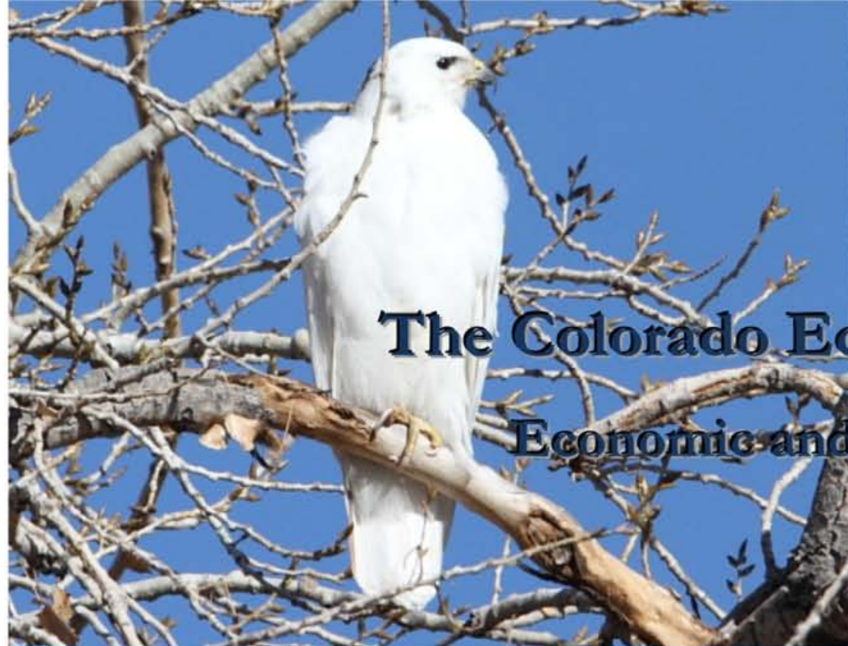
December | 2013



The Colorado Economic Outlook

Economic and Fiscal Review

STATE OF COLORADO
NIL SINE NUMINE
1876

Governor's Office of State Planning and Budgeting

Table of Contents

John W. Hickenlooper
Governor

Henry Sobanet
Director

Jason Schrock
Chief Economist

Spencer Imel
Economist

Laura Blomquist
Economist

For additional information about the Governor's Office of State Planning and Budgeting, and to access this publication electronically, please visit www.colorado.gov/ospb.

Follow the Governor's Office of State Planning and Budgeting on Twitter @COBudgetOffice.

Connect with us on Facebook by searching *CO Budget Office*.

COLORADO
It's our nature.

Summary

- The General Fund revenue forecast for the current budget year (FY 2013-14) as well as for FY 2014-15 is one percent higher than the September forecast. General Fund revenue is now expected to grow 2.3 percent in the current fiscal year. This modest increase is the result of an expected pause in the robust growth rates that certain tax revenue sources have exhibited since the end of the Great Recession. Most notably, volatile capital gains income is still forecast to decline this fiscal year, largely because it is expected that investors sold assets sooner than otherwise before federal tax rate increases at the beginning of 2013. The factors impacting revenue this year will not affect FY 2014-15, when continued economic growth will generate a General Fund revenue increase of 7.3 percent.

- Under this forecast and current law spending levels, the reserve is projected to be $241.0 million above the required amount for FY 2013-14. However, it is expected that budget supplemental requests and the impacts of the recent floods will reduce this amount substantially. Of any excess in FY 2013-14, $30 million goes to the Colorado Water Conservation Board (CWCB) Fund and 75 percent of the remainder will be credited to the State Education Fund. With the November 1 budget request, the General Fund is $78.3 million above the reserve requirement, with $30 million of this amount allocated to the CWCB Fund and $36.3 million to the State Education Fund.

- Under the November 1 budget request, the General Fund reserve requirement is raised to 6.5 percent of appropriations in FY 2014-15. Even with this increase, the State is projected to end the year with $95.8 million in excess reserves.

- Economic activity in Colorado is a primary factor determining State revenue levels. The state's human capital and entrepreneurial energy is helping growth in today's more technological and knowledge-based economy. Colorado's specialization in diverse industries is also helping its economic foundation. As with the nation, however, economic progress across the state is uneven. Further, the economy is always vulnerable to adverse, often unexpected, events that could strain budget conditions.

- Cash fund revenue subject to TABOR will grow 2.9 percent to $2.62 billion in FY 2013-14. This growth will be led by an increase in severance tax revenue as well as transportation-related revenue. Smaller increases in these sources will contribute to slower cash fund revenue growth of 0.9 percent in FY 2014-15. Revenue from the hospital provider fee will decline over this period as more Medicaid program support is received from the federal government. Additionally, limited gaming revenue will remain sluggish as gaming activity in Colorado has not returned to levels observed before the Great Recession.

- This forecast does not project that the State will reach its TABOR revenue cap through FY 2015-16. The State is, however, within four percent of reaching the cap in FY 2013-14 and within three percent of the cap in FY 2014-15 and FY 2015-16. Thus, it could be reached with higher than expected growth in income and economic activity over the next few years. If revenue exceeds the cap, the State would need to refund the excess revenue or ask voters to retain it.

General Fund Budget

GENERAL FUND OVERVIEW, STATE EDUCATION FUND OVERVIEW, AND BUDGET IMPLICATIONS OF THE FORECAST

This section discusses General Fund and State Education Fund revenue available for spending, spending levels, the Governor's November 1, 2013 budget request, and end-of-year reserves through the forecast period. The General Fund provides funding for the State's core programs and services, such as preschool through 12th grade and higher education, assistance to low-income populations, the disabled and elderly, courts, public safety, and the correctional system. It also helps fund capital construction and maintenance needs for State facilities, and in some years, transportation projects. The largest revenue sources for the General Fund are income and sales taxes. Under the state constitution, the State Education Fund helps fund preschool through 12th grade education and annually receives a portion of income taxes. In recent years, it has also received money from the General Fund.

Following this section after page 15, Table 1 presents the General Fund Overview for the December 2013 OSPB revenue forecast while Table 1a shows the overview incorporating the Governor's November 1, 2013 budget request. Table 1b provides an additional presentation of the General Fund that incorporates information about the State Education Fund. Because of the State Education Fund's importance in funding preschool through 12th grade education and because it receives money primarily from the General Fund, Table 1b provides a comprehensive summary of the General Fund's obligations and resources. The table incorporates the Governor's November 1 budget request. Further discussion about Table 1b starts on page 10. Important information and assumptions in all three tables are noted accordingly.

Apart from the proposed General Fund expenditures in FY 2014-15, the November 1 request includes using $144.2 million of this fiscal year's excess General Fund reserves for supplemental appropriations, flood recovery efforts, and to pay back funding sources immediately used in response to the flooding, including the Controlled Maintenance Trust Fund. For FY 2014-15, the request includes a transfer of $109.4 million to pay back certain cash funds that were transferred during the previous economic downturn and raising the General Fund reserve requirement from 5.0 percent to 6.5 percent of appropriations.

Summary of General Fund Overview – Figure 1 below shows total projected General Fund revenue available, total spending, and reserve levels from FY 2012-13 through FY 2014-15 based on the December forecast and current law. It also shows how much General Fund revenue is projected above the State's required reserve level. The spending amounts for FY 2012-13 and FY 2013-14 are the budgeted amounts under current law. The amount for FY 2014-15 represents the level of spending that could be supported by projected revenue while maintaining the required five percent reserve amount. Figure 1a shows the same information as in Figure 1 but incorporates the Governor's November 1 budget request. The information in the figures is discussed below and is shown in further detail in Tables 1 and 1a following page 15.

Figure 1. General Fund Money, Spending, and Reserves, FY 2012-13 though FY 2014-15, $ in Billions

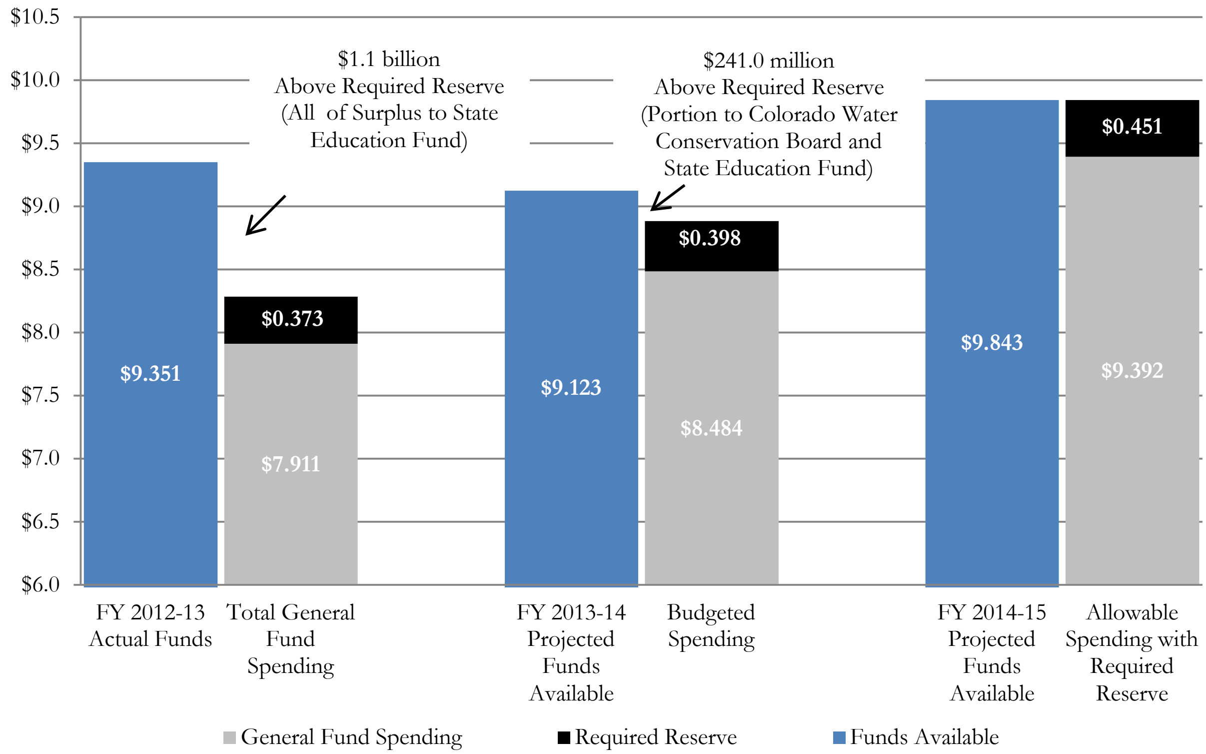
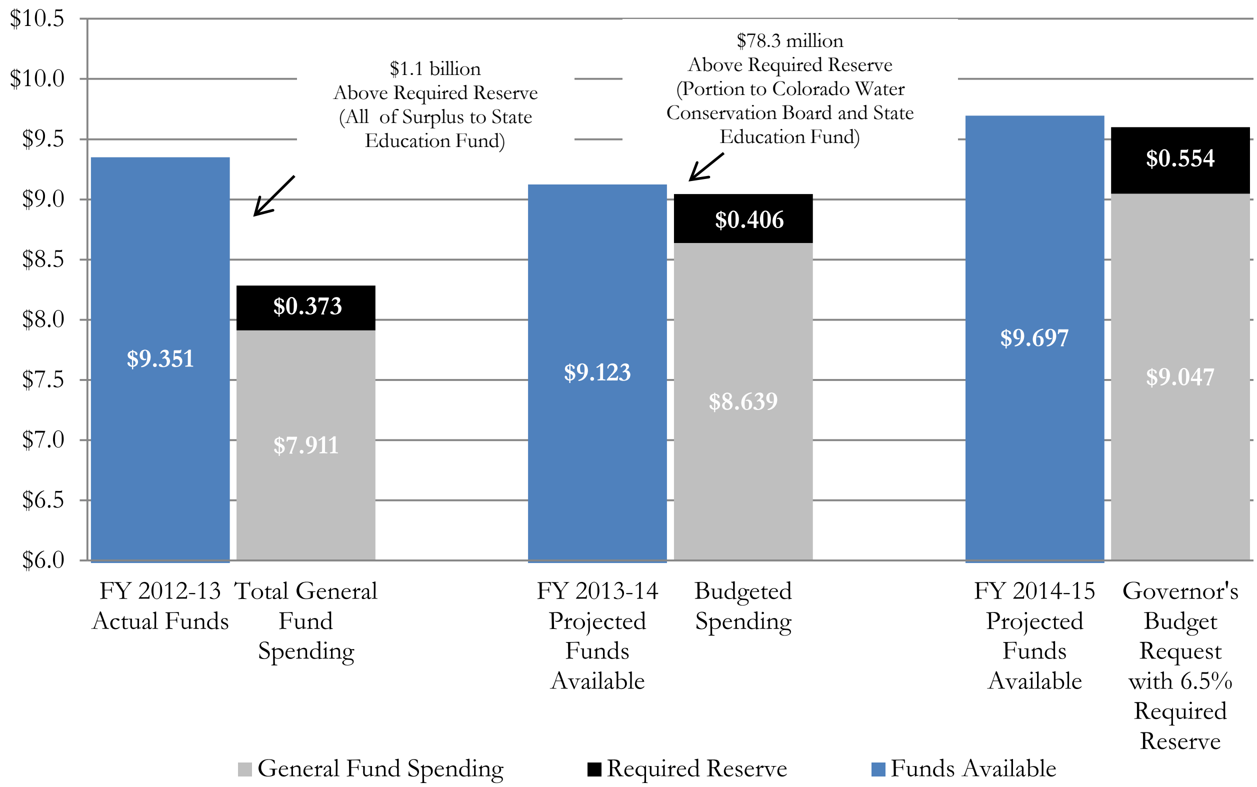


Figure 1a. General Fund Money, Spending, and Reserves with the Governor's November 1 Budget Request, FY 2012-13 though FY 2014-15, $ in Billions



Funds available – The top portions of Tables 1 and 1a show the amount of General Fund money available for spending. The forecast for General Fund revenue is discussed in further detail in the *General Fund Revenue Forecast* section starting on page 37. In addition to General Fund revenue, the amount of funds available includes the beginning fund balance and any money transferred into the General Fund from various State cash funds. The tables below summarize the amount of General Fund available by fiscal year under current law and the November 1 budget request. The request includes a $4.2 million revenue reduction related to wildfire preparedness and a transfer of $109.4 million to pay back certain cash funds that were transferred during the previous economic downturn. These amounts are shown as "Proposed Changes to General Fund Available."

The decline in total General Fund available for FY 2013-14 is attributable to projected modest revenue growth and a smaller beginning fund balance than the prior year. Higher revenue growth in FY 2014-15 and FY 2015-16 will result in an increase in funds available.

GF Funds Available under Current Law ($ in Millions)			
	FY 2013-14	FY 2014-15	FY 2015-16
Beginning Balance	$373.0	$451.1	$450.9
General Fund Revenue	$8,747.8	$9,389.7	$9,845.4
Transfers to the General Fund	$2.4	$2.4	$2.4
Total General Funds Available	**$9,123.2**	**$9,843.2**	**$10,298.6**
Dollar Change from Prior Year	-$227.8	$720.0	$455.5
Percent Change from Prior Year	-2.4%	7.9%	4.6%

GF Funds Available with Governor's Budget Request ($ in Millions)			
	FY 2013-14	FY 2014-15	FY 2015-16
Beginning Balance	$373.0	$418.2	$745.7
General Fund Revenue	$8,747.8	$9,389.7	$9,845.4
Transfers to the General Fund	$2.4	$2.4	$2.4
Proposed Changes to General Fund Available	NA	-$113.5	NA
Total General Funds Available	**$9,123.2**	**$9,696.7**	**$10,593.5**
Dollar Change from Prior Year	-$227.8	$573.5	$896.8
Percent Change from Prior Year	-2.4%	6.3%	9.2%

Spending subject to the appropriations limit – Line 5 in Table 1 and Line 6 in Table 1a show the amount of General Fund appropriations subject to the limit of five percent of Colorado personal income as specified in Section 24-75-201.1 (1) (a) (II) (A), C.R.S. This limit means that the level of General Fund appropriations for certain programs cannot exceed a dollar amount equal to five percent of total statewide personal income. The appropriations subject to the limit help fund the State's largest core programs, such as preschool through 12th grade education, Medicaid, human services, corrections, and higher education. The limit is projected to be $11.3 billion in FY 2013-14. Thus, the current fiscal year's General Fund appropriations for these programs are $3.1 billion under the limit.

The General Fund appropriations amount for FY 2013-14 in Table 1 reflects current law and is subject to change based on future budget decisions. The FY 2014-15 and FY 2015-16 amounts in Table 1 reflect the level of spending that can be supported by forecasted revenue while maintaining the required reserve level. The FY 2013-14 amount in Table 1a, in addition to current law, includes the Governor's November 1 budget request and "1331" supplemental appropriation requests approved by the Joint Budget Committee. The FY 2014-15 appropriations amount in Table 1a shows the Governor's November 1 budget request, while the FY 2015-16 amount reflects the level of spending that can be supported by forecasted revenue while maintaining the higher proposed required reserve level of 6.5 percent of appropriations. The appropriations amounts are summarized in the tables on the following page.

GF Spending Subject to the Appropriations Limit under Current Law ($ in Millions)	
	FY 2013-14
Appropriations	$7,967.4
Dollar Change from Prior Year	$508.2
Percent Change from Prior Year	6.8%

GF Spending Subject to the Appropriations Limit with Governor's Budget Request ($ in Millions)		
	FY 2013-14	FY 2014-15
Appropriations	$8,122.4	$8,526.3
Dollar Change from Prior Year	$663.2	$403.9
Percent Change from Prior Year	8.9%	5.0%

Spending not subject to the appropriations limit – Lines 8 through 15 in Table 1 and Lines 9 through 16 in Table 1a summarize spending that is outside the General Fund appropriations limit. The largest portion of this spending is "Rebates and Expenditures." The programs in this line with the most expenditures are: (1) the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; (2) the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (3) the Property Tax, Heat, and Rent Credit, which provides property tax, heating bill, or rent assistance to qualifying low income disabled or elderly individuals; and (4) the Homestead Property Tax Exemption, which reduces property tax liabilities for qualifying seniors and disabled veterans.

General Fund money transferred for State capital construction and facility maintenance, as well as transportation projects, are also not subject to the limit (Lines 11 and 12 in Table 1 and Lines 12 and 13 in Table 1a). Transfers for these purposes can be made at the discretion of the General Assembly and Governor through legislation. The FY 2013-14 budget includes a total transfer of $186.7 million for capital construction projects. The Governor's FY 2014-15 budget request includes a total transfer of $213.5 million for capital construction and maintenance projects, including $14.2 million set aside for expected budget amendments. The capital construction amounts in subsequent years reflect needed funding levels for specific "certificate of participation" (COP) financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects.

Transfers to capital construction and transportation *are required* if growth in statewide personal income exceeds five percent. This five percent trigger and the associated transfers are referred to as "228" transfers because they were put into law by Senate Bill 09-228. This forecast projects that personal income growth will exceed 5 percent in 2014, which will trigger an expected transfer of $196.9 million for transportation in FY 2015-16. The amount needed for capital construction in FY 2015-16 shown in Table 1 and 1a for COP payments and priority facility maintenance projects exceeds the amount of the required transfer.

SB 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19 (Line 13 in Table 1 and Line 14 in Table 1a). The FY 2013-14 transfer is $45.3 million, while the amount in FY 2014-15 and FY 2015-16 is $25.3 million. In addition, state law requires transfers of General Fund money to various State cash funds (Line 14 in Table 1 and Line 15 in Table 1a). Starting in FY 2013-14, this line includes transfers of General Fund money from the new additional sales tax on retail marijuana approved by voters to the Marijuana Cash Fund and local governments.

