Colorado
Legislative
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Staff

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MEMORANDUM

March 15, 2002

TO: Members of the General Assembly

FROM: The Economics Staff, (303) 866-3521

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2002-2007*

In this report, we present the March 2002 General Fund revenue forecast and overview, the cash funds forecast, the projections of surplus TABOR revenues, and the national and state economic forecasts. We include two General Fund overviews: one with current law appropriations and transfers and one with the proposed budget solution to the revenue shortfall. The forecast is based on current state and federal tax laws, including the economic stimulus package passed by Congress and signed by President Bush in early March. One component of the stimulus package provides for accelerated depreciation that will have a significant negative impact on Colorado's income tax receipts. The forecast document is abbreviated from the usual publication length due to an early publication date.

Summary

- The forecast of General Fund revenues for FY 2001-02 was reduced by $417 million between March and December 2001. Since the release of the December forecast, revenues have fallen an additional $211 million below the forecast. Based on this shortfall and projected continuing weakness in the Colorado economy, the March forecast for General Fund revenue was reduced by $367.6 million. Part of the reduction includes $50.5 million from the accelerated depreciation provision of the recent federal economic stimulus package.

- Based on current law for appropriations, reserves, and transfers, the reduction in the revenue forecast would mean that a combination of an elimination of $470.5 million of scheduled appropriations, a reserve requirement change, and transfers or other budget enhancements is needed to prevent a budget shortfall in FY 2001-02.

- The Joint Budget Committee and the Governor reached an agreement to eliminate the budget shortfall based on a $140 million revenue shortfall through the end of January. Because the projected revenue shortfall is much larger, the budget package is not enough to eliminate the budget shortfall. Our estimates indicate that an additional $232.3 million will need to be cut from the budget, spent from reserves, and/or added to available revenues to prevent a budget shortfall.

- The cash fund revenue forecast was increased by $48.2 million for FY 2001-02. Several factors lead to the increase. Additional vehicle miles traveled are resulting from the decline in air travel. More students are enrolling in the state's higher education institutions because of the economic downturn, thus leading to higher-than-expected tuition revenue. Finally, the forecast for unemployment insurance taxes was increased because tax rates are increasing automatically in response to the economic slowdown.

- Colorado will not have surplus TABOR revenues in FY 2001-02. When revenue drops below the allowable TABOR revenue limit, as we are projecting for FY 2001-02, the new TABOR limit is the lower revenue figure. The limiting factors of inflation and the annual percentage change in state population are then applied to the lower revenue figure. Because the percentage change in TABOR revenue will exceed the allowable TABOR limits, the state will return to a TABOR surplus situation in FY 2002-03 through the end of the forecast period.

General Fund Revenue

Table 1 shows the forecast of General Fund revenue. We decreased the current year forecast by $367.6 million. Most of the reduction — $343.5 million — was for individual and corporate income taxes that accrue to the General Fund. An estimated $50.5 million of this total is attributable to the accelerated depreciation provisions of the recently approved economic stimulus package passed by Congress and approved by President Bush. The depreciation provisions were retroactive to September 11, 2001, and thus affect the current fiscal year. The depreciation provisions will be effective for three years. Taxpayers will react to the provision by reducing their estimated payments and/or receiving larger tax refunds or making smaller cash settlement payments.

The total change to **individual income taxes** is $301.6 million. State *withholding* taxes through February were $67.2 million below the December 2001 forecast. Employment and wages will remain weak throughout the rest of the fiscal year. Bonus payments to workers will remain depressed as well. Thus, we reduced this forecast by $111.0 million in the current year.

Estimated payments are paid on nonwage income such as capital gains and interest income. The stock market woes of the last two years are reducing capital gains, while lower interest rates are reducing interest income. These factors led to a $55.5 million shortfall in estimated payments through

February. Estimated payments will remain weak through the rest of the fiscal year and are projected to be 22.3% below last year's level. We reduced the estimated payments forecast by $135.1 million. Changes to *cash and refund settlements* will reduce individual income tax revenues by an additional $71.6 million.

Meanwhile, we reduced the **corporate income tax** estimate by $68.5 million from the previous forecast. The depreciation provisions account for $34.7 million of this change. Corporate taxes will be 42.4% below last fiscal year. The changes to the individual and corporate income tax estimates will reduce the estimate of the amount of funds transferred to the **State Education Fund** by $26.7 million in FY 2001-02.

The changes to other tax revenue estimates were minor. The largest change was a reduction of $14.0 million for **sales taxes**. Despite the declines in the estimates of wage and salary income and capital gains realizations, consumers are spending relatively close to our previous estimate.

We now expect that revenue to the state's General Fund will decline by 10.7% in FY 2001-02. A portion of the decline is attributable to a full-year effect of the State Education Fund diversion, compared to only a one-half year impact in FY 2000-01. Absent this diversion, revenue would still decline by an estimated 8.6%.

The outlook for General Fund revenue after FY 2001-02 is more optimistic. We expect that revenue will increase by 8.7% in FY 2002-03 and by an annualized pace of 7.5% after the current year. A return to more robust income tax revenues will lead future increases.

Cash Funds Revenue Forecast

Total cash fund revenue subject to the TABOR spending limit will decrease 0.5% in FY 2001-02, increase 2.8% in FY 2002-03, and increase at a compound average annual rate of 3.2% between FY 2000-01 and FY 2006-07. We increased the forecast of cash fund revenues by $48.2 million in FY 2001-02. The increased forecast is primarily a result of higher-than-expected motor fuel taxes, higher education tuition and fees, and unemployment insurance taxes. Over the remainder of the forecast period, however, we decreased the forecast of cash fund revenues by a total of $368.1 million. The decrease is a direct result of an accounting change required by the Governmental Accounting Standards Board that reclassifies higher education scholarship allowances from tuition revenue to TABOR-exempt non-tuition revenue starting in FY 2002-03. Without the accounting change the forecast for cash fund revenues would have increased by $234.6 million over the same period, FY 2002-03 through FY 2006-07. Table 2 presents a summary of all cash fund revenue subject to the TABOR revenue limit.

Transportation-related cash funds, which include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and several smaller funds, will increase 6.6% in FY 2001-02, 1.5% in FY 2002-03, and at an average annual rate of 3.4% between FY 2000-01 and FY 2006-07. The HUTF will increase 4.7% in FY 2001-02 and at an average annual rate of 3.9% over the forecast period. The forecast for HUTF revenue was increased $12.3 million for FY 2001-02 and $118.3 million over the entire forecast period. The increase is due to strong demand for motor fuel taxes despite the economic slowdown. The forecast for the SHF was increased $22.3 million over the December forecast as a result of higher-than-expected receipts of matching funds from local governments for projects accelerated with the use of Transportation Revenue Anticipation Notes. Meanwhile, based upon current law, the Senate Bill 97-1 diversion will be only $32.5 million in FY 2001-02, and will not occur during the remainder of the forecast period. The diversion is reduced when there are insufficient monies in the General Fund to fund a six percent growth rate in General Fund appropriations and the required four percent statutory reserve.

Higher education cash fund revenue will increase 10.0% in FY 2001-02, due to strong enrollment growth as workers affected by the economic slowdown seek to strengthen and expand their job skills in college. Enrollment is expected to increase 3.7% in FY 2001-02, the strongest gain in 12 years. Revenue in FY 2002-03 will also witness significant advances with a 6.6% growth rate in tuition and nontuition revenue and a 2.1 percent growth rate in enrollment. Once the economy recovers in 2003 and job growth improves, enrollment and revenue growth will taper. Over the six-year forecast period, higher education revenues will grow at a 5.8% average annual growth rate. However, these growth rates will be affected by an accounting change as described in the next paragraph. Meanwhile, public higher education enrollment, based on the number of resident full-time equivalent students, will increase at an average annual pace of 1.7%.

