FOCUS COLORADO: ECONOMIC & REVENUE FORECAST, 2000-2005

State of Colorado

June 2000

COLORADO LEGISLATIVE COUNCIL STAFF REPORT

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EXECUTIVE SUMMARY

This document provides the General Fund and cash funds forecast done by Legislative Council Staff in June 2000. We also project the amount of excess TABOR revenues and the year-end General Fund reserve. In addition, we provide the forecasts for the national and Colorado economies. If you would like further information on these topics, please contact any of the staff members listed in this summary.

Constitutional Spending Limit — the TABOR Limit

The state's TABOR surplus is expected to be $832.0 million in FY 1999-00 and $861.8 million in FY 2000-01. During the six-year forecast period beginning in FY 1999-00, we project that excess revenues will be $6.7 billion, or an average of $1.12 billion per year.

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

General Fund Revenue, Appropriations, and Reserve

General Fund revenues will grow by 7.1 percent in FY 1999-00, reaching $6.2 billion. Over the six-year forecast period, General Fund revenues will grow at a compound average annual rate of 6.8 percent.

Strong revenue growth will enable **General Fund appropriations** to increase by six percent in each year of the forecast. They will increase by $308.2 million in FY 2000-01.

The **General Fund excess reserve** will be $508.9 million in FY 1999-00. Tax reductions, capital construction transfers, and highway transfers will reduce the excess reserve to a low point of $238.9 million in FY 2001-02. The excess reserve would decline further if the General Assembly appropriates funds for continuing capital construction needs of unfinished projects, reaching a low of $107.4 million in FY 2001-02.

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Cash Fund Revenues

We project total **Cash Fund revenue** subject to the TABOR spending limit to grow 2.9 percent in FY 1999-00 and at a compound average annual rate of 4.2 percent between FY 1998-99 and FY 2004-05.

Transportation-related cash funds, which include the Highway Users Tax Fund and the State Highway Fund, will increase 3.5 percent in FY 1999-00 and 4.4 percent in FY 2000-01.

We expect total **higher education revenue** to grow 7.1 percent in FY 1999-00, while full-time-equivalent enrollment will grow 2.1 percent. **Unemployment insurance** revenue will increase 3.9 percent in FY 1999-00, primarily due to strong growth in taxable wages and strong interest earnings. The UI Trust Fund Balance will grow to $1.0 billion by FY 2004-05 and will remain solvent throughout the forecast period.

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National Economy

Inflation-adjusted gross domestic product (**GDP**) will increase by 4.9 percent in 2000. Interest rate hikes by the Federal Reserve Board will slow the economy to a 3.1 percent gain in 2001 and 3.3 percent in 2002.

Inflation will increase by 3.1 percent in 2000, a product of high oil prices, rising wage and benefit costs, and resurgent international economies. The efforts of the Federal Reserve Board will cool inflation to 2.4 percent in 2001 and 2.5 percent in 2002.

Nonagricultural employment will increase by 2.3 percent in 2000. The nation's labor shortage will constrain employment growth to 1.5 percent in 2001 and 1.1 percent in 2002.

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

Colorado Economy

Employment will increase 3.5 percent in 2000, continuing the long boom period in Colorado. Employment growth will slow in 2001, however, averaging 2.8 percent. The **unemployment rate** will average 2.9 percent in 2000, matching the record low rate of 1999. The unemployment rate will increase to 3.3 percent in 2001.

Personal income will rise by 8.3 percent in 2000 and 7.7 percent in 2001. **Wage and salary income** will grow faster than personal income, increasing by 8.9 percent in 2000 and 8.4 percent in 2001.

Local **inflation**, as measured by the Denver-Boulder-Greeley consumer price index, will increase by 3.5 percent in 2000 and 3.1 percent in 2001.

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Constitutional Spending Limit and General Fund Revenue Outlook

- We project that the state will have **excess TABOR revenues** each year throughout the forecast period. The excess will total $832.0 million for FY 1999-00 and average $1.12 billion through FY 2004-05. Nine refund mechanisms will be used to return the excess for FY 1999-00, while 17 refund mechanisms will be used to return excess revenues in the following years.

- **Tax law changes** enacted by the General Assembly during the 2000 session will reduce General Fund revenues by an estimated $51.6 million in FY 1999-00, $155.0 million in FY 2000-01, and $206.2 million in FY 2001-02.

- Despite these law changes, **General Fund revenues** will grow by a robust 7.1 percent, reaching $6.2 billion in FY 1999-00. The increases will taper off to 5.1 percent and 6.3 percent in the following two years as the law changes become fully effective. General Fund revenue growth will be at least 7.1 percent during the remaining three years of the forecast.

- The **General Fund excess reserve** will be $508.9 million in FY 1999-00. Tax reductions, capital construction transfers, and highway transfers will reduce the excess reserve to a low point of $238.9 million in FY 2001-02. The state will be able to appropriate the full amount to public school capital construction under the terms of Senate Bill 00-181.

- The excess reserve would decline further if the General Assembly appropriates funds for continuing capital construction needs of unfinished projects, reaching a low of $107.4 million in FY 2001-02. The full amount of the appropriations to public school capital construction could still be met.

In this section, we present information on the constitutional spending limit, the amount of excess revenue that must be refunded to taxpayers, the amount of General Fund revenue, and the General Fund overview. Information on the tax reduction and tax refund bills passed by the General Assembly can be found throughout this section.

Constitutional Spending Limit

The provisions of Article X, Section 20 of the Colorado Constitution (the Taxpayer's Bill of Rights, or 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. The state's TABOR revenue limit is defined as the previous year's TABOR limit multiplied by the sum of the percentage change in the state's population and the Denver-Boulder-Greeley inflation rate in the calendar year prior to the start of the fiscal year.

The state exceeded its spending limit by $139.0 million in FY 1996-97, $563.2 million in FY 1997-98, and $679.6 million in FY 1998-99. Through May, the state had refunded $7.1 million more than required of the FY 1998-99 excess. This is not surprising given that the sales tax refund is designed to refund 105 percent of its required amount. However, it appears that more taxpayers than originally estimated are filing for the sales tax refund. Thus, the state will likely refund more than the 105 percent. The additional amount of the refund is credited against sales tax revenues, thus reducing future year's excess TABOR revenues.

In the March revenue forecast, we projected that excess TABOR revenues in FY 1999-00 would be $833.0 million. Despite tax law changes enacted by the General Assembly that reduced revenues by an estimated $51.6 million, stronger-than-expected revenue growth since the March forecast nearly offset the tax reductions. Thus, we project that revenues will exceed the TABOR limit by $832.0 million in FY 1999-00. For the six-year forecast period, we project that the excess revenues will average $1.12 billion, or $136.4 million less than in the March forecast. Table 1 shows the estimated excess TABOR revenues for the forecast period, while Table 2 shows a detailed calculation of the TABOR surplus.

Table 1
Estimated Excess TABOR Revenues
(millions of dollars)

Fiscal Year	Amount
1999-00	$832.0
2000-01	$861.8
2001-02	$911.4
2002-03	$1,138.7
2003-04	$1,383.3
2004-05	$1,563.4
Total	**$6,690.6**
Average	**$1,115.1**

How will the excess revenues be refunded?
After passing five bills in 1999 that dealt with refunding excess TABOR revenues, the General Assembly passed 11 bills during the 2000 legislative session to refund excess TABOR revenues. In addition, two existing refund mechanisms were expanded. Table 3 shows these refund methods, the amounts estimated to be refunded, and the threshold amounts for each refund method to be utilized. A particular refund mechanism will be used only if the excess TABOR revenues are greater than the threshold amount specified for each refund mechanism. Based on the Legislative Council

Table 2
TABOR Revenue Limit and Emergency Reserve

	FY 1998-99	6/2000 Estimate FY 1999-00	6/2000 Estimate FY 2000-01	6/2000 Estimate FY 2001-02	6/2000 Estimate FY 2002-03	6/2000 Estimate FY 2000-01	6/2000 Estimate FY 2000-01
TABOR Revenues:							
General Fund	$ 5,749.6 /A	$ 6,157.2 /A	$ 6,468.6 /A	$ 6,875.6 /A	$ 7,405.6 /A	$ 7,983.9 /A	$ 8,547.1 /A
Cash Funds	2,176.4	2,239.3	2,343.4	2,423.3	2,548.4	2,673.1	2,790.8
Total TABOR Revenues	$ 7,926.0	$ 8,396.5	$ 8,812.0	$ 9,298.9	$ 9,954.0	$ 10,657.0	$ 11,337.9
LIMIT:							
Allowable TABOR Growth Rate	5.3%	4.4%	5.1%	5.5%	5.1%	5.2%	5.4%
Inflation	3.3%	2.4%	2.9%	3.5%	3.1%	3.3%	3.5%
Population Growth	2.0%	2.0%	2.2%	2.0%	2.0%	1.9%	1.9%
Allowable TABOR Limit	**$ 7,243.4**	**$ 7,564.5** /B	**$ 7,950.3**	**$ 8,387.5**	**$ 8,815.3**	**$ 9,273.7**	**$ 9,774.5**
Revenues Above / (Below) TABOR Limit	**$ 679.6** /C	**$ 832.0**	**$ 861.8**	**$ 911.4**	**$ 1,138.7**	**$ 1,383.3**	**$ 1,563.4**
EMERGENCY RESERVE:							
TABOR Emergency Reserve	$ 217.3	$ 226.9 /D	$ 238.5 /D	$ 251.6 /D	$ 264.5 /D	$ 278.2 /D	$ 293.2 /D
Reserved Amount (CMTF Principal)	248.1 /E	248.1 /E	248.1 /E	248.1 /E	248.1 /E	248.1 /E	248.1 /E

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 th e 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 a void 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 ten percent of the gross sales and use tax revenues to the Highway Users Tax Fund.

/B In FY 1999-00, Northwestern Junior College will be included in the state's revenue base and the TABOR limit will be incr eased by $2.4 million.

/C The excess TABOR revenues for FY 1998-99 were $682.6 million. They are reduced by $3.0 million for previous years' over statement of excess TABOR revenues.

/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 Cons titution, 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 requireme nt for Cash and General Funds. Thus, the principal of the CMTF is reported as the reserved amount.

Table 3
TABOR Refund Mechanisms

Description of Refund Mechanism	Amount Refunded for FY 1999-00 Excess	Amount Refunded for FY 2000-01 Excess	Threshold Trigger
Earned Income Credit	$36.6	$38.8	$54.0
Personal Property Credit	$95.9	$103.4	$183.4
Interest, Dividends, Capital Gains — HB 99-1137	$37.3	$38.7	$237.4
Capital Gains — HB 99-1237	$41.2	$39.6	$280.5
Rural Health Care Providers	$0.3	$0.4	$285.0
Child Care and Child Credits	$20.9	$21.0	$290.0
Pollution Equipment	$2.7	$3.9	$350.0
Health Benefit Plans	$22.1	$22.4	$400.0
Individual Development Accounts	$0.0	$5.0	$190.0
Vehicle Registration Fees	$0.0	$33.7	$330.0
High Technology Scholarships	$0.0	$0.5	$330.0
Telecommunication Education	$0.0	$0.3	$350.0
Charitable Contributions	$0.0	$5.0	$350.0
Interest, Dividends, Capital Gains — HB 00-1171	$0.0	$7.6	$350.0
Commercial Trucks	$0.0	$6.1	$350.0
Capital Gains — HB 00-1209	$0.0	$27.3	$430.0
Sales Tax Refund [1]	$600.7	$537.9	None

1. The sales tax refund includes the additional five percent to ensure that all excess revenues are refunded.

Staff revenue estimate, each of the new refund mechanisms will be used. The following sections describe the new refund mechanisms and review the existing refund mechanisms.

New Refund Mechanisms Effective for the FY 1999-00 Excess. Of the 13 new refund mechanisms, five will be used to refund the excess revenues for FY 1999-00 and later. The following paragraphs describe these refund methods.

House Bill 00-1049 expands the earned income tax credit enacted in 1999 from 8.5 percent to 10 percent of the federal earned income tax credit. The federal credit may be claimed by certain taxpayers with modified federal adjusted gross incomes up to approximately $31,300 in 2000.

House Bill 00-1063 offers an income tax credit to health care professionals (a physician, physician assistant, or nurse who is licensed or certified) who have resided and practiced in a rural health care professional shortage area for a period of not less than 180 days of the income tax year and have committed to residing and practicing in the area for three to five

years. The credit is equal to one-third of the amount of the student loan or one-third of the balance due and owing on the student loan, up to the amount of the taxpayer's actual income tax liability. Unused portions of the credit may be carried forward up to ten years.

Colorado taxpayers already receive a child care tax credit and a child tax credit, though these credits are not TABOR refund mechanisms. **House Bill 00-1351** broadens these tax credits as a TABOR refund mechanism. The existing child care tax credit is increased from 50 percent to 70 percent and the qualifying population is expanded to include taxpayers with federal adjusted gross incomes greater than $60,000 and less than $64,001. The existing child tax credit for children under age 6 is increased from $200 to $300 and the income limitations are also expanded for the child care tax credit. The age limit is expanded to 12 for children who are cared for in their own family-operated child care home. The credits will be effective for income tax years beginning on or after January 1, 2000.

House Bill 00-1257 creates a sales and use exemption for purchases of equipment installed or used to detect, eliminate, reduce, or prevent air, water, or other environmental pollution. The exemption is effective for purchases on or after October 1, 2000.

House Bill 00-1104 allows Colorado residents to claim an income tax credit for amounts paid for health benefit plans. The tax credit is restricted to individuals, spouses, and dependents who obtain private medical/health insurance and who were *not* covered by an individual health benefit plan or an employee or group health benefit plan during any portion of the income tax year immediately preceding the income tax year for which the credit is being claimed. The credit is limited to residents whose federal adjusted gross income does not exceed $25,000 for individuals without dependents, $30,000 for two individuals without dependents filing a joint return or two married individuals without dependents filing separate returns, and $35,000 for resident individuals with dependents. The maximum credit is limited to $500, is not refundable to the taxpayer, and cannot be carried forward.