In some years, certain programs need to exceed their appropriated funding near the end of the fiscal year in order to meet services demands. These amounts are shown under "Other Expenditures Exempt from the General Fund Appropriations Limit" (Line 15 in Table 1 and Line 16 in Table 1a). Any "overexpended" amounts must receive an appropriation in the subsequent year to authorize the spending. Spending by the Medicaid program, or "Medicaid overexpenditures," is usually the largest amount for this line. The entire FY 2012-13 amount in Table 1 and Table 1a is Medicaid-related overexpenditures.

Finally, spending not subject to the limit includes any TABOR refunds (Line 9 in Table 1 and Line 10 in Table 1a), which occur when State revenue exceeds its cap as defined in Article X, Section 20 of the Colorado Constitution ("TABOR") and Section 24-77-103.6, C.R.S. ("Referendum C"). TABOR refunds are not expected to occur during the forecast period. Under this forecast, TABOR revenue will be $501.2 million below the cap this fiscal year, $366.1 million under the cap in FY 2014-15, and $400.7 million below the cap in FY 2015-16. Page 35 and Table 4 provide further detail on TABOR revenue.

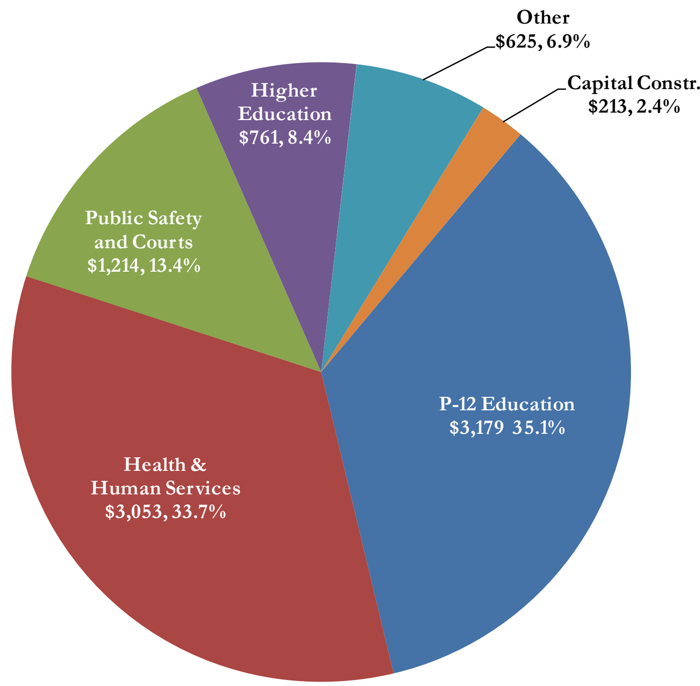
All of the General Fund obligations discussed above are summarized in the following tables, one showing the amounts under current law and the other providing the obligations in the Governor's November 1 budget request.

GF Spending Not Subject to the Appropriations Limit under Current Law ($ in Millions)			
	FY 2013-14	**FY 2014-15**	**FY 2015-16**
TABOR Refund	$0.0	$0.0	$0.0
Cigarette Rebate	*$9.5*	*$9.1*	*$8.7*
Old-Age Pension Fund/Older Coloradans Fund	*$109.1*	*$99.6*	*$102.9*
Aged Property Tax & Heating Credit	*$6.9*	*$6.9*	*$6.9*
Homestead Exemption	*$112.1*	*$118.4*	*$125.0*
Interest Payments for School Loans	*$0.8*	*$1.3*	*$1.5*
Fire/Police Pensions	*$4.3*	*$4.3*	*$4.3*
Amendment 35 General Fund Expenditure	*$0.8*	*$0.8*	*$0.8*
Total Rebates and Expenditures	**$243.5**	**$240.3**	**$250.2**
Transfers to Capital Construction	$186.7	$67.9	$64.1
Transfers to Highway Users Tax Fund	$0.0	$0.0	$196.9
Transfers to State Education Fund per SB 13-234	$45.3	$25.3	$25.3
Transfers to Other Funds	$40.8	$41.4	$41.9
Other	$0.0	$0.0	$0.0
Total	**$516.4**	**$374.9**	**$578.4**
Dollar Change from Prior Year	$64.0	-$141.5	$203.5
Percent Change from Prior Year	14.2%	-27.4%	54.3%

GF Spending Not Subject to the Appropriations Limit with Governor's Budget Request ($ in Millions)			
	FY 2013-14	**FY 2014-15**	**FY 2015-16**
TABOR Refund	$0.0	$0.0	$0.0
Cigarette Rebate	*$9.5*	*$9.1*	*$8.7*
Old-Age Pension Fund/Older Coloradans Fund	*$109.1*	*$99.6*	*$102.9*
Aged Property Tax & Heating Credit	*$6.9*	*$6.9*	*$6.9*
Homestead Exemption	*$112.1*	*$118.4*	*$125.0*
Interest Payments for School Loans	*$0.8*	*$1.3*	*$1.5*
Fire/Police Pensions	*$4.3*	*$4.3*	*$4.3*
Amendment 35 General Fund Expenditure	*$0.8*	*$0.8*	*$0.8*
Total Rebates and Expenditures	**$243.5**	**$240.3**	**$250.2**
Transfers to Capital Construction	$186.7	$213.5	$64.1
Transfers to Highway Users Tax Fund	$0.0	$0.0	$196.9
Transfers to State Education Fund per SB 13-234	$45.3	$25.3	$25.3
Transfers to Other Funds	$40.8	$41.4	$41.9
Other	$0.0	$0.0	$0.0
Total	**$516.4**	**$520.4**	**$578.4**
Dollar Change from Prior Year	$68.6	$4.1	$57.9
Percent Change from Prior Year	15.3%	0.8%	11.1%

Composition of General Fund Budget – The following graph, Figure 2, shows the composition of the General Fund budget for FY 2014-15 under the Governor's November 1 budget request by major department or program area. Under the request, total General Fund spending amounts to $9,046.7 million, a 4.7 percent, or $408.0 million, increase compared with FY 2013-14.

Figure 2. Composition of Governor's FY 2014-15 General Fund Budget Request, $ in Millions



Reserves – The final section of the General Fund Overview tables ("Reserves") shows General Fund remaining at the end of each fiscal year. The "Year-End General Fund Balance" reflects the difference between total funds available and total outlays. Line 21 in Table 1 and Line 22 in Table 1a show the statutorily determined reserve requirement and the following line indicates any variance from the requirement ("Above (Below) Statutory Reserve"). For FY 2012-13, the reserve was $1.1 billion above the 5.0 percent of appropriations requirement. By statute, the entire FY 2012-13 excess was transferred to the State Education Fund.

For FY 2013-14, under this forecast and current law, the reserve is projected to be $241.0 million above the required amount. Under the November 1 budget request, General Fund money is $78.3 million above the reserve requirement. Of the excess reserves, $30.0 million goes to the Colorado Water Conservation Board (CWCB) Fund and 75 percent of the remainder goes to the State Education Fund – a projected $158.3 million under current law and $36.2 million under the November 1 budget request. These transfers, shown in line 23 in Table 1 and line 24 in Table 1a, will occur in FY 2014-15. The remaining amount of the excess – a projected $52.8 million under current law and 12.1 million with the November 1 request – becomes part of the beginning reserve and funds available in FY 2014-15.

Current law requires the reserve to increase in the third fiscal year after personal income increases by more than 5 percent. This is projected to occur in 2014, which will trigger a reserve increase of 0.5 percentage points in FY 2017-18. The reserve is required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations, which would occur in FY 2019-20 under this forecast. The Governor's November 1 budget request raises the reserve to the 6.5 percent level in FY 2014-15. Even with this higher reserve, General Fund reserves are projected to be $95.8 million above the required amount.

The dollar amounts for the required reserve and ending fund balance from Table 1 and Table 1a are summarized in the tables below. The transfers of excess reserves to the State Education Fund and CWCB Fund are also shown.

GF Reserves under Current Law ($ in Millions)			
	FY 2013-14	**FY 2014-15**	**FY 2015-16**
Year-End General Fund Balance	$639.4	$450.9	$462.9
Balance as a % of Appropriations	8.0%	5.0%	5.0%
General Fund Required Reserve	**$398.4**	**$450.9**	**$462.9**
Money Above/Below Req. Reserve	**$241.0**	**$0.0**	**$0.0**
Excess Reserve to State Education Fund	**$158.3**	**N/A**	**N/A**
Excess Reserve to CWCB Fund	**$30.0**	**N/A**	**N/A**

GF Reserves with Governor's Budget Request ($ in Millions)			
	FY 2013-14	**FY 2014-15**	**FY 2015-16**
Year-End General Fund Balance	$484.4	$650.0	$611.3
Balance as a % of Appropriations	6.0%	7.6%	6.5%
General Fund Required Reserve	**$406.1**	**$554.2**	**$611.3**
Money Above/Below Req. Reserve	**$78.3**	**$95.8**	**$0.0**
Excess Reserve to State Education Fund	**$36.2**	**N/A**	**N/A**
Excess Reserve to CWCB Fund	**$30.0**	**N/A**	**N/A**

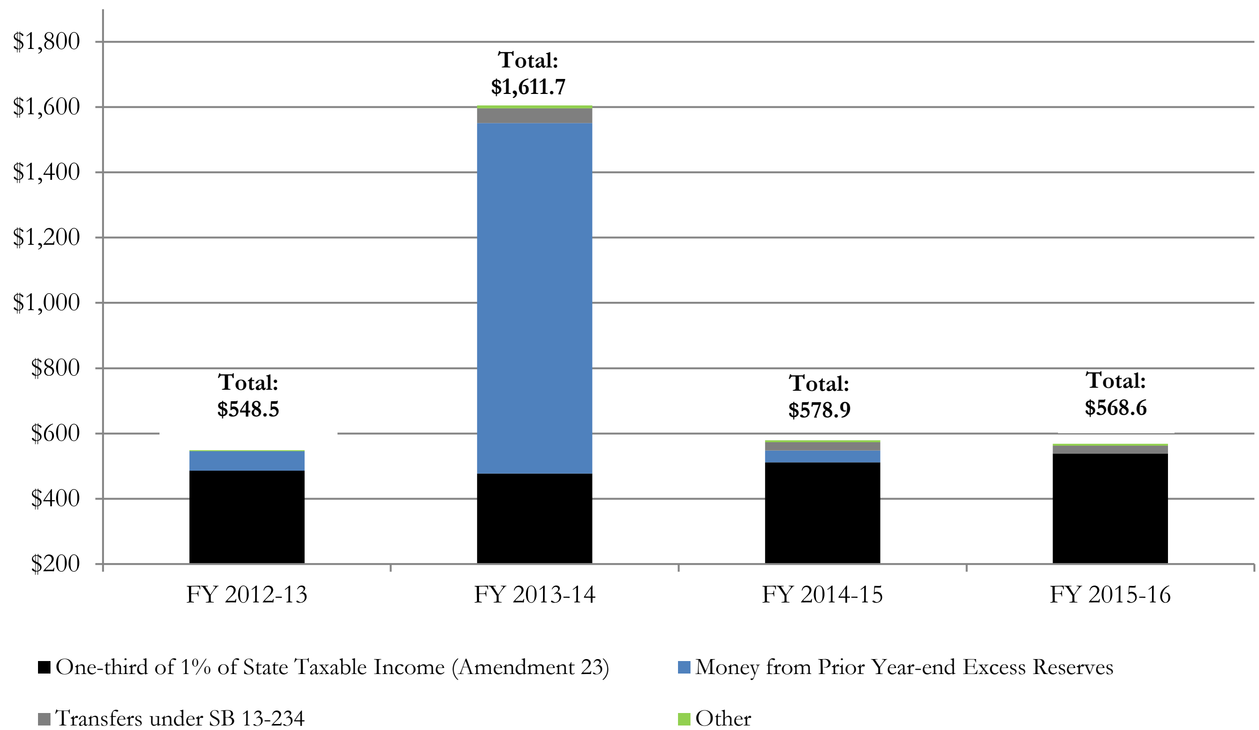
Summary of General Fund with the State Education Fund Overview – Table 1b, following Tables 1 and 1a, incorporates all of the same information from the General Fund overview with the Governor's November 1 budget request in Table 1a, but also includes spending, revenue, and fund balance information for the State Education Fund.

Funds available – Line 4 of Table 1b shows the amount of money credited to the State Education Fund each year. Under the State constitutional provisions of Amendment 23, the State annually diverts an amount equal to one-third of one percent of State taxable income to the Fund. This diversion is projected to be $477.0 million in FY 2013-14. In recent years, the fund has also received all or a portion of the State's excess year-end reserves as a result of legislation passed by the General Assembly and signed by the Governor. In FY 2012-13, the fund received $59 million of the FY 2011-12 excess reserves. For FY 2013-14, it receives all of the FY 2012-13 excess reserves, or $1.1 billion. Also in FY 2013-14, the fund will receive a General Fund transfer of $45.3 million pursuant to SB 13-234, as discussed in the "Spending not subject to the appropriations limit" section. Thus, in FY 2013-14, the State Education Fund is projected to receive $1.6 billion.

In FY 2014-15, the State Education Fund is projected to receive $578.9 million under the Governor's November 1 budget request. As discussed in the "Reserves" section above, this amount includes a projected $36.2 million of the FY 2013-14 excess reserves. This estimate will change based on updates to the revenue forecast and future budget actions. In addition to the portion of the excess reserves, the State Education Fund will receive its annual Amendment 23 diversion, as well as a General Fund transfer of $25.3 million pursuant to SB 13-234.

In addition to these larger sources, the State Education Fund annually receives investment earnings and a relatively small amount of revenue from other sources, including transfers from other funds and refunds of any unexpended money from school districts from prior years. Figure 3 below shows the actual and expected amount of income to the State Education Fund under the Governor's November 1 budget request.

Figure 3. State Education Fund Revenue from All Sources, Actual and Forecast, with Governor's November 1 Budget Request, FY 2012-13 to FY 2015-16, $ in millions



Appropriations and Fund balance – In addition to income to the State Education Fund, Table 1b includes information on State Education Fund spending, or appropriations (line 12). The amount for FY 2013-14 reflects current law and is subject to change based on future budget decisions. The FY 2014-15 amount represents the November 1 budget request, while the appropriations shown for FY 2015-16 reflects projected spending that can occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures. Actual appropriations from the State Education Fund will be adopted in future budget legislation. Thus, these fund balance projections are illustrative only.

It is important to consider the implications of the level of State Education Fund appropriations for the General Fund budget. Higher or lower appropriations generally mean that General Fund appropriations for school funding can be lower or higher to support the targeted level of funding for schools. However, decisions in one year very much affect the range of choices in the next year. Preschool through 12th grade education receives the largest amount of General Fund compared with other programs; thus, the balance between funding from the State Education Fund and General Fund has a sizable impact on the overall State budget. Further, because income taxes largely fund both accounts, a unified and multi-year view provides important insight to the sustainability of budgeting decisions.

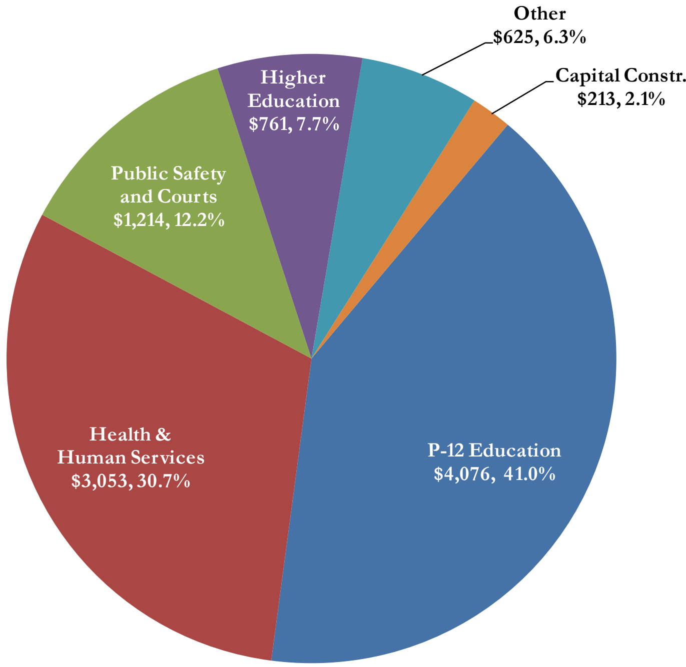
The following table summarizes the amounts discussed above on State Education Fund annual revenue and spending. It includes each year's actual and projected beginning and ending fund balance under the

November 1 budget request. Transfers of excess reserves in recent years, especially the excess from FY 2012-13, have caused a significant increase in the balance of the State Education Fund.

State Education Fund with Governor's Budget Request ($ in Millions)			
	FY 2013-14	FY 2014-15	FY 2015-16
Beginning Balance	*$183.4*	*$1,057.0*	*$738.9*
One-third of 1% of State Taxable Income	*$477.0*	*$511.7*	*$537.6*
Money from Prior Year-end Excess Reserves	*$1,073.5*	*$36.2*	*$0.0*
Transfers under SB 13-234	*$45.3*	*$25.3*	*$25.3*
Other	*$16.0*	*$5.7*	*$5.6*
Total Funds to State Education Fund	$1,611.7	$578.9	$568.6
Appropriations from State Education Fund	$738.1	$897.0	$850.6
Year-end Balance	$1,057.0	$738.9	$456.9

Composition of General Fund and State Education Budget – The following graph, Figure 4, shows the composition of the General Fund budget under the November 1 request, incorporating spending on education from the State Education Fund, for FY 2014-15 by major department or program area ($ in millions). Under the budget, total General Fund and State Education spending amounts to $9,943.7 million, a 6.0 percent, or $566.9 million, increase compared with FY 2013-14.

Figure 4. Composition of FY 2013-14 General Fund and State Education Fund Budget, $ in Millions



Risks to the Budget Outlook

Because revenue to the General Fund and State Education Fund is generated mostly by sales and income taxes, the level of overall economic activity in Colorado is a primary factor determining revenue levels. In addition to revenue, changes in economic conditions also impact the budget outlook because of associated changes in the use of many State services, including higher education, Medicaid, and other human services.

This budget outlook is based on OSPB's economic analysis and forecast, discussed in the section titled, *The Economy: Important Issues, Trends, and Forecast*, beginning on page 37. Although the state and national economy appear to now be more durable, risks must always be considered. While risks associated with federal fiscal policy issues appear to have abated for now, uncertainty remains about potential unknown consequences of monetary policy for financial markets and interest rates. Other factors could affect financial and monetary conditions as well, which have played large roles in the past two recessions. Structural issues in Europe and many parts of the developing world have not been fully resolved.

Large enough unexpected changes in the economy would likely result in revenue collections that are substantially above or below projected amounts. Even relatively small changes in the projected growth rate of revenue sources can materially impact the budget outlook. For example, each percentage point difference from the current General Fund projected growth rate for FY 2013-14 amounts to an $86 million change in General Fund revenue collections.

As discussed in the *General Fund Revenue Forecast* section starting on page 19, General Fund revenue is expected to moderate this fiscal year as a result of a drop in capital gains income from the shifting back of equity and other asset sales before federal tax rate increases took effect at the beginning of 2013. Capital gains income is very difficult to predict, however, thus tax collections could end up being materially different from expectations.

It is also possible that Colorado's economic growth will outpace expectations, and generate more robust revenue growth. The State is within four percent of reaching its TABOR revenue cap in FY 2013-14 and within three percent in the following two years. It is possible that better-than-expected economic growth would cause the State to reach the cap. If that were to happen, the State would need to refund excess revenue to taxpayers or ask voters for permission to retain it.