The forecast was adjusted for accounting changes regarding scholarship allowances and tuition discounts. The Governmental Accounting Standards Board (GASB) recently issued statements 34 and 35, requiring institutions of public higher education to report scholarship allowances as transfers rather than revenue. This accounting change will become effective at the end of FY 2002-03 and will apply primarily to financial aid for student tuition provided by government sources. Moreover, this change will be accompanied by a one-time accounting adjustment to the FY 2002-03 TABOR revenue limit. The first-year revenue impact will be neutral with respect to the TABOR surplus because an equal amount will be subtracted from the TABOR revenue limit and tuition revenue. After the first year, the impact will likely not be neutral. If scholarship-adjusted tuition increases at a rate that is higher than the TABOR limits of inflation plus the population growth rate, the TABOR surplus will be lower than it otherwise would have been. Conversely, the TABOR surplus would be higher if the adjusted tuition increases at a rate less than the TABOR limit.

Total *unemployment insurance* (UI) revenue will decrease 3.5% in FY 2001-02, increase 38.2% in FY 2002-03, and increase at an average annual rate of 7.4% between FY 2000-01 and FY 2006-07. After decreasing 15.9% in FY 2000-01, UI tax revenues will decrease 0.4% in FY 2001-02 as a result of a temporary tax credit and sagging taxable wages resulting from the recession. The decrease will be mitigated by an increase in tax rates during the second half of FY 2001-02 resulting from the 18.0% increase in benefit payments during FY 2000-01. Tax rates will continue to rise in FY 2002-03 as a result of skyrocketing benefit payments this fiscal year. In addition, the solvency tax will be triggered for calendar years 2003, 2004, and 2005. Thus, tax revenues will increase 54.0% in FY 2002-03, 39.6% in FY 2003-04, and 21.9% in FY 2004-05. The solvency tax is triggered when the UI Trust Fund balance as a percentage of total annual private wages falls below 0.9%. The Department of Labor and Employment estimates that the solvency tax will generate $56 million in 2003, $117 million in 2004, and $184 million in 2005. Benefit payments will increase 145.6% in FY 2001-02, but will then decline as the economy recovers. The UI Trust Fund balance will fall to $514.8 million by the end of FY 2002-03, then increase to $886.3 million by FY 2006-07 as the UI tax rate increases as a result of high benefit payments and the solvency tax trigger kicks in.

Limited Gaming Cash Fund revenue, which includes gaming taxes and license fees, will increase 7.0% in FY 2001-02 after increasing 15.0% in FY 2000-01. The recession and a saturation point in the industry will mitigate growth in gaming taxes during the next few years from the double-digit pace experienced during the last half of the 1990s. Total gaming revenues will increase at an average annual rate of 9.0% over the forecast period.

Total severance tax revenue, including interest earnings, will decrease 35.1% in FY 2001-02 after increasing 79.2% in FY 2000-01. Despite the decrease in FY 2001-02, the level of severance taxes will remain relatively high by historical standards. After increasing 112.1% in FY 2000-01, oil and gas severance taxes will decline 41.1% in FY 2001-02. Between FY 2000-01 and FY 2006-07, total severance tax revenues will decrease at an average annual rate of 4.5%.

All *other cash fund revenue* will decrease 10.6% in FY 2001-02, and increase at a compound average annual growth rate of 2.3% between FY 2000-01 and FY 2006-07. Interest earnings to the *Controlled Maintenance Trust Fund* (CMTF) will decrease from $18.4 million in FY 2000-01 to $647,000 in FY 2001-02 as a result of House Bill 01-1267, which required the principal of the CMTF ($243.9 million) to be transferred to the General Fund on July 1, 2001. On July 1, 2002, $276.4 million will be transferred from the General Fund to the CMTF. Revenue to the *insurance-related cash funds* will increase 22.4% in FY 2001-02 as a result of higher premiums on workers-compensation insurance policies. Finally, revenue to the umbrella group of *"other cash funds"* will decrease 10.2% in FY 2001-02, partially a result of Senate Bill 00-57, which reclassified $15.8 million of unclaimed property cash fund revenue from TABOR revenue to TABOR-exempt revenue.

The Constitutional Revenue Limit — TABOR

The provisions of Article X, Section 20 of the Colorado Constitution (TABOR) require that revenue collected above the TABOR limit be refunded to taxpayers within one year after the fiscal year in which they were collected. TABOR limits annual growth in most state revenue to inflation plus the annual percentage change in population.

Table 3 shows the projections of future TABOR surpluses based upon current law and the March 2002 forecasts of revenue, inflation, and population. After having a TABOR surplus in each of the past five fiscal years, we expect that the TABOR surplus will disappear for FY 2001-02. Meanwhile, the TABOR surplus will be only $126.5 million in FY 2002-03. For the five years of projected surpluses during the forecast period, the surplus will average $561.3 million.

It is important to note that while estimated TABOR revenues are $562.4 million below the allowable TABOR limit in the current fiscal year, TABOR surpluses will recur in FY 2002-03. The limiting factors of inflation and the annual percentage change in state population are applied to the lower of the TABOR limit or actual revenues. Because actual revenues are expected to be below the limit, the limit for FY 2001-02 will be ratcheted down to the actual revenues. Thus, when the economy picks up and growth in revenue exceeds the limiting inflation and population factors, the state returns to a TABOR surplus situation. Furthermore, future allowable TABOR revenues are also ratcheted down because the allowable growth rate is applied to a lower base.

The General Assembly enacted 18 refund methods that will be used to return the surplus TABOR revenues to taxpayers. Except for the sales tax refund, a refund is used if the amount of the TABOR surplus exceeds the threshold amount set for the refund method. The thresholds are increased each year based on Colorado personal income growth. Based on our estimates of the TABOR surplus, only the earned income tax credit and the sales tax refund will be used to refund the FY 2002-03 surplus of $126.5 million. For the FY 2003-04 surplus, all but three refund methods will be utilized. All refund methods will be used during the last three years of the forecast period.

General Fund Overview

We present two General Fund overviews in this section. Table 4 shows the overview based on current law appropriations and transfers. The overview incorporates the efforts undertaken in the second special session in 2001 to reduce expenditures. The diversion of sales and use tax revenue to the Highway Users Tax Fund was reduced by $165.3 million, while the transfer to the Capital Construction Fund was reduced by $265.1 million. The deteriorating revenue situation would require that an additional $470.5 million be cut to prevent a budget shortfall. The overview does not include any savings that the Governor's office has already identified as a result of a 1% reduction put into place last fall. These savings are an estimated $56.3 million. On March 1, the Governor ordered a state hiring freeze and an additional 1.5% spending reduction for most state agencies. The estimated savings from these budget moves are $48 million. The latter budget moves are also not incorporated into the overview shown in Table 4. If these savings from the Governor's efforts to pare spending are realized, an additional $366.2 million of budget reductions, reserve requirement change, and/or increases to available revenues needs to be made.