New Refund Mechanisms Effective for the FY 2000-01 Excess. Of the 13 new refund mechanisms, eight will be used to refund the excess revenues for FY 2000-01 and later. The following paragraphs describe these refund mechanisms.

House Bill 00-1361 establishes the Individual Development Account (IDA) program, creating a new type of deposit account in financial institutions. The program allows persons earning 200 percent of the federal poverty level or less to save money for post-secondary education, or, for persons earning 80 percent or less of the area median income, to save for the purchase of a home. Moneys deposited in an IDA may be matched with philanthropic donations. The funds can be used for post-secondary education, including occupational training, a first-time purchase of a home, or business capitalization.

The bill allows an income tax credit for donors who provide matching funds to the IDA. The maximum credit is 25 percent of the amount donated, but the total amount of the tax credits cannot exceed $5 million annually and no donor can receive a credit in excess of $100,000 annually.

House Bill 00-1227 lowers annual registration fees for motor vehicles beginning July 1, 2001. The basic fee for registering a passenger vehicle is reduced to $2.50; the fee for registering other vehicles is reduced by 25 percent.

House Bill 00-1355 provides for an income tax credit equal to 25 percent of donations made to the Colorado High Technology Scholarship Program for income tax years commencing on or after January 1, 2001. The credit may not exceed 15 percent of the amount of income taxes due. The program provides scholarships to in-state students earning high-technology related certificates or degrees.

House Bill 00-1052 provides for an income tax credit equal to 15 percent of a taxpayer's total monetary contribution made to the Colorado Institute for Telecommunication Education for the purpose of funding grants or scholarships for students enrolled at the institute. The credit cannot exceed the smaller of $10,000 or the taxpayer's actual tax liability for the income tax year, and cannot be carried forward or refunded to the taxpayer. Individual and corporate taxpayers are eligible for the tax credit for income tax years beginning on or after January 1, 2001.

House Bill 00-1053 allows individuals who claim the basic standard deduction on their federal income tax return to subtract charitable contributions in excess of $500 from federal taxable income on their state income tax returns beginning with income tax years starting on or after January 1, 2001.

House Bill 00-1259 reduces the state sales and use tax rate imposed on the sale of commercial vehicles with a gross vehicle weight rating in excess of 26,000 pounds to 0.01 percent. The reduction will be effective on July 1, 2001.

House Bill 00-1171 increases the existing interest, dividend, and capital gains deduction established in House Bill 99-1137 from $1,200 to $1,500. A married couple will be able to deduct up to $3,000. The deduction is effective for income tax years beginning on or after January 1, 2001. The additional deduction will be available only if the amount of excess revenues exceeds $350 million, while the existing deduction is available if excess revenues exceed $238.5 million.

House Bill 00-1209 modifies a refund provision passed in House Bill 99-1237 and establishes a new refund mechanism for other capital gains. House Bill 99-1237 established a deduction for certain Colorado assets that were held for a period of at least five years and purchased prior to May 9, 1994. While the original provisions said that the transaction had to occur on or after January 1, 2000, House Bill 00-1209 amended it so that transactions which occurred in 1999 qualify for the deduction. Taxpayers who had qualifying gains in 1999 can obtain the deduction by filing an amended income tax return with the Colorado Department of Revenue.

The new refund mechanism of House Bill 00-1209 applies to the capital gain arising from the sale of certain Colorado assets on or after January 1, 2001, that were held by the taxpayer from one to five years. Both individuals and corporations are eligible for this deduction.

Review of Previous Refund Mechanisms. The General Assembly passed five refund mechanisms during the 1999 legislative session. Each of the five mechanisms will be used to refund the excess revenues from FY 1999-00. *First,* the Colorado *earned income tax credit* "piggybacks" off of the federal earned income tax credit. Under the 1999 legislation, eligible Colorado taxpayers receive 8.5 percent of the federal credit amount when they file their income tax returns. As previously mentioned, the credit was expanded to 10 percent of the federal credit by the 2000 legislation. *Second,* businesses are eligible for a *personal property tax refund* equal to 100

percent of personal property taxes paid up to $500, plus 13.37 percent of the taxes paid in excess of $500. *Third*, House Bill 99-1137 exempted the first $1,200 of combined *interest, dividend, and capital gains* income on the state income tax return for 2000 tax returns. Taxpayers filing a married joint tax return will be able to deduct $2,400 of such income. This exemption was expanded to $1,500 and $3,000 and will be effective on 2001 tax returns. *Fourth*, House Bill 99-1237 granted an income tax deduction to individuals and businesses for *capital gains* taken on Colorado assets purchased prior to May 9, 1994. Finally, most full-year residents will be eligible for a *sales tax refund* that is based on the amount of their federal adjusted gross income and the filing status of the taxpayer. The sales tax refund will return any remaining excess revenue after each of the old and new refund methods are funded. The amount of the sales tax refund is increased by five percent to ensure that all excess TABOR revenues are refunded.

General Fund Revenue

Table 4 shows the forecast for General Fund revenue. We increased the underlying forecast for General Fund revenue before applying the tax reductions passed by the General Assembly during the 2000 legislative session. Thus far in FY 1999-00, individual income tax revenues are ahead of the March 2000 forecast. Furthermore, the Department of Revenue completed the processing of income tax returns earlier than expected, causing the amount of income tax refunds in June to be less than was previously expected. We expect that General Fund revenues will total $6.203 billion in FY 1999-00, an increase of 7.1 percent.

A full year of reductions resulting from the income tax rate reduction, a half-year impact from the sales and use tax rate reduction, and other tax reductions will slow the General Fund revenue growth rate to 5.1 percent in FY 2000-01. FY 2001-02 will be the first full year impacted by the sales and use tax rate change, with General Fund revenues increasing by 6.3 percent. After FY 2001-02, General Fund revenues will increase by at least 7.1 percent through the remainder of the forecast period.

Strong gains in individual income tax revenues will wane.

The following sections discuss the forecast of the main components of General Fund revenues and the tax reductions enacted by the General Assembly.

Although tax reductions will reduce individual income taxes by $48.4 million, they will increase by 10 percent in FY 1999-00. Strong individual income tax revenue growth during periods of tax cuts is not unprecedented. Despite tax reductions of more than $312 million during the past two years, individual income taxes increased at a compound average annual rate of 11.7 percent during the past five years. Three reasons account for the increase. *First*, the stock market gains since 1994 fueled tremendous increases. The Standard & Poor's 500 index increased from an average of 460 in 1994 to an average of 1,326 in 1999, or a compound average annual increase of 23.6 percent. The level of estimated payments, which are based on unearned income such as capital gains, increased at an annual pace of 20.2 percent during the corresponding period, even though the last year of payments was affected by an income tax rate reduction. The importance of capital gains is underscored when examining the ratio of the federal income tax base to personal income nationally. Coinciding with the last five-year period, this ratio jumped from 44 percent to 52 percent accord-

Table 4
Colorado General Fund, Accrual Basis
Revenue Estimates by Tax Category
($ in millions)

Category	FY 1998-99	% Change Over Prior Year	6/2000 Estimate FY 1999-00	% Change Over Prior Year	6/2000 Estimate FY 2000-01	% Change Over Prior Year	6/2000 Estimate FY 2001-02	% Change Over Prior Year	6/2000 Estimate FY 2002-03	% Change Over Prior Year	6/2000 Estimate FY 2003-04	% Change Over Prior Year	6/2000 Estimate FY 2004-05	% Change Over Prior Year
Sales	$1,563.7 /A	9.7	$1,712.4 /A	9.5	$1,789.9 /A	4.5	$1,867.3 /A	4.3	$1,998.5 /A	7.0	$2,132.2 /A	6.7	$2,275.1 /A	6.7
Sales Tax Overrefund from TABOR			($13.6)		($28.6)		($28.8)		($25.4)		($27.2)		($37.7)	
Use	140.2 /A	16.6	140.8 /A	0.4	142.2 /A	1.0	144.9 /A	1.8	152.1 /A	5.0	159.4 /A	4.8	167.3 /A	5.0
Cigarette	60.0	0.2	58.0	-3.3	57.7	-0.5	57.5	-0.4	57.1	-0.6	56.8	-0.5	56.6	-0.5
Tobacco Products	8.6	6.5	9.3	7.8	9.8	5.3	10.4	6.6	11.1	6.1	11.6	5.4	12.3	5.3
Liquor	25.8	2.7	26.9	4.3	27.3	1.3	27.7	1.8	28.2	1.8	28.8	1.8	29.2	1.7
TOTAL EXCISE	$1,798.3	9.7	$1,933.8	7.5	$1,998.4	3.3	$2,079.1	4.0	$2,221.6	6.9	$2,361.7	6.3	$2,502.7	6.0
Net Individual Income	$3,326.8	9.0	$3,658.6	10.0	$3,926.2	7.3	$4,222.4	7.5	$4,581.5	8.5	$4,984.7	8.8	$5,370.4	7.7
Net Corporate Income	276.2	5.0	294.2	6.5	267.1	-9.2	292.5	9.5	308.1	5.3	325.9	5.8	354.7	8.9
TOTAL INCOME	$3,603.0	8.7	$3,953.1	9.7	$4,193.3	6.1	$4,514.9	7.7	$4,889.6	8.3	$5,310.6	8.6	$5,725.1	7.8
Estate	$67.1	-38.8	$61.5	-8.3	$65.1	5.9	$70.4	8.0	$73.2	4.0	$78.0	6.6	$74.6	-4.4
Insurance	117.9	3.6	122.5	3.9	128.2	4.6	130.6	1.9	135.0	3.4	140.7	4.2	145.6	3.5
Pari-Mutuel	6.2	-12.3	6.5	5.4	6.4	-2.4	6.2	-2.4	6.1	-2.4	5.9	-2.4	5.8	-2.4
Interest Income	47.5	-9.0	45.1	-5.1	40.6	-10.0	36.5	-10.0	40.9	12.0	46.2	13.0	50.9	10.0
Court Receipts	25.4	2.0	25.9	2.2	26.8	3.1	27.4	2.5	28.1	2.4	28.9	2.8	29.7	2.8
Gaming	27.3 /B	26.7	27.5 /B	0.6	32.0 /B	16.6	36.8 /B	15.0	41.7 /B	13.5	47.0 /B	12.5	53.0 /B	12.9
Medicaid (Intergovt. Transfer)	73.0	0.5	7.3	-90.0	7.6	4.1	7.6	0.0	7.6	0.0	7.6	0.0	7.6	0.0
Other Income	28.3	-37.6	20.2	-28.6	20.9	3.7	21.5	2.5	22.1	2.8	22.9	3.6	23.7	3.8
TOTAL OTHER	$392.7	-12.2	$316.6	-19.4	$327.6	3.5	$337.0	2.9	$354.7	5.3	$377.2	6.3	$390.9	3.6
GROSS GENERAL FUND	**$5,794.0**	**7.3**	**$6,203.2**	**7.1**	**$6,519.2**	**5.1**	**$6,931.0**	**6.3**	**$7,465.9**	**7.7**	**$8,049.5**	**7.8**	**$8,618.7**	**7.1**
REBATES & EXPENDITURES:														
Cigarette Rebate	$16.7	-0.4	$16.1	-3.3	$16.1	-0.5	$16.0	-0.4	$15.9	-0.6	$15.8	-0.5	$15.7	-0.5
Old-Age Pension Fund	57.4	2.7	58.9	2.6	62.3	5.7	65.9	5.9	70.0	6.2	74.7	6.7	79.8	6.8
Aged Property Tax & Heating Credit	11.8	25.5	21.8 /C	84.7	22.2	1.7	22.0	-0.7	21.9	-0.5	21.8	-0.4	21.7	-0.3
Fire/Police Pensions	28.5	0.7	28.7	0.7	28.8	0.3	29.2	1.4	29.8	2.1	30.4	2.0	31.0	2.0
TOTAL REBATES & EXPENDITURES	$114.4	3.7	$125.5	9.7	$129.3	3.0	$133.2	3.0	$137.6	3.4	$142.7	3.7	$148.2	3.9

Totals may not sum due to rounding.
NA: Not Applicable.

/A Sales and use taxes transferred to the Highway Users Trust Fund can be found in Table 5.

/B Limited gaming receipts are reported net of revenues that are credited to the Local Government Limited Gaming Impact Fund (LGLGIF). In addition, the receipts are net of transfers to the State Highway Fund and to the Municipal Limited Gaming Impact Fund (MLGIF). In FY 2000-01, the MLGIF will be merged into the LGLGIF.

/C H.B. 98-1112 increased both the amounts of the property tax and heat credits and the income levels at which the credits are phased out. The increased amounts will first be claimed in FY 1999-00, thus a significant increase occurs in FY 1999-00.

ing to Standard & Poor's DRI, an economic forecasting service. *Second*, wage growth during the same five-year period has been robust. From 1994 to 1999, total wages and salaries increased at a 9.2 percent pace, while they increased at a 7.1 percent rate during the previous five-year period. *Third*, inflation has been low, leading to smaller increases in the federal personal exemption and the standard deduction that are indexed to inflation. This increases the yield of income taxes.

