	2.0	29	\$22,203	48	4.9	41
New York	2.1	26	\$34,547	4	4.6	39
North Carolina	2.0	28	\$27,194	30	3.6	18
North Dakota	1.0	47	\$25,068	38	3.0	9
Ohio	1.4	41	\$28,400	19	4.1	30
Oklahoma	1.6	39	\$23,517	43	3.0	9
Oregon	1.8	35	\$28,350	20	4.9	41
Pennsylvania	2.0	27	\$29,539	18	4.2	34
Rhode Island	2.2	23	\$29,685	16	4.1	30
South Carolina	2.5	17	\$24,321	39	3.9	24
South Dakota	1.6	38	\$26,115	35	2.3	2
Tennessee	1.9	30	\$26,239	34	3.9	24
Texas	3.1	7	\$27,871	25	4.2	34
Utah	2.7	12	\$23,907	42	3.2	12
Vermont	2.4	20	\$26,901	32	2.9	8
Virginia	2.8	11	\$31,162	13	2.2	1
Washington	2.6	15	\$31,528	11	5.2	46
West Virginia	1.3	44	\$21,915	49	5.5	47
Wisconsin	1.8	34	\$28,232	21	3.5	15
Wyoming	2.7	13	\$27,230	29	3.9	24
U.S.	2.0	NA	\$29,676	NA	4.0	NA

Comparative Economic Growth 2000

NA: Not Applicable. Source: U.S. Department of Commerce, U.S. Bureau of Labor Statistics.