Table 5 shows the overview based on the budget proposal agreement between the Joint Budget Committee and the Governor. This agreement adopts the 1% reduction put into place by the Governor last fall, makes other adjustments in General Fund appropriations, and moves the Senate Bill 97-1 diversion ($35.2 million) to the Highway Users Tax Fund, the diversion of sales taxes ($3.0 million) to the Older Americans Fund, and the capital construction transfer ($83.3 million) under the General Fund appropriations limit to maximize the allowable 6.0% increase of such appropriations. The agreement also includes a Medicaid refinancing, thus allowing participating public hospitals to pay $11.2 million to the state, and reduces an appropriation from gaming impact funds to allow an additional $4.1 million to be deposited into the General Fund for FY 2001-02. Finally, $147.3 million of other fund balances and revenues will be transferred and available for use in the General Fund. These efforts were undertaken to address an anticipated shortfall of revenue of approximately $300 million.

Because the General Fund revenue forecast was reduced by more than the anticipated shortfall, the budget agreement will not prevent a budget shortfall. We anticipate the shortfall to be $232.3 million. This does not include the projected savings of $48 million that will result from the hiring freeze and additional 1.5% budget reductions ordered by the Governor on March 1.

If General Fund appropriations are to be reduced this year to prevent a budget shortfall, they would increase by only 1.98% rather than the 6% increase assumed in the overview. General Fund revenues resume a growth path in FY 2002-03, but still would not be strong enough to fund any diversion to the HUTF. Furthermore, General Fund appropriations would not be able to increase by more than 5.66% or a budget shortfall would occur in FY 2002-03. Revenue growth in succeeding years would be sufficient to at least partially fund the diversion to the HUTF and allow the maximum General Fund appropriation increase from the previously reduced base.

National Economy

This section reviews recent economic data and provides our outlook for the national economy.

While a national recession officially started in March 2001, the recent revision for inflation-adjusted gross domestic product (GDP) perhaps gives a contradictory view on whether a recession occurred. Nonetheless, the economy was very weak beginning in the fourth quarter of 2000 and remained weak throughout 2001. Inflation-adjusted gross domestic product (GDP) increased 1.2% in 2001, far below the average of the previous four years.

Several economic indicators are providing evidence that a recovery is underway. After languishing in a recession for 18 months, the *manufacturing industry* is now expanding. The Institute for Supply Management Index surpassed the critical 50 mark in February, signaling an end to the sectoral recession. The index had been moving up at a rapid pace for several months. *Business inventories* continue to fall and will soon reach the point that production will need to increase to replenish them. The *unemployment rate* fell in January and February and currently stands at 5.5%. The economy added *jobs* in February for the first time in seven months. A modest increase in *retail sales* is occurring. The *housing market* continues to outperform expectations as low mortgage rates outweigh the negative influence of weak income growth and slack labor markets.

On the negative side, *consumer confidence* fell unexpectedly in February after two months of increases. Confidence will be key to an economic recovery as consumer spending constitutes two-thirds of the economy. Confidence is likely to linger in a narrow band because while job prospects are no longer deteriorating, they are also not improving significantly. Layoff announcements are continuing and many workers are having difficulty finding jobs.

Economic growth will be weak in 2002, but should rebound in 2003 to near the levels seen in 1998 through 2000. The detailed national economic forecast can be found in Table 6. The following highlights summarize the national forecast.

- Inflation-adjusted **GDP** will increase 1.6% in 2002, following the 1.2% increase in 2001. *Consumer spending* will increase only 2.7% this year due to relatively weak consumer confidence. Spending will pick up in the second quarter of 2002. Consumer spending will not add the usual boost to GDP in 2002 because the typical pent-up demand after a recession does not exist. Nonresidential fixed *investment* will remain weak in 2002, falling 4.0% after a 3.1% drop in 2001. Federal government spending will increase 5.2% in 2002 on the strength of defense spending. State and local government spending growth will be less than half of the 2001 level because their budgets are constrained by the economic slowdown. GDP growth will be 3.8% in 2002 and 2003.

- **Nonfarm employment** will decrease by 0.4% in 2002, but rebound to a 1.5% gain in 2003. Employment typically does not turn around until several months after improvement in other economic indicators. Productivity has remained at a higher level than usual during a recession and employers will attempt to make use of the higher productivity before making significant hiring moves. The **unemployment rate** will average 5.7% in 2002, even though the rate is currently at 5.5%. The number of unemployed workers will climb above the current level because job creation will be insufficient to absorb available workers. The unemployment rate will drop to 5.4% in 2003.

- Inflation was 2.8% in 2001 and was slowing as last year unfolded. This trend will continue into 2002 with the still-weak economy and overall lower energy costs playing a large role. Thus, we expect the national **inflation rate** will be 1.8% in 2002, before increasing to 2.6% in 2003.

- The Federal Reserve Board is likely finished with **interest rate** reductions. The Fed did not take action at its late January meeting and will likely begin to increase rates in small doses later in 2002. The increases will not deter investment.

- The **risks to the economy** are still substantial. Low interest rates, lower energy prices, and substantial retail bargains have been keeping *consumer spending* at higher-than-usual levels during a recession. Thus, there is little pent-up consumer demand. If any of the positive factors from last year are removed, consumer spending could falter. The *housing market* has been similarly sustained by low interest rates. A combination of higher interest rates and a more pessimistic outlook with regard to job prospects and income gains could send the housing market lower. A significant reversal of last year's shift from equity investments to investment in housing would also hurt housing. Finally, *international economies* might not recover enough to help U.S. exports. The risk of devaluation for Asian currencies is high and would put additional pressure on U.S. exports.

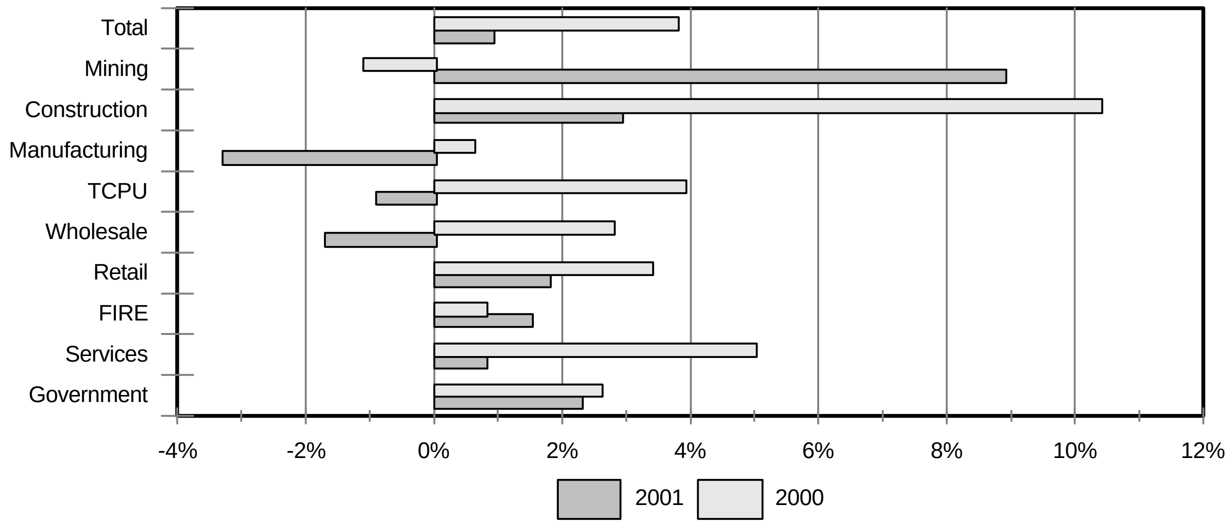
Colorado Economy

The Colorado economy will remain weak in 2002, lagging the nation in a recovery. Employment will not show gains until after the first quarter of this year. Income gains will be much lower than in recent years, leading to only modest gains in consumer spending in 2002. Residential construction will fall from recent high levels as the multi-family market undergoes a two-year correction. The outlook is for a more complete recovery after 2002, but Colorado will not match the growth levels of the 1990s. This section reviews many of the Colorado economic statistics that have been released for 2001 and provides our outlook for the Colorado economy. Table 7 contains the Colorado economic forecast.