We believe that the underlying factors causing the recent gains in income tax revenues will abate. First, the stock market will not be as strong. Indeed, the markets have weakened during the past three months. The NASDAQ exchange gave up all of its gains from the previous six months and is technically a bear market. We estimate that the Standard & Poor's 500 index will increase at a compound average annual rate of 8.3 percent from 1999 through 2004, closer to the historical norm. Second, wage and salary gains will be more modest during the next five years, averaging 8.0 percent. Still, this is above the 1989 to 1994 period. The low unemployment rate will keep wage and salary increases above the long-term average. Finally, inflation will be slightly higher than previously forecast, causing higher values for the federal personal exemption and standard deduction, and leading to smaller gains in individual income tax revenues. Thus, we believe that individual income taxes will increase at an average pace of 8.3 percent during the six-year forecast period.

Several permanent tax reductions will reduce individual income tax receipts. **House Bill 00-1103,** which reduced the income tax rate from 4.75 percent to 4.63 percent, will have the largest impact. In 1999, the income tax rate was reduced from 5 percent to 4.75 percent. The recent rate reduction will reduce individual income tax receipts by an estimated $48.1 million in FY 1999-00 and by $104.6 million in FY 2000-01. The rate reduction is retroactive to January 1, 2000, and thus has a one-half year impact for FY 1999-00. The Department of Revenue will not change wage withholding amounts until January 2001. Thus, taxpayers will benefit from the tax rate reduction via larger refunds or smaller cash payments next year.

House Bill 00-1348 allows a refund of the existing credit for taxpayers who donate real property for conservation purposes. The credit may be taken if the state is in a TABOR surplus situation**.** The value of the credit is currently equal to the fair market value of the donated property not to exceed $100,000. If a portion of the credit is taken as a refund, as allowed by this bill, the total amount of credit taken in one year may not exceed $20,000. The beneficiaries of the credit are property owners (both individuals and corporations) who make donations for conservation purposes. The revenue impact to the state will be $0.3 million in FY 1999-00 and $0.8 million in FY 2000-01.

House Bill 00-1274 allows an exclusion from taxable income for qualified state tuition program contributions effective for income tax years beginning on or after January 1, 2001. Individual income taxes will be reduced by $0.6 million in FY 2000-01 and by $1.2 million in FY 2001-02.

House Bill 00-1134 excludes individuals in the military stationed outside of the United States from the definition of "resident individual" for the purposes of paying Colorado income taxes. These individuals must be absent from the state for more than 305 days in the year and elect not to file a Colorado income tax return. The bill will reduce state income tax receipts by $0.5 million in FY 2000-01 and by $1.0 million in FY 2001-02.

Corporate income taxes will decline in FY 2000-01 due to smaller corporate profits. Corporate income taxes have been increasing at a robust rate in recent years, coinciding with larger corporate profits. However, corporate profits are under pressure. Declining consumer confidence means that consumers will not be increasing spending as much as in recent years. High oil prices are cutting into the corporate bottom line. Additionally, wage pressures from America's workers are increasing and the ability of businesses to curb benefit cost increases is waning. Thus, we estimate that corporate income taxes will decline in FY 2000-01.

Several new tax laws will reduce corporate income taxes. The income tax rate reduction contained within **House Bill 00-1103** will reduce corporate income tax revenues by $2.3 million in FY 1999-00 and $8.4 million in FY 2000-01.

House Bill 00-1067 extends and expands the current tax credits and rebates available for the promotion of alternative fuel vehicles. The impact of this bill is small at $33,750 per year beginning in FY 2000-01. **House Bill 00-1302** allows a credit for low-income housing developments, reducing state revenue collections by $1.3 million in FY 2000-01 and $6.3 million in FY 2001-02.

House Bill 00-1306 gives an income tax credit for the cleanup of brownfield developments, contaminated areas requiring environmental cleanup. The project must take place within a community of at least 10,000 residents and must be certified by the Colorado Department of Health and Environment. A credit will be issued for 50 percent of the first $100,000 of environmental remediation, 30 percent of the second $100,000, and 20 percent of the third $100,000 spent on the project. The bill will result in a revenue decrease of $0.6 million in FY 1999-00 and $2.3 million in FY 2000-01.

Finally, **House Bill 00-1351** increases the credit for monetary contributions to promote child care from 25 percent to 50 percent of the contribution. Corporate income tax revenues will be reduced by $0.3 million in FY 1999-00 and $1.2 million in FY 2000-01.

Sales and use tax growth will also slow down. Sales taxes increased 9.7 percent in FY 1998-99 and at a compound average annual growth rate of 8.6 percent during the five years ending in FY 1998-99. Consumer and business spending remained strong for most of FY 1999-00, though it slowed in recent months. Still, sales taxes will increase by 9.5 percent in FY 1999-00. We believe that the recent spending slowdown is attributable to caution resulting from higher interest rates and oil prices, as well as declines in the major stock market indexes. The higher interest rates have slowed new home construction, as well as the spending on goods that stock the new homes. Other interest rate sensitive sectors such as automobile purchases have also slowed. Higher oil prices are taking money that would otherwise be spent on products covered by the sales tax. Some consumers and businesses are cutting back their spending because of uncertainty in the direction of the stock market. Consumption has been increasing faster than income gains, partly because of the wealth created by the stock market in recent years. Capital gains are not part of personal income.

Two bills passed during the legislative session will also reduce the rate of growth in sales and use taxes. **House Bill 00-1259** will reduce the state sales and use tax rate from 3.0 percent to 2.9 percent on January 1, 2001. This will cause revenues to decline $32.7 million in FY 2000-01 and $69.6 million in FY 2001-02. **House Bill 00-1162** eliminated taxes on vehicles used in agricultural production, reducing revenues by $2.6 million in FY 2000-01 and $2.7 million in FY 2001-02.

Table 4 shows an offset to sales tax revenues for anticipated amounts above the amounts of excess TABOR revenues that must be refunded. The sales tax refund is increased by five percent to ensure that the excess revenues are fully refunded. During FY 1999-00, an additional $6.5 million was refunded for the FY 1997-98 excess and an additional $7.1 million was refunded for the FY 1998-99 excess. The additional amount refunded will reduce the future amounts of excess TABOR revenues.

The transfer of a portion of sales and use tax revenues to the Highway Users Trust Fund (HUTF) would have been affected by the sales tax reductions. The state has been transferring ten percent of sales and use tax proceeds for the past three years. In order to hold this transfer harmless relative to the tax reductions, the amount transferred will be increased from ten percent to 10.355 percent when the sales tax changes are fully effective.

Senate Bill 00-185 will increase the amounts given under the old age property tax grant program. The bill excludes Medicaid payment amounts from income used to determine eligibility and the amount of grant. The bill will increase the grants by $0.3 million in FY 1999-00 and $0.6 million thereafter.

Rebates and expenditures will increase slightly.

General Fund Overview

The General Fund Overview is presented in Table 5. We assumed that the refund of excess TABOR revenues will be made from the General Fund and the current-law appropriations for capital construction transfers. We expect that the year-end reserve for FY 1999-00 will be $709.3 million, while the funds in excess of the required four percent reserve will total $508.9 million. The tax reductions discussed in the General Fund Revenue section, combined with significant increases in capital construction and a transfer of $50 million for highways, will reduce the excess General Fund reserve to $269.4 million in FY 2000-01. The low point for the excess General Fund reserve occurs in FY 2001-02 when this figure reaches $238.5 million. General Fund revenues will exceed spending during the following two years and the excess General Fund reserve will increase to $392.2 million in FY 2003-04. Spending will exceed revenues slightly in FY 2004-05, thus dropping the excess reserve to $381.0 million.

The General Assembly passed **Senate Bill 00-181,** which appropriates funds for capital construction in the state's public schools. The excess General Fund reserve must be at least $80 million plus the anticipated amount of appropriation for this capital construction. The anticipated appropriations are $5 million in FY 2000-01, $10 million in FY 2001-02, $15 million in FY 2002-03, and $20 million annually from FY 2003-04 through FY 2010-11. Based on our estimates of revenues and expenditures, the appropriation for school construction needs will occur through at least FY 2004-05.

It should be noted that the capital construction spending in Table 5 does not include anticipated continuing needs based on unfinished construction projects. When these figures are included, the excess General Fund reserve reaches a low point of $107.4 million in FY 2001-02. The appropriations for public school capital needs would still occur.

Also, the Governor issued an emergency order for the wildfires in Colorado's mountains. We did not include it in the General Fund overview because the amount of spending is unknown at this time.

Table 5
General Fund Overview
($ in millions)

	FY 1998-99	6/2000 Estimate FY 1999-00	6/2000 Estimate FY 2000-01	6/2000 Estimate FY 2001-02	6/2000 Estimate FY 2002-03	6/2000 Estimate FY 2003-04	6/2000 Estimate FY 2004-05
BEGINNING RESERVE	$ 901.0	$ 679.4	$ 709.3	$ 482.1	$ 464.6	$ 564.6	$ 646.2
GROSS GENERAL FUND	5,794.0	6,203.2	6,519.2	6,931.0	7,465.9	8,049.5	8,618.7
SENATE BILL 97-1 DIVERSION TO THE HUTF /A	(170.4) /A	(185.3) /A	(195.3) /A	(208.4) /A	(222.7) /A	(237.3) /A	(252.9) /A
TOTAL FUNDS AVAILABLE	$ 6,524.6	$ 6,697.3	$ 7,033.5	$ 7,204.8	$ 7,707.8	$ 8,376.8	$ 9,012.0
EXPENDITURES:							
General Fund Appropriations	$ 4,703.0 /B	$ 5,009.3 /C	$ 5,317.5 /D	$ 5,641.5	$ 5,985.0	$ 6,349.1	$ 6,730.1
Medicaid Overexpenditure	19.2	NA	NA	NA	NA	NA	NA
Rebates and Expenditures	114.4	125.5	129.3	133.2	137.6	142.7	148.2
Capital and Prison Construction (To Fund Priorities)	368.3	173.5	222.3	103.7	109.2	100.0	100.2
Transfer for Highway Construction	100.0	0.0	50.0	0.0	0.0	0.0	0.0
K-12 Settlement Funding	NA	NA	5.0	10.0	15.0	20.0	20.0
TABOR Refund	563.2	679.6	832.0	861.8	911.4	1,138.7	1,383.3
Accounting Adjustments	(22.9)	NA	NA	NA	NA	NA	NA
TOTAL OBLIGATIONS	$ 5,845.2	$ 5,988.0	$ 6,551.1	$ 6,740.2	$ 7,143.2	$ 7,730.5	$ 8,361.8
YEAR-END GENERAL FUND RESERVE:	**$ 679.4**	**$ 709.3**	**$ 482.1**	**$ 464.6**	**$ 564.6**	**$ 646.2**	**$ 650.2**
STATUTORY RESERVE: 4.0% OF APPROPRIATIONS	**188.1**	**200.4**	**212.7**	**225.7**	**239.4**	**254.0**	**269.2**
MONIES IN EXCESS OF STATUTORY RESERVE	**$ 491.3**	**$ 508.9**	**$ 269.4**	**$ 238.9**	**$ 325.2**	**$ 392.3**	**$ 381.0**
RESERVE AS A % OF APPROPRIATIONS	**14.4%**	**14.2%**	**9.1%**	**8.2%**	**9.4%**	**10.2%**	**9.7%**
TABOR RESERVE REQUIREMENT:							
General & Cash Fund Emergency Reserve Requirement	$ 217.3	$ 226.9	$ 238.5	$ 251.6	$ 264.5	$ 278.2	$ 293.2
Reserved Amount (CMTF Principal)	248.1 /E	248.1 /E	248.1 /E	248.1 /E	248.1 /E	248.1 /E	248.1 /E
Money in Excess of Emergency Reserve	30.7	21.1	9.5	(3.6)	(16.4)	(30.2)	(45.2)
Appropriations Growth	$ 287.8 /B	$ 287.1 /C	$ 308.2	$ 324.0	$ 343.5	$ 364.1	$ 380.9
Appropriations Growth Rate	6.49% /B	6.08% /C	6.15%	6.09%	6.09%	6.08%	6.00%

NA: Not Applicable.
Totals may not sum due to rounding.

/A Ten percent of gross sales and use taxes are diverted to the Highway Users Tax Fund (HUTF) through FY 1999 -00. An effective transfer of 10.107 percent will exist in FY 2000-01, while 10.355 percent will be transferred thereafter.

/B Includes $2.5 million in appropriations that are exempt from the statutory appropriations limit as a result of final court or ders or federal mandates. In addition, the $19.2 million for Medicaid overexpenditures is exempt from the statutory limit , but are included in the base for calculation of the FY 1999-00 limit.

/C Includes $3.8 million in appropriations that are exempt from the statutory appropriations limit as a result of final court or ders or federal mandates.

/D Includes $2.6 million in appropriations that are exempt from the statutory appropriations limit as a result of final court or ders or federal mandates.

/E The principal of the CMTF may be used as full or partial satisfaction of the constitutional emergency reserve requirement. T hus, the principal of the CMTF is reported as the reserved amount.

Cash Fund Revenue Forecasts

- **Cash fund revenue** subject to the TABOR limit will increase 2.9 percent in FY 1999-00 and 4.6 percent in FY 2000-01. During the forecast period, it will grow at a compound average rate of 4.2 percent.

- **The transportation-related** cash funds, which include the Highway Users Tax Fund and the State Highway Fund, will increase 3.5 percent in FY 1999-00 and 4.4 percent in FY 2000-01. This growth, while still strong, is less than had been expected in March due to slowing fuel tax collections and automobile registrations.

- **Higher education** tuition and nontuition revenue have been growing at a strong pace, and are expected to continue doing so. We expect total higher education revenue to grow 7.1 percent in FY 1999-00, while full-time-equivalent enrollment will grow 2.1 percent.

- We expect **unemployment insurance** revenue to increase 3.9 percent in FY 1999-00, primarily due to strong growth in taxable wages and strong interest earnings. The UI Trust Fund Balance will grow to $1.0 billion by FY 2004-05 and will remain solvent throughout the forecast period.