Table 1. General Fund Overview under Current Law

(Dollar Amounts in Millions)

Line No.		Actual FY 2012-13	December 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
Revenue					
1	**Beginning Reserve**	**$795.8**	**$373.0**	**$451.1**	**$450.9**
2	**Gross General Fund Revenue**	**$8,554.8**	**$8,747.8**	**$9,389.7**	**$9,845.4**
3	*Transfers to the General Fund*	*$0.3*	*$2.4*	*$2.4*	$2.4
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$9,351.0**	**$9,123.2**	**$9,843.2**	**$10,298.6**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$7,459.2**	**$7,967.4**	**$9,017.4**	**$9,257.4**
6	*Dollar Change (from prior year)*	*$431.5*	*$508.2*	*$1,050.0*	$240.0
7	*Percent Change (from prior year)*	6.1%	6.8%	13.2%	2.7%
8	**Spending Outside Limit**	**$452.3**	**$516.4**	**$374.9**	**$578.4**
9	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	$0.0
10	*Rebates and Expenditures /B*	*$380.9*	*$243.5*	*$240.3*	$250.2
11	*Transfers to Capital Construction /C*	*$61.4*	*$186.7*	*$67.9*	$64.1
12	*Transfers to Highway Users Tax Fund /C*	*N/A*	$0.0	$0.0	$196.9
13	*Transfers to State Education Fund under SB 13-234*	*N/A*	$45.3	$25.3	$25.3
14	*Transfers to Other Funds*	*$4.6*	$40.8	$41.4	$41.9
15	*Other Expenditures Exempt from General Fund Appropriations Limit /D*	$5.4	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,911.6**	**$8,483.8**	**$9,392.3**	**$9,835.8**
17	*Percent Change (from prior year)*	9.6%	7.2%	10.7%	4.7%
18	Reversions and Accounting Adjustments	*$7.1*	*$0.0*	*$0.0*	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$1,446.5**	**$639.4**	**$450.9**	**$462.9**
20	*Year-End General Fund as a % of Appropriations*	*19.4%*	*8.0%*	*5.0%*	5.0%
21	*General Fund Statutory Reserve /E*	$373.0	$398.4	$450.9	$462.9
22	*Above (Below) Statutory Reserve /F*	$1,073.5	$241.0	$0.0	$0.0
23	*Transfer of Excess Reserve to State Education Fund/Other Funds /F*	-$1,073.5	-$188.3	$0.0	$0.0
24	*Balance After Any Funds Above Statutory Reserve are Allocated*	$0.0	$52.8	$0.0	$0.0

/A This limit equals 5.0% of Colorado personal income. The appropriations amount for FY 2013-14 reflects current law. The FY 2014-15 and FY 2015-16 amounts represent the level of spending that can be supported by projected revenue while maintaining the required reserve amount; thus, these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/B Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, Homestead Exemption, and Fire and Police Pensions Association contributions as outlined in the table on page 8.

/C Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0 percent. This is projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement. The capital construction amount for FY 2013-14 reflects current law, while the amounts in subsequent years mostly reflect the needed levels to fund specific "certificate of participation" financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects.

/D Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

/E Current law requires the reserve to increase in the third fiscal year after personal income increases by more than 5 percent. This is projected to occur in 2014, which will trigger a reserve increase of 0.5 percentage points in FY 2017-18. The reserve is required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations, which would occur in FY 2019-20 under this forecast.

/F Per HB 12-1338, all of the FY 2012-13 excess was transferred to the State Education Fund. Pursuant to SB 13-236, $30 million of the excess reserves in FY 2013-14 is transferred to the Colorado Water Conservation Board Construction (CWCB) Fund, while, pursuant to SB 13-260, 75 percent of the remaining excess is transferred to the State Education Fund. Both of these transfers will occur in FY 2014-15.

Table 1a. General Fund Overview with November 1, 2013 Budget Request

(Dollar Amounts in Millions)

Line No.		Actual FY 2012-13	December 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
Revenue					
1	**Beginning Reserve**	**$795.8**	**$373.0**	**$418.2**	**$745.7**
2	**Gross General Fund Revenue**	**$8,554.8**	**$8,747.8**	**$9,389.7**	**$9,845.4**
3	*Transfers to the General Fund*	*$0.3*	*$2.4*	*$2.4*	$2.4
4	*Proposed Changes to General Fund Available /A*	*NA*	*NA*	*-113.5*	*NA*
5	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$9,351.0**	**$9,123.2**	**$9,696.7**	**$10,593.5**
Expenditures					
6	**Appropriation Subject to Limit /B**	**$7,459.2**	**$8,122.4**	**$8,526.3**	**$9,403.9**
7	*Dollar Change (from prior year)*	*$431.5*	*$663.2*	*$403.9*	$877.6
8	*Percent Change (from prior year)*	6.1%	8.9%	5.0%	10.3%
9	**Spending Outside Limit**	**$452.3**	**$516.4**	**$520.4**	**$578.4**
10	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	$0.0
11	*Rebates and Expenditures /C*	*$380.9*	*$243.5*	*$240.3*	$250.2
12	*Transfers to Capital Construction /D*	*$61.4*	*$186.7*	*$213.5*	$64.1
13	*Transfers to Highway Users Tax Fund /D*	*N/A*	$0.0	$0.0	$196.9
14	*Transfers to State Education Fund under SB 13-234*	*N/A*	$45.3	$25.3	$25.3
15	*Transfers to Other Funds*	*$4.6*	$40.8	$41.4	$41.9
16	*Other Expenditures Exempt from General Fund Appropriations Limit /E*	$5.4	$0.0	$0.0	$0.0
17	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,911.6**	**$8,638.8**	**$9,046.7**	**$9,982.3**
18	*Percent Change (from prior year)*	9.6%	9.2%	4.7%	10.3%
19	Reversions and Accounting Adjustments	*$7.1*	*$0.0*	*$0.0*	$0.0
Reserves					
20	**Year-End General Fund Balance**	**$1,446.5**	**$484.4**	**$650.0**	**$611.3**
21	*Year-End General Fund as a % of Appropriations*	*19.4%*	*6.0%*	*7.6%*	6.5%
22	*General Fund Statutory Reserve /F*	$373.0	$406.1	$554.2	$611.3
23	*Above (Below) Statutory Reserve /G*	$1,073.5	$78.3	$95.8	$0.0
24	*Transfer of Excess Reserve to State Education Fund/Other Funds /G*	-$1,073.5	-$66.2	NA	NA
25	*Balance After Any Funds Above Statutory Reserve are Allocated*	$0.0	$12.1	$95.8	$0.0

/A The November 1 budget request includes a $4.2 million revenue reduction related to wildfire preparedness and a transfer of $109.4 million to pay back certain cash funds that were transferred during the previous economic downturn.

/B This limit equals 5.0% of Colorado personal income. The appropriations amount for FY 2013-14 reflects current law, while the FY 2014-15 amount is the November 1 budget request. The FY 2015-16 amount represents the level of spending that can be supported by projected revenue while maintaining the required reserve amount; thus, this amount will change based on future budgeting decisions and updates to the revenue

/C Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, Homestead Exemption, and Fire and Police Pensions Association contributions as outlined in the table on page 8.

/D Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0 percent. This is projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement. The capital construction amount FY 2013-14 reflects current law, while the amount for FY 2014-15 shows the November 1 budget request, including $14.2 million set aside for expected budget amendments. The FY 2015-16 amount mostly reflects the needed level to fund specific "certificate of participation" financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects.

/E Spending by the Medicaid program above the appropriated amount, called “Medicaid Overexpenditures,” is usually the largest amount in this line.

/F The November 1 budget request includes raising the reserve to 6.5 percent of appropriations starting in FY 2014-15. Under current law and this forecast, this level would be reached in FY 2019-20.

/G Per HB 12-1338, all of the FY 2012-13 excess was transferred to the State Education Fund. Pursuant to SB 13-236, $30 million of the excess reserves in FY 2013-14 is transferred to the Colorado Water Conservation Board Construction (CWCB) Fund, while, pursuant to SB 13-260, 75 percent of the remaining excess is transferred to the State Education Fund. Both of these transfers will occur in FY 2014-15.

Table 1b. General Fund with State Education Fund Overview with November 1, 2013 Budget Request

(Dollar Amounts in Millions)

Line No.		Actual FY 2012-13	December 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
Revenue					
1	**Beginning Reserves**	**$929.6**	**$556.3**	**$1,475.2**	**$1,484.6**
2	*State Education Fund*	$133.8	$183.4	$1,057.0	$738.9
3	*General Fund*	$795.8	$373.0	$418.2	$745.7
4	**Gross State Education Fund Revenue**	**$548.5**	**$1,611.7**	**$578.9**	**$568.6**
5	**Gross General Fund Revenue**	**$8,554.8**	**$8,747.8**	**$9,389.7**	**$9,845.4**
8	*Transfers to the General Fund*	*$0.3*	*$2.4*	*$2.4*	$2.4
9	*Proposed Changes to General Fund Available /A*	*NA*	*NA*	*-113.5*	*NA*
10	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$10,033.2**	**$10,918.2**	**$11,332.6**	**$11,901.0**
Expenditures					
11	General Fund Appropriations Subject to Limit /B	$7,459.2	$8,122.4	$8,526.3	$9,403.9
12	State Education Fund Appropriations /C	*$510.9*	*$738.1*	*$897.0*	*$850.6*
13	**Total Appropriations**	**$7,970.2**	**$8,860.5**	**$9,423.3**	**$10,254.5**
14	*Percent Change (from prior year)*	3.8%	11.2%	6.4%	8.8%
15	**Other Expenditures**	**$452.3**	**$516.4**	**$520.4**	**$578.4**
16	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
17	*Rebates and Expenditures /D*	*$380.9*	*$243.5*	*$240.3*	*$250.2*
18	*Transfers to Capital Construction /E*	*$61.4*	*$186.7*	*$213.5*	$64.1
19	*Transfers to Highway Users Tax Fund /E*	*N/A*	*$0.0*	*$0.0*	*$196.9*
20	*Transfers to State Education Fund under SB 13-234*	*N/A*	*$45.3*	*$25.3*	*$25.3*
21	*Transfers to Other Funds*	*$4.6*	*$40.8*	*$41.4*	*$41.9*
22	*Other Expenditures Exempt from General Fund Appropriations Limit /F*	$5.4	$0.0	$0.0	$0.0
23	**TOTAL OBLIGATIONS**	**$8,422.5**	**$9,376.8**	**$9,943.7**	**$10,832.9**
24	*Percent Change (from prior year)*	7.0%	11.3%	6.0%	8.9%
25	*Reversions and Accounting Adjustments*	*$19.1*	*$0.0*	*$0.0*	*$0.0*
Reserves					
26	**Year-End Balance**	**$1,629.8**	**$1,541.4**	**$1,388.9**	**$1,068.1**
27	State Education Fund /C	$183.4	$1,057.0	$738.9	$456.9
28	General Fund	$1,446.4	$484.4	$650.0	$611.3
29	*Year-End General Fund as a % of Appropriations*	*19.4%*	*6.0%*	*7.6%*	*6.5%*
30	*General Fund Statutory Reserve /G*	$373.0	$406.1	$554.2	$611.3
31	*Money Above (Below) General Fund Statutory Reserve /H*	$1,073.5	$78.3	$95.8	$0.0
32	*Transfer of Excess General Fund Reserve to State Education Fund/Other Funds /H*	-$1,073.5	-$66.2	NA	NA
33	*General Fund Excess After Any Funds Above Statutory Reserve are Allocated*	$0.0	$12.1	$95.8	$0.0

/A The November 1 budget request includes a $4.2 million revenue reduction related to wildfire preparedness and a transfer of $109.4 million to pay back certain cash funds that were transferred during the previous economic downturn.

/B This limit equals 5.0% of Colorado personal income. The appropriations amount for FY 2013-14 reflects current law. The FY 2014-15 and FY 2015-16 amounts represent the level of spending that can be supported by projected revenue while maintaining the required reserve amount; thus, these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/C State Education Fund appropriations, and consequently, fund balance information, through FY 2013-14 reflect current law. The appropriations amount for FY 2014-15 represents the November 1 budget request, while the appropriations shown for 2015-16 reflects projected spending that can occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures. Actual appropriations from the State Education Fund will be adopted in future budget legislation. Thus, the appropriations amounts and fund balance projections are illustrative only.

/D Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, Homestead Exemption, and Fire and Police Pensions Association contributions as outlined in the table on page 8.

/E Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0 percent. This is projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement. The capital construction amount FY 2013-14 reflects current law, while the amount for FY 2014-15 shows the November 1 budget request, including $14.2 million set aside for expected budget amendments. The FY 2015-16 amount mostly reflects the needed level to fund specific "certificate of participation" financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects.

/F Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

/G The November 1 budget request includes raising the reserve to 6.5 percent of appropriations starting in FY 2014-15. Under current law, this level would be reached in FY 2019-20 under this forecast.

/H Per HB 12-1338, all of the FY 2012-13 excess was transferred to the State Education Fund. Pursuant to SB 13-236, $30 million of the excess reserves in FY 2013-14 is transferred to the Colorado Water Conservation Board Construction (CWCB) Fund, while, pursuant to SB 13-260, 75 percent of the remaining excess is transferred to the State Education Fund. Both of these transfers will occur in FY 2014-15.

General Fund Revenue Forecast

Projections for General Fund revenue in this forecast are one percent higher compared with expectations in September. This amounts to $85.4 million more this fiscal year (FY 2013-14) and $90.4 million more in FY 2014-15. For comparison purposes, these two figures do not include higher revenue due to November's voter approval of an additional sales tax on retail marijuana. This revenue will first be credited to the General Fund ─ and is included under sales tax revenue in Table 2 following page 24 ─ but will then be transferred to the Marijuana Cash Fund and local governments.

General Fund revenue is now expected to grow 2.3 percent in the current fiscal year. This year's modest growth rate is the result of an expected pause in the robust growth rates in certain tax revenue sources since the end of the recession. First, investment income from the sale of assets, or "capital gains," is expected to decline this year. OSPB continues to assume that taxpayers took investment gains sooner than they otherwise would have in anticipation of federal tax increases in 2013, which pulled an estimated $120 million in income tax revenue from this year into the prior fiscal year. A smaller increase in corporate income tax revenue due to a combination of more moderate profit growth and tax policy changes, along with weaker use tax collections, will also contribute to the slower General Fund revenue growth.

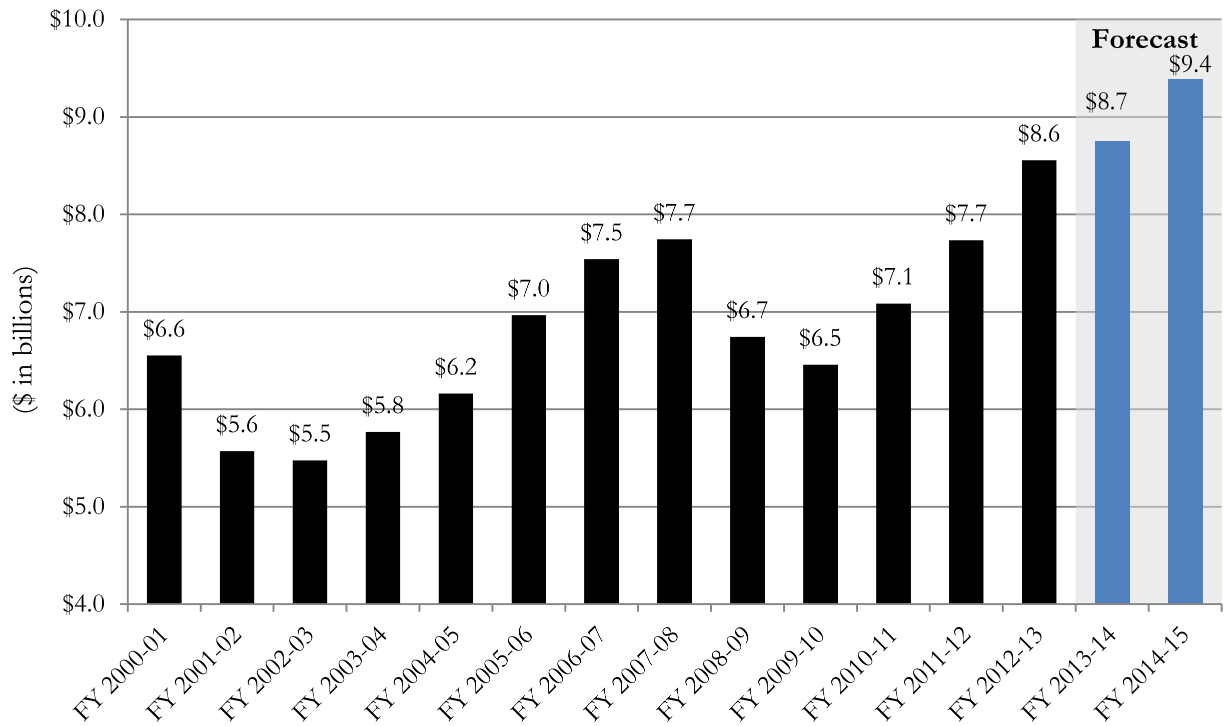
Although evidence continues to support the expected drop in tax revenue from investment income, capital gains are difficult to predict. OSPB will have more information regarding the magnitude of the actual shifting of income and the one-time surge in revenue when tax collections for April of 2014 are reported in May.

The factors impacting revenue this year will not affect FY 2014-15, when continued economic growth will generate a General Fund revenue increase of 7.3 percent.

Figure 5 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2014-15. The figure illustrates the strong General Fund revenue growth since the end of the recession though FY 2012-13, the pause in FY 2013-14, and a resumption of growth in FY 2014-15. A more detailed forecast of General Fund revenue by source is provided in Table 2 following page 24.

Flooding impact on tax revenue – The economic impacts of the flood are not expected to affect tax collections appreciably. This is consistent with experiences of other states that have experienced large natural disasters in the past two years, such as New Jersey and Vermont. Decreases in tax revenue from the floods' disruption to economic activity will be offset to some extent by tax revenue collected from rebuilding efforts. Further, rebuilding is expected to occur over time, and much of the materials related to road reconstruction are exempt from the State sales tax. Finally, a substantial portion of the tax revenue the State receives is generated from economic activity occurring outside of the areas impacted by the flooding.

Figure 5. General Fund Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15



Forecast Discussion of Major General Fund Revenue Sources

The following discusses the forecasts for the three major General Fund revenue sources that make up 95 percent of the total – individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the remaining group of miscellaneous sources, such as taxes paid by insurers on premiums and excise taxes on tobacco products and liquor will grow modestly over the forecast period.

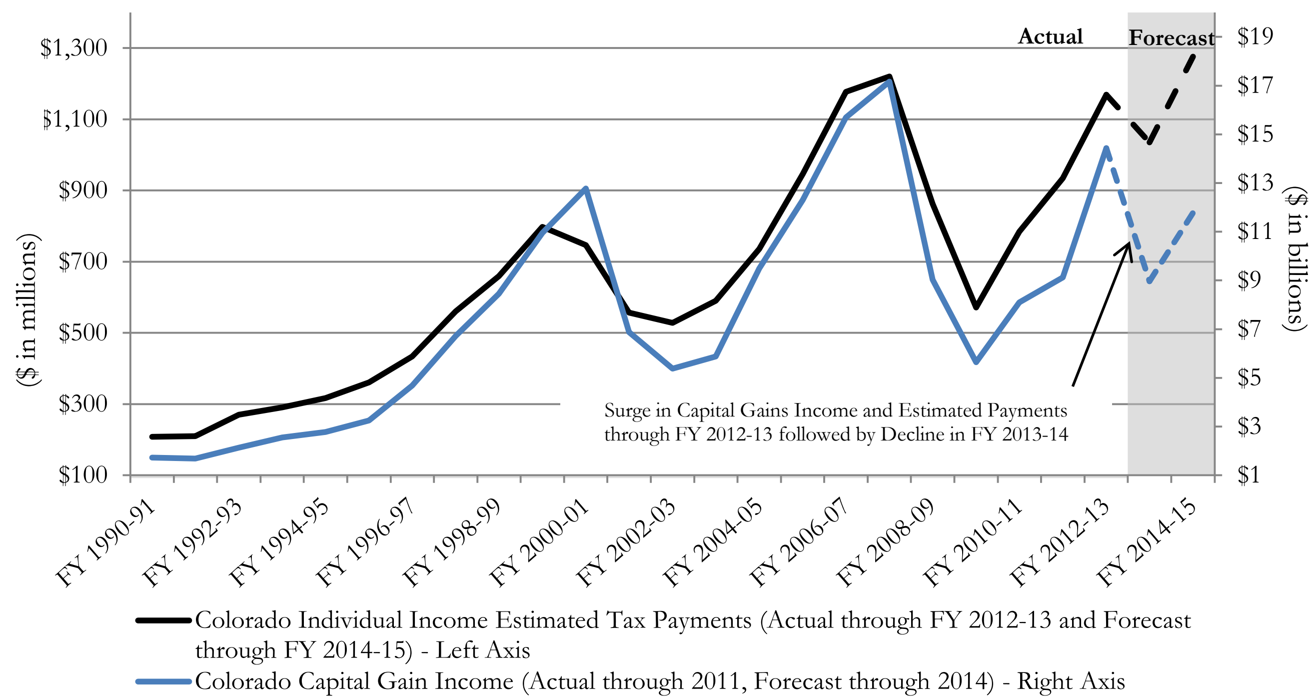
Individual income tax – After robust growth in the three fiscal years following the Great Recession, growth in individual income tax collections will post a slight drop of 0.3 percent this fiscal year. The decrease is mostly due to an expected decline in estimated tax payments on investment income. The resumption of growth in investor income, along with continued growth in income from wages and business activity, will generate individual income tax revenue growth of 7.2 percent in FY 2014-15.