Employment

Only 19,000 new jobs were created in 2001, compared with an average of 77,800 during the previous three years. The growth rate of 0.9% was the weakest since 1987 when jobs increased by only 0.3%. The employment picture weakened throughout the year to the point that employment in

Figure 1. Colorado Employment
Percent Change



December was 2.0% less than a year earlier. By comparison, employment growth was 3.6% at the start of 2001. Figure 1 shows the employment changes by industry.

Mining and the *finance, insurance, and real estate* sectors were the only two industries to record a gain that was larger in 2001 than in 2000. Mining employment responded very positively to higher natural gas prices in late 2000 and early 2001. The finance, insurance, and real estate industry benefitted from a strong Colorado housing market in 2001. Additionally, low interest rates spurred many homeowners to refinance their mortgage loans, thus boosting employment in the real estate sector. On the negative side for this sector, several financial firms laid off employees during the year because of the sagging stock market.

Three sectors lost jobs during the year. The *manufacturing* industry followed the national trend and dropped 6,700 jobs in 2001. The number of jobs in the *transportation, communications, and public utilities* (TCPU) industry declined 0.9%. The sector was hurt by the weak telecommunications industry, consolidation of positions after a merger by the state's largest gas and electric company, and layoffs in the air transportation industry after September 11. *Wholesale trade* lost jobs as excess inventories were worked off and poor retail conditions in the state reduced movement from wholesalers' warehouses.

Two industries fell substantially from the booming pace of the 1990s. The *construction* sector added nearly 100,000 jobs during the decade, increasing at a compound average annual growth rate of 9.8%. Although the housing market was healthy, the number of building permits increased only 1.5% in 2001. Meanwhile, the value of nonresidential construction contracts declined 0.6%. Office vacancy rates were on the rise throughout 2001. These factors kept construction jobs to a 2.9% increase in 2001, compared with a 10.4% gain in the prior year. Employment in the *services* sector increased at a 5.4% annual pace between 1990 and 2000, but increased by only 0.8% in 2001. Industry conditions did not deteriorate to this extent in 1986, a recession year for Colorado, when the industry growth rate fell to 2.3% from 4.9% in 1985. Businesses typically shed their temporary workers first when the economy declines. This was apparently the case last year as employment in the business services subsector declined 4.4%. A 1.7% decline for computer and data processing services also contributed to the business services decline. Employment in the lodging industry declined 1.0% through the first eight months of 2001, indicating that the weak national economy was influencing travel prior to the terrorist attacks. Travel fears led to a 6.9% employment decline in the lodging industry during the last four months of 2001.

- Employment changes are a lagging economic indicator, thus employment growth will be slow to recover. Because 2001 ended on a very weak note, employment will be climbing out of a deep hole before significant gains can be made. Already, several thousand job layoffs have been announced for 2002, indicating that the state economy has not reached the bottom. This follows announced layoffs of over 30,000 in 2001. In fact, the state's unemployment rate in January exceeded the national unemployment rate for the first time in nearly 12 years. Overall, we expect that employment will fall 0.2% in 2002, while the unemployment rate will average 5.5%.

- We expect that the Colorado employment picture will start to turn around after the first quarter of 2002. Positive factors after the first quarter include the travel industry. Barring the sudden shock of another terrorist attack or a lingering national recession, travel will return to more normal levels. Airlines are gradually adding flights as well as service to new destinations. The year-over-year decline in passenger traffic at Denver International Airport was only 14.1% in January, compared with 19% and higher declines of the previous three months. On the negative side, the state will still be at risk over the next year in its telecommunication industry. Construction employment will decline in 2002 due to an expected downturn in both residential and nonresidential building.

- Employment growth will rebound to 2.7% in 2003, but future gains will not match the boom years of the 1990s. Colorado will still be in the upper echelon of the states.

Personal Income and Wages

The healthy personal income gains experienced by Coloradans during the 1990s slowed down in 2001. After rising 10.0% in 2000, income increased an estimated 5.1% in 2001. Wage gains exhibited a similar pattern with a 2001 increase of 5.7%, compared with a 12.6% increase in 2000. Employment growth last year that was only one-fourth of the 1990s average contributed to the relatively weak income and wage gains. Additionally, bonuses for workers were much smaller than in recent years as employers were constrained by weak profits. The composition of net job formation was also much different than in previous years. Many of the layoffs took place in sectors with high wages and salaries — high-tech and telecommunications. The sectors that had employment gains were in lower wage categories.

- The outlook for income gains in 2002 is even more pessimistic. Personal income will increase by only 3.8%. Employment gains will be weaker than in 2001 and bonus payments are still likely to be lower than experienced in the latter years of the 1990s. Additionally, the low interest rate environment will serve to depress interest income. Wages will rise only 3.5% in 2002.

- The outlook beyond 2002 is more positive. Personal income will increase by more than 6% in 2003 and 2004, as will wages and salaries.

Consumer Spending

Consumer spending is measured by retail trade sales. Like most other economic indicators in 2001, retail trade sales slowed significantly. After posting an 11.1% increase in 2000, spending increased only 1.6% last year. In addition to the weakness in the Colorado economy, travel to Colorado was lower because of the national economic slowdown and the terrorist attacks.

- Consumer spending will remain weak in 2002 with a gain of only 3.0%. A better economic outlook for 2003 and 2004, as well as some pent-up demand for goods, will boost consumer spending 6.7% and 7.4%, respectively.

Construction

Despite last year's economic slowdown, residential construction held up very well, registering the second-highest number of building permits ever. Permits increased 1.5% in 2001 on the strength of a 12.5% gain for multi-family housing.

- Given the expectation of a weak economic climate and the state's higher housing costs, residential construction reached its cyclical peak in 2001. Thus, residential construction will experience a significant decline in 2002. Residential construction started to weaken in October. Housing permits were at an annual rate of approximately 41,000 units from October through January. The construction of apartments is highly volatile. Following two years of high levels of apartment construction and a near-doubling of the vacancy rate, construction of multi-family housing will experience a two-year correction and will decline 49.4% in 2002 and 17.3% in 2003. Total housing permits will decline 24.1% in 2002 and 1.1% in 2003. It is important to note that while the decline in 2002 is significant on a percentage basis, the expected construction levels are still relatively high.

Nonresidential construction showed very mixed results for 2001. Total nonresidential construction declined 0.4%. However, the value of construction permits for office and bank buildings, the largest subcategory, declined 34.9%. The education and science subcategory, as well as hospitals, had significant gains that made up for the decline in office construction.

The decline in office construction was not surprising given that vacancy rates increased significantly in 2001. The Denver office market vacancy rate more than doubled, reaching 19.3%. More than 70% of the new space in the northwest corridor along U.S. Highway 36 was never occupied due to the deteriorating economy. This drove that area's vacancy rate to more than 35%. The industrial and retail vacancy rates in metro-Denver also increased.

- Given the high vacancy rate for office space, the softening in the industrial and retail sectors, and constraints on government spending resulting from the weak economy, we expect a significant decline in nonresidential construction for 2002. Lease rates for these properties will be more competitive than in recent years and business expansion will occur in the vacant space before significant amounts of new space will be added to the market. Nonresidential construction will fall by 13.2% in 2002 and by a more modest 0.4% in 2003 before a turnaround starts in 2004.