- **Limited Gaming Cash Fund** revenue will decline 1.0 percent in FY 1999-00, a result of a tax rate cut offset by healthy growth in casino proceeds. Strong growth in tourism and personal income, combined with a trend toward larger casinos, will cause gaming tax revenue to increase at a compound average annual rate of 10.1 percent over the forecast period.

- **Wildlife Cash Fund** revenue will fall 13.4 percent in FY 1999-00, a result of a substantially reduced offering of buck deer licenses and a policy change in deer license sales. Wildlife revenue will remain relatively flat in FY 2000-01, and then begin growing at a healthy pace for the remainder of the forecast period as a result of **House Bill 00-1448**, which increased fees for nonresident hunting licenses.

Table 6
Cash Fund Revenue Estimates by Category, June 2000
(Millions of Dollars)

	Actual FY 98-99I	Estimate FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	FY 98-99 to FY 04-05 CAAGR *
Transportation-Related /1	**$719.5**	**$744.9**	**$777.4**	**$805.2**	**$838.0**	**$868.3**	**$901.0**	**3.8%**
% Change	4.4%	3.5%	4.4%	3.6%	4.1%	3.6%	3.8%	
Higher Education	**$636.6**	**$681.6**	**$720.7**	**$757.9**	**$795.4**	**$834.6**	**$876.7**	**5.5%**
% Change	4.9%	7.1%	5.7%	5.2%	4.9%	4.9%	5.0%	
Unemployment Insurance /2	**$221.3**	**$230.0**	**$233.4**	**$229.3**	**$249.4**	**$275.9**	**$286.9**	**4.4%**
% Change	-2.6%	3.9%	1.5%	-1.8%	8.8%	10.6%	4.0%	
Limited Gaming Fund	**$79.1**	**$78.2**	**$89.3**	**$101.0**	**$113.1**	**$125.9**	**$140.6**	**10.1%**
% Change	18.6%	-1.0%	14.1%	13.1%	12.0%	11.3%	11.6%	
Wildlife Cash Fund	**$66.2**	**$57.3**	**$57.4**	**$61.4**	**$63.3**	**$65.3**	**$67.5**	**0.3%**
% Change	4.4%	-13.4%	0.1%	6.9%	3.1%	3.2%	3.3%	
Capital Construction - Interest & Lottery**	**$55.5**	**$36.9**	**$36.5**	**$30.3**	**$26.1**	**$23.1**	**$21.0**	**-15.0%**
% Change	-10.5%	-33.6%	-1.1%	-16.8%	-14.1%	-11.5%	-9.0%	
Regulatory Agencies	**$46.3**	**$46.9**	**$48.2**	**$49.4**	**$50.6**	**$51.7**	**$53.0**	**2.3%**
% Change	6.4%	1.3%	2.8%	2.5%	2.4%	2.4%	2.5%	
Insurance-Related	**$48.6**	**$50.7**	**$52.6**	**$54.8**	**$57.3**	**$59.7**	**$62.1**	**4.2%**
% Change	5.5%	4.3%	3.7%	4.2%	4.6%	4.2%	4.0%	
Severance Tax /3	**$33.5**	**$33.5**	**$39.4**	**$35.2**	**$41.5**	**$38.3**	**$44.3**	**4.7%**
% Change	7.9%	-0.1%	17.6%	-10.6%	17.8%	-7.6%	15.4%	
Petroleum Storage Tank Fund	**$16.6**	**$16.3**	**$18.9**	**$17.4**	**$18.0**	**$18.6**	**$9.6**	**-8.8%**
% Change	-16.2%	-2.0%	15.8%	-7.6%	3.4%	3.3%	-48.5%	
Employment Support Fund	**$13.2**	**$20.4**	**$19.9**	**$20.8**	**$21.8**	**$22.8**	**$23.8**	**10.3%**
% Change	189.2%	54.3%	-2.6%	4.3%	4.9%	4.7%	4.4%	
Controlled Maintenance Trust Fund - Interest**	**$17.9**	**$16.9**	**$17.4**	**$17.1**	**$16.3**	**$16.1**	**$15.6**	**-2.3%**
% Change	-1.1%	-6.0%	3.4%	-2.0%	-4.8%	-1.2%	-3.1%	
Other Cash Funds	**$222.0**	**$225.7**	**$232.3**	**$243.5**	**$257.6**	**$272.8**	**$288.7**	**4.5%**
% Change	6.4%	1.6%	2.9%	4.8%	5.8%	5.9%	5.9%	
Total Cash Fund Revenues Subject to the TABOR Limit	**$2,176.4**	**$2,239.3**	**$2,343.4**	**$2,423.3**	**$2,548.4**	**$2,673.1**	**$2,790.8**	**4.2%**
	4.3%	**2.9%**	**4.6%**	**3.4%**	**5.2%**	**4.9%**	**4.4%**	

Totals may not sum due to rounding.

* CAAGR: Compound Annual Average Growth Rate.

** 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 1998-99 $468.3 million General Fund transfer to the Capital Construction Fund has already been counted in General Fund revenues for the purposes of the TABOR limit, therefore is not included in this table as TABOR revenues. The Capital Construction Fund received funds from the lottery only in FY 1998-99.

/1 This includes the Highway Users Tax Fund, the State Highway Fund, and other transportation-related funds.

/2 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.

/3 This figure includes both the state and local shares of severance tax revenue before distribution.

This section presents the forecast for cash fund revenue subject to the TABOR spending limit and descriptions for several of the large cash funds. Table 6 presents a summary of all cash fund revenue subject to the TABOR spending limit.

After growing 4.3 percent in FY 1998-99, cash fund revenue subject to the TABOR spending limit will increase 2.9 percent in FY 1999-00. The current estimate of cash fund revenue for FY 1999-00 is $10.9 million lower than was projected in March. The reduction in the current year forecast is primarily a result of lower than expected growth in transportation-related revenue and a large decline in "other cash fund" revenue as a result of Senate Bill 98-194, which required many cash funds to lower their fees in order to reduce their reserves.

Cash funds subject to the TABOR spending limit will increase at a compound average annual rate of 4.2 percent between FY 1998-99 and FY 2004-05. While the forecast for FY 1999-00 declined relative to the March forecast, we increased the forecast by $92.6 million between FY 2000-01 and FY 2004-05. The upward revision is due both to stronger trends in higher education revenue and the effect of several new laws passed during the 2000 legislative session. Over the five-year period between FY 2000-01 and FY 2004-05, **House Bill 00-1055** and **House Bill 00-1452** provided an additional $418.4 million of funding to the capital construction fund that will increase interest earnings in the fund, **House Bill 00-1448** will increase Wildlife Cash Fund hunting license fee revenue by an estimated $23.3 million, and **House Bill 00-1486** will increase Petroleum Storage Tank Fund revenue by an estimated $27.0 million.

It is important to note that while the state is in the position of having excess TABOR revenue, the smaller cash fund revenue forecast for FY 1999-00 will allow the General Fund to retain more revenue next year than had been expected in March. This happens because the TABOR refund is recorded as a General Fund liability. Since lower-than-expected cash fund revenue decreases the TABOR refund in the following year, less is needed from the General Fund for the TABOR refund. However, the larger forecast for cash fund revenue during the remainder of the forecast period will raise the amount that must be refunded, and therefore will have the opposite effect on the General Fund

Transportation-Related Cash Funds

Transportation-related cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller funds, increased at a healthy 4.4 percent in FY 1998-99. We expect transportation-related revenue to increase 3.5 percent in FY 1999-00, 4.4 percent in FY 2000-01, and by a compound average annual rate of 3.8 percent through FY 2004-05 (Table 7).

The Highway Users Tax Fund. After increasing 5.1 percent in FY 1998-99, we expect total Highway Users Tax Fund revenue to grow at a somewhat slower rate of 2.9 percent in FY 1999-00, and recover to a stronger 4.2 percent growth rate in FY 2000-01. The slower growth in FY 1999-00 is due to falling, though still healthy, automobile registration revenue and a slowdown in motor fuel tax revenue. Automobile registration revenues, much of which are paid on larger and newer vehicles, will grow 3.3 percent in FY 1999-00 after a very strong rate of 7.4 percent in FY 1998-99. The slowdown in registration revenues during FY 1999-00 is due primarily to slightly slower growth in the sale of luxury automobiles, partially as a result of an increasingly uncertain stock market. After growing at a strong rate of

Table 7
Transportation Funds Revenue Forecast by Source, June 2000
(Accrual Basis, Thousands of Dollars)

	Actual FY 98-99	Estimate FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	FY 2003-04 CAAGR *
Highway Users Tax Fund								
Registrations	$140,340	$144,971	$152,220	$159,374	$167,184	$175,543	$185,022	4.7%
% change	7.4%	3.3%	5.0%	4.7%	4.9%	5.0%	5.4%	
Motor Fuel and Special Fuel Taxes /A	$495,578	$507,844	$528,996	$546,574	$565,195	$584,026	$602,087	3.3%
% change	5.2%	2.5%	4.2%	3.3%	3.4%	3.3%	3.1%	
Other Receipts /B	$40,647	$43,491	$44,199	$46,304	$49,945	$50,239	$52,601	4.4%
% change	-3.7%	7.0%	1.6%	4.8%	7.9%	0.6%	4.7%	
Total Highway Users Tax Fund	**$676,565**	**$696,307**	**$725,415**	**$752,252**	**$782,324**	**$809,808**	**$839,710**	3.7%
	5.1%	2.9%	4.2%	3.7%	4.0%	3.5%	3.7%	
State Highway Fund - Interest /C	$23,530	$28,250	$30,985	$31,166	$32,997	$34,831	$36,774	7.7%
% change	-7.9%	20.1%	9.7%	0.6%	5.9%	5.6%	5.6%	
Other Transportation Funds /D	$19,366	$20,295	$21,026	$21,825	$22,698	$23,628	$24,503	4.0%
% change	-0.7%	4.8%	3.6%	3.8%	4.0%	4.1%	3.7%	
TOTAL: All Transportation Funds	**$719,461**	**$744,852**	**$777,425**	**$805,242**	**$838,019**	**$868,267**	**$900,986**	3.8%
% change	**4.4%**	**3.5%**	**4.4%**	**3.6%**	**4.1%**	**3.6%**	**3.8%**	
Senate Bill 97-1 Revenue	**$170,388**	**$185,32**	**$195,279**	**$208,363**	**$222,690**	**$237,294**	**$252,907**	**6.8%**
% change	**10.2%**	**8.8%5**	**5.4%**	**6.7%**	**6.9%**	**6.6%**	**6.6%**	

Totals may not sum due to rounding and do not include Senate Bill 97-1 revenues, which are 10.355 percent of sales and use tax revenues. The Senate Bill 97-1 revenues are displayed in the General Fund and are then transferred to the HUTF.

* CAAGR: Compound Annual Average Growth Rate.

/A Net of refunds.

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

/C Includes interest, local transfers, and fees. Does not include the state's portion of the HUTF, which is reported within total HUTF revenues

/D Revenues received by these funds include fees for distributive data processing, emissions, motorcycle safety, and emergency medical services.

5.2 percent in FY 1998-99, motor fuel tax revenue will grow at a slower pace of 2.5 percent in FY 1999-00, due primarily to high gasoline prices at the pump.

In FY 2000-01, we expect automobile registration and motor fuel revenues to grow at stronger rates of 5.0 percent and 4.2 percent, respectively. Between FY 1998-99 and FY 2004-05, automobile registration and motor fuel revenues will grow at compound average annual rates of 4.7 percent and 3.3 percent, respectively. This recovery will occur as a result of gasoline prices returning to more normal levels, and if not a less uncertain stock market, a higher comfort level surrounding it.

The State Highway Fund. Once the taxes and fees generated for the Highway Users Tax Fund (HUTF) are collected, they are disbursed to the state, counties, and cities in a manner stipulated by Colorado law. The state's share of money (approximately 55 percent) is credited to the State Highway Fund. The balance in the State Highway Fund earns interest that is subject to the TABOR spending limit. We expect the interest earned in this fund to increase at a compound average annual rate of 7.7 percent between FY 1998-99 and FY 2004-05.

Additonal Monies for Transportation. **House Bill 98-1202** transferred $100 million from the General Fund to the Capital Construction Fund for highway construction during FY 1998-99. During the 2000 legislative session, the General Assembly specified that another $50 million be transferred to the State Highway Fund from the General Fund on July 1, 2000. In addition, during the 1999 regular session, the General Assembly passed House Bill 99-1206, which permanently extended the diversion of the state sales and use tax revenue to the HUTF. Previously, the transfers would have ended in FY 2007-08. The estimated Senate Bill 97-1 sales and use tax transfers are displayed at the bottom of Table 7.

Higher Education

In this section, we present projections for cash fund revenue growth and full-time-equivalent (FTE) enrollment in the state's higher education system. Table 8 displays the revenue projections, while Table 9 displays the FTE enrollment forecasts by residency status.

Higher Education Cash Fund Revenue Projections. Due to continued gains in enrollment and modest tuition increases (both statutory and projected), we forecast that higher education cash fund revenue will increase 7.1 percent in FY 1999-00 and 5.7 percent in FY 2000-01 (Table 8). Between FY 1998-99 and FY 2004-05, we expect total higher education cash fund revenues to grow at a compound average annual rate of 5.5 percent.

Tuition revenue is projected to increase 6.4 percent in FY 1999-00 and at a compound average annual rate of 4.9 percent between FY 1998-99 and FY 2004-05. Nontuition revenue is expected to maintain healthy growth throughout the forecast period, growing 9.4 percent in FY 1999-00 and at a compound average annual rate of 7.4 percent through FY 2004-05.