Increases in income tax since the end of the recession have far outpaced observed job and business growth in the economy. For example, the level of personal income increased 15 percent from 2009 to 2012, while individual income tax revenue grew 37.0 percent over the same period. Much of this increase was due to the doubling of estimated tax payments since FY 2009-10.

Investors with high amounts of income pay their tax liabilities through estimated payments periodically throughout the year. The higher tax revenue growth has been attributable, in part, to strong gains in investor income from rising equity and other asset values. Further, many investors likely shifted their income from investments – capital gains – into tax year 2012 before the 2013 increase in federal tax rates. OSPB estimates that around $120 million in tax revenue from capital gains received by Colorado taxpayers was shifted into FY 2012-13 that would have otherwise been collected in FY 2013-14. As evidence of these trends, estimated tax payments grew 25.2 percent last fiscal year and preliminary data at the national level suggests that there was a large surge in capital gains income in tax year 2012. Investment income is also expected to experience cyclical moderation this year as some of the gains from the robust equity growth since 2009 have already been realized.

The historical and projected trends in estimated tax payments and capital gains income to Coloradans are shown in Figure 6 below. Estimated payments will fall 11.5 percent in FY 2013-14 due to the decline in capital gains income. Tax liabilities from business income, rental income, and income from energy production royalties are also sources of estimated income tax payments. Growth in these sources will bolster revenue and prevent a larger decline this fiscal year. Estimated payments will rebound in FY 2014-15 with continued economic growth, stronger investment income growth, and because the shifting of such income will no longer be a factor.

Figure 6. Capital Gains Income to Coloradans and State Individual Income Estimated Tax Payments, Actual and Forecast, FY 1990-91 to FY 2014-15

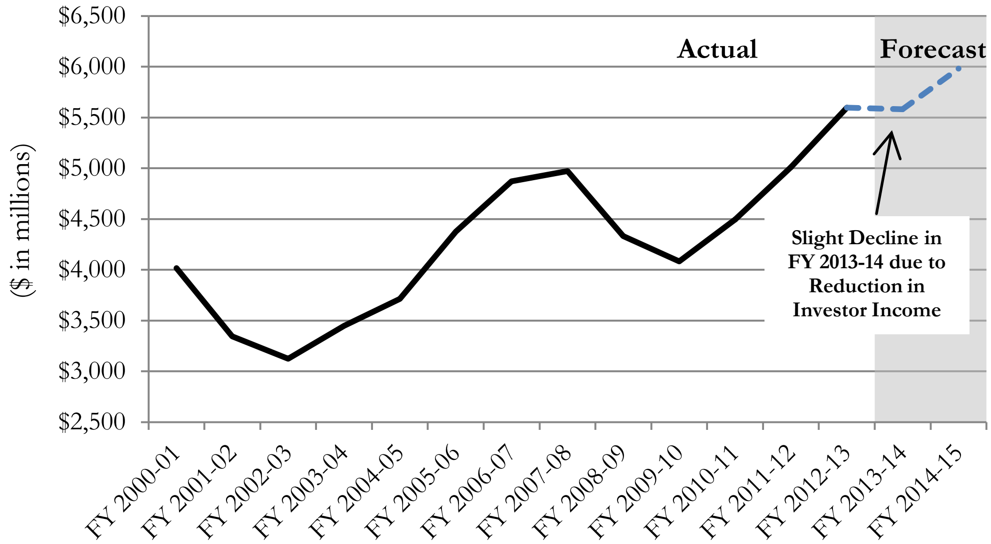


Source: Internal Revenue Service, Colorado Department of Revenue, and OSPB.

In addition to the trends in capital gains income, tax policy changes both at the state and federal level[1] will, on net, lower revenue in the current fiscal year and in FY 2014-15. The availability of the State tax credit for child care contributions and temporarily higher federal tax deductions for business investments are the largest changes that reduce tax revenue.

The strong pace of individual income tax revenue growth since the end of the recession, the modest decline in FY 2013-14, and the forecast rebound for FY 2014-15 is depicted in Figure 7.

Figure 7. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15



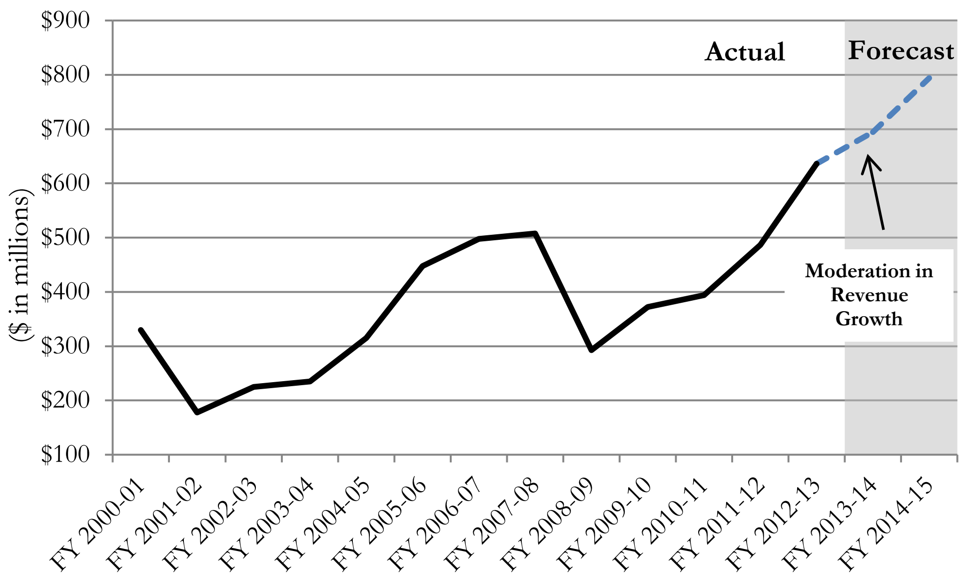
Corporate income tax – After surging 30.8 percent and 23.5 percent in the past two fiscal years, corporate tax revenue growth will moderate to a 9.2 percent growth rate in the current fiscal year and post growth of 14.3 percent in FY 2014-15. The amount of corporations' sales in the state, their operating environment, such as business costs, and tax policy changes affecting business expensing are important drivers for corporate tax revenue. After the robust growth since the Great Recession, which was fueled in part by high profit margins and rebounding economic activity, corporate income tax revenue is posting a more modest increase this fiscal year.

Changes in federal and state policy that have helped boost tax revenue over the past few years are also tempering tax collections this fiscal year and next The reversal of a state tax policy change during the recession that capped the amount of net operating losses that corporations could deduct for tax purposes will lower taxable income. Also, the federal tax policy change increasing tax deductions for business investments will lower corporate income tax revenue.

A graph of historical and forecasted corporate income tax collections is provided in Figure 8.

[1] Because taxable income for State income tax purposes is based on federal taxable income, certain federal tax policy changes that affect deductions and exemptions can affect Colorado income tax collections.

Figure 8. Corporate Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15



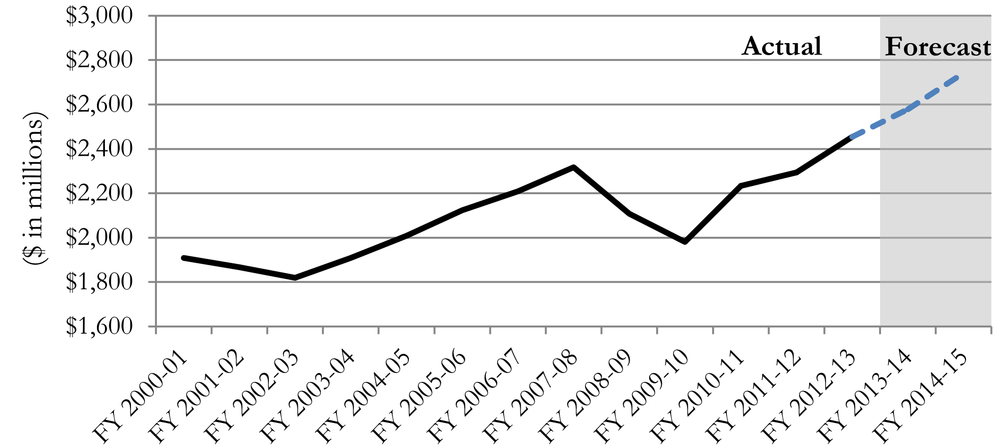
Sales and use tax – Sales tax revenue will grow 6.3 percent this fiscal year and 6.1 percent in FY 2014-15. Continued income and job growth, along with more activity in the housing market, will continue to support consumer spending. Consumers also continue to need to replace vehicles, appliances, furniture, and other long lasting household durable goods. National data shows that the average age of consumer durable goods is the highest since 1962. Additionally, continued growth in overall economic activity will help sales tax revenue increase from business purchases of taxable goods.

Passage of Proposition AA by voters in November will increase sales tax revenue by setting an additional sales tax of 10 percent on retail marijuana sales. (Voters also approved an excise tax of 15 percent on retail marijuana that is mostly credited to a cash fund for public school capital construction projects.) At the present time, OSPB assumes that the sales tax will generate roughly $40 million annually. Though, it is important to note that there could be a substantial revision to the projection when more information becomes available. Because the tax starts in January, about $20 million is projected for the rest of the current fiscal year. Under current law, this revenue will first go to the General Fund ─ and is included under sales tax revenue in Table 2 following page 24 ─ but then is transferred to the Marijuana Cash Fund to support regulation and enforcement of the retail marijuana industry. A portion will also be distributed to local governments where retail marijuana sales occur.

Use taxes are mostly paid by businesses as they generally apply to items in which the seller did not collect and remit sales taxes for the State. Many of these transactions occur with out-of-state sellers. After a strong increase in FY 2012-13 that was fueled in part by the pickup in residential construction activity and the growing oil and gas industry, OSPB expects use tax revenue growth will pause in FY 2013-14, declining 6.7 percent. Use tax collections can be volatile and do not always grow commensurately with the economy. Use tax revenue will resume growth in FY 2014-15, posting an increase of 8.0 percent.

Total sales and use tax revenue from FY 2000-01 through FY 2014-15 is shown in Figure 9.

Figure 9. Sales and Use Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15



State Education Fund revenue – As discussed on page 11 in the *Summary of General Fund with the State Education Fund Overview* section, the state constitution requires that one third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. Because this revenue comes from taxable income, it largely follows the trends discussed above in individual income and corporate income tax revenue collections.

After a 19.3 percent gain in FY 2012-13, this revenue source will decline 1.9 percent in FY 2013-14 due to the decrease in investor income and the slowdown in corporate income taxes. With higher taxable income growth resuming in FY 2014-15, the diversion to the State Education Fund will increase 7.3 percent. Figure 10 shows the diversion of one third of one percent of taxable income to the State Education Fund from FY 2000-01 to FY 2014-15. In addition to this dedicated source of revenue, recent policies have transferred other General Fund money to the State Education Fund, which is shown in detail by Figure 3 on page 12.

Figure 10. State Education Fund Revenue from One Third of One Percent of Taxable Income, Actual and Forecast, FY 2000-01 to FY 2014-15

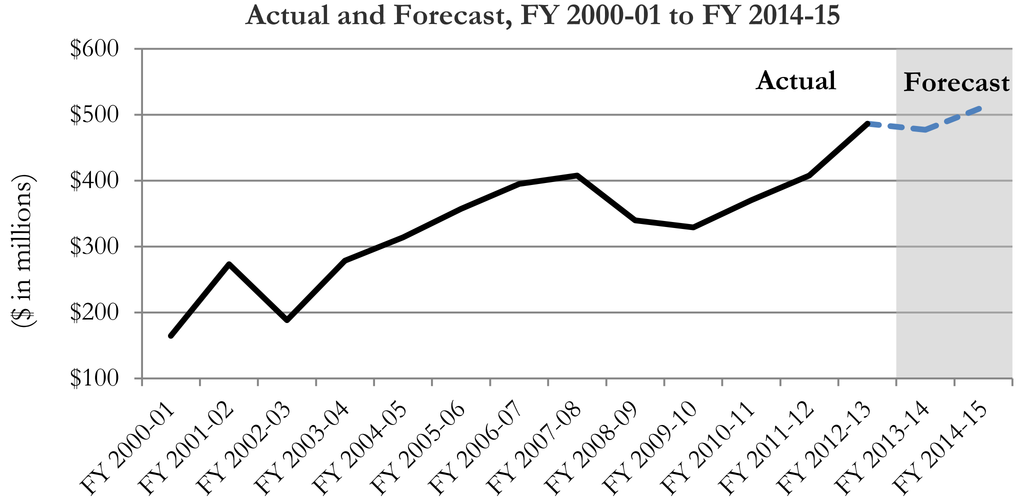


Table 2. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Actual FY 2012-13	%Chg	December 2013 Estimate by Fiscal Year FY 2013-14	%Chg	FY 2014-15	%Chg	FY 2015-16	%Chg
	Excise Taxes:								
1	Sales	$2,211.7	5.7%	$2,351.8	6.3%	$2,496.4	6.1%	$2,605.3	4.4%
2	Use	$242.7	21.0%	$226.5	-6.7%	$244.6	8.0%	$261.2	6.8%
3	Cigarette	$38.3	-3.1%	$37.5	-2.1%	$35.7	-4.7%	$34.5	-3.5%
4	Tobacco Products	$15.6	-2.9%	$18.5	18.9%	$18.9	1.9%	$19.5	3.4%
5	Liquor	$39.2	2.2%	$39.7	1.3%	$40.3	1.4%	$41.1	2.1%
6	**Total Excise**	**$2,547.5**	**6.7%**	**$2,674.1**	**5.0%**	**$2,835.9**	**6.1%**	**$2,961.6**	**4.4%**
	Income Taxes:								
7	Net Individual Income	$5,596.3	11.7%	$5,581.1	-0.3%	$5,983.2	7.2%	$6,251.6	4.5%
8	Net Corporate Income	$636.3	30.8%	$694.7	9.2%	$793.8	14.3%	$869.3	9.5%
9	**Total Income**	**$6,232.6**	13.4%	**$6,275.8**	0.7%	**$6,777.0**	8.0%	**$7,121.0**	**5.1%**
10	*Less: State Education Fund Diversion*	*$486.3*	*19.3%*	*$477.0*	*-1.9%*	*$511.7*	*7.3%*	*$537.6*	*5.1%*
11	**Total Income to General Fund**	**$5,746.2**	**12.9%**	**$5,798.9**	**0.9%**	**$6,265.3**	**8.0%**	**$6,583.3**	**5.1%**
	Other Revenue:								
12	Insurance	$210.4	6.7%	$221.9	5.5%	$226.6	2.1%	$231.6	2.2%
13	Interest Income	$17.4	28.6%	$21.8	25.0%	$25.3	16.0%	$28.5	12.9%
14	Pari-Mutuel	$0.7	10.3%	$0.6	-12.9%	$0.5	-10.0%	$0.5	-5.0%
15	Court Receipts	$2.3	-9.0%	$2.4	1.0%	$2.3	-5.0%	$2.1	-5.0%
16	Gaming	$12.1	-40.4%	$8.5	-29.8%	$10.0	17.6%	$12.3	23.0%
17	Other Income	$18.1	-21.6%	$19.7	9.1%	$23.8	20.4%	$25.3	6.5%
18	**Total Other**	**$261.1**	**1.3%**	**$274.9**	**5.3%**	**$288.5**	**4.9%**	**$300.4**	**4.2%**
19	**GROSS GENERAL FUND**	**$8,554.8**	**10.6%**	**$8,747.8**	**2.3%**	**$9,389.7**	**7.3%**	**$9,845.4**	**4.9%**

Cash Fund Revenue Forecast

In FY 2013-14, cash fund revenue subject to TABOR will grow 2.9 percent to $2.62 billion. This growth will be led by an $80 million increase in severance tax revenue resulting from higher natural gas prices and continued strong oil production, combined with lower ad valorem tax credits from the prior year. Transportation revenue will also increase by $25.1 million, or 2.3 percent. Revenue from the hospital provider fee will decline as more Medicaid program support is received from the federal government. Additionally, limited gaming revenue will fall as gaming activity in Colorado has not returned to levels observed before the Great Recession.

In FY 2014-15, cash fund revenue will grow 0.9 percent to $2.64 billion, reflecting slower growth in transportation-related revenue and fees paid to the Department of Regulatory Agencies by regulated industries and professionals. There will also be a smaller increase in severance tax revenue, which will not be impacted by the dynamics that are contributing to the high growth rate in FY 2013-14. Revenue from the hospital provider fee will fall again in FY 2014-15 as the impact of expanded federal support for Medicaid is realized over a full fiscal year.

OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 3 following page 33. This forecast provides an outlook for revenue subject to TABOR because the Colorado Constitution places a limit on the amount of certain revenue that can be retained by the State each year. Cash fund revenue that is not subject to TABOR generally includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges. More information on TABOR revenue and the revenue limit can be found on page 35.

Transportation-related cash funds — Transportation-related cash funds include the Highway Users Tax Fund (HUTF), State Highway Fund (SHF), and several smaller cash funds. Funds in this category receive revenue from fuel taxes, vehicle registrations and permits, other fines and fees related to transportation, and interest on fund balances. The HUTF accounts for more than 80 percent of the revenue in this category. Over half of HUTF revenue comes from excise taxes on gasoline and diesel fuel. Revenue in the HUTF is distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol.

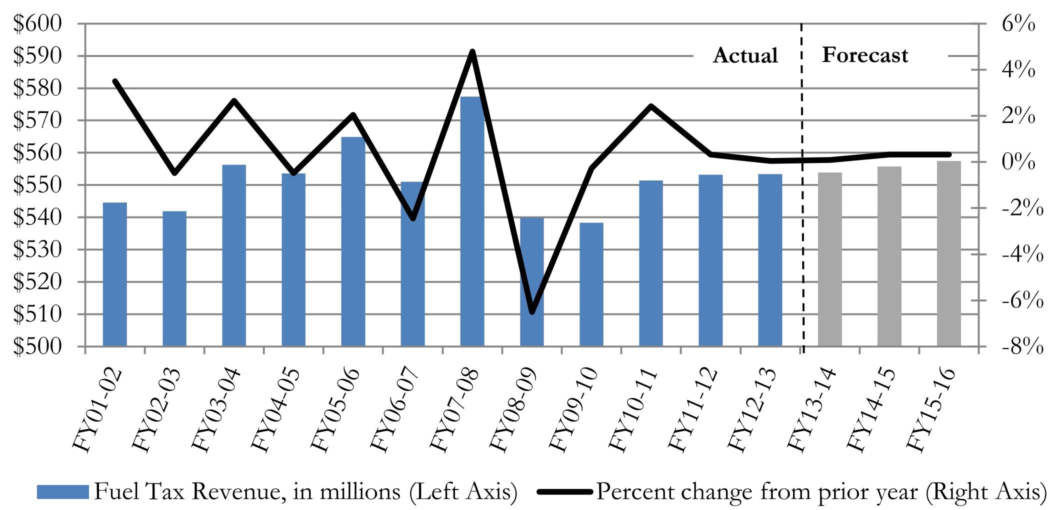
Revenue to transportation-related cash funds that is subject to TABOR will grow 2.3 percent to $1.12 billion in FY 2013-14, followed by slower growth rates of 0.8 percent in FY 2014-15 and 1.0 percent in FY 2015-16. The relatively slow growth in transportation-related cash funds over the next several years is largely explained by muted increases in fuel tax collections. Fuel taxes have grown less than one half percent in each of the last two years. The history and forecast of fuel tax revenue subject to TABOR, including excise tax on both gasoline and diesel, is shown in Figure 11 below.