							Gross G	seneral F Fiscal ' (in milli	und Rev Year ^{ions)}	enues								
	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-91	97-98	98-99	00-66	00-01	01-02
Sales /A Use	\$673.8 73.0	\$662.9 76.1	\$648.3 68.6	\$669.0 55.6	\$694.8 54.7	\$768.1 62.5	\$779.8 66.9	\$844.5 69.1	\$928.9 69.1	\$1,036.6 82.5	31,131.8 91.1	\$1,218.7 102.8	\$1,310.0 115.8	31,426.0 { 120.3	\$1,563.7 \$ 140.2	31,726.0 \$ 142.5	31,751.1 \$ 157.9	1,727.0 140.6
Cigarette	52.3	50.9	66.1	61.9	59.0	56.3	57.5	57.3	56.6	57.0	59.7	58.2	60.0	59.9	60.09	57.8	58.1	55.2
Tobacco Products	0.0	0.0	2.7	3.1	3.0	3.2	3.9	4.3	4.6	5.5	5.9	7.0	8.2	8.1	8.6	9.4	9.9	10.3
Liquor	25.0	24.4	23.6	22.6	21.5	21.4	19.1	21.2	23.2	22.6	23.3	24.3	24.0	25.1	25.8	28.0	29.3	29.5
Other	1.9	1.9	1.9	2.0	2.0	2.0	3.7	3.2	3.6	3.6	4.1	4.4	3.2	0.0	0.0	0.0	0.0	\$0.0
TOTAL EXCISE	\$826.0	\$816.2	\$811.2	\$814.2	\$835.0	\$913.5	\$930.9	\$ 9.666	\$1,086.0	\$1,207.8	31,315.9	\$1,415.4	\$1,521.1	1,639.4	\$1,798.3 \$	31,963.7 \$	\$2,006.3	1,962.6
Individual Income	\$921.7	\$973.2	\$1,081.9	\$1,195.0	\$1,311.0 \$	\$1,380.7	\$1,462.4	\$1,608.5 \$	\$1,759.8	\$1,919.9	\$2,106.4	\$2,318.5	\$2,572.6	3,051.6	\$3,326.8 \$	3,718.2 \$	34,017.8	3,345.2
Corporate Income	78.8	124.4	136.7	112.9	167.0	104.2	115.0	112.2	138.4	146.8	191.1	205.7	237.1	263.1	276.2	289.2	329.7	178.0
TOTAL INCOME /B	\$1,000.5	\$1,097.6	\$1,218.6	\$1,307.9	\$1,478.0 \$	\$1,484.9	\$1,577.4	\$1,720.6	\$1,898.2	\$2,066.7	32,297.5	\$2,524.2	\$2,809.7	3,314.7	\$3,603.0 \$	34,007.4 \$	34,183.2 \$	3,250.3
Estate	\$14.0	\$13.7	\$18.4	\$13.4	\$15.5	\$21.7	\$15.3	\$34.3	\$19.7	\$33.9	\$27.6	\$31.8	\$34.6	\$109.6	\$67.1	\$59.7	\$82.6	\$72.5
Insurance	64.7	75.0	84.1	80.7	81.1	82.5	84.7	89.1	92.1	101.9	105.1	110.4	111.8	113.8	117.9	128.5	142.0	154.6
Pari-Mutuel	7.7	8.5	9.0	8.4	8.4	8.3	8.4	8.3	8.5	8.5	8.2	8.1	7.5	7.1	6.2	7.0	6.1	5.7
Interest Income	33.4	21.1	10.8	5.9	15.6	15.9	4.0	5.6	8.3	18.5	28.6	37.2	41.2	52.2	47.5	42.3	45.2	25.3
Court Receipts	12.3	12.9	14.1	19.3	20.5	19.9	11.6	17.5	17.8	19.5	20.1	20.7	23.1	24.9	25.4	27.1	22.3	23.3
Severance	0.0	0.0	0.0	7.1	10.7	7.5	10.5	8.4	12.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	82.4	258.9	205.6	126.7	69.0	80.4	72.6	73.0	7.1	0.0	11.2
Gaming	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.1	13.4	16.6	17.1	17.5	19.6	21.5	27.3	28.8	31.4	34.1
Other	13.6	17.7	11.7	27.0	20.8	26.4	21.1	25.9	35.2	43.2	49.5	34.4	30.4	45.4	28.3	31.9	33.4	31.9
TOTAL OTHER	\$145.7	\$148.9	\$148.1	\$161.8	\$172.6	\$182.0	\$155.6	\$275.6	\$465.9	\$450.6	\$382.9	\$329.2	\$348.6	\$447.1	\$392.3	\$332.4	\$363.0	\$358.6
GROSS GENERAL FUND	\$1,972.2	\$2,062.7	\$2,177.9	\$2,283.9	\$2,485.6	\$2,580.4	\$2,663.9	\$2,995.8 \$	\$3,450.1	\$3,725.1 \$	3,996.3	\$4,268.7	\$4,679.4	5,401.2	\$5,794.0 \$	6,303.5 \$	6,552.5 \$	5,571.6
Dollar Change	\$96.7	\$00 £	\$1150	\$106.0	\$2017	\$ 07 B	\$83 F	\$3310	\$454 3	\$275.0	\$271.2	\$2724	\$410.7	\$701 B	¢307 8	\$500 5	\$249.0	-¢080 0
Percent Change	5.2%	4.6%	5.6%	4.9%	8.8%	3.8%	3.2%	12.5%	15.2%	8.0%	7.3%	6.8%	9.6%	15.4%	7.3%	8.8%	4.0%	-15.0%
Note: Numbers may not	add due to r	ounding.																
Source: Controller's Ant	nual Reports;	Accounts a	nd Control.															
/A Reported net of TAB	OR over refui	nd in FY 196	39-00 throug	h FY 2001-0	2.													

/B Total income taxes have been reduced by the diversion to the State Education Fund in FY 2000-01 and FY 2001-02. The diverted amounts were \$164.3 million and 272.9 million, respectively.