The current forecast for higher education revenue is above the March forecast by $12.5 million in FY 1999-00 and by $151.2 million over the six-year forecast period. Both tuition and nontuition revenue have shown much stronger growth than our models predicted based upon FTE enrollment growth. We believe that the current economic climate has driven up the average cost per credit in tuition, fees, and other education-related costs by increasing the number of part-time students relative to full-time

Table 8
Higher Education Revenue Forecast by Source, June 2000
(Accrual Basis, Thousands of Dollars)

	Actual FY 98-99	Estimate FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	FY 1998-99 to FY 2004-05 CAAGR *
Tuition	$499,637	$531,723	$559,854	$585,552	$611,140	$637,664	$666,103	4.9%
% change	3.7%	6.4%	5.3%	4.6%	4.4%	4.3%	4.5%	
Non-Tuition	$136,977	$149,886	$160,814	$172,329	$184,255	$196,930	$210,633	7.4%
% change	9.6%	9.4%	7.3%	7.2%	6.9%	6.9%	7.0%	
TOTAL Higher Education Cash	**$636,614**	**$681,609**	**$720,668**	**$757,881**	**$795,395**	**$834,593**	**$876,736**	5.5%
% change	**4.9%**	**7.1%**	**5.7%**	**5.2%**	**4.9%**	**4.9%**	**5.0%**	

Table 9
Higher Education Enrollment Forecast, June 2000
Total Public Higher Education FTE Enrollment

	Actual FY 98-99	Estimate FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	FY 1998-99 to FY 2004-05 CAAGR *
Residents	114,269	116,880	119,855	122,330	124,578	126,702	128,724	2.0%
% change	2.0%	2.3%	2.5%	2.1%	1.8%	1.7%	1.6%	
Non-Residents	21,162	21,420	21,597	21,772	21,908	22,009	22,100	0.7%
% change	1.1%	1.2%	0.8%	0.8%	0.6%	0.5%	0.4%	
TOTAL Full-Time-Equiv Students	**135,431**	**138,300**	**141,452**	**144,102**	**146,486**	**148,711**	**150,824**	1.8%
% change	**1.8%**	**2.1%**	**2.3%**	**1.9%**	**1.7%**	**1.5%**	**1.4%**	

Totals may not sum due to rounding.

* CAAGR: Compound Annual Average Growth Rate.

Note: For FY 1999-00, the General Assembly approved maximum tuition increases of 2.4 percent for both residents and nonres idents. For FY 2000-01, resident tuition will increase by 2.9 percent and nonresident tuition will increase by 4.0 percent. For subsequent years, we assume maximum tuition rate increases for residents and nonresidents to be equal to the Denver-Boulder-Greeley inflation rate.

The full-time-equivalent enrollment actual data and forcasts for FY 1999-00 and beyond reflect the addition of Colorado Northwestern into the state's public higher education system. The addition of this school increases F TE by 730 students in FY 1999-00.

students. Many people are retraining as a result of the current labor shortages in advanced technology and other high-paying sectors of the economy. We believe that due to a full-employment labor market, the majority of these students are returning to school on a part-time basis while they continue to work. Because students who attend school on a part-time basis generally pay more per credit hour in tuition and fees than full-time students, the average cost per credit is driven higher. We also expect enrollment among Colorado residents to grow, primarily in two-year colleges, and at a slower pace than tuition. These trends will continue throughout the forecast period at a moderating pace. In addition, we believe that inflation among education-related products is higher than inflation in general. Therefore, we expect nontuition revenues to continue growing at a stronger pace throughout the forecast period than had been predicted in March.

The forecast for FY 2000-01 also increased slightly as a result of the approval by the Joint Budget Committee of slightly higher increases in tuition for FY 2000-01 than had been expected at the time of the March forecast. A 2.9 percent increase in resident tuition and a 4.0 percent increase in nonresident tuition was approved, as well as an additional $1.4 million tuition differential for the University of Colorado. Future per-pupil tuition is assumed to grow at the projected Denver-Boulder-Greeley inflation rate, while future nontuition revenue growth is driven by our forecast for inflation and enrollment growth.

Higher Education Enrollment Projections. After increasing 1.8 percent in FY 1998-99, preliminary data indicate that FTE enrollment will increase 2.1 percent in FY 1999-00. This reflects the addition of Colorado Northwestern Community College into the state system during FY 1999-00. Table 9 displays the FTE student enrollment projections by residency status. *Resident* enrollment will increase at a compound average annual rate of 2.0 percent between FY 1998-99 and FY 2004-05, while *nonresident* enrollment will grow at a slower rate of 0.7 percent over the same period. Total FTE student enrollment at Colorado's public higher education institutions will increase at a compound average annual rate of 1.8 percent between FY 1998-99 and FY 2004-05.

Unemployment Insurance Trust Fund

Forecasts for Unemployment Insurance (UI) tax revenue, benefit payments, and the UI Trust Fund balance are presented in this section (Table 10). Growth in UI taxes depends upon employment growth, the rate at which covered employees switch employers, wage growth, and the amount of benefits paid to UI claimants. The amount of benefits paid to UI claimants depends upon the state unemployment rate and the wage level. When the amount of benefits paid falls, the average UI tax rate paid by all employers falls, and UI tax revenues fall, all else equal. For the last three years, a very low unemployment rate has produced declines in benefit payments despite rising wages. Combined with strong employment and wage growth, this culminated in low UI tax revenue growth during FY 1996-97 and FY 1997-98 and a decline in FY 1998-99. However, the level of UI taxes remained much higher than the level of benefits paid, resulting in robust growth in the UI Fund balance and increased interest earnings.

In FY 1998-99, total UI revenue declined 2.6 percent. This decline was due to falling UI tax revenues and a loss of surcharge tax revenues to the Employment Support Fund, a result of Senate Bill 99-228. We expect total UI revenue to increase 3.9 percent in FY 1999-00 and 1.5 percent in FY 2000-01.

Table 10
Unemployment Insurance Trust Fund Forecast, June 2000
Revenues, Benefits Paid, The UI Fund Balance, and Solvency Measures
(Accrual Basis, Thousands of Dollars)

	Actual FY 98-99	Estimate FY 99-00	Estimate FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	FY 1998-99 to FY 2004-05 CAAGR *
Beginning Balance	$606,814	$679,457	$747,815	$807,046	$848,363	$896,758	$958,299	7.9%
Plus Income Received								
Taxes /A	$177,903	$182,025	$178,342	$170,637	$190,285	$213,802	$222,141	3.8%
Interest	$43,422	$47,978	$55,062	$58,682	$59,137	$62,076	$64,751	6.9%
Total Revenues	**$221,325**	**$230,004**	**$233,404**	**$229,319**	**$249,422**	**$275,878**	**$286,892**	4.4%
% change	2.6%	3.9%	1.5%	1.8%	8.8%	10.6%	4.0%	
Less Benefits Paid /B	($148,682)	($161,645)	($174,173)	($188,001)	($201,028)	($214,337)	($233,260)	7.8%
Ending Balance	**$679,457**	**$747,815**	**$807,046**	**$848,363**	**$896,758**	**$958,299**	**$1,011,931**	6.9%
Solvency Measures:								
Months Solvent at Recession-Level Benefits	11.8	12.2	12.4	12.3	12.3	12.4	12.4	1.6%
Fund Balance as a Percent of Total Annual Private Wages /C	1.20%	1.23%	1.25%	1.24%	1.24%	1.26%	1.26%	0.8%

Totals may not sum due to rounding.

NA: Not Applicable

* CAAGR: Compound Annual Average Growth Rate.

/A Incorporates a 20 percent tax credit for eligible employers in calendar years 2000 and 2001. Includes taxes from priv ate employers and state and local governments, penalty receipts, 80% of the surcharge in FY 1998-99,and 50% of the surcharge in FY 1999-00 and thereafter. This also includes the accrual adjustment on taxes.

/B This includes the accrual adjustment for benefits paid and other accounting adjustments.

/C A ratio at or below 0.9% triggers the solvency tax.

The UI Tax Revenue Forecast. Over the forecast period, while we expect the UI tax rate to remain low, tax revenues will continue to grow in general as a result of substantial job turnover in the workforce while employers compete with each other for a limited supply of labor. We expect UI tax revenues to grow 2.3 percent in FY 1999-00 and at a compound average annual rate of 3.8 percent between FY 1998-99 and FY 2004-05. However, tax revenues will fall in FY 2000-01 and FY 2001-02 as a result of **House Bill 00-1310**, which provides for a 20 percent tax credit on UI taxes during calendar years 2001 and 2002. This is expected to lower UI tax revenues by a total of $51.9 million between FY 2000-01 and FY 2002-03.

The UI Benefit Payments Forecast. Benefit payments have been falling for the last three years as a result of low unemployment. However, it is interesting to note that although the unemployment rate continues to fall, total benefit payments are no longer declining but are growing at a slow rate. This is occurring because the average benefit payment grows each year based upon wage gains in the prior year. Over the forecast period, the number of claimants are expected to fall initially before recovering at a fairly slow rate, but in general remain stable. However, we expect continued strong gains in the average wage level. Therefore, we expect that benefit payments will grow at a compound average annual rate of 7.8 percent between FY 1998-99 and FY 2004-05.

The UI Trust Fund Balance and Solvency Measures. By FY 2004-05, we expect the UI Trust Fund balance to surpass $1.0 billion. Although benefit payments are expected to grow slightly faster than tax revenues, strong interest earnings from the large fund balance will compensate for this deficiency and the fund balance will grow at a compound average annual rate of 6.9 percent between FY 1998-99 and FY 2004-05.

In addition, the UI Trust Fund will remain solvent for the duration of the forecast. A generally accepted method of measuring fund solvency is the number of months a state can pay recession-level benefits before depleting its fund. It is generally believed that 12 months is sufficient, provided a solvency tax is triggered when the fund balance falls below a certain level, as it is designed in Colorado. We expect that the fund will remain at levels sufficient to pay for at least 12 months of recession-level benefits throughout the duration of the forecast. A solvency tax is triggered in Colorado when the UI fund balance as a percent of total annual private wages falls below 0.9 percent. As shown in Table 10, we expect that this ratio will grow from 1.20 percent in FY 1998-99 to 1.26 percent in FY 2004-05, remaining well above the 0.9 percent threshold throughout the forecast period.

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 1998-99, these cash funds comprised 27.5 percent of total cash fund revenue. The forecast for each of these funds is contained in Table 6.

The Limited Gaming Fund

The Limited Gaming Fund (sometimes referred to as the Colorado Gaming Fund) receives license fees and taxes levied on the adjusted gross proceeds (AGP) earned from gaming activity in Black Hawk, Central City, and Cripple Creek. Gaming surged 18.6 percent in FY 1998-99, a result of larger casinos replacing smaller casinos combined with healthy growth in gaming tourism. 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 percent of the first $2 million of AGP (or the total amount bet less winnings) to 20 percent of all AGP above $15 million.

We expect overall gaming revenue to fall 1.0 percent in FY 1999-00 due to lower tax rates for the gaming industry and the elimination of the $75 device fee. The lower tax rates and the elimination of the device fee were established by the Colorado Gaming Commission in June 1999. Over the next five years, we expect continued steady growth in gaming receipts, as income growth and tourism remain healthy, and larger casinos continue to replace smaller casinos. Gaming revenue will increase at an annual rate of 10.1 percent between FY 1998-99 and FY 2004-05.

Gaming revenues in this fund are first used to pay for the expenses of running the Gaming Commission and the Division of Gaming. In FY 1998-99, these expenditures equaled $8.9 million. The remaining amount is distributed among the General Fund, the Colorado Tourism Promotion Fund, local government impact funds, the State Highway Fund, and the State Historical Society. Once all appropriations and distributions were complete in FY 1998-99, the General Fund retained 34.5% of gaming revenues. The amount retained in the General Fund is reported as a revenue source for the General Fund in Table 4. All gaming revenues, regardless of where they are distributed, are included within the TABOR limit.

Wildlife Cash Fund

By source, approximately 92 percent of revenue in the Wildlife Cash Fund comes from the sale of hunting and fishing licenses. The remaining revenue in the fund is comprised of interest receipts and miscellaneous revenues. Overall revenue to the fund increased 4.4 percent in FY 1998-99.

We expect revenues to the Wildlife Cash Fund to decline 13.4 percent in FY 1999-00. Two factors contributed this forecast. **First**, FY 1999-00 marked the first year in which all deer licenses were sold through an application process, causing an estimated $4 million decline in deer license revenue. **Second**, the Wildlife Commission approved the lowest number of buck deer licenses in over forty years for 1999: 106,000 licenses, down 41.5 percent from the amount approved in 1998. This caused a further decline in revenues.

Wildlife revenues are expected to remain flat in FY 2000-01, but begin recovering at a healthy rate for the remainder of the forecast period as a result of **House Bill 00-1448**, which raised fees for nonresident hunting licenses, and indexed them to the Denver-Boulder-Greeley inflation rate thereafter. House Bill 00-1448 is expected to raise hunting license revenue by $23.3 million over the forecast period, despite an expected 36.6 percent reduction in the number of licenses sold.

Capital Construction Fund

The Capital Construction Fund retains money for construction of future capital projects such as prisons and higher education facilities. Income to this fund is comprised largely of interest earnings on the unspent balance. In addition, the Capital Construction Fund received distributions from the Colorado Lottery totaling $11.0 million in FY 1998-99. On July 1, 1998, $468 million was transferred to the fund, and an additional $100 million will be transferred from the General Fund to the fund each year in between FY 1999-00 and FY 2001-02.

During the 2000 legislative session, the General Assembly passed legislation that increased the General Fund transfers to the Capital Construction Fund by $518.4 million through FY 2005-06, one year after the end of the forecast period. **House Bill 00-1055** extended the $100 million transfer for four more years through FY 2005-06, while **House Bill 00-1452** requires the transfer of $118.4 million to the fund in FY 2000-01. These bills will increase interest earnings to the Capital Construction Fund by an estimated $21.5 million between FY 2000-01 and FY 2004-05.