Inflation

Inflation reached an 18-year high of 4.7% in 2001. Housing costs rose 6.5% last year, fueled by a 17.5% rise in energy costs for housing. Medical costs increased 5.6%, the largest hike since 1997. Transportation costs were flat last year, aided by a 1.1% drop in gasoline prices. Apparel costs rose 3.3%, the first increase since 1997. Food and beverage prices rose 4.6%, doubling the previous year's increase.

- Inflation will be more subdued in 2002. The energy price spike of late 2000 and early 2001 has largely dissipated. The weak Colorado economy will cause retailers and service providers to keep price increases down in order to remain competitive. The housing costs increase will be less than in recent years. Thus, we expect the Denver-Boulder-Greeley inflation rate to be 2.6% in 2002. Prices will rise at a slightly faster pace after 2002, reaching 3.1% in 2003 and 3.2% in 2004.

Population

The U.S. Census Bureau indicated that Colorado's population increased 2.2% in 2001. Population growth averaged 2.7% during the 1990s. Our strong population growth during the 1990s resulted from the relative advantages we had at the beginning of that decade.

- We estimate that population increases will be less than 2.0% in the upcoming years. Colorado's relative economic advantages will be less defined. The differential between our employment growth and the nation's growth will be more narrow. Our cost-of-living advantage that drove economic growth in the early 1990s has dissipated as well. Thus, population gains through migration will be smaller.

Table 1
Colorado General Fund, Accrual Basis
March 2002 Revenue Estimates by Tax Category
($ in millions)

Category	Actual FY 2000-01	Percent Change	Estimate FY 2001-02	Percent Change	Estimate FY 2002-03	Percent Change	Estimate FY 2003-04	Percent Change	Estimate FY 2004-05	Percent Change	Estimate FY 2005-06	Percent Change	Estimate FY 2006-07	Percent Change
Sales /A	$1,811.2	3.8	$1,796.0	-0.8	$1,916.7	6.7	$2,048.6	6.9	$2,185.9	6.7	2,332.1	6.7	2,485.8	6.6
TABOR Overrefund	(60.1)		(89.0)		(8.1)		0.0		(4.7)		(4.7)		(11.8)	
Use /A	157.9	10.8	140.5	-11.0	147.1	4.7	156.8	6.6	168.0	7.1	177.3	5.5	186.3	5.1
Cigarette	58.1	0.5	57.3	-1.4	56.9	-0.6	56.6	-0.6	56.2	-0.6	55.9	-0.6	55.6	-0.6
Tobacco Products	9.9	5.3	10.5	6.0	11.0	4.3	11.5	5.5	12.2	5.3	12.8	5.1	13.3	4.1
Liquor	29.3	4.6	30.6	4.5	31.4	2.6	32.1	2.2	33.0	2.6	33.8	2.6	34.7	2.6
TOTAL EXCISE	$2,006.3	2.2	$1,945.9	-3.0	$2,155.1	10.7	$2,305.7	7.0	$2,450.5	6.3	$2,607.2	6.4	$2,763.9	6.0
Net Individual Income	$4,017.8	8.1	$3,658.8	-8.9	$3,969.1	8.5	$4,344.0	9.4	$4,674.8	7.6	$5,018.0	7.3	$5,356.3	6.7
Net Corporate Income	329.7	14.0	190.0	-42.4	231.4	21.8	258.4	11.7	308.9	19.5	360.3	16.6	387.2	7.5
TOTAL INCOME TAXES	$4,347.5	8.5	$3,848.7	-11.5	$4,200.4	9.1	$4,602.4	9.6	$4,983.7	8.3	$5,378.3	7.9	$5,743.5	6.8
Less: Portion directed to the State Education Fund /B	($164.3)		(290.5)	76.8	(316.5)	9.0	(346.2)	9.4	(374.4)	8.2	(403.7)	7.8	(430.9)	6.7
INCOME TAXES TO GENERAL FUND	$4,183.2	4.4	$3,558.2	-14.9	$3,883.9	9.2	$4,256.3	9.6	$4,609.3	8.3	$4,974.6	7.9	$5,312.6	6.8
Estate	$82.6	38.4	$81.6	-1.2	$59.5	-27.1	$44.2	-25.7	$23.5	-46.9	$2.7	-88.4	$0.0	-100.0
Insurance	142.0	10.5	145.5	2.4	145.5	0.0	149.1	2.5	150.3	0.8	156.1	3.8	162.0	3.8
Pari-Mutuel	6.1	-12.9	5.9	-3.3	5.9	0.0	5.8	-1.7	5.9	1.7	5.9	0.0	5.8	-1.7
Interest Income	45.2	6.9	28.5	-36.9	26.6	-6.7	32.5	22.2	36.5	12.3	42.0	15.1	47.4	12.9
Court Receipts	22.3	-17.7	24.1	8.1	24.9	3.4	25.7	3.0	26.4	2.8	27.1	2.8	27.9	2.7
Gaming /C	31.4	9.0	32.4	3.3	38.8	19.7	46.4	19.6	52.3	12.6	58.1	11.2	64.4	10.8
Medicaid (Intergovt. Transfer)	0.0	-100.0	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA
Other Income	33.4	4.7	26.6	-20.4	19.0	-28.6	19.7	3.6	20.4	3.8	21.2	3.8	22.0	3.7
TOTAL OTHER	$363.0	9.2	$344.6	-5.1	$320.3	-7.1	$323.4	1.0	$315.2	-2.5	$313.1	-0.7	$329.5	5.2
GROSS GENERAL FUND	**$6,552.5**	4.0	**$5,848.7**	-10.7	**$6,359.2**	8.7	**$6,885.3**	8.3	**$7,375.0**	7.1	**$7,894.9**	7.1	**$8,405.9**	6.5
REBATES & EXPENDITURES:														
Cigarette Rebate	$16.4	0.0	$16.2	-1.4	$16.1	-0.6	$16.0	-0.6	$15.9	-0.6	$15.8	-0.6	$15.7	-0.6
Old-Age Pension Fund	63.2	9.5	66.0	4.4	69.4	5.3	73.7	6.1	78.3	6.3	83.5	6.6	87.6	5.0
Aged Property Tax & Heating Credit	16.8	-21.9	23.4	39.3	22.2	-5.1	22.4	0.7	22.4	0.1	22.3	-0.2	22.7	1.8
Fire/Police Pensions	28.7	0.0	28.9	0.7	28.9	0.0	28.9	0.0	28.9	0.0	28.9	0.0	5.6	-80.6
TOTAL REBATES & EXPENDITURES	$125.1	0.6	$134.4	7.5	$136.6	1.6	$140.9	3.1	$145.5	3.3	$150.5	3.4	$131.6	-12.5

Totals may not sum due to rounding.

NA: Not Applicable.

/A Sales and use taxes diverted to the Highway Users Tax Fund can be found in Table 12.

/B 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.

/C Includes only the amount credited to the General Fund.