Selected Cash Fund-Related Historical Data

				Unen	nploymer	nt Insuran (In Mill	ce Trust I lions)	Fund Bal	ance						
Calendar Year 1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	
Ending Balance \$90.4	4 \$156.8	\$ \$230.8	\$291.5	\$301.6	\$326.6	\$377.7	\$423.6	\$469.0	\$497.9	\$560.9	\$634.2	\$703.8	\$781.9	\$671.5	
Source: Division of Labor and Er	nployment.														
				Higher	Educatio	n Full-Tim	ne-Equiva	lent Enro	Ilment						
Fiscal Year 1986-6	37 1987-8	8 1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
Residents 91,9 Percent Change 2.2)47 94,5 [°] 2% 2.8	11 99,240 % 5.0%	103,219 4.0%	105,503 2.2%	107,803 2.2%	108,947 1.1%	108,863 -0.1%	108,580 -0.3%	108,667 0.1%	109,385 0.7%	112,077 2.5%	114,269 2.0%	116,739 2.2%	117,235 0.4%	122,062 4.1%
Nonresidents 15,5 Percent Change 0.4	593 16,3: 4% 4.8	38 16,965 % 3.8%	17,801 4.9%	19,149 7.6%	19,463 1.6%	20,573 5.7%	20,673 0.5%	20,472 -1.0%	20,741 1.3%	20,464 -1.3%	20,940 2.3%	21,162 1.1%	21,305 0.7%	21,235 -0.3%	21,911 3.2%
Total 107,5 Percent Change 2.(340 110,8 3% 3.1	49 116,205 % 4.8%	121,020 4.1%	124,652 3.0%	127,266 2.1%	129,520 1.8%	129,536 0.0%	129,052 -0.4%	129,408 0.3%	129,849 0.3%	133,017 2.4%	135,431 1.8%	138,044 1.9%	138,470 0.3%	143,972 4.0%
Totals may not sum due to roundii Source: Colorado Commission or	ing. n Higher Edu	cation.													
					Highway	Users Ta	k Fund R€	senues							
	Fisc	al Year:	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02			
Total Motor F	F uel Less F Percent	Refunds Change	\$383,685	\$409,318 6.7%	\$420,030 2.6%	\$438,988 { 4.5%	\$450,904 { 2.7%	\$471,073 { 4.5%	\$495,579 5.2%	\$520,466 5.0%	\$526,136 1.1%	\$544,554 3.5%			
Total Reg	jistration R Percent	tevenue Change	\$96,885	\$100,063 3.3%	\$110,464 10.4%	\$117,774 { 6.6%	\$120,584 { 2.4%	\$130,635 { 8.3%	\$140,340 7.4%	\$148,987 6.2%	\$148,725 - -0.2%	\$151,404 1.8%			
Driving Fines, Penaltie	ss, and For Percent	feitures Change	\$7,684	\$10,684 39.0%	\$10,197 -4.6%	\$11,259 10.4%	\$11,411 1.3%	\$11,585 1.5%	\$12,452 7.5%	\$13,545 8.8%	\$13,339 -1.5%	\$13,221 -0.9%			
Driv	ver's Licen Percent	se Fees Change	\$7,158	\$4,114 -42.5%	\$6,372 54.9%	\$5,553 -12.8%	\$6,682 20.3%	\$7,534 12.7%	\$5,224 -30.7%	\$7,294 39.6%	\$6,201 -15.0%	\$7,933 27.9%			
Other taxes a	Ind Misc. R Percent	tevenue Change	\$15,408	\$13,727 -10.9%	\$16,307 18.8%	\$8,662 -46.9%	\$8,967 3.5%	\$12,823 43.0%	\$14,249 11.1%	\$14,345 0.7%	\$14,166 -1.3%	\$11,673 -17.6%			
	Tot Percent	al HUTF Change	\$510,827	\$537,906 5.3%	\$563,370 4.7%	\$589,956 4.7%	\$607,488 3.0%	\$796,606 	\$846,953 { 6.3%	\$903,752 6.7%	\$915,542 1.3%	\$774,883	A)		
	Percent	SB 97-1 Change	N/A	N/A	N/A	N/A	N/A	\$153,083 (\$170,388 11.3%	\$188,700 10.7%	\$197,176 4.5%	\$35,179	A)		
/A The Senate Bill 97-1 Diversion Totals may not sum due to roundi Source: Office of the State Contri	n was include ing. oller	ed in General f	⁻ und approprì	iations under	r the 6 perce	ent limit durin	ig FY 2001 -(22.							