Despite these large transfers, the elimination of lottery proceeds and anticipated large expenditures from the fund will result in a falling average fund balance throughout the forecast period, though at a much slower rate than would have occurred prior to the passage of House Bills 00-1055 and 1452. Therefore, we expect income to the Capital Construction Fund to decline at a compound average annual rate of 15.0 percent from FY 1998-99 through FY 2004-05.

Regulatory Agencies

The Department of Regulatory Agencies (DORA) regulates and enforces Colorado laws regarding various industries in Colorado. The DORA collects license and other fees from the professions that it regulates. Because most fees are related to employment levels, we expect DORA cash fund revenue to increase modestly over the next five years.

Insurance-Related

This category is comprised of three cash funds administered by the Division of Workers Compensation in the Department of Labor and Employment. The revenue collected by the funds comes from taxes on workers compensation insurance premiums. In late 1999, the Colorado Commissioner of Insurance approved an average increase in workers compensation rates of 3.4 percent, the first increase in ten years and a result of persistent increases in medical costs. Therefore, we expect revenues to this fund to increase 4.3 percent in FY 1999-00. In addition, because medical inflation will continue to rise, we expect these revenues to increase at a compound average annual rate of 4.2 percent between FY 1998-99 and FY 2004-05.

Severance Tax

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. The difference of timing between the gross severance taxes due and the offsetting property taxes creates an overall volatile collections pattern. Between FY 1998-99 to FY 2004-05, we expect severance taxes to increase at a compound annual average rate of 4.7 percent, but the pattern of growth will be varied.

Two recent bills will reduce severance tax revenues throughout the forecast period. **House Bill 00-1065**, which made several small changes to the oil and gas severance tax code, will reduce severance tax revenues by $230,000 in FY 1999-00 and $430,000 in FY 2000-01. In addition, House Bill 99-1249, which expanded several exemptions to the severance tax and specified that severance tax cash funds retain their own interest earnings, will reduce net revenues by an estimated $848,000 in FY 1999-00 and $1.0 million in FY 2000-01.

Petroleum Storage Tank Fund

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. **House Bill 00-1486**, which will increase revenues to the Petroleum Storage Tank Fund by an estimated $27.0 million over the forecast period, made two changes to the statutory fee level. First, the fee currently charged when the fund balance falls below $5 million was reduced from $100 to $75. Second, the date at which the statutory change that will reduce the fee to $25 when the fund balance falls below $8 million was postponed from July 1, 2001 to July 1, 2004. Petroleum Storage Tank Fund revenues are expected to decline at a compound average annual rate of 8.8 percent between FY 1998-99 and FY 2004-05.

Employment Support Fund

The Employment Support Fund (ESF), designed to help maintain the solvency of the Unemployment Insurance Trust Fund (UI Fund), 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. During the 1999 regular session, the General Assembly passed Senate Bill 99-228, which increased ESF revenues by $5.5 million in FY 1998-99 and is estimated to increase ESF revenues by another $105.8 million between FY 1999-00 and FY 2004-05. The bill increased the amount of surcharge taxes retained in the ESF from 20 percent to 50 percent, allowed the ESF to retain unappropriated funds, and fixed the surcharge tax rate at 0.22 percent of taxable wages. As a result of the new law, ESF revenues grew 189.2 percent in FY 1998-99, and are expected to grow 54.3 percent in FY 1999-00. Between FY 2000-01 and FY 2004-05, after all changes from the law have gone into effect, these revenues will grow at a compound average annual rate of 3.6 percent.

Controlled Maintenance Trust Fund

The Controlled Maintenance Trust Fund (CMTF) is a state trust fund from which the interest earned may be spent for maintenance of existing capital investments. The principal balance in this fund is designated to satisfy the state's constitutional emergency reserve requirement. Because the fund balance is not being augmented and because the interest rate expected to be earned by the fund is declining, interest income to the CMTF will decline at a compound annual average rate of 2.3 percent between FY 1998-99 and FY 2004-05.

Other Cash Funds

The "other cash funds" component includes approximately 174 smaller cash funds and can be quite volatile. These funds grew 6.4 percent as a group in FY 1998-99. We expect them to grow at a more modest pace of 1.6 percent in FY 1999-00. The slower growth is primarily due to Senate Bill 98-194, which required many cash funds to lower fees in order to reduce their reserves. We expect the effects of Senate Bill 98-194 will generally run their course by FY 2001-02, with the other cash funds category growing at an annual average rate of 4.5 percent over the forecast period.

OVERVIEW OF THE ECONOMY

National Economy

Though it is still experiencing tremendous growth after over 9 years, there are indications that the hot economy is beginning to lose some steam. Wall Street's tumble in mid-March provided a reality check to investors, curbing perceived wealth. While employment growth has been strong, recent news suggests a tapering trend for the national economy. The number of new single-family homes sold in April decreased to the lowest annualized rate in the past five months and existing home sales have dropped steadily since peaking a year ago. Overall consumer spending, which accounts for two-thirds of gross domestic product (GDP), hasn't revealed any signs of slowing down as of March, although retail sales have since dipped in April and May. After concerns of high inflation reported in the first quarter of 2000, the Federal Reserve Board reacted by raising interest rates by 25 basis points in late March and 50 basis points in May. Since June 1999, the Fed has raised rates six times, increasing the federal funds rate from 4.75 percent to 6.50 percent. The Fed is obviously concerned about inflation and remains poised to curb it. Table 11 contains the forecast of the national economy.

Real GDP

Inflation-adjusted GDP increased by 7.3 percent in the fourth quarter of 1999 and by 5.4 percent in the first quarter of 2000, despite record-setting trade deficits. The recent signs of inflation have compelled the Fed to engineer a "soft landing," decreasing GDP growth. We expect the second six months of 2000 will represent the beginning of this slowdown. Still, GDP growth in 2000 will outpace that of the past three years before returning to annual growth rates that approach the desirable long-term pace.

We forecast an annual GDP growth rate (adjusted for inflation) of 4.9% for 2000 and 3.1% for 2001.

Employment

Employment growth has been positive. Nonfarm employment from March to May offered the strongest 3-month average growth since January 1998. Meanwhile, the year-to-date number of unemployment claims averaged 8.5 percent less than the same period a year ago. However, recent news has indicated signs of a turnaround. Jobless claims are on the rise as mid-June claims (over a 4-week average) were 12.6 percent higher than the 52-week low in mid-April. Moreover, productivity growth of 2.4 percent in the first quarter of 2000 was small compared with the 5.0 percent and 6.9 percent gains in the third and fourth quarters of 1999, respectively. Perhaps most significantly, seasonally adjusted private payrolls fell by 116,000 jobs in May (government hiring of census workers pushed total jobs to an overall gain). This was the first decline in four years and the biggest monthly fall since November 1991. The unemployment rate has hovered around 4 percent in 2000, with a recent slight jump from 3.9 percent in April to 4.1 percent in May. We expect employment growth to slow to a more modest pace while unemployment should remain near current levels.

Nonagricultural wage and salary employment will grow 2.3 percent in 2000 and 1.5 percent in 2001. We forecast unemployment rates of 4.0 percent for 2000 and 4.1 percent for 2001.

Personal Income

In 1999, personal income increased 5.9 percent. Through May, average hourly earnings have grown 3.6 percent over the first five months in 1999, comparable to the overall 1999 growth. Meanwhile, first quarter consumption increased at an 8.4 percent annual rate, the strongest rate since 8.7 percent in late 1988. It may be difficult to maintain that spending pace through the year, especially with wealth effects trimmed by recent stock market conditions and higher short-term borrowing rates. A majority of stocks (primarily in the high-tech dominated NASDAQ exchange) have returned to prices seen in late 1999. It seems likely that the cooled stock market, combined with rising interest rates, will soon rein in consumer spending. In fact, May retail sales dropped for the second straight month. The last time this measure dropped for consecutive months was in July and August 1998. We expect personal income will end up stronger this year than in 1999. After a peak in 2000, personal income will return to levels just above 5 percent by the end of the forecast period.

We forecast that personal income will grow 6.3 percent in 2000 and slow slightly to 6.0 percent in 2000.

Inflation / Interest Rates

The employment cost index (ECI), an indicator of wage, salary, and benefits inflation, increased 1.4 percent in the first quarter of 2000, the largest quarterly jump since September 1989. Meanwhile, the average consumer price index (CPI) inflation rate over the last 12 months was 2.7 percent compared to 1.7 percent for the prior 12-month period. As a result of these inflationary signs, sharp stock market growth, and undaunted consumer spending, the Fed raised interest rates six times in the last twelve months in order to head off inflation. The most recent increase resulting from the May meeting was a 50 basis points hike, double the previous increases. Recently, however, there have been signs that labor cost increases are slowing. Average hourly earnings grew $0.01 in May, the smallest increase since November 1999. Meanwhile, the May CPI was 3.1 percent higher than a year ago, down from the 3.7 percent increase in March — the strongest annual pace since August 1991. We expect that the inflation rate in 2000 will rise from recent low levels to around 3 percent, slow to under 2.5 percent in the next year, but stabilize to around 2.5 percent toward the end of the forecast horizon.

We forecast that inflation will be 3.1 percent in 2000 and 2.4 percent in 2001. The prime rate will average 9.4 percent in 2000 and 9.8 percent in 2001.

Table 11
National Economic Indicators, June 2000 Forecast
(Calendar Years)

	1996	1997	1998	1999	Forecast 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004
Gross Domestic Product (billions)	$7,813.2	$8,300.7	$8,760.0	$9,256.2	$9,900.6	$10,385.4	$10,924.5	$11,516.5	$12,102.6
percent change	5.6%	6.2%	5.5%	5.7%	7.0%	4.9%	5.2%	5.4%	5.1%
Inflation-adjusted Gross Domestic Product (billions of 1996 dollars)	$7,813.2	$8,144.9	$8,495.7	$8,848.2	$9,285.1	$9,576.9	$9,895.5	$10,209.9	$10,513.6
percent change	3.7%	4.2%	4.3%	4.1%	4.9%	3.1%	3.3%	3.2%	3.0%
Nonagricultural Wage and Salary Employment (millions)	119.6	122.7	125.8	128.7	131.7	133.6	135.1	136.7	138.2
percent change	2.1%	2.6%	2.6%	2.3%	2.3%	1.5%	1.1%	1.2%	1.1%
Unemployment Rate	5.4%	4.9%	4.5%	4.2%	4.0%	4.1%	4.2%	4.3%	4.3%
Personal Income (billions)	$6,547.4	$6,951.1	$7,358.9	$7,791.8	$8,282.7	$8,779.6	$9,236.2	$9,734.9	$10,241.1
percent change	5.6%	6.2%	5.9%	5.9%	6.3%	6.0%	5.2%	5.4%	5.2%
Inflation (Consumer Price Index)	2.9%	2.3%	1.6%	2.2%	3.1%	2.4%	2.5%	2.7%	2.6%
Prime Rate	8.3%	8.4%	8.4%	8.0%	9.4%	9.8%	9.5%	9.1%	9.0%

For historical data, see Appendix A.

Colorado Economy

Just as the national economy is showing some signs of a slowdown, the Colorado economy is giving in to the unbridled pace of the last few quarters. Construction is slowing after years of strong gains. Personal income growth has also decelerated. However, the state's unemployment rate remains low and employment gains are robust. Retail trade sales still represent record highs, indicating consumer spending continues to stimulate the state economy. By the end of the year, however, we expect that employment growth and retail trade sales will both slow as the state follows a national trend of an economic tightening. Table 12 contains the forecast of the Colorado economy.

Employment

Through April 2000, nonfarm employment was 4.0 percent higher than the first four months a year ago. This increase is slightly stronger than the average annual growth rate of 3.8 percent from 1990 to 1999. Meanwhile, the Colorado unemployment rate has been at or below 3.0 percent since July 1999 and has been at or below 3.5 percent since December 1998. April unemployment clocked in at 2.8 percent, up slightly from the March figure of 2.7 percent. The persistent labor shortage suggests that labor costs for employers may have to increase to remain competitive. We expect that as Colorado enters into a period of controlled slowdown in the short term, the unemployment rate will rise slightly and employment growth will taper through the forecast horizon.

Nonagricultural wage and salary employment will grow 3.5 percent in 2000 and 2.8 percent in 2001. We forecast unemployment rates of 2.9 percent for 2000 and 3.3 percent for 2001.

Personal Income

Personal income increased 7.9 percent in 1999, down from 9.0 percent in 1998 and 9.2 percent in 1997. Although still impressive, the fourth quarter of 1999 registered the smallest annualized growth in three years. Relative to the rest of the U.S., Colorado personal income ranks high. Among the 50 states and the District of Columbia, Colorado ranked 7th in 1999 personal income per capita and 1st outside of the northeastern states and the District of Columbia. Wage and salary income, making up approximately 60 percent of personal income, has increased at a similar pace, growing 11.2 percent in 1998 and 9.2 percent in 1999. As Colorado establishes itself as a haven for telecommunications, software, and digital-era businesses, we anticipate personal income to continue bearing healthy gains through the forecast period.

We forecast that personal income will grow 8.3 percent in 2000 and 7.7 percent in 2001. Wage and salary income will increase 8.9 percent in 2000 and 8.4 percent in 2001.

Retail Trade Sales

Retail trade sales increased 8.5 percent in 1999, the strongest annual growth since 1994. Through March 2000, retail trade increased 8.8 percent over the first quarter of 1999. We expect that higher interest rates and the weak stock market will slow retail trade sales in the building materials and furniture categories through the remainder of 2000. Higher expenditures for gasoline will be offset by lower expenditures in the rest of the trade category.

We forecast that retail trade sales will increase by 7.2 percent in 2000, slow to 5.8 percent growth by 2002, and return to 6.5 percent growth by 2004.