Table 2
Cash Fund Revenue Estimates by Category, March 2002
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 00-01 to FY 06-07 CAAGR *
Transportation-Related /A	**$781.0**	**$832.9**	**$845.5**	**$866.7**	**$895.5**	**$921.5**	**$955.5**	**3.4%**
% Change	2.0%	6.6%	1.5%	2.5%	3.3%	2.9%	3.7%	
Higher Education /B	**$703.6**	**$774.0**	**$713.5**	**$744.7**	**$778.9**	**$815.4**	**$855.3**	**3.3%**
% Change	7.3%	10.0%	-7.8%	4.4%	4.6%	4.7%	4.9%	
Unemployment Insurance /C	**$200.8**	**$193.8**	**$268.1**	**$362.2**	**$438.5**	**$352.2**	**$308.3**	**7.4%**
% Change	-11.0%	-3.5%	38.3%	35.1%	21.1%	-19.7%	-12.4%	
Limited Gaming Fund	**$92.0**	**$98.4**	**$107.0**	**$117.8**	**$129.5**	**$141.5**	**$154.1**	**9.0%**
% Change	15.0%	7.0%	8.7%	10.1%	9.9%	9.3%	8.9%	
Wildlife Cash Fund /D	**$58.9**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	N/A
% Change	-0.9%	-100.0%	N/A	N/A	N/A	N/A	N/A	
Capital Construction - Interest	**$34.9**	**$21.8**	**$12.3**	**$15.1**	**$15.6**	**$16.0**	**$10.4**	**-18.3%**
% Change	-6.0%	-37.5%	-43.8%	23.1%	3.4%	2.4%	-34.9%	
Insurance-Related	**$51.4**	**$62.9**	**$66.2**	**$69.8**	**$73.3**	**$76.9**	**$80.9**	**7.9%**
% Change	2.4%	22.4%	5.3%	5.5%	5.0%	4.9%	5.2%	
Regulatory Agencies	**$51.3**	**$52.5**	**$54.0**	**$55.7**	**$57.4**	**$59.0**	**$60.7**	**2.9%**
% Change	8.8%	2.5%	2.7%	3.3%	2.9%	2.8%	3.0%	
Severance Tax /E	**$74.7**	**$48.5**	**$48.3**	**$50.0**	**$51.1**	**$53.5**	**$56.8**	**-4.5%**
% Change	79.2%	-35.1%	-0.3%	3.5%	2.1%	4.7%	6.3%	
Employment Support Fund /C	**$20.9**	**$21.5**	**$25.4**	**$27.5**	**$28.1**	**$29.0**	**$29.8**	**6.1%**
% Change	-2.2%	3.2%	18.0%	8.1%	2.4%	3.1%	2.8%	
Petroleum Storage Tank Fund	**$26.5**	**$21.2**	**$22.0**	**$22.8**	**$11.8**	**$12.3**	**$12.7**	**-11.5%**
% Change	52.5%	-20.2%	4.0%	3.5%	-48.1%	3.8%	3.6%	
Controlled Maintenance Trust Fund - Interest /F**	**$18.4**	**$0.6**	**$19.1**	**$21.8**	**$21.8**	**$21.8**	**$21.8**	**2.9%**
% Change	2.0%	-96.5%	2851.2%		-0.1%	-0.0%	0.2%	
Other Cash Funds	**$262.0**	**$235.2**	**$248.9**	**$265.1**	**$281.5**	**$298.8**	**$317.9**	**3.3%**
% Change	16.0%	-10.2%	5.8%	6.5%	6.2%	6.1%	6.4%	
Total Cash Fund Revenues	**$2,376.3**	**$2,363.4**	**$2,430.3**	**$2,619.2**	**$2,782.9**	**$2,797.6**	**$2,864.3**	**3.2%**
Subject to the TABOR Limit	**5.8%**	**-0.5%**	**2.8%**	**7.8%**	**6.2%**	**0.5%**	**2.4%**	

Totals may not sum due to rounding.

* CAAGR: Compound Average Annual Growth Rate.

N/A = Not Applicable

** These figures reflect only revenue in the funds subject to TABOR, rather than total revenues credited to the funds, much of which has already been counted for the purposes of TABOR. For example, the FY 2000-01 $232.4 million General Fund transfer to the Capital Construction Fund has already been counted in General Fund revenues for the purposes of the TABOR limit, and therefore is not included in this table as TABOR revenues.

/A This includes the Highway Users Tax Fund, the State Highway Fund, and other transportation-related funds.

/B The Governmental Accounting Standards Board decided that public scholarship allowances should no longer be counted as tuition revenue starting in FY 2002-03. This lowers tuition revenues by an estimated $111.3 million in FY 2002-03 and by a total of $602.7 million over the forecast period.

/C This incorporates the effects of House Bill 00-1310, which provides a 20 percent tax credit on unemployment insurance taxes during Calendar Years 2001 and 2002. This also includes revenues from the solvency tax, which will be triggered in calendar years 2003 through 2005.

/D HB 01-1012 designates the Division of Wildlife as an enterprises for TABOR purposes beginning in FY 2001-02.

/E This figure includes both the state and local shares of severance tax revenue and interest earnings before distribution.

/F House Bill 01-1267 requires that the principal balance of the Controlled Maintenance Trust Fund, or $243.9 million, be transferred to the General Fund on July 1, 2001. On July 1, 2002, $276.4 million will be transferred from the General Fund to the Controlled Maintenance Trust Fund.

Table 3
March 2002 Forecast for the TABOR Revenue Limit and Emergency Reserve

	Actual FY 2000-01	Estimate FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07
TABOR Revenues:							
General Fund /A	$6,500.8	$5,802.5	$6,306.6	$6,825.1	$7,308.9	$7,823.0	$8,327.7
Cash Funds	2,376.3	2,363.4	2,430.3	2,619.2	2,782.9	2,797.6	2,864.3
Total TABOR Revenues	$8,877.1	$8,165.9	$8,736.9	$9,444.3	$10,091.8	$10,620.6	$11,192.0
LIMIT:							
Allowable TABOR Growth Rate	5.1%	10.0%	6.9%	4.4%	4.8%	4.9%	5.0%
Inflation	2.9%	4.0%	4.7%	2.6%	3.1%	3.2%	3.3%
Population Growth	2.2%	6.0%	2.2%	1.8%	1.7%	1.7%	1.7%
Allowable TABOR Limit /B	**$7,948.6**	**$8,728.2**	**$8,610.3**	**$8,989.2**	**$9,420.7**	**$9,882.3**	**$10,376.4**
Revenues Above / (Below) TABOR Limit /C	**$927.2**	**($562.4)**	**$126.5**	**$455.1**	**$671.1**	**$738.3**	**$815.6**
EMERGENCY RESERVE:							
TABOR Emergency Reserve /D	$238.5	$245.0	$258.3	$269.7	$282.6	$296.5	$311.3
Reserved Amount (CMTF Principal) /E	$243.9	NA	$276.4	$276.4	$276.4	$276.4	$276.4

Totals may not sum due to rounding.

Note: TABOR broadly defines spending such that expenditures are equal to revenues. The statutory 6 percent limit applies to the General Fund appropriations only. Thus, the two concepts are not directly comparable.

/A These figures differ from the General Fund revenues reported in other tables because they net out revenues that are already in the Cash Funds to avoid double counting. For instance, the General Fund gaming revenues, unexpended prior-year Medicaid expenditures that are booked in "other revenue," and transfers of unclaimed property are netted out. These figures also include the net amount of sales and use tax, after the over-refund of excess TABOR revenues. Senate Bill 97-1 diverts 10.355% of the gross sales and use tax revenues to the Highway Users Tax Fund.

/B In November 2000, Colorado voters approved Referendum A allowing the state revenue limit to increase by $44.1 million in FY 2001-02 to reimburse local governments for reduced property taxes paid by seniors. The additional amount is reflected in the allowable TABOR limit. In addition, the revenue limit for FY 2000-01 was adjusted down by $49.3 million to account for House Bill 01-1012 which exempted the wildlife cash fund from the state's revenue limit.