Researchers have observed a growing trend in preferences for alternative modes of transportation in recent years, especially among young people who are accounting for a growing proportion of the overall workforce. As more members of the "millennial" generation are choosing to live in cities and along public transportation routes, the average number of vehicle miles traveled (VMT) per person has fallen.

According to data published by the U.S. Department of Transportation (USDOT), the average VMT per person on highways fell 11.0 percent in Colorado between 2006 and 2011, from 10,234 to 9,109.

In addition to reduced driving, improving fuel efficiency of cars and trucks is also limiting the amount of fuel that consumers purchase for transportation. USDOT statistics show that the average fuel efficiency of light duty cars and trucks increased from 21.9 miles per gallon in 2000 to 23.5 miles per gallon in 2010. The U.S. Environmental Protection Agency, which sets fuel efficiency standards for vehicles sold in the U.S., has established a greenhouse gas emissions standard equivalent to 54.5 miles per gallon by the year 2025. Cars and light trucks of the model year 2025 will have to meet this standard in order to avoid incurring a "gas guzzler tax." These trends indicate that the slow growth observed in fuel tax revenue in recent years, as shown in Figure 11, is likely to continue as travelers reduce driving and fuel efficiency improves.

Figure 11. Fuel Tax Revenue and Year-over-Year Change, FY 2002 – FY 2016



In addition to fuel tax revenue, the HUTF receives fees for vehicle registrations and special permits. Vehicle registration revenue will grow moderately as a result of increasing vehicle sales in Colorado. Sales of new cars and trucks have remained fairly robust in the state as households continue to replace older vehicles and take advantage of the low interest rates that have been supported by slow economic growth, federal monetary policy, and other factors. Auto sales will also be supported by job growth in Colorado as well and increased household wealth due to recovery in the housing and stock markets. Gains from higher fee revenue, however, will only partially offset the slow growth in fuel tax revenue. Some of the recently robust vehicle sales activity may taper off as consumers work through pent-up demand from the wake of the Great Recession and as interest rates begin to rise.

Limited Gaming — Limited gaming revenue will fall an estimated $8.4 million, or 7.8 percent, in FY 2013-14 to $98.8 million. This forecast reflects unexpected declines in the level of gaming activity, even as the economy continues to recover. Limited gaming revenue grew 2.3 percent to $107.2 million in FY 2012-13; however, this occurred in the same year as the reversal of a 5 percent gaming tax reduction, which means that actual gaming activity fell approximately 2.7 percent in FY 2012-13. Although employment, personal income, and household wealth have grown in Colorado, gaming activity has not increased in response to the more positive economic outlook. Gaming revenue fell during the Great Recession for the first time since it began in the state in FY 1991-92, and it is possible that changes in household preferences for gaming that occurred during the recession remain in place.

Other factors that may be impacting gaming revenue include recent wildfires in the southern parts of Colorado that impacted gaming activity at locations in Cripple Creek. Similarly, floods in along the Front Range closed roads and caused disruptions throughout the area, which likely impacted activity at casinos in Central City and Blackhawk. Additionally, slightly fewer casinos are operating than the same time a year ago.

Of the total expected limited gaming revenue for FY 2013-14, $90.7 million will be subject to TABOR. This is the amount reflected in Table 3, "Cash Fund Revenue Subject to TABOR". Of this amount, $88.0 million is classified as "base limited gaming revenue." The remainder comes from interest earned on the balance of the Limited Gaming Cash Fund throughout the year as well as fines and fees related to gaming. The additional $8.1 million in gaming-related revenue is exempt from TABOR and is called "extended gaming revenue," as defined and permitted by Amendment 50 to the Colorado Constitution.

Distribution of limited gaming revenue is calculated according to a formula in Colorado law. Base limited gaming revenue is shared by the State General Fund, the State Historical Society, cities and counties that are impacted by gaming activity, and certain economic development-related programs. Extended gaming revenue allowed by Amendment 50 is distributed mostly to community colleges with a smaller portion also going to local governments impacted by gaming. Figure 12 below shows in detail the anticipated distribution of limited gaming revenues.

Figure 12. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY 12-13	Forecast FY 13-14	Forecast FY 14-15	Forecast FY 15-16
A. Total Limited Gaming Revenues	**$107.2**	**$98.8**	**$101.2**	**$103.5**
Annual Percent Change	2.3%	-7.8%	2.4%	2.3%
B. Base Limited Gaming Revenues (max 3% growth)	**$95.5**	**$88.0**	**$90.1**	**$92.2**
Annual Percent Change	3.0%	-7.8%	2.4%	2.3%
C. Gaming Revenue Subject to TABOR	**$98.1**	**$90.7**	**$92.8**	**$94.9**
Annual Percent Change	2.6%	-7.6%	2.4%	2.3%
D. Total Amount to Base Revenue Recipients	**$84.4**	**$77.1**	**$79.9**	**$84.6**
Amount to State Historical Society	*$23.6*	*$21.6*	*$22.4*	*$23.7*
Amount to Counties	*$10.1*	*$9.3*	*$9.6*	*$10.2*
Amount to Cities	*$8.4*	*$7.7*	*$8.0*	*$8.5*
Amount to Distribute to Remaining Programs (State Share)	*$42.1*	*$38.5*	*$40.0*	*$42.3*
Amount to Local Government Impact Fund	*$5.0*	*$5.0*	*$5.0*	*$5.0*
Colorado Tourism Promotion Fund	*$15.0*	*$15.0*	*$15.0*	*$15.0*
Creative Industries Cash Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Film, Television, and Media Operational Account	*$0.5*	*$0.5*	*$0.5*	*$0.5*
Bioscience Discovery Evaluation Fund	*$5.5*	*N/A*	*N/A*	*N/A*
Advanced Industries Acceleration Fund	*N/A*	*$5.5*	*$5.5*	*$5.5*
Innovative Higher Education Research Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Transfer to the General Fund	*$12.1*	*$8.5*	*$10.0*	*$12.3*
E. Total Amount to Amendment 50 Revenue Recipients	**$8.3**	**$8.8**	**$8.1**	**$8.3**
Community Colleges, Mesa and Adams State (78%)	*$6.5*	*$6.9*	*$6.3*	*$6.5*
Counties (12%)	*$1.0*	*$1.1*	*$1.0*	*$1.0*
Cities (10%)	*$0.8*	*$0.9*	*$0.8*	*$0.8*

Hospital Provider Fee — Hospital Provider Fee revenue will decrease an estimated $50 million, or 7.8 percent, in FY 2013-14 following the enactment of SB 13-200. This bill implements the State's participation in the expansion of Medicaid under the federal Affordable Care Act (ACA). Under ACA, federal funding will be made available to expand Medicaid coverage to a greater population of households.

Colorado hospitals pay the Hospital Provider Fee (HPF), which is calculated as a percentage of net patient revenue. Revenue generated by the fee is matched by dollars from the federal government to cover certain Medicaid costs and to limit cost-shifting for under-insured patients to the private healthcare market. ACA specifies that the federal government will match state HPF funds at a more favorable ratio for payments under the Medicaid program. As a result, the amount that the State needs to collect in HPF revenue will begin to decrease in FY 2013-14. The State's HPF collections will decline further in FY 2014-15, to an estimated $576.6 million, when the full-year impact of new federal Medicaid financing is implemented.

Severance Tax revenue — The forecast for severance tax revenue is unchanged from OSPB's September 2013 Colorado Outlook. This revenue will total $219.0 million in FY 2013-14, an increase of 58.0 percent over FY 2012-13, reflecting higher natural gas prices, continued growth in oil production, and ad valorem tax credits that are smaller than the prior year. Due to gradually increasing prices for oil and natural gas, as well as growing production output, severance tax will grow again in FY 2014-15 by 5.1 percent to $230.1 million.

Severance tax is paid on mineral resources that are extracted (severed) from deposits in Colorado. Oil and natural gas production accounts for the vast majority of severance tax revenue in the state, while extraction of coal, molybdenum, and metallic minerals also generate severance tax payments.

Colorado law allows for oil and gas severance taxpayers to deduct 87.5 percent of the local property tax paid on the value of oil and gas production from their severance tax liability to the State. This is called the ad valorem credit. This credit often exacerbates changes in State severance tax revenue because credits claimed from a previous year's property tax liability, reflecting oil and gas prices at different levels, impact the current year's severance tax liability.

The price of natural gas has a large impact on severance tax revenue because natural gas production accounts for the largest portion of severance tax paid in Colorado. Natural gas prices fell significantly in 2012 but have risen steadily throughout 2013 and are expected to remain near current levels for 2013 and 2014. National inventories of gas remain slightly below their five-year average, indicating that the excess supply that drove prices downward in 2012 is not likely to return in the near future.

Additionally, greater use of natural gas is occurring. The manufacturing and transportation industries are using more of the fuel source in place of petroleum or coal. At the same time, recent data suggests that some power plants have elected to use coal in place of natural gas for generating residential power in response to the higher price of natural gas than a year ago. This apparent price sensitivity of power producers suggests that natural gas prices will not rise rapidly.

The price and production of oil are also determinants of severance tax revenue, although they have a smaller impact than natural gas. A main reason for this is because much of the state's oil production occurs in Weld County, where taxpayers have larger ad valorem credits due to a higher mill levy to offset their severance tax liabilities.

The price of oil extracted in Colorado will grow to nearly $94 per barrel in 2013, a roughly $7 per barrel increase from 2012. Despite any impacts from the flooding that devastated parts of Colorado in September 2013 (discussed in further detail on page 39), oil production continues to grow strongly, especially in the northeast region of the state, as operators continue to invest in the deployment of equipment and new extraction technologies in the region.

Severance tax revenue is a volatile income stream because it is impacted by very large markets that are difficult to predict. Changes in the price of oil and natural gas can occur rapidly as a result of changes to the global supply and demand of those resources. A colder-than-expected winter could result in higher natural gas prices. Additionally, if producers are able to begin exporting natural gas at higher rates, the price will increase in response to the higher natural gas prices in other parts of the world. Still, any disruptions to the global economic recovery could result in falling demand and lower prices for both oil and natural gas.

Coal production provides a much smaller portion of overall severance tax revenue than oil and gas extraction. Colorado coal production fell substantially in the first half of 2013 as a result of wildfire impacts and uncertainties regarding demand in the coal market. Many American power plants and manufacturers have switched to natural gas to satisfy energy needs, although this trend has slowed in recent months as electricity producers respond to growth in natural gas prices. OSPB estimates that severance tax revenue from coal production will decline by 13 percent to $7.7 million in FY 2013-14 and 3.0 percent to $7.5 million in FY 2014-15.

Federal Mineral Leasing revenue ─ When federal land in Colorado is leased for the extraction of oil, gas, metals, and minerals, producers pay royalties to the federal government based on the value of the extracted resources when they are sold. This revenue is called Federal Mineral Leasing (FML) revenue, which is divided roughly evenly between the federal government and the State of Colorado. Because royalty payments are determined using the market value of extracted resources, the price of natural gas and oil are key factors for anticipating the level of FML revenue that the State will receive. Mineral producers do not pay local property tax for resources extracted under FML agreements, so there is no effect of ad valorem tax credits to exacerbate fluctuations in this revenue stream as there is with severance tax collections.

Four factors involving the federal government's administration of FML revenue are impacting the State. First, the U.S. Bureau of Land Management granted a royalty rate reduction for three Colorado coal mines which was applied retroactively through smaller royalty payments by the operators last fiscal year. This resulted in a reduction of approximately $9.2 million from Colorado's share of FML revenue in FY 2012-13. Since this is not anticipated to occur in FY 2013-14, it will boost Colorado's FML revenue compared with the previous fiscal year. A second factor is the receipt of about $10 million in royalty payments after an audit found underpayment for activity that occurred in 2008 and 2009. This will also boost FML receipts in FY 2013-14 relative to last fiscal year.

A third factor is the refund this fiscal year of royalty payments that were withheld in FY 2012-13 by the federal government as part of "sequestration" under the federal Balanced Budget and Emergency Deficit Control Act. As a result of a decision by the Department of the Interior to refund the withheld amounts, Colorado received a payment of $6.97 million in October 2013.

Lastly, the federal budget agreement that was approved December 18, 2013, stops sequestration-related withholding of FML royalties altogether through federal fiscal year 2015. This causes an increase in FML distributions to Colorado of approximately $6 million this state fiscal year. In the absence of the budget agreement, it is assumed this amount would have been withheld during the current fiscal year and then refunded to the State in FY 2014-15.

Due to the factors discussed above, as well as modest increases in energy prices and production growth, OSPB forecasts FML revenue will increase $32.6 million, or 27 percent, to $153.4 million in FY 2013-14. FML revenue will grow 4.1 percent to $159.6 million in FY 2014-15.

Figure 13. Federal Mineral Leasing (FML) Payments

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus	Total FML	% Change
FY 2012-13	$5.1	$115.7	$120.8	-26.8%
FY 2013-14	$3.8	$149.5	$153.4	27.0%
FY 2014-15	$4.0	$155.7	$159.6	4.1%
FY 2015-16	$3.8	$154.5	$158.3	-0.8%

Dollars are in millions. FY 2012-13 figures reflect actual collections, and FY 2013-14 through FY 2015-16 are projections.

Other cash funds — The Colorado Department of Regulatory Agencies (DORA) is responsible for regulatory oversight of several industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers by regulated entities. The Department oversees a wide variety of entities, including social workers, plumbers, and motor carriers. Fees paid by regulated entities generate revenue to a number of cash funds that help finance DORA's regulatory activities. OSPB estimates that revenue to DORA-related cash funds subject to TABOR will grow 10.0 percent to $71.3 million in FY 2013-14 as new business activity continues to expand, and as several bills impacting cash funds for regulatory agencies take effect. This category of cash fund revenue is expected to grow again by 2.5 percent to $73.1 million in FY 2014-15.

Insurance-related cash fund revenue includes revenue from a surcharge on workers' compensation insurance policy premiums that is used to fund the Division of Workers' Compensation within the Colorado Department of Labor and Employment. A portion of the surcharge is also used to fund the Major Medical Insurance Fund and Subsequent Injury Fund which were created to absorb costs for certain populations injured during a period prior to 1981. Revenue from the surcharge grew 16.6 percent in FY 2012-13, to $26.4 million, reflecting stronger-than-expected hiring by Colorado companies that resulted in a higher level of workers' compensation insurance premiums.

Starting in FY 2013-14, the surcharge on workers' compensation insurance policy premiums was lowered from 1.73 percent to 1.27 percent in order to align the amount of revenue from the fee with anticipated expenditures from the three cash funds it supports. Insurance-related cash fund revenue will fall 3.5 percent to $25.5 million in FY 2013-14 and to $24.4 million in FY 2014-15.

Table 3 includes a category called "Other Miscellaneous Cash Funds" which represents a large array of smaller individual cash funds that are not exempt from TABOR, including revenue collected from various fines and fees as well as interest earnings. Low interest rates have dampened growth and caused declines among many cash funds that are specifically dedicated to interest earnings. Colorado's economic growth, however, has bolstered revenue to many miscellaneous cash funds which receive fees paid for public services. Revenue to the miscellaneous cash funds will grow 4.6 percent to $484.1 million in FY 2013-14 and 5.2 percent to $509.3 million in FY 2014-15.

HB 13-1317 created the Colorado Retail Marijuana Code, which directs licensing and regulation of retail marijuana facilities as allowed by passage of Amendment 64 in 2012. This bill will create new revenue to cash funds subject to TABOR by an expected $10.9 million in FY 2013-14 by establishing fees for the oversight of medical and retail marijuana operations. HB 13-1317 does not create revenue from sales or excise taxes on marijuana – those taxes were authorized by Proposition AA.

In addition to this bill, in November 2013, Colorado voters passed Proposition AA, which authorizes a special excise tax and sales tax on retail marijuana in Colorado. The revenue from these two taxes, estimated at about $33.5 million in FY 2013-14 and $67.0 million in FY 2014-15, is credited to cash funds[2] but is exempt from TABOR and not included in Table 3. The amount of revenue collected may differ substantially from this estimate because of the uncertainty surrounding the volume of future sales of marijuana.

[2] Revenue from the sales tax on retail marijuana will first be credited to the General Fund, but will then be transferred to the Marijuana Cash Fund and local governments.

Table 3
Cash Fund Revenue Subject to TABOR Forecast by Major Category

(Dollar amounts in millions)

Category	Actual FY 2012-13	December 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16	FY 2012-13 to FY 2015-16 CAAGR *
Transportation-Related /A	**$1,098.6**	**$1,123.7**	**$1,132.7**	**$1,144.0**	
Change	-1.2%	2.3%	0.8%	1.0%	1.4%
Limited Gaming Fund /B	**$98.1**	**$90.7**	**$92.8**	**$94.9**	
Change	2.6%	-7.6%	2.4%	2.3%	-1.1%
Capital Construction - Interest	**$0.8**	**$1.4**	**$2.2**	**$2.2**	
Change	-29.0%	81.0%	51.8%	0.0%	40.1%
Regulatory Agencies	**$64.8**	**$71.3**	**$73.1**	**$75.0**	
Change	-0.2%	10.0%	2.5%	2.7%	5.0%
Insurance-Related	**$26.4**	**$25.5**	**$24.4**	**$25.5**	
Change	16.6%	-3.5%	-4.2%	4.3%	-1.2%
Severance Tax	**$138.6**	**$219.0**	**$230.1**	**$226.3**	
Change	-33.3%	58.0%	5.1%	-1.7%	17.8%
Hospital Provider Fees /C	**$652.6**	**$601.9**	**$576.6**	**$565.0**	
Change	11.3%	-7.8%	-4.2%	-2.0%	-4.7%
Other Miscellaneous Cash Funds	**$462.9**	**$484.1**	**$509.3**	**$526.9**	
Change	-2.1%	4.6%	5.2%	3.5%	4.4%
TOTAL CASH FUND REVENUE	***$2,542.8***	***$2,617.6***	***$2,641.2***	***$2,659.9***	
Change	-0.8%	2.9%	0.9%	0.7%	1.5%

* CAAGR: Compound Annual Average Growth Rate.

/A Includes revenue from SB 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to two State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in HB 09-1272.

/C Figures include the impact of SB 13-200 which put into statute the expansion of Colorado's Medicaid program beginning on January 1, 2014, as allowed by the federal law known as the Affordable Care Act.

The Taxpayer's Bill of Rights: Revenue Limit

The Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limits the growth in State revenue to the sum of inflation plus population growth in the previous calendar year. Under the provisions of TABOR, revenue collected above the TABOR limit must be returned to taxpayers, unless voters decide the State can retain the revenue. In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10, during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11.

Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 4) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 4) for each subsequent year. OSPB does not project that any refunds will occur during the forecast period (line 10 of Table 4). As shown, TABOR revenue will be $501.2 million below the cap this fiscal year, $366.1 million under the cap in FY 2014-15, and $400.7 million below the cap in FY 2015-16. Most General Fund revenue and a large portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Cash fund revenue that is not subject to TABOR generally includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges.