Construction

The level of residential construction is showing some signs of slowing growth. According to the U.S. Census Bureau Department of Housing, a four-quarter moving average of home construction permits decreased 3.8 percent in the first quarter of 2000, the smallest growth since the third quarter of 1997. For the year through April, the amount of residential construction is down 3.2 percent from the first four months of 1999, according to F.W. Dodge. Similarly, the value of nonresidential construction is slowing from a searing pace set in 1999. For the year through April, nonresidential construction is down 30.7 percent from the same period a year ago. We expect that nonresidential construction will remain below last year's level, but will remain high by historical standards.

We forecast that the number of residential home permits will decrease by 3.2 percent for 2000 and will decrease 6.8 percent in 2001. The value of nonresidential building will decrease by 23.6 percent in 2000 but recover in 2001 with 8.4 percent growth.

Inflation

The 1999 Denver-Boulder-Greeley inflation rate was 2.9 percent, up from the 2.4 percent increase in 1998. The two-year inflation rate is the lowest since 1988-89 when the state was emerging from a recession. However, the state faces the same price pressures as the national level. Higher oil prices, increased wage pressures (from the low unemployment rate and increased benefit costs that remained in check in recent years), and higher housing costs will cause Colorado inflation in 2000 to outpace the last two years. By 2001, the Federal Reserve Board policies should hold back inflation to a more modest level.

We forecast that the Denver-Boulder-Greeley inflation rate will increase 3.5 percent in 2000 and slow to 3.1 percent in 2001.

Summary — Risks to the Forecast

On a national scope, the stock market poses the first risk to the economy. More than nine years of sustained economic growth has been propelled, in a large part, by consumer spending that is connected to the growth in wealth among Americans. As the stock and real estate markets have done well during the current economic expansion, consumers have spent more, helping to spur the economy. The NASDAQ underwent a correction in mid-March and has since entered into bear market territory. This caused a reduction in the perceived wealth of many Americans. Further losses or even a prolonged malaise in the stock market could negatively affect consumer confidence and spending. Second, rising prices may endanger the expansion, which typically end with inflation, and there is plenty of evidence of inflation. Higher oil prices are working their way into many sectors of the economy. The employment cost index rose sharply in the first quarter and there are many reasons to believe that similar increases are ahead. Because of low unemployment, workers are in a position to demand and receive higher wage increases. The weak stock market may mean that workers who have received stock options as a form of compensation may instead opt for higher wage and salary demands. Benefit costs are increasing as the mechanisms that held these costs down are abating. Stronger international economies are dictating higher prices as well. Third, the ability of the Federal Reserve Board to engineer a successful soft landing for the economy is a risk. Interest rate increases that are too strong would halt the economy.

At the state level, we expect that the Colorado economy will react similarly to the national economy. It is also subject to similar risks. An additional risk is that the state may overreact to national economic trends. As the state has become a haven for high-tech firms, a stock market shock may create above average losses to Colorado businesses, business investment, employee wages, and population growth. This risk, however, assumes a similar lack of economic diversity that occurred in the late 1980s. Unlike the recession a decade ago, the current economic climate offers stronger manufacturing, finance, and tourism sectors as well as the tech-heavy services sector.

While the Colorado economy has enjoyed its strongest growth in years, we expect that the Fed's monetary policy will lure the national expansion from a stampede to a more orderly procession. Further, we forecast that the state will follow national trends and witness a more sustainable growth pattern.

Table 12
Colorado Economic Indicators, June 2000 Forecast
(Calendar Years)

	1996	1997	1998	1999	Forecast 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004
Population (thousands), July 1	3,812.7	3,891.3	3,969.0	4,056.1	4,137.3	4,220.0	4,300.2	4,381.9	4,460.8
percent change	2.0%	2.1%	2.0%	2.2%	2.0%	2.0%	1.9%	1.9%	1.8%
Nonagricultural Wage and Salary Employment (thousands)	1,900.4	1,979.5	2,057.0	2,133.5	2,208.2	2,270.0	2,326.8	2,382.6	2,439.8
percent change	3.6%	4.2%	3.9%	3.7%	3.5%	2.8%	2.5%	2.4%	2.4%
Unemployment Rate	4.2%	3.3%	3.8%	2.9%	2.9%	3.3%	3.6%	3.7%	3.8%
Personal Income (millions)	$100,012	$109,228	$119,044	$128,489	$139,170	$149,880	$160,860	$172,850	$185,840
percent change	7.6%	9.2%	9.0%	7.9%	8.3%	7.7%	7.3%	7.5%	7.5%
Wage and Salary Income (millions)	$57,205	$62,545	$69,535	$75,956	$82,690	$89,670	$96,400	$103,780	$111,520
percent change	8.2%	9.3%	11.2%	9.2%	8.9%	8.4%	7.5%	7.7%	7.5%
Retail Trade Sales (millions)	$42,631	$45,146	$48,131	$52,209	$55,968	$59,606	$63,063	$67,225	$71,595
percent change	6.7%	5.9%	6.6%	8.5%	7.2%	6.5%	5.8%	6.6%	6.5%
Home Permits (thousands)	41.1	42.5	49.5	48.9	47.3	44.1	43.6	44.4	46.0
percent change	6.5%	3.3%	16.5%	-1.3%	-3.2%	-6.8%	-1.2%	2.0%	3.5%
Nonresidential Building (millions)	$2,366.7	$2,985.8	$2,616.8	$3,399.5	$2,597.2	$2,815.4	$3,029.4	$3,208.1	$3,378.1
percent change	28.6%	26.2%	-12.4%	29.9%	-23.6%	8.4%	7.6%	5.9%	5.3%
Denver-Boulder Inflation Rate	3.5%	3.3%	2.4%	2.9%	3.5%	3.1%	3.3%	3.5%	3.5%

For more historical data, see Appendix A.

Appendix A
Historical Data

National Economic Indicators

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Gross Domestic Product (billions)	$4,213.0	$4,452.9	$4,742.5	$5,108.3	$5,489.1	$5,803.3	$5,986.2	$6,319.0	$6,642.3	$7,054.3	$7,400.6	$7,813.2	$8,300.7	$8,760.0	$9,256.2
percent change	7.1%	5.7%	6.5%	7.7%	7.5%	5.7%	3.2%	5.6%	5.1%	6.2%	4.9%	5.6%	6.2%	5.5%	5.7%
Inflation-adjusted Gross Domestic Product (billions of 1996 dollars)	$5,717.0	$5,912.4	$6,113.3	$6,368.3	$6,591.8	$6,707.9	$6,676.4	$6,880.1	$7,062.6	$7,347.7	$7,543.8	$7,813.2	$8,144.9	$8,495.7	$8,848.2
percent change	3.8%	3.4%	3.4%	4.2%	3.5%	1.8%	-0.5%	3.1%	2.7%	4.0%	2.7%	3.6%	4.2%	4.3%	4.1%
Unemployment Rate	7.2%	7.0%	6.2%	5.5%	5.3%	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%
Inflation (Consumer Price Index)	3.6%	1.9%	3.6%	4.1%	4.8%	5.4%	4.2%	3.0%	3.0%	2.6%	2.8%	3.0%	2.3%	1.6%	2.2%
Prime Rate	9.9%	8.3%	8.2%	9.3%	10.9%	10.0%	8.5%	6.3%	6.0%	7.1%	8.8%	8.3%	8.4%	8.4%	8.0%
Personal Income (billions)	$3,515.0	$3,712.5	$3,962.5	$4,272.1	$4,599.8	$4,903.2	$5,085.4	$5,390.4	$5,610.0	$5,888.1	$6,200.9	$6,547.4	$6,951.1	$7,358.9	$7,791.8
percent change	7.3%	5.6%	6.7%	7.8%	7.7%	6.6%	3.7%	6.0%	4.1%	5.0%	5.3%	5.6%	6.2%	5.9%	5.9%
Nonagricultural Wage and Salary Employment (millions)	97.4	99.3	102.0	105.2	107.9	109.4	108.3	108.6	110.7	114.1	117.2	119.6	122.7	125.8	128.7
percent change	3.2%	2.0%	2.6%	3.2%	2.5%	1.4%	-1.1%	0.3%	1.9%	3.1%	2.7%	2.1%	2.6%	2.6%	2.3%

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

Colorado Economic Indicators

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Nonagricultural Employment (thous.)	1,418.7	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
percent change	1.2%	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%
Unemployment Rate	5.9%	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%
Personal Income (mil.)	$49,467	$51,062	$53,528	$56,387	$60,760	$65,094	$68,992	$74,207	$80,212	$85,860	$92,947	$100,012	$109,228	$119,044	$128,489
percent change	5.8%	3.2%	4.8%	5.3%	7.8%	7.1%	6.0%	7.6%	8.1%	7.0%	8.3%	7.6%	9.2%	9.0%	7.9%
Per Capita Income	$15,416	$15,772	$16,417	$17,285	$18,548	$19,702	$20,487	$21,447	$22,526	$23,498	$24,865	$26,231	$28,070	$29,994	$31,678
percent change	4.5%	2.3%	4.1%	5.3%	7.3%	6.2%	4.0%	4.7%	5.0%	4.3%	5.8%	5.5%	7.0%	6.9%	5.6%
Wage and Salary Income (mil.)	$29,581	$30,442	$31,343	$32,868	$34,674	$37,127	$39,563	$42,713	$45,778	$48,992	$52,875	$57,205	$62,545	$69,535	$75,956
percent change	5.7%	2.9%	3.0%	4.9%	5.5%	7.1%	6.6%	8.0%	7.2%	7.0%	7.9%	8.2%	9.3%	11.2%	9.2%
Retail Trade Sales (mil)	$24,339	$23,452	$23,466	$24,886	$26,195	$27,636	$28,934	$31,304	$34,178	$38,100	$39,955	$42,629	$45,142	$48,131	$52,209
percent change	5.5%	/ NC	0.1%	6.1%	5.3%	5.5%	4.7%	8.2%	9.2%	11.5%	4.9%	6.7%	5.9%	6.6%	8.5%
Housing Permits	32,824	30,961	17,988	12,864	11,131	11,897	14,071	23,484	29,913	37,229	38,622	41,135	42,509	49,503	48,874
percent change	-26.0%	-5.7%	-41.9%	-28.5%	-13.5%	6.9%	18.3%	66.9%	27.4%	24.5%	3.7%	6.5%	3.3%	16.5%	-1.3%
Nonresidential Construction (mil.)	$1,726.1	$1,213.9	$948.0	$972.8	$945.6	$939.2	$1,609.7	$1,538.9	$1,578.2	$1,580.9	$1,840.6	$2,366.7	$2,985.8	$2,616.8	$3,399.5
percent change	-2.7%	-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%	29.9%
Denver-Boulder Inflation Rate	2.7%	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%
Population (thous.) (July 1)	3,208.7	3,237.5	3,260.5	3,262.3	3,275.8	3,303.9	3,367.6	3,460.0	3,560.9	3,653.9	3,738.1	3,812.7	3,891.3	3,969.0	4,056.1
percent change	1.2%	0.9%	0.7%	0.1%	0.4%	0.9%	1.9%	2.7%	2.9%	2.6%	2.3%	2.0%	2.1%	2.0%	2.2%
Net Migration (July 1)	5,317	(5,731)	(14,299)	(24,046)	(18,698)	(12,471)	55,349	74,711	74,477	67,265	59,672	56,313	62,681	61,655	54,406
	62.9%	-207.8%	149.5%	68.2%	-22.2%	-33.3%	-543.8%	35.0%	-0.3%	-9.7%	-11.3%	-5.6%	11.3%	-1.6%	-11.8%

/ NC: The Department of Revenue changed its definition of retail trade starting with 1986 data. Hence, 1985 and 1986 data are not comparable.