/C The TABOR surplus was adjusted down by $1.3 million in FY 2000-01 to account for an overstatement of previous years' TABOR refund liabilities.

/D 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.

/E The principal of the CMTF may be used as full or partial satisfaction of the constitutional emergency reserve requirement for Cash and General Funds. Thus, the principal of the CMTF is reported as the reserved amount. Other state funds are designated in the 2001 Long Bill as the state's emergency reserve for FY 2001-02. For FY 2001-02 only, the principal balance in the CMTF was transferred to the General Fund.

Table 4
March 2002 General Fund Overview Based on Current Law
($ in millions)

	Actual FY 2000-01	Estimate FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07
Beginning Reserve	$786.8	$474.7	($243.6)	($471.5)	($383.6)	($523.2)	($770.6)
Gross General Fund	6,552.5	5,848.7	6,359.2	6,885.3	7,375.0	7,894.9	8,405.9
Senate Bill 97-1 Diversion to the HUTF /A	(197.2)	(35.2)	(0.0)	0.0	(0.0)	(0.0)	0.0
Diversion of Sales Taxes to Older Americans Fund	(3.0)	(3.0)	0.0	0.0	0.0	0.0	0.0
Transfer from the Controlled Maintenance Trust Fund /E	0.0	243.9	0.0	0.0	0.0	0.0	0.0
Total Funds Available	$7,139.1	$6,529.1	$6,115.6	$6,413.8	$6,991.4	$7,371.6	$7,635.4
EXPENDITURES:							
General Fund Appropriations /B, D	$5,336.8	$5,663.5	$6,003.9	$6,365.0	$6,748.1	$7,154.2	$7,584.7
Medicaid Overexpenditure	2.4	NE	NE	NE	NE	NE	NE
Rebates and Expenditures	125.1	134.4	136.6	140.9	145.5	150.5	131.6
Reimbursement for Senior Property Tax Cut		0.0	44.1	44.7	45.6	46.4	47.3
Capital and Prison Construction	224.5	37.5	111.1	100.2	100.3	100.0	0.0
Transfer for Highway Construction	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Controlled Maintenance Trust Fund /E	0.0	0.0	276.4	0.0	0.0	0.0	0.0
K-12 Settlement Funding Adds to GF Appropriation Line 7	5.0	10.0	15.0	20.0	20.0	20.0	20.0
TABOR Refund	941.1	927.2	0.0	126.5	455.1	671.1	738.3
Accounting Adjustments	(20.5)	NE	NE	NE	NE	NE	NE
Total Obligations	$6,664.4	$6,772.6	$6,587.1	$6,797.4	$7,514.6	$8,142.2	$8,521.9
YEAR-END GENERAL FUND RESERVE:	**$474.7**	**($243.6)**	**($471.5)**	**($383.6)**	**($523.2)**	**($770.6)**	**($886.6)**
STATUTORY RESERVE: 4.0% OF APPROPRIATIONS	**213.7**	**226.9**	**240.8**	**255.4**	**270.7**	**287.0**	**304.2**
GENERAL FUND EXCESS RESERVE	**$261.0**	**($470.5)**	**($712.3)**	**($639.0)**	**($794.0)**	**($1,057.6)**	**($1,190.8)**
RESERVE AS A % OF APPROPRIATIONS	**8.9%**	**-4.3%**	**-7.9%**	**-6.0%**	**-7.8%**	**-10.8%**	**-11.7%**
TABOR RESERVE REQUIREMENT:							
General & Cash Fund Emergency Reserve Requirement	$238.5	$245.0	$258.3	$269.7	$282.6	$296.5	$311.3
Reserved Amount (CMTF Principal) /C	243.9	NA	276.4	276.4	276.4	276.4	276.4
Money in Excess of Emergency Reserve	5.4	NA	18.1	6.7	(6.2)	(20.1)	(34.9)
Appropriations Growth /B, D	$314.2	$329.3	$345.4	$366.1	$383.1	$406.1	$430.5
Appropriations Growth Rate /B,D	6.24%	6.16%	6.09%	6.08%	6.00%	6.00%	6.00%
Addendum: Amount Directed to State Education Fund	($164.3)	($290.5)	($316.5)	($346.2)	($374.4)	($403.7)	($430.9)

NE: Not Estimated.
Totals may not sum due to rounding.
/A 10.355% of sales and use taxes are diverted to the Highway Users Tax Fund when the full six percent General Fund appropriations limit can be attained. The amount was capped at $35.2 million for FY 2001-02.
/B Includes $2.6 million in appropriations that are exempt from the statutory appropriations limit as a result of final court orders or federal mandates in FY 2000-01.
/C The principal of the CMTF may be used as full or partial satisfaction of the constitutional emergency reserve requirement. Thus, the principal of the CMTF is reported as the reserved amount. For FY 2001-02 only, other funds are designated to satisfy the reserve requirement.
/D The amounts for the K-12 settlement funding attributable to Senate Bill 00-181 are also appropriations from the General Fund and should be added to the General Fund appropriations line to calculate total appropriations.
/E House Bill 01-1267 transferred the principal balance of the CMTF to the General Fund on July 1, 2001, and transfers $276.4 million from the General Fund to the CMTF on July 1, 2002.

Table 5
March 2002 General Fund Overview with Proposed Budget Solution
($ in millions)

	Actual FY 2000-01	Estimate FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07
Beginning Reserve	$786.8	$474.7	($5.4)	($253.5)	($155.8)	($272.5)	($497.4)
Gross General Fund	6,552.5	5,863.9	6,369.9	6,885.3	7,375.5	7,893.0	8,407.2
Senate Bill 97-1 Diversion to the HUTF /A	(197.2)	****	(0.0)	0.0	(0.0)	(0.0)	0.0
Transfers from/Paybacks of Other Funds		147.3	(30.9)				
Diversion of Sales Taxes to Older Americans Fund	(3.0)	****	0.0	0.0	0.0	0.0	0.0
Transfer from the Controlled Maintenance Trust Fund /E	0.0	243.9	0.0	0.0	0.0	0.0	0.0
Total Funds Available	$7,139.2	$6,729.8	$6,333.6	$6,631.8	$7,219.6	$7,620.5	$7,909.8
EXPENDITURES:							
General Fund Appropriations /B, D	$5,336.8	$5,663.5	$6,003.9	$6,365.0	$6,748.1	$7,154.2	$7,584.7
Medicaid Overexpenditure	2.4	NE	NE	NE	NE	NE	NE
Rebates and Expenditures	125.1	134.4	136.6	140.9	145.5	150.5	131.6
Reimbursement for Senior Property Tax Cut		0.0	44.1	44.7	45.6	46.4	47.3
Capital and Prison Construction	224.5	****	111.1	100.2	100.3	100.0	0.0
Transfer for Highway Construction	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Controlled Maintenance Trust Fund /E	0.0	0.0	276.4	0.0	0.0	0.0	0.0
K-12 Settlement Funding Adds to GF Appropriation Line 7	5.0	10.0	15.0	20.0	20.0	20.0	20.0
TABOR Refund	941.1	927.2	0.0	116.7	432.6	646.8	710.0
Accounting Adjustments	(20.5)	NE	NE	NE	NE	NE	NE
Total Obligations	$6,664.4	$6,735.1	$6,587.1	$6,787.6	$7,492.1	$8,117.9	$8,493.6
YEAR-END GENERAL FUND RESERVE:	**$474.7**	**($5.4)**	**($253.5)**	**($155.8)**	**($272.5)**	**($497.4)**	**($583.8)**
STATUTORY RESERVE: 4.0% OF APPROPRIATIONS	**213.7**	**226.9**	**240.8**	**255.4**	**270.7**	**287.0**	**304.2**
GENERAL FUND EXCESS RESERVE	**$261.0**	**($232.3)**	**($494.3)**	**($411.2)**	**($543.2)**	**($784.4)**	**($888.0)**
RESERVE AS A % OF APPROPRIATIONS	**8.9%**	**-0.1%**	**-4.2%**	**-2.4%**	**-4.0%**	**-7.0%**	**-7.7%**
TABOR RESERVE REQUIREMENT:							
General & Cash Fund Emergency Reserve Requirement	$238.5	$245.5	$262.4	$273.9	$287.1	$301.2	$316.2
Reserved Amount (CMTF Principal) /C	243.9	NA	276.4	276.4	276.4	276.4	276.4
Money in Excess of Emergency Reserve	5.4	NA	14.0	2.5	(10.7)	(24.8)	(39.8)
Appropriations Growth /B, D	$314.2	$329.3	$345.4	$366.1	$383.1	$406.1	$430.5
Appropriations Growth Rate /B,D	6.24%	6.16%	6.09%	6.08%	6.00%	6.00%	6.00%
Addendum: Amount Directed to State Education Fund	($164.3)	($290.5)	($316.5)	($346.2)	($374.4)	($403.7)	($430.9)