Table 4 summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

Table 4
TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2012-13	December 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
	TABOR Revenues:				
1	General Fund /A	$8,537.9	$8,719.6	$9,340.2	$9,793.1
	Percent Change from Prior Year	10.6%	2.1%	7.1%	4.8%
2	Cash Funds /A	$2,569.4	$2,617.6	$2,641.2	$2,659.9
	Percent Change from Prior Year	0.5%	1.9%	0.9%	0.7%
3	**Total TABOR Revenues**	**$11,107.3**	**$11,337.2**	**$11,981.4**	**$12,453.0**
	Percent Change from Prior Year	8.1%	2.1%	5.7%	3.9%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.7%	1.4%	1.6%	1.7%
5	Previous calendar year inflation	3.7%	1.9%	2.6%	2.4%
6	**Allowable TABOR Growth Rate**	5.4%	3.3%	4.3%	4.1%
7	TABOR Limit	$9,247.5	$9,552.6	$9,963.4	$10,371.9
8	General Fund Exempt Revenue Under Ref. C /B	$1,859.9	$1,784.6	$2,018.0	$2,081.1
9	**Revenue Cap Under Ref. C /C**	**$11,460.2**	**$11,838.4**	**$12,347.5**	**$12,853.7**
10	***Amount Above/(Below) Cap***	**-$352.9**	**-$501.2**	**-$366.1**	**-$400.7**
11	TABOR Reserve Requirement	$333.2	$340.1	$359.4	$373.6

/A Amounts differ from the General Fund and Cash Fund revenues reported in Table 2 and 3 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/B Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/C The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Cap Under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period.

The Economy: Important Issues, Trends, and Forecast

Economic conditions determine the amount of opportunities for employment and business expansion. They also drive State tax collections, influence the use of certain State services, and thus underpin the State's budget condition. The following section discusses overall economic conditions in Colorado and around the world, as well as specific issues affecting economic performance. The analysis focuses on conditions specific to Colorado and provides broader context on national and global conditions where appropriate because of how they can affect the state's economy. Along with an overview of economic conditions at the state, national, and global level, the discussion includes:

Trends and forecasts for key economic indicators ― At the end of this section on page 59 is a summary of key economic indicators with their recent trends and statistics, as well as forecasts. This summary is intended to provide a snapshot of the performance of the broad economy and OSPB's economic projections which are formed by the following analysis of the economy.

Summary ― The Colorado economy continues to grow at a moderate pace overall, though progress from the economic disruption of the Great Recession remains uneven. Some regions are experiencing stronger growth, while others are more modest. The national economy continues to experience a slower expansion than Colorado, though there are indications of a pickup in economic activity. The nation finally may be building a better foundation for more durable expansion. More growth in the world economy is likely a contributor to strengthening in the U.S. economy, both of which will help Colorado's economic performance. A continued increase in new business formation also should help sustain the state's economic momentum.

Economic risks ― While risks to economic growth appear less threatening than at any time since the end of the Great Recession, downside risk must always be considered. Though a recent budget agreement shows more cooperation at the federal level, federal policymakers will continue to face tax and spending issues. Europe's financial and economic stress remains less worrisome than in 2012, but conditions could worsen again. Further, volatility in financial markets has played a large role in the economic downturns in 2001 and 2008. Any disruptions or stress in equity or bond markets possibly stemming from financial imbalances, high sovereign debt levels, or unintended consequences associated with monetary policy are difficult to foresee and can happen quickly. In addition to these known risks, it should be noted that many downturns in the past have developed due to unexpected events.

Colorado Economy Overview

Favorable attributes continue to help the state generate economic returns – Colorado's economy continues to experience steady, sustained growth overall, outperforming many parts of the national economy. The foundation for the state's economic growth appears sturdier than the nation's. Because an economy is ultimately driven by its people and culture, the state's favorable human capital, entrepreneurial energy, and openness to new ideas are particularly suited to today's more technological and knowledge-based economy. Research suggests that economic success is tightly tied to having an abundance of educated workers and a lot of small firms – two ingredients in which Colorado ranks highly among states.

In addition, Colorado's specialization in diverse industries that are doing well in today's economy – professional and technical services, energy development, technological products and applications, health and wellness, telecommunications, and advanced manufacturing – is helping to generate income and job growth at a stronger pace than at the national level. Four of Colorado's cities were recently ranked in the top 20 performing large U.S. regional economies by the Milliken Institute, a reputable economic research and policy nonprofit organization. The highly ranked cities included Boulder, Greeley, the Denver metropolitan area, and Fort Collins/Loveland.

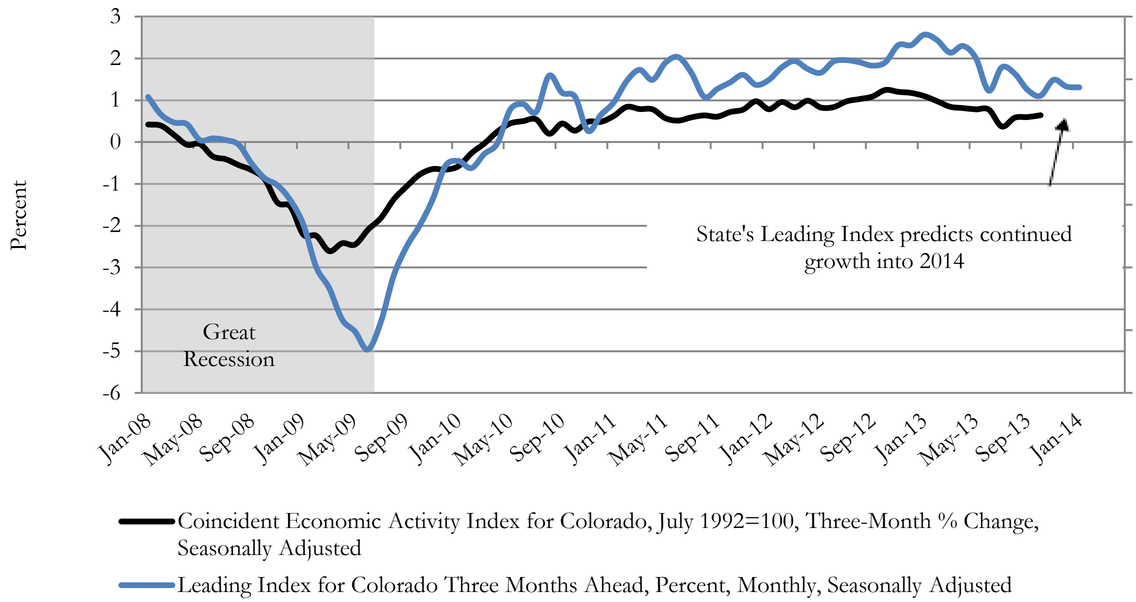
As a result of increasing jobs and income, consumer spending continues to grow, and both residential and commercial real estate markets are active, though the housing market has slowed somewhat from its recent feverish pace. Further, the state's financial institutions are experiencing healthier conditions with steady loan demand and better loan quality.

Economic progress and opportunity remains uneven – As with the nation, economic progress across Colorado is uneven. Places with greater clustering of creative, skilled workers are generating greater economic activity, while job and wage growth in some industries and occupations continues to be modest. Some of the state's less populated areas have had special factors hindering growth. In particular, slower recovery in energy development as well as drought conditions have been challenging for regional economies in southern and western Colorado. Further, agricultural areas have experienced a drop in farm income as prices for certain crops have decreased, most notably corn and wheat. Also, many areas' tourist-based economies have experienced only modest activity. Unemployment in these areas remains higher than other parts of the state.

Evidence of Colorado's economic performance in a single measure – Compared with the national economy, there are fewer timely indicators measuring the overall performance of state and regional economies. One useful measure for understanding state economies is the Federal Reserve Bank of Philadelphia's monthly State Coincident Economic Activity Index which combines four state-level indicators − employment, average hours worked in manufacturing, the unemployment rate, and inflation-adjusted wage and salary disbursements − to track current economic conditions in a single statistic. Demonstrating Colorado's strength in the current economy, the state's coincident index has had the 6th highest growth among states since the beginning of 2012.

Another index for Colorado's economy created by the Philadelphia Federal Reserve Branch, the Leading Index for Colorado, shows that the economic expansion in Colorado is likely to continue, at least into the first half of 2014. This index contains a group of economic indicators that have been found to exhibit certain patterns before the economy slows or expands. It thus predicts the near-term growth rate of the state's coincident index. Among the activities used to form the state leading indices are housing permits, initial unemployment insurance claims, and delivery times from vendors to producers. Figure 14 shows both Colorado's coincident index and leading index constructed by the Philadelphia Federal Reserve Branch. Both show a recent slight moderation in the state's stronger economic expansion.

Figure 14. Colorado Leading and Coincident Economic Indices, 2008 through 2013



Source: Philadelphia Federal Reserve Branch

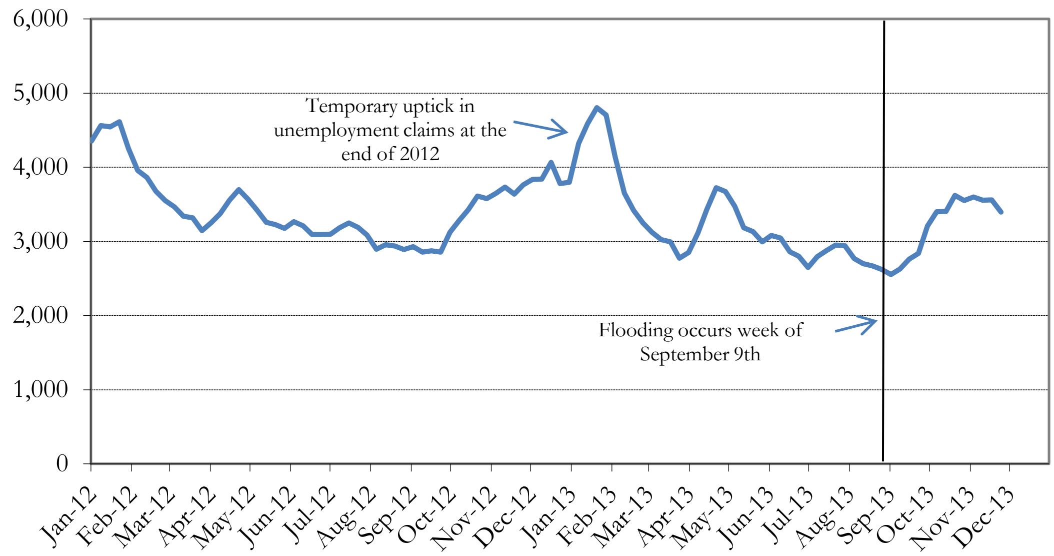
Economic Impacts of the September Flooding

The widespread flooding that occurred mostly in northeastern Colorado during September caused a large amount of disruption and damage. The following provides general information on the impacts of the flood. The estimates are subject to change, as more information becomes available.

Approximately 3,500 business establishments, or about two percent of the state's total across several different industries, were in the primary flooding areas based on GIS mapping. An additional 7,000 establishments were located in an area one quarter of a mile from the flooding. About 18,000 homes were damaged or destroyed. Total damages to infrastructure, homes, and businesses are estimated at $2 to $2.5 billion. This represents nearly one percent of the state's annual gross domestic product.

Colorado's individuals and businesses have been resilient and continue to rebuild. Despite the disruption, the flood has not appeared to have any sizable negative effect on total employment in the state. Figure 15 shows the four-week moving average for initial unemployment insurance claims which eligible individuals can file when they become unemployed through no fault of their own. As shown in the chart, there was a slight uptick in claims following the flood, but it is unknown whether this was mostly due to the flood or other factors. As seen in the graph, there was also a larger uptick in claims at the end of 2012. The average amount of claims reported in the week following the flood through the week ending November 30, 2013, is 3.0 percent below the same period a year ago.

Figure 15. Four-Week Moving Average of Colorado Initial Claims for Unemployment Insurance



Source: Colorado Department of Labor and Employment

***Impact of the flood on the oil and gas industry* —** The flooding hit parts of the state that have a high density of active oil and gas wells, causing 2,608 wells to be "shut-in." This term refers to wells that are removed from service and enclosed to prevent damage. Of these wells, about 78 percent have returned to service. Some wells will likely not come back online because they had low production levels at the time of the flood; thus, their closure is not expected to have a large impact on overall oil and gas production in the state.

In addition to wells that were shut-in, a total of 50 spills have been reported as of the end of November 2013. Of these incidents, 14 are considered "notable" spills, meaning that the incident resulted in a spill of more than 20 barrels of oil or condensate. The economic impact of such spills is currently unknown because the dispersion, cleanup costs, and impact on nearby land have not been determined. The number and size of spills, however, are not expected to substantially hinder economic activity in nearby communities.

***Impact of the floods on the agriculture industry* —** The Colorado Department of Agriculture estimates that 1,200 farms have been affected by the flooding. The Department also estimates that 112 farm implements and 150 agriculture-related structures were damaged. Also, many road and bridge closures disrupted transportation for daily feeding regimens for animals tied to agricultural production.

A study from Colorado State University estimates the loss of production value at $3.5 million to $5.5 million for areas from Boulder County to the corner of northeast Colorado. Further, the United States Department of Agriculture estimates that 1,000 acres of winter wheat will not be planted due to the flooding. Dairy production in the flood region, however, experienced minimal impact overall.

The Colorado Water Conservation Board estimates that flooding either damaged or destroyed about 200 water supply structures, some of which were used for agriculture. Though it is expected that these structures will eventually be repaired with dedicated funding from the State, additional acres could be at risk if the structures are unable to deliver needed water in time for agricultural use.

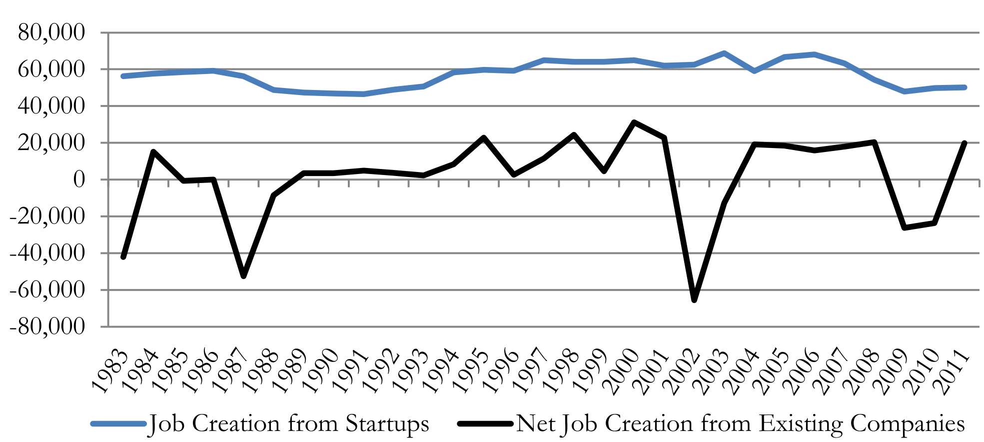
New Business Formation and Innovation in Colorado

OSPB continues to highlight Colorado's level of entrepreneurship and innovation as a key ingredient to its overall economic performance. Entrepreneurs constantly strive to discover ways to create value through developing new products and ideas. This activity generates higher levels of business creation and expansion in cutting-edge industries which create opportunities for others. Entrepreneurship and innovation continually move the economy forward.

Among states, Colorado has one of the highest proportions of younger firms in its economy, indicating higher levels of entrepreneurial activity. Although entrepreneurship is occurring across the state, higher rates of new business formation especially seems to be taking place in the more populated areas along the Front Range that have more concentrated clusters of ingredients for entrepreneurship.

New business expansion is the lifeblood of job growth – Figure 16 shows that the Colorado economy creates more jobs each year from start-ups than those created by existing firms. Although many of the jobs are eliminated when new businesses fail, the constant flow of entrepreneurial energy provides a continual source of new jobs. Because of the large quantity of new jobs associated with startups, the proportion of new and young businesses in an economy is associated with higher levels of job growth.

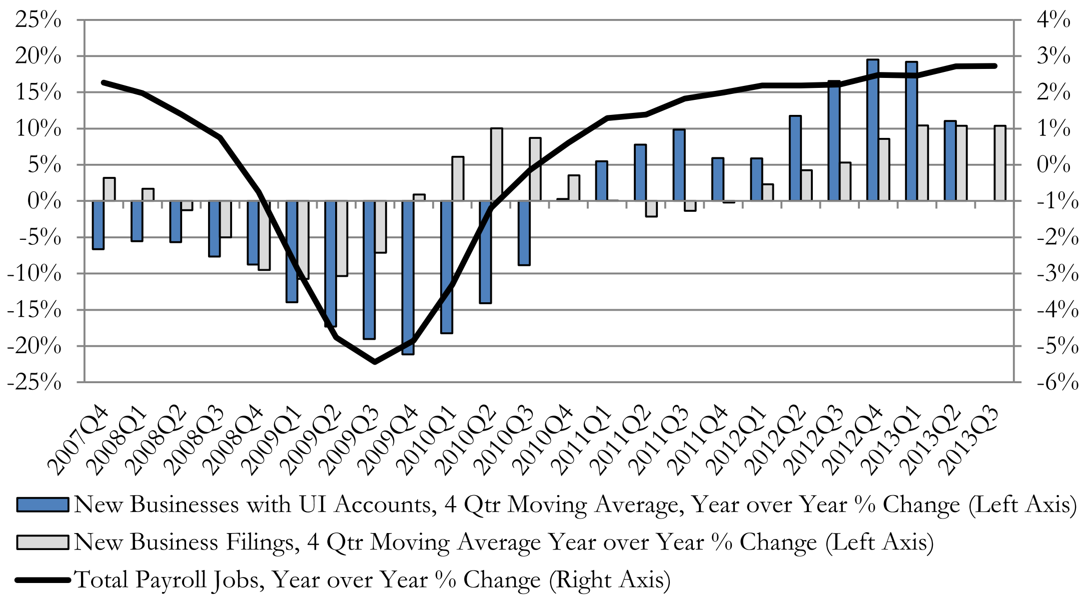
Figure 16. Jobs from New and Existing Businesses, 1983 through 2011



Source: U.S. Census Bureau, OSPB calculations

Although new business formation has not yet recovered to its level before the recession, business startups are up 37.5 percent since the end of 2009. Figure 17 shows the relationship between new business growth and the growth of overall nonfarm payroll jobs in Colorado. The figure includes new businesses formed each quarter that file with the State's unemployment insurance system and new businesses filing with the Secretary of State's Business Division. The rebound in new business ventures and entrepreneurial activity helps explain the faster pace of overall job growth in Colorado compared with the nation. Because of new and young businesses' critical role in job creation and innovation, continued growth in new businesses also should help sustain economic momentum going forward.

Figure 17. Growth in New Businesses and Nonfarm Payroll Jobs, 2007 4th Quarter to 2013 3rd Quarter



Source: Colorado Secretary of State, Colorado Department of Labor and Employment, and U.S. Bureau of Labor Statistics. The Colorado nonfarm payroll jobs level includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on a survey of employers.

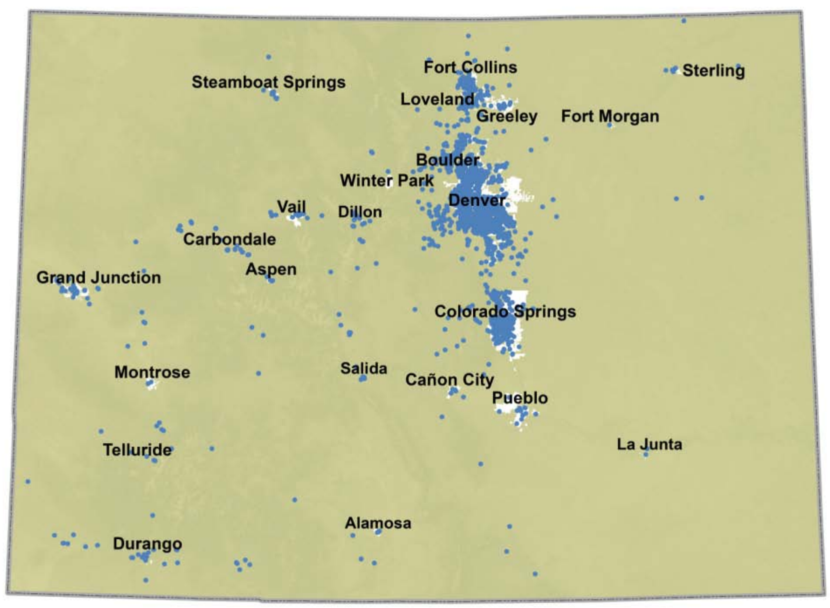
Colorado's dynamism in the knowledge and technology-based economy — An important driver of our economy, both now and in the future, will be economic activities surrounding ideas, information, and technology. Thus, the most successful economies will have people that can best create value with these components. Industries with high concentrations of workers skilled in science, technology, engineering, and mathematics (STEM), called "high-technology" sectors, are especially likely to be important in developing high-value products.