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

Employment Growth by Industry

	Compound Annual Average Growth Rate 1970-1980	Compound Annual Average Growth Rate 1980-1990	Compound Annual Average Growth Rate 1990-1999	Annual Growth Rate 1998-1999
NONFARM EMPLOYMENT	5.4%	2.0%	3.8%	3.7%
MINING	10.0	-5.8	-4.5	-7.8
Metal Mining	7.5	-11.5	-5.6	-9.9
Coal Mining	11.6	-7.3	-2.9	-1.2
Oil & Gas Extraction	11.4	-3.7	-6.4	-13.1
CONTRACT CONSTRUCTION	6.5	-1.9	9.8	11.2
General Building Contractors	3.5	-4.6	8.7	8.6
Heavy Construction Contractors	7.2	-2.5	5.8	10.7
Special Trade Contractors	8.3	-0.5	11.0	12.1
MANUFACTURING	4.4	0.7	0.6*/**	-1.7
Durable Goods	5.3	0.3	0.9*	-1.9
Nondurable Goods	2.8	1.4	0.2**	-1.3
Food & Kindred Prod.	1.4	0.7	-0.5	-2.5
Printing & Publishing	5.3	4.0	2.0	2.0
TRANSPORTATION & PUBLIC UTILITIES	4.5	1.9	4.2**	7.1
Communications	4.6	2.0	7.2**	16.5
WHOLESALE & RETAIL TRADE	5.8	2.0	3.5	3.1
Wholesale Trade	5.9	1.0	2.7	1.6
Retail Trade	5.8	2.3	3.7	3.5
General Merchandise Stores	-1.2	1.8	3.5	3.6
Food Stores	5.7	2.4	2.2	2.4
Automotive Dealers & Service Stations	3.3	0.8	3.6	4.1
Eating & Drinking Establishments	9.0	3.0	3.8	2.7
FINANCE, INSURANCE, & REAL ESTATE	6.8	2.4	4.3	4.1
SERVICES	6.9	4.7	5.5*	4.8
Hotel & Other Lodging	6.5	3.3	2.9	5.5
Personal Services	2.1	2.4	2.4	3.5
Business Services	7.2	6.2	9.4*	6.9
Amusements & Recreation	7.7	4.4	6.4	4.6
Health Services	5.3	4.3	3.1	1.2
Hospitals	NA	NA	0.4	-1.0
GOVERNMENT	3.3	1.3	1.9	2.0
Federal Government	1.6	0.9	-0.7	-1.0
State Government	2.9	1.1	1.9	1.7
Education	4.1	0.4	1.8	0.7
Local Government	4.3	1.5	2.8	3.0
Education	3.6	1.2	2.6	2.8

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

	1960		1970		1980		1990		1999	
	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.
Mining	3.0 %	1.3 %	1.9 %	0.9 %	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	6.9	5.0
Manufacturing	17.0	31.0	15.8	27.3	14.4	22.4	12.7	17.4	9.6 *	14.4
Wholesale & Retail Trade	24.0	21.0	23.3	21.2	24.4	22.4	24.4	23.6	23.8	23.1
Finance, Insurance, & Real Estate	4.9	4.9	5.3	5.1	6.1	5.7	6.4	6.1	6.6	5.9
Services	14.8	13.6	17.5	16.3	20.3	19.8	26.5	25.5	30.6 *	30.3
Transportation & Public Utilities	8.5	7.4	6.9	6.4	6.3	5.7	6.3	5.3	6.5 *	5.3
Government	21.4	15.4	23.6	17.7	19.5	18.0	18.2	16.7	15.4	15.7

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 reclassified from manuf acturing 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)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Mining	32.9	25.8	21.3	20.7	19.6	19.9	18.6	16.6	16.1	15.6	14.8	13.7	14.0	14.2	13.1
percent change	-8.4%	-21.6%	-17.4%	-2.8%	-5.3%	1.5%	-6.5%	-11.0%	-2.9%	-3.0%	-4.8%	-7.8%	2.2%	1.4%	-7.7%
Construction	86.3	77.6	67.3	60.4	60.0	63.6	66.5	74.8	86.0	97.1	102.1	111.0	119.0	132.6	147.5
percent change	-4.0%	-10.1%	-13.3%	-10.3%	-0.7%	6.0%	4.6%	12.4%	15.1%	12.8%	5.2%	8.7%	7.2%	11.4%	11.2%
Manufacturing - Durable	123.7	118.9	116.8	119.2	121.5	119.7	111.2 *	109.9	110.4	112.0	117.8	122.6	128.4	131.8	129.3
percent change	-2.0%	-3.9%	-1.8%	2.1%	1.9%	-1.5%	-7.1%	-1.2%	0.5%	1.4%	5.2%	4.0%	4.7%	2.6%	-1.9%
Manufacturing - Non-Durable	68.5	66.4	67.7	70.4	71.9	73.5	74.4	76.1	77.7	78.9	74.5 **	74.5	75.6	75.6	74.6
percent change	-0.7%	-3.1%	2.0%	4.0%	2.1%	2.2%	1.2%	2.3%	2.1%	1.5%	-5.5%	-0.1%	1.5%	-0.0%	-1.3%
Wholesale Trade	80.9	78.3	76.5	78.0	81.4	83.1	83.1	83.6	86.4	91.4	95.3	98.2	102.1	104.1	105.8
percent change	0.5%	-3.2%	-2.3%	2.0%	4.4%	2.1%	0.0%	0.6%	3.3%	5.8%	4.2%	3.0%	4.0%	2.0%	1.6%
Retail Trade	271.1	270.2	271.5	274.9	282.5	288.7	292.4	302.0	317.6	338.1	358.0	367.7	378.0	387.6	401.2
percent change	2.1%	-0.3%	0.5%	1.3%	2.8%	2.2%	1.3%	3.3%	5.2%	6.5%	5.9%	2.7%	2.8%	2.5%	3.5%
Finance, Insurance & Real Estate	95.8	98.7	98.6	95.7	96.8	96.9	96.7	99.9	106.2	111.1	113.4	119.0	127.4	135.7	141.3
percent change	1.2%	3.0%	-0.1%	-2.9%	1.1%	0.1%	-0.2%	3.3%	6.3%	4.7%	2.0%	5.0%	7.1%	6.5%	4.1%
Services	321.9	329.4	342.3	358.8	383.6	402.6	421.1 *	443.4	469.4	504.1	537.2	563.8	595.5	622.8	652.5
percent change	4.1%	2.3%	3.9%	4.8%	6.9%	5.0%	4.6%	5.3%	5.9%	7.4%	6.6%	4.9%	5.6%	4.6%	4.8%
Transportation, Communications & Public Utilities	88.5	87.0	88.3	91.4	93.7	96.1	97.8	99.8	104.3	108.3	117.5 **	121.1	123.8	130.2	139.4
percent change	1.5%	-1.7%	1.5%	3.5%	2.5%	2.6%	1.8%	2.0%	4.5%	3.8%	8.5%	3.1%	2.2%	5.1%	7.1%
Government	248.9	256.0	262.2	266.7	271.4	276.8	283.3	291.1	296.7	299.3	303.7	308.7	315.6	322.3	328.8
percent change	1.8%	2.9%	2.4%	1.7%	1.8%	2.0%	2.3%	2.8%	1.9%	0.9%	1.5%	1.7%	2.2%	2.1%	2.0%
TOTAL	1,418.7	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
percent change	1.2%	-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%

Note: Totals may not sum due to rounding.

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 reclas sification 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 transporation, communications, and public utilities. In part, this reclassification accounts for the weakness in non-durable manufacturing and the strength in transportation, communications, and public utilities.

Comparative Economic Growth
1999

	Nonfarm Employment Growth 1998-99 (Best Rank =1)		Per Capita Personal Income 1999* (Best Rank =1)		Unemployment Rate 1999 (Best Rank =1)	
Alabama	1.4 %	40	$22,946	43	4.8 %	38
Alaska	0.9	47	28,523	17	6.4	49
Arizona	4.1	2	25,307	35	4.4	30
Arkansas	1.7	31	22,114	47	4.5	32
California	2.8	10	29,819	13	5.2	45
Colorado	**3.8**	**4**	**31,678**	**6**	**2.9**	**7**
Connecticut	1.7	29	39,167	1	3.2	13
Delaware	2.9	8	30,685	9	3.5	18
Florida	3.6	5	28,023	18	3.8	22
Georgia	4.0	3	27,198	23	4.0	23
Hawaii	0.5	49	27,841	20	5.6	46
Idaho	3.4	6	23,445	40	5.2	43
Illinois	1.0	45	31,278	7	4.3	28
Indiana	1.8	27	26,092	30	3.0	9
Iowa	1.6	33	25,727	33	2.5	1
Kansas	1.2	44	26,633	26	3.0	8
Kentucky	2.4	19	23,161	42	4.5	34
Louisiana	0.4	50	22,792	45	5.1	40
Maine	2.9	7	24,960	37	4.1	25
Maryland	2.5	16	32,166	5	3.5	19
Massachusetts	1.9	25	35,733	3	3.2	14
Michigan	0.8	48	27,844	19	3.8	21
Minnesota	2.1	22	30,622	10	2.8	4
Mississippi	1.9	23	20,506	50	5.1	41
Missouri	1.5	35	26,187	29	3.4	15
Montana	2.3	20	22,314	46	5.2	44
Nebraska	1.7	30	27,437	21	2.9	5
Nevada	6.4	1	30,351	11	4.5	31
New Hampshire	2.8	11	30,905	8	2.7	2
New Jersey	1.7	32	36,106	2	4.6	35
New Mexico	1.4	41	22,063	48	5.6	47
New York	2.7	13	33,946	4	5.2	42
North Carolina	2.5	17	26,220	28	3.1	12
North Dakota	1.4	42	23,518	38	3.4	16
Ohio	1.2	43	27,081	25	4.3	27
Oklahoma	1.5	37	22,801	44	3.4	17
Oregon	1.4	39	27,135	24	5.7	48
Pennsylvania	1.5	36	28,676	16	4.4	29
Rhode Island	1.5	34	29,720	14	4.1	26
South Carolina	2.9	9	23,496	39	4.5	33
South Dakota	2.7	12	25,106	36	2.9	6
Tennessee	1.5	38	25,581	34	4.0	24
Texas	2.4	18	26,525	27	4.6	36
Utah	2.6	15	23,356	41	3.7	20
Vermont	1.9	24	25,892	32	3.0	10
Virginia	2.7	14	29,484	15	2.8	3
Washington	1.9	26	30,295	12	4.7	37
West Virginia	0.9	46	20,888	49	6.6	50
Wisconsin	2.2	21	27,412	22	3.0	11
Wyoming	1.8	28	26,003	31	4.9	39
U.S.	**2.2**	**NA**	**28,518**	**NA**	**4.2**	**NA**

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

Gross General Fund Revenues
Fiscal Year
(in millions)

	79-80	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99
Sales	$482.7	$485.8	$541.6	$566.4	$731.9	$673.8	$662.9	$648.3	$669.0	$694.8	$768.1	$779.8	$844.5	$928.9	$1,036.6	$1,131.8	$1,218.7	$1,310.0	$1,426.0	$1,563.7
Use	53.3	54.4	74.1	66.1	66.8	73.0	76.1	68.6	55.6	54.7	62.5	66.9	69.1	69.1	82.5	91.1	102.8	115.8	120.3	140.2
Cigarette	34.8	37.0	37.2	36.7	47.4	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	60.0
Tobacco Products	0.0	0.0	0.0	0.0	0.0	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
Liquor	26.0	24.7	25.8	25.1	25.3	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
Other	4.2	3.1	2.0	2.0	2.1	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
TOTAL EXCISE	$600.9	$605.0	$680.7	$696.3	$873.5	$826.0	$816.2	$811.2	$814.2	$835.0	$913.5	$930.9	$999.6	$1,086.0	$1,207.8	$1,315.9	$1,415.4	$1,521.1	$1,639.4	$1,798.3
Individual Income	465.6	479.4	621.0	703.3	796.4	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
Corporate Income	117.4	84.8	88.8	66.5	94.1	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
TOTAL INCOME	$583.0	$564.2	$709.8	$769.8	$890.5	$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	$2,297.5	$2,524.2	$2,809.7	$3,314.7	$3,603.0
Estate	25.7	6.6	12.3	8.9	10.7	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
Insurance	39.9	41.6	47.9	51.6	56.6	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
Pari-Mutuel	8.2	8.8	9.5	8.4	8.6	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
Interest Income	53.9	37.6	34.5	7.6	4.4	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
Court Receipts	6.6	7.2	8.6	7.4	9.1	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
Severance	23.6	31.4	0.0	0.0	0.0	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
Medicaid	0.0	0.0	0.0	0.0	0.0	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
Gaming	0.0	0.0	0.0	0.0	0.0	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
Other	13.1	14.3	13.7	10.6	22.1	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
TOTAL OTHER	$171.0	$147.5	$126.5	$94.5	$111.5	$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
GROSS GENERAL FUND	$1,354.9	$1,316.7	$1,517.0	$1,560.6	$1,875.5	$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

Note: Numbers may not add due to rounding.

Source: Controller's Annual Reports; Accounts and Control.

Selected Cash Fund-Related Historical Data

Unemployment Insurance Trust Fund Balance (In Millions)

Calendar Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ending Balance	**$90.4**	**$156.8**	**$230.8**	**$291.5**	**$301.6**	**$326.6**	**$377.7**	**$423.6**	**$469.0**	**$497.9**	**$560.9**	**$634.2**	**$703.8**

Source: Division of Labor and Employment.

Higher Education Full-Time-Equivalent Enrollment

Fiscal Year	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Residents	91,947	94,511	99,240	103,219	105,503	107,803	108,947	108,863	108,580	108,667	109,385	112,077	114,269
Percent Change	2.2%	2.8%	5.0%	4.0%	2.2%	2.2%	1.1%	-0.1%	-0.3%	0.1%	0.7%	2.5%	2.0%
Nonresidents	15,593	16,338	16,965	17,801	19,149	19,463	20,573	20,673	20,472	20,741	20,464	20,940	21,162
Percent Change	0.4%	4.8%	3.8%	4.9%	7.6%	1.6%	5.7%	0.5%	-1.0%	1.3%	-1.3%	2.3%	1.1%
Total	**107,540**	**110,849**	**116,205**	**121,020**	**124,652**	**127,266**	**129,520**	**129,536**	**129,052**	**129,408**	**129,849**	**133,017**	**135,431**
Percent Change	2.0%	3.1%	4.8%	4.1%	3.0%	2.1%	1.8%	0.0%	-0.4%	0.3%	0.3%	2.4%	1.8%

Totals may not sum due to rounding.
Source: Colorado Commission on Higher Education.

Wildlife Hunting and Fishing Licenses

Calendar Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Resident	909,157	913,666	912,669	917,678	935,904	886,706	900,697	902,787	902,989	927,371	925,419	907,369
Percent Change	1.5%	0.5%	-0.1%	0.5%	2.0%	-5.3%	1.6%	0.2%	0.0%	2.7%	-0.2%	-2.0%
Nonresident	446,616	471,015	495,282	515,573	532,555	562,835	601,734	626,523	608,206	611,848	624,032	640,813
Percent Change	6.6%	5.5%	5.2%	4.1%	3.3%	5.7%	6.9%	4.1%	-2.9%	0.6%	2.0%	2.7%
Total	**1,355,773**	**1,384,681**	**1,407,951**	**1,433,251**	**1,468,459**	**1,449,541**	**1,502,431**	**1,529,310**	**1,511,195**	**1,539,219**	**1,549,451**	**1,548,182**
Percent Change	3.1%	2.1%	1.7%	1.8%	2.5%	-1.3%	3.6%	1.8%	-1.2%	1.9%	0.7%	-0.1%

Source: Division of Widlife