NE: Not Estimated.
Totals may not sum due to rounding.
**** The diversion of sales and use tax revenues ($35.2 million) to the HUTF, the diversion ($3.0 million) to the Older Americans Fund, and the transfer ($83.3 million) to the Capital Construction Fund are contained in the General Fund appropriations amount.
/A 10.355% of sales and use taxes are diverted to the Highway Users Tax Fund when the full six percent General Fund appropriations limit can be attained. The amount was capped at $35.2 million for FY 2001-02.
/B Includes $2.6 million in appropriations that are exempt from the statutory appropriations limit as a result of final court orders or federal mandates in FY 2000-01.
/C The principal of the CMTF may be used as full or partial satisfaction of the constitutional emergency reserve requirement. Thus, the principal of the CMTF is reported as the reserved amount. For FY 2001-02 only, other funds are designated to satisfy the reserve requirement.
/D The amounts for the K-12 settlement funding attributable to Senate Bill 00-181 are also appropriations from the General Fund and should be added to the General Fund appropriations line to calculate total appropriations.
/E House Bill 01-1267 transferred the principal balance of the CMTF to the General Fund on July 1, 2001, and transfers $276.4 million from the General Fund to the CMTF on July 1, 2002.

Table 6
National Economic Indicators, March 2002 Forecast
(Dollar amounts in billions)

	1998	1999	2000	2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Gross Domestic Product (GDP)	$8,781.5	$9,268.6	$9,872.9	$10,205.6	$10,532.2	$11,174.6	$11,867.5	$12,508.3	$13,146.2
percent change	5.6%	5.5%	6.5%	3.4%	3.2%	6.1%	6.2%	5.4%	5.1%
Inflation-adjusted GDP	$8,508.9	$8,856.5	$9,224.0	$9,332.3	$9,481.6	$9,841.9	$10,215.9	$10,522.4	$10,817.0
percent change	4.3%	4.1%	4.1%	1.2%	1.6%	3.8%	3.8%	3.0%	2.8%
Nonagricultural Employment (millions)	125.8	128.9	131.8	132.2	131.6	133.6	136.5	138.7	140.3
percent change	2.6%	2.4%	2.2%	0.4%	-0.4%	1.5%	2.2%	1.6%	1.1%
Unemployment Rate	4.5%	4.2%	4.0%	4.8%	5.7%	5.4%	5.1%	5.0%	5.1%
Personal Income	$7,426.0	$7,777.3	$8,319.2	$8,723.9	$9,003.1	$9,498.2	$10,058.6	$10,571.6	$11,089.6
percent change	7.0%	4.7%	7.0%	4.9%	3.2%	5.5%	5.9%	5.1%	4.9%
Inflation (Consumer Price Index)	1.6%	2.2%	3.4%	2.8%	1.8%	2.6%	2.6%	2.7%	2.6%
Prime Rate	8.4%	8.0%	9.2%	6.9%	5.0%	7.0%	8.0%	8.0%	8.0%

Table 7
Colorado Economic Indicators, March 2002 Forecast
(Calendar Years)

	1996	1997	1998	1999	2000	2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Population (thousands), July 1	3,812.7	3,891.3	3,969.0	4,056.1	4,323.4	4,417.7	4,497.2	4,573.7	4,651.4	4,730.5	4,815.6
percent change /A	2.0%	2.1%	2.0%	2.2%	6.0%	2.2%	1.8%	1.7%	1.7%	1.7%	1.8%
Nonagricultural Employment (thousands)	1,900.4	1,979.5	2,057.0	2,131.9	2,212.9	2,231.9	2,227.4	2,287.6	2,363.1	2,431.6	2,499.7
percent change	3.6%	4.2%	3.9%	3.6%	3.8%	0.9%	-0.2%	2.7%	3.3%	2.9%	2.8%
Unemployment Rate	4.2%	3.3%	3.8%	2.9%	2.7%	3.7%	5.5%	5.0%	4.6%	4.4%	4.4%
Personal Income (millions) /B	$100,012	$108,765	$118,407	$127,638	$140,353	$147,511	$153,116	$162,763	$172,854	$182,534	$193,303
percent change	7.6%	8.8%	8.9%	7.8%	10.0%	5.1%	3.8%	6.3%	6.2%	5.6%	5.9%
Wage and Salary Income (millions) /B	$57,205	$62,524	$69,604	$76,366	$86,011	$90,914	$94,096	$99,647	$106,423	$112,809	$119,577
percent change	8.2%	9.3%	11.3%	9.7%	12.6%	5.7%	3.5%	5.9%	6.8%	6.0%	6.0%
Retail Trade Sales (millions)	$42,631	$45,146	$48,131	$52,209	$58,018	$58,947	$60,715	$64,783	$69,577	$74,100	$78,620
percent change	6.7%	5.9%	6.6%	8.5%	11.1%	1.6%	3.0%	6.7%	7.4%	6.5%	6.1%
Home Permits (thousands)	42.2	42.5	49.5	48.9	53.7	54.5	41.4	40.9	43.3	45.1	45.0
percent change	6.8%	0.7%	16.5%	-1.3%	10.0%	1.5%	-24.1%	-1.1%	5.7%	4.3%	-0.3%
Nonresidential Building (millions)	$2,367	$2,986	$2,617	$3,544	$3,339	$3,325	$2,886	$2,874	$3,018	$3,229	$3,439
percent change	28.6%	26.2%	-12.4%	35.4%	-5.8%	-0.4%	-13.2%	-0.4%	5.0%	7.0%	6.5%
Denver-Boulder Inflation Rate	3.5%	3.3%	2.4%	2.9%	4.0%	4.7%	2.6%	3.1%	3.2%	3.3%	3.3%

/A Colorado's population on April 1, 2000, was 4,301,261 according to the U.S. Bureau of the Census. The 6.0% change in the population reflects the change from the July 1999 estimate to April 1, 2000, and is used for calculation of the state's TABOR revenue limit.

/B Estimate for 2001.