Colorado has a high concentration of these types of high-technology related firms, especially along the Front Range. The state has four of the top ten cities in the U.S. with the largest concentrations of hi-tech new business activity based on a recent analysis from Engine, a technology industry research and policy organization, and the leading entrepreneurship research and advocacy organization, the Ewing Marion Kauffman Foundation. Boulder and the Ft. Collins/Loveland area were the top two metro areas on the list, while the Denver metro area and Colorado Springs were also included.

The state's high-technology firms are in a wide-range of sectors, such as computing and software, data processing, aerospace, medical-related products and services, communications, architecture, engineering, and other professional and technical services. Because of their innovative activities, higher paying jobs, and tendency for robust job creation, growth in high-tech sectors leads to job growth in other sectors. This can help explain Colorado's 4th highest ranking in overall job growth since the end of the Great Recession.

The following map shows the location of the 3,100 new firms in high-technology sectors – represented by the dots — formed in 2012 through the first half of 2013. Much higher numbers of these businesses are forming in more populated areas, but as shown, activity in high-technology sectors is occurring across the state.

Figure 18. New High-Technology Businesses Formed in Colorado, 2012 to 2013 2nd Quarter

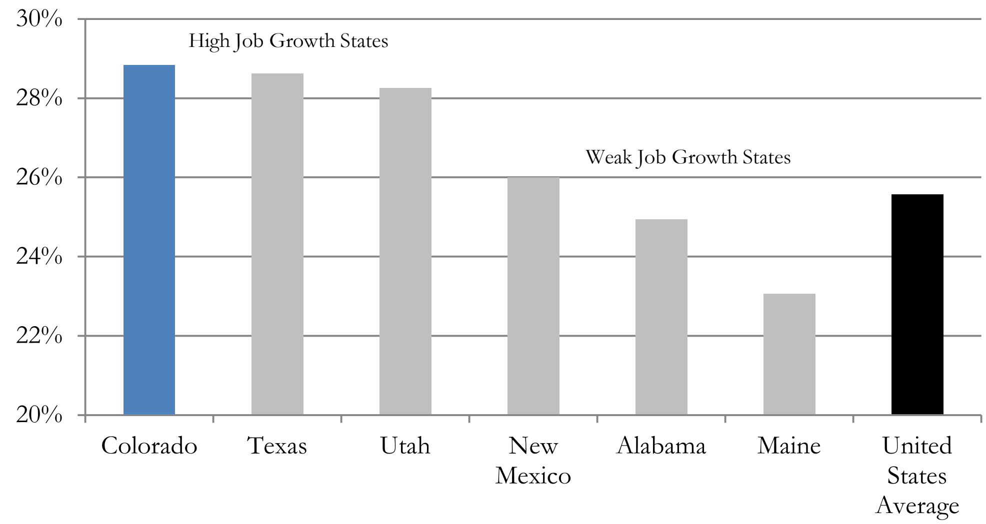


Source: Colorado Department of Labor and Employment, Colorado Office of Economic Development and International Trade, and OSPB

Colorado's more flexible and dynamic economy — Colorado has a flexible and dynamic economy based on its rate of gross job creation and destruction, or job "churning." This dynamism helps propel economic expansion as resources, i.e., labor and capital, move more easily to where they are the most valued when entrepreneurs and businesses respond to growth opportunities in the economy.

Research indicates that a large amount of productivity gains in an economy are from the displacement of less productive businesses by new ones. The role that new businesses play in the churning of the economy is thus vital to economic growth. Not surprisingly, given its higher level of entrepreneurial activity and economic performance compared with other states, Colorado has had the 4th highest levels of job churning among states over the past decade. Figure 19 shows Colorado's job churning rate, based on the Business Dynamics Statistics from the U.S. Census Bureau, compared with other top states in job growth, along with states with the weakest job growth. It also shows the national average.

Figure 19. Measure of Economic Dynamics - Job Churning Rates in Colorado Compared with States with Strongest and Weakest Job Growth since Recession, Average 2010 and 2011



Source: U.S. Census Bureau, OSPB calculations

In addition to its higher level of job churning, Colorado also has a large concentration of smaller businesses, indicating a more flexible and dynamic economy. Based on the same data from the U.S. Census Bureau's Business Dynamic Statistics, Colorado has the 7th highest concentration of businesses with fewer than 20 employees. Historically, places that have lots of little firms experience more growth than places with low numbers of large firms. This is likely the case, in part, because smaller businesses can be more innovative and nimble in responding to economic opportunities.

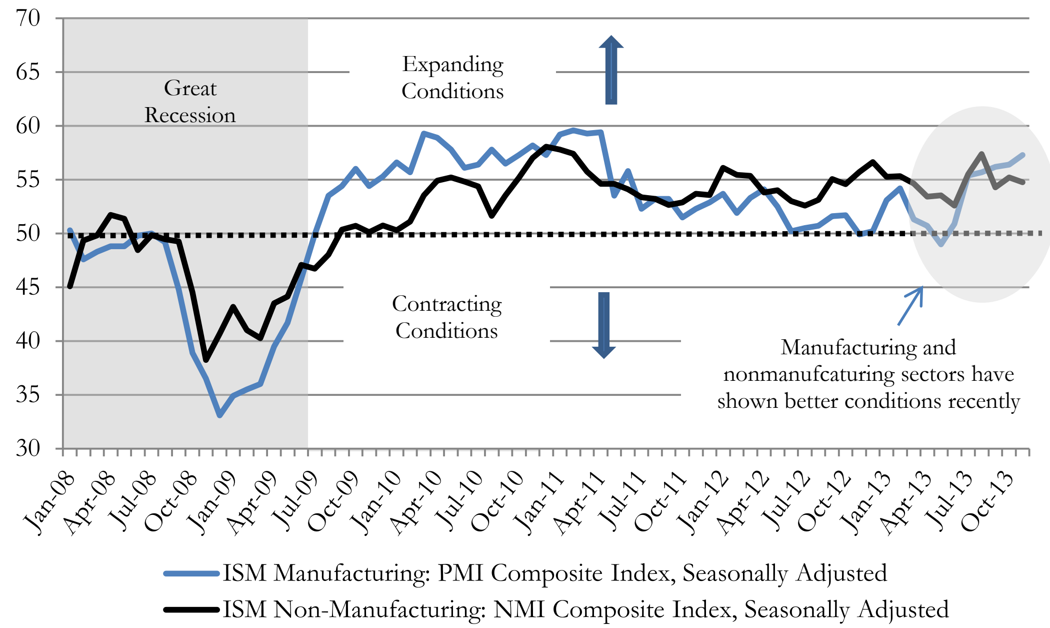
National Economy Overview

Overall growth in the national economy has been uneven and modest – The national recovery continues to maintain a gradual pace due to several factors. Employment and wage growth is still sluggish for workers in industries and areas that are having difficulty adjusting to economic change that appears more pronounced since the recession. This has restrained consumer spending and fostered lower expectations for the future among some individuals. Partly as a result of these lower expectations, businesses have not begun to invest in equipment and other capital at sufficient overall levels to expand production and hiring at a faster rate.

Despite modest growth in the national economy, recent signs of increasing activity suggest that growth may accelerate into 2014. Surveys of business generally indicate better conditions, financial and lending conditions have improved, and more states are reporting improvements in their tax collections. More progress will help reduce the elevated levels of unemployment among certain demographic groups and occupations. Although there are indications of acceleration in the overall recovery, it is important to note that the national economy is an aggregation of many unique regional economies across the country, sometimes with great variation in performance.

Two indices published by the Institute for Supply Management (ISM) illustrate the unsteady recovery along with more positive recent indicators. One measures conditions faced by businesses in the manufacturing industry and the other index measures non-manufacturing. Both indices track very closely with GDP over time, and are helpful because they are available more quickly than GDP statistics. A reading above 50 in either index indicates expanding economic conditions, while readings below 50 represent contraction.

Figure 20. ISM Manufacturing and Non-Manufacturing Indices, January 2008 to October 2013



Source: Institute for Supply Management

The ISM manufacturing index rose in November to 57.3 ─ its highest reading since the beginning of 2011 ─ indicating more activity among producers. The index now has risen in six consecutive months, making it the most sustained period of increases since 2009. The ISM non-manufacturing index was 53.9 in November, comfortably above the growth-neutral level of 50. The relative strength of these two indices is indicative of overall expanding activity, including more residential construction, strong new vehicle sales, and growing exports.

International Economy and Trade

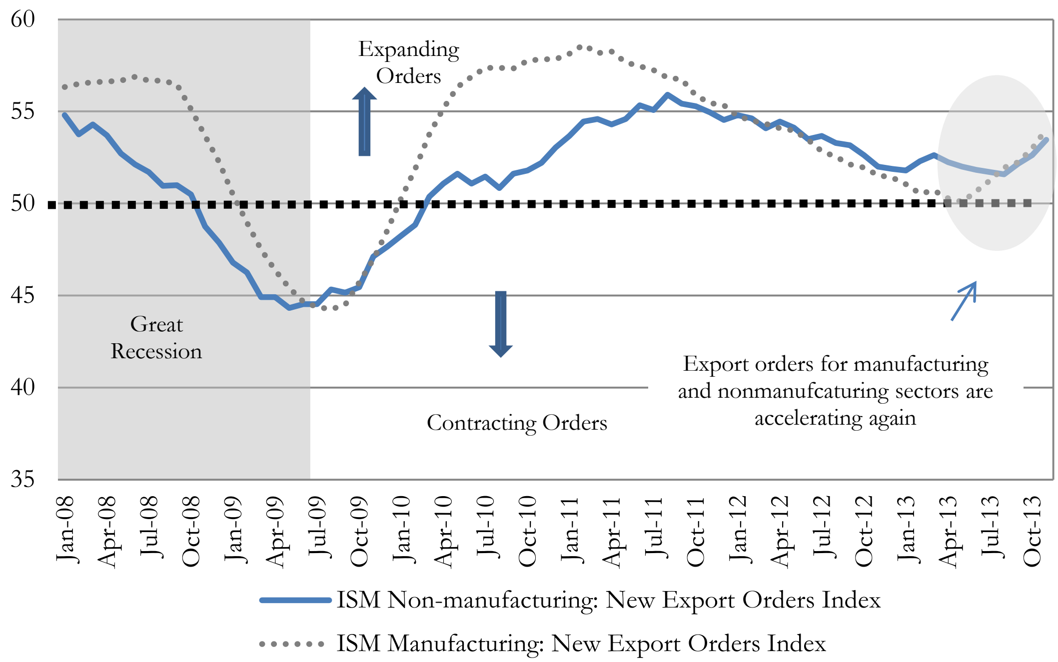
More growth in the global economy will positively impact trade **–** Much like the domestic economy, global economic growth is uneven. Advanced economies are experiencing a modest expansion while growth in most emerging economies remains subdued. The JPMorgan Global PMI Report on manufacturing and services saw global economic output expand for the 14th successive month in November. There were expansions in the U.S., Germany, the U.K., China, Brazil, and Russia, while France and Italy contracted.

The Organization for Economic Cooperation and Development (OECD) expects global activity and trade to gradually strengthen in 2014 and 2015, especially in Europe, China, and Canada. Though growth is picking up in China, expansion will remain weaker in other emerging economies such as Chile, Turkey, and Mexico.

As an indication of the pickup in the global economy, the ISM manufacturing index saw export orders for U.S. companies climb to the highest reading since February 2012, as shown in Figure 21. The recent pickup followed a prolonged period of declines in the index due to sluggish global economic conditions. Still, both U.S. and Colorado exports of goods and services continued to grow, albeit at a slower rate, during this period.

American manufacturers' sales recently have been boosted by sales to China, Canada, Mexico, and the eurozone. Additionally, the ISM's export orders for services and other non-manufacturing industries index has increased. Notably, growing export orders have occurred in broad based industries, including: construction; management of companies and support services; utilities; transportation and warehousing; information; finance and insurance; and professional, scientific and technical services.

Figure 21. New Export Orders of Manufacturing Goods and Non-Manufacturing Goods, 12-Month Trailing Average, 2000 to November 2013

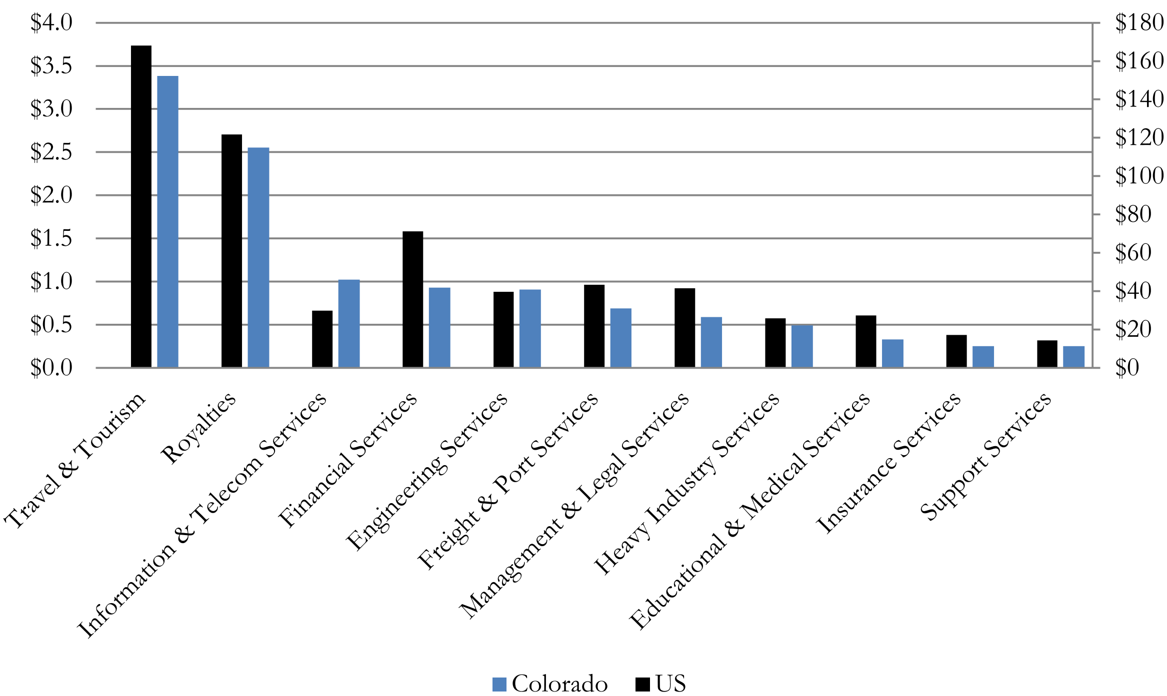


Source: Institute of Supply Management

Colorado's diversified export activity generates consistent returns for its economy – Selling products and services to markets outside the state generates higher levels of output and brings new money into the economy to help boost income, spending, and investment. Colorado companies that sell their products in global markets are highly diverse, representing many industries. According to a report by the Brookings Institute, both highly diversified and highly specialized metro areas performed well from 2003 to 2012. Metros that are highly concentrated in one industry exhibited some of the fastest export growth, but the most diversified metros, such as the Denver Metro Area, generally experienced more consistent, moderate growth.

Colorado's economy is more services-intensive than the nation overall – According to data reported by the Brookings Institute, Colorado's service sector makes up approximately 43 percent of all the state's exports, whereas services compose about 29 percent of total U.S. exports. As shown in Figure 22 below, travel and tourism, royalties, information and telecom, financial services, and engineering services constitute roughly 77 percent of Colorado's exported services. Colorado has benefited from improvements in information and telecommunications with exports growing 155 percent in 2012 from 2003 levels. As more of the world economy grows in affluence, it will use more services, which will benefit the state's economy.

Figure 22. Total Export of Services for Colorado and the Nation in 2012, Billions of Dollars



Source: Brookings Institute

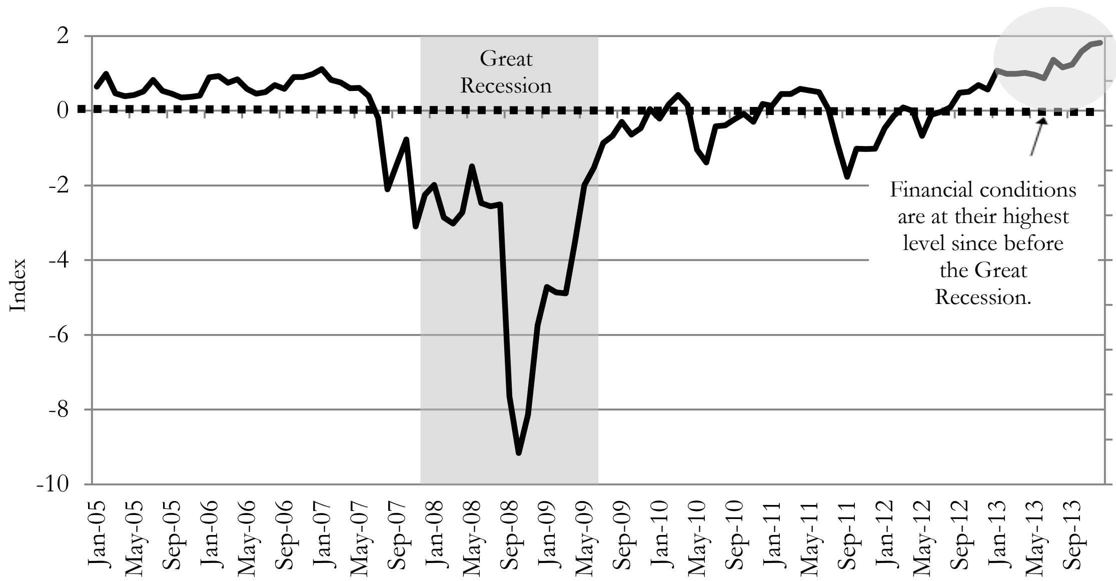
Monetary and Financial Conditions in the United States

Monetary and financial conditions at the national level influence the path of Colorado's economy. Money and finance are important for facilitating economic transactions and channeling funds efficiently to productive uses. These issues have come to the forefront since the Great Recession. Weaker financial conditions have acted as a headwind to economic growth and the financial system has only gradually been repaired since the trauma it experienced during the financial crisis. Also, though monetary policy can be a potent factor in determining the path of the broader economy, there are questions on the efficacy and risks associated with the Federal Reserve's more active monetary policies since the Great Recession.

Financial conditions have improved markedly, which will aid economic growth – Financial conditions appear to be better than at any time since before the Great Recession. The financial analysis firm, Bloomberg, publishes an index to measure financial conditions in the U.S. The index assesses the level of stress in the money, bond, and equity markets by measuring yield spreads, financial market volatility, and asset prices. Figure 23 shows the monthly average of the Bloomberg Financial Conditions Index (BFCI) for the U.S. since the Great Recession and financial crisis.

Financial conditions continue to be at healthier levels after a prolonged weaker period coming out of the recession and financial market stress emanating from Europe. The stock market has grown robustly this year, volatility in asset prices and market functioning has decreased, and financial institutions have increased lending activities. This will support growth going forward through higher levels of confidence and by helping households and business finance spending and investment.

Figure 23. U.S. Financial Conditions, 2008 through mid December 2013*



Source: Bloomberg
*BCFI levels below 0 represent higher funding stress, volatility in the financial system, and weaker asset prices.

Improving household financial conditions will support recovery – Certain assets, including stock prices and home values, have grown more quickly than the overall economy. This has improved the overall financial position of households that own homes or have assets in the stock market. Statistics released by the Federal Reserve Board indicate that the net worth of households and nonprofit organizations in the United States reached a new record in the third quarter of 2013. Another statistic published by the Federal Reserve, the financial obligations ratio (FOR), shows the level of households' debt payments and other financial obligations relative to disposable income. The FOR is at its lowest level since the early 1980's, a key development after the high debt levels that preceded the Great Recession.

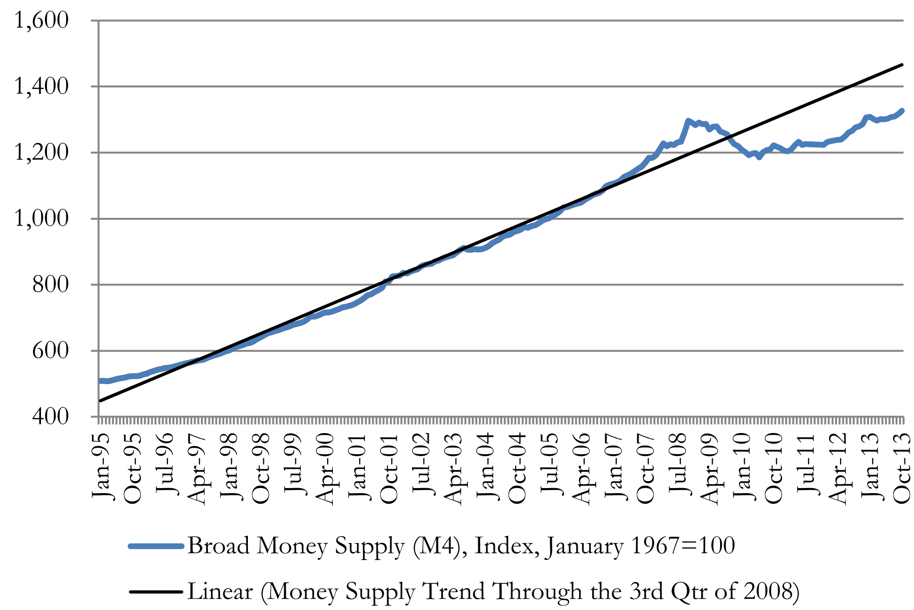
Still, the overall net worth of households' statistic does not reveal underlying differences among various groups and geographic areas. The housing recovery remains uneven and overall remains below its 2007 peak. Households that do not own assets in the stock market have not benefited from recent gains in stock prices, and thus improved financial conditions will not allow them to increase spending without more sustained job and wage growth.

Despite strengthening financial conditions, the nation's money supply has not recovered – One important ingredient for economic activity is money available to circulate in the economy, called the money supply. More money is associated with higher levels of spending and investment, and thus income and employment.

The money supply fell substantially below trend during the recession and still has not recovered. There are likely several reasons for the lower level of the money supply, including the drop in the financial system's capacity to channel funds into the economy, higher debt levels, heightened uncertainty, and diminished expectations regarding the future performance of the economy.

Figure 24 shows the money supply as measured by M4, published by the Center for Financial Stability. M4 is one of the broadest measures of money available, and includes currency, traveler's checks, several types of bank deposits, savings accounts, money-market securities, commercial paper, certificates of deposit, repurchase agreements, and treasury bills, among others. The M4 measure by the Center for Financial Stability determines weights for the components of money based on how they are used in the economy and financial sector, specifically how readily available they are for economic transactions, such as consumption or investment.

Figure 24. Level of U.S. Money Supply, Actual and Trend, 1995 through October 2013



Source: Center for Financial Stability

Trends in the money supply are dependent on the performance of the economy. With more economic activity, households, businesses, and financial institutions use higher levels of money for engaging in transactions, investments, lending, and other activities. The Federal Reserve's monetary policy, however, also can be influential in the money supply through the various ways in which its policies can be transmitted to the financial system and broader economy. At its essence, monetary policy can affect households', businesses', and financial institutions' expectations of future income, price levels, and investment returns. A substantial change in expectations can affect how money is put to use in the economy through more spending, investment, and lending.

Despite the Federal Reserve's active monetary policies to boost money and economic activity, the current lower level of broad money supply indicates the economy is still short of the monetary assets needed for higher levels of activity and employment. The Federal Reserve's actions are likely to have supported growth, but they have also resulted in large accumulations of excess reserves at banks and financial institutions that are not circulating in the economy.

Nevertheless, the Federal Reserve is likely to continue its purchases of mortgage backed securities and long-term Treasury bonds, though at a lesser rate over time if the economy continues to improve. It will also probably maintain guidance that it will keep the federal funds rate near zero until the labor market substantially improves.

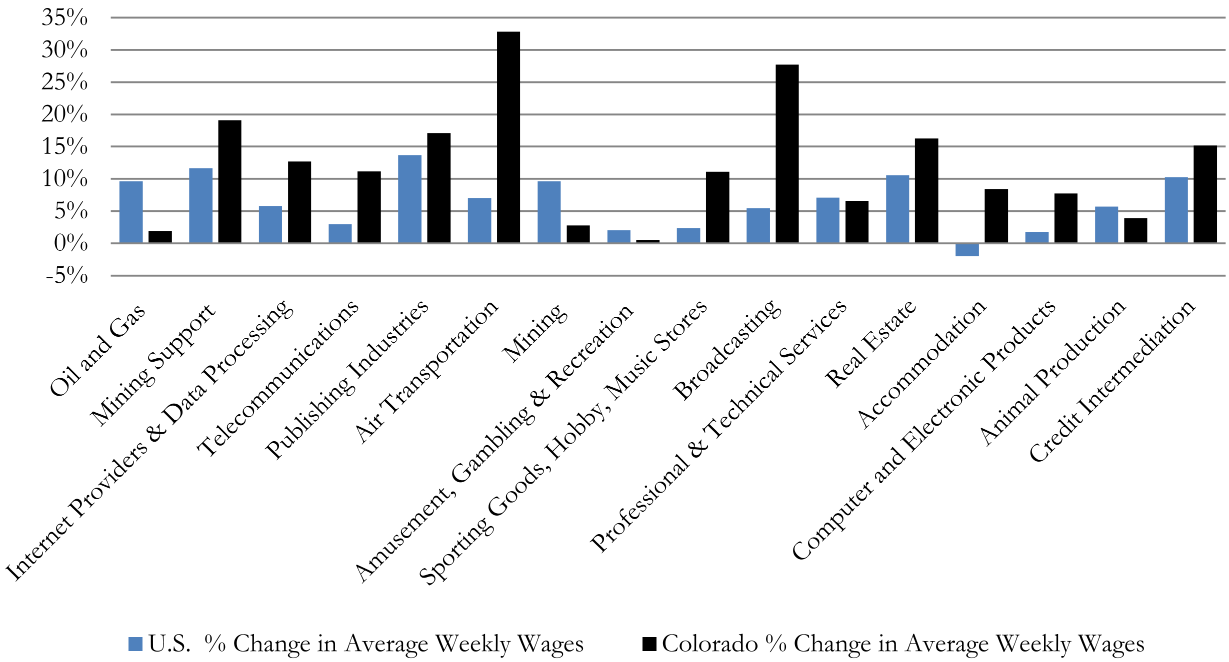
Trends by Industry

Industry growth has been broad based, though some sectors are struggling — Colorado's favorable mix of industries produces high economic value, and thus generates income and job growth. Since the end of the recession in 2010, the state has added approximately 163,000 thousand jobs, a cumulative growth rate of 7.3 percent. More than 70 percent of this job growth has occurred in the following six major industries: health care and social assistance; professional, scientific, and technical services; accommodation and food services; manufacturing; mining (mostly oil and gas production); and retail trade. Notable areas with weak growth or job losses include transportation, information, real estate, and the federal government.

The industries shown in Figure 25 represent some of the sectors in which the state "concentrates" or has a "high-location quotient." This term means that these sectors comprise a greater share of total employment in Colorado than for the nation. Industries with both high-location quotients and relatively high total job numbers tend to form a larger part of the state's economic base. These industries illustrate the diversity of Colorado's economy, such as oil and gas, advanced manufacturing, data processing, finance, tourism-related, professional and technical services (engineering, architecture, accounting, etc) and agriculture. Many of these industries involve higher-earning jobs.

As shown in the graph below, most of these industries have outpaced the nation as a whole in average wage growth for workers since the end of the recession. Wage growth is a sign that a sector is growing due to higher demand for its products, and/or that its workforce is becoming more productive.

Figure 25. Average Weekly Wages, Colorado and U.S.,
Percent Change, from the Second Quarter of 2010 to the Second Quarter of 2013



Source: Economic Modeling Specialists International and Bureau of Labor and Statistics

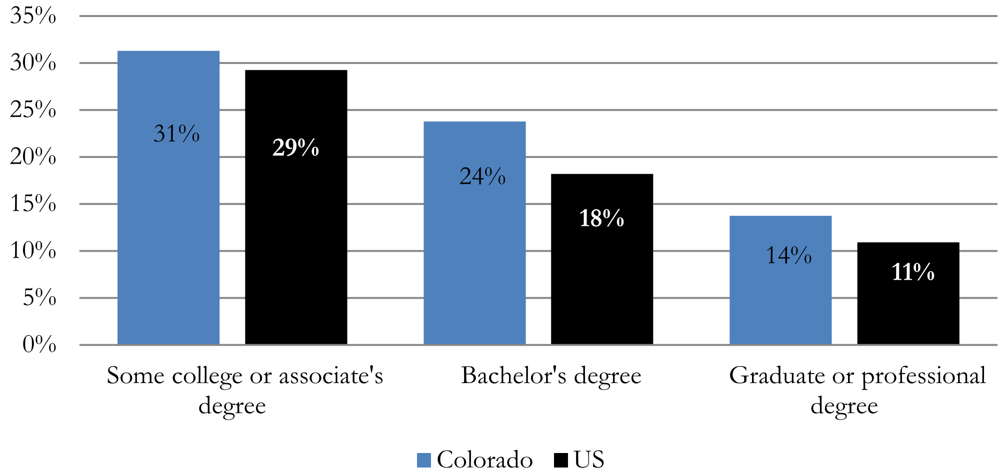
Many of the industries with high location quotients are export-oriented, or "tradable-industries," selling to markets outside the state. Workers in tradable sectors tend to have higher levels of productivity as their businesses compete with others in broader markets. They also are generally paid higher wages than those in non-tradable sectors. These industries are engines of economic growth, bringing money into the state and supporting other local industries and jobs.

Demographics and Labor Force

Colorado has one of the highest rates of net migration among states **–** The state's population growth is bolstered by individuals and families moving to Colorado to seek opportunities. According to the State Demographer's Office, net migration in 2013 is accounting for over half of the population growth in the state. Over the past decade, new job growth in health and wellness, professional services, technology, and education have brought educated workers to the state.

In 2012, 44 percent of in-migrants to Colorado aged 25 years and older had some level of higher education or degree attainment. As shown in Figure 26, the state has a more highly educated population than the national average. As a percent of its population, Colorado has the 2nd highest level of individuals 25 years and over with at least a Bachelor's Degree, following Massachusetts. An educated population often leads to greater job creation by helping entrepreneurs find and create opportunity in today's technologically and information-intensive economy.

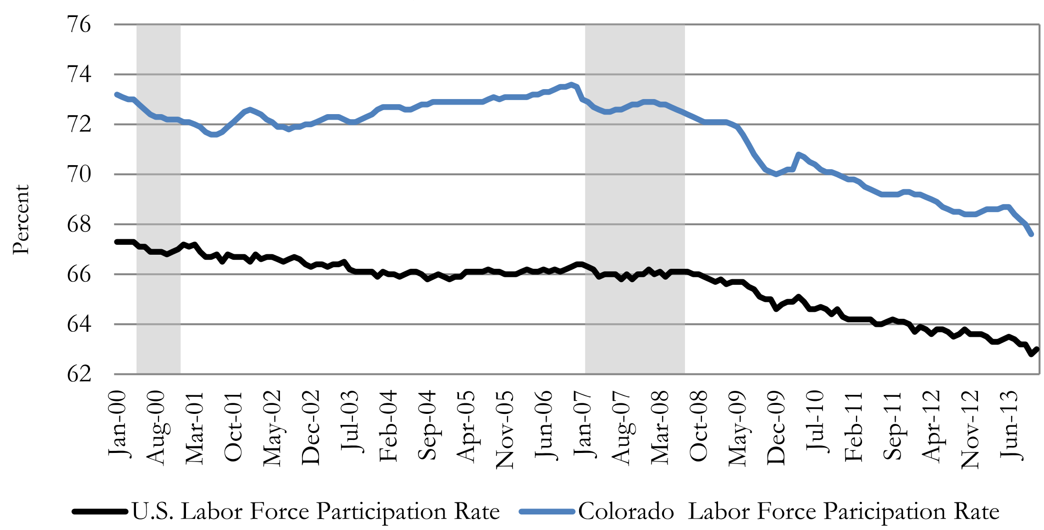
Figure 26. Post-Secondary Degree Attainment in the US and Colorado, Percent of Population, 2012



Source: U.S. Census Bureau

Because Colorado has relatively favorable demographic and economic conditions, the proportion of the state's population that is in the labor force is higher than the national average, as shown in Figure 27. The nation's labor force participation rate in November was 63.0 percent; Colorado's rate was 68.6 percent in October. A higher labor force participation rate can help explain why Colorado's economy has been better as there are proportionally more people producing, earning more income, and seeking job opportunities. Both Colorado and the nation's labor force participation rate have declined over the past several years, however, due to an aging population as well as individuals leaving the workforce.

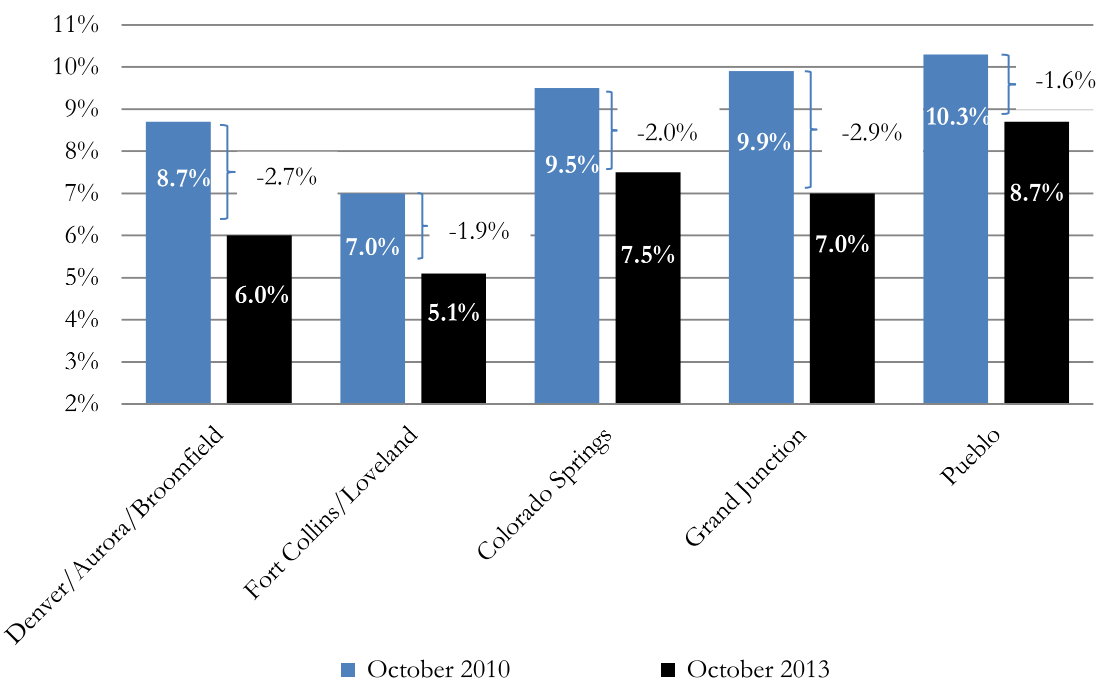
Figure 27. U.S. and Colorado Labor Force Participation Rates, Percent, January 2000 to November 2013



Source: Bureau of Labor and Statistics
* Gray-shaded areas indicate recessionary time periods

High unemployment remains legacy of the Great Recession, though labor markets vary across Colorado and the nation – Unemployment remains elevated, although the most recent data shows progress continues to occur. The national and state economies are still going through a difficult adjustment from the Great Recession. Regions with a high-skilled workforce are more likely to flourish in today's economy. Figure 28 illustrates the unevenness of the recovery in the state from the Great Recession. Regions with higher levels of economic activity resulting from their mix of industries have lower unemployment rates.

Figure 28. Change in Unemployment Rate, October 2010 to October 2013



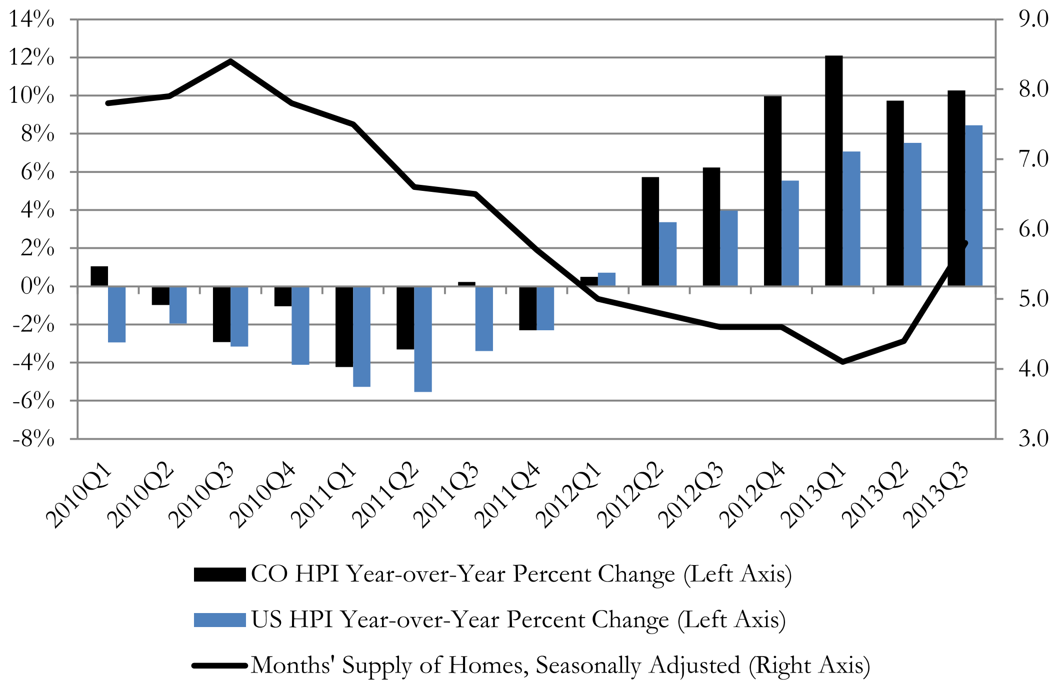
Source: Bureau of Labor and Statistics

Housing and Construction

Home price appreciation continues, although with substantial unevenness across the state and nation – Home prices on average have continued to climb in Colorado throughout 2013, supported by population, job, and income growth in the state. According to the Federal Housing Finance Agency's (FHFA) house price index, home values in Colorado are now 10.3 percent higher than their pre-recession peak in 2007.

The inventory of homes for sale also increased in the third quarter to a seasonally adjusted level of 5.8 months' supply as homebuilders ramped up production and more sellers entered the market. This is the second quarter in a row that saw an increase in inventory, which had not risen for the past ten quarters. A higher inventory of homes for sale means that the supply of homes is rising more quickly than demand, indicating that home price appreciation will likely continue to moderate in the coming months. Indeed, the growth rate of home prices was lower in both quarters when inventory rose, as shown in Figure 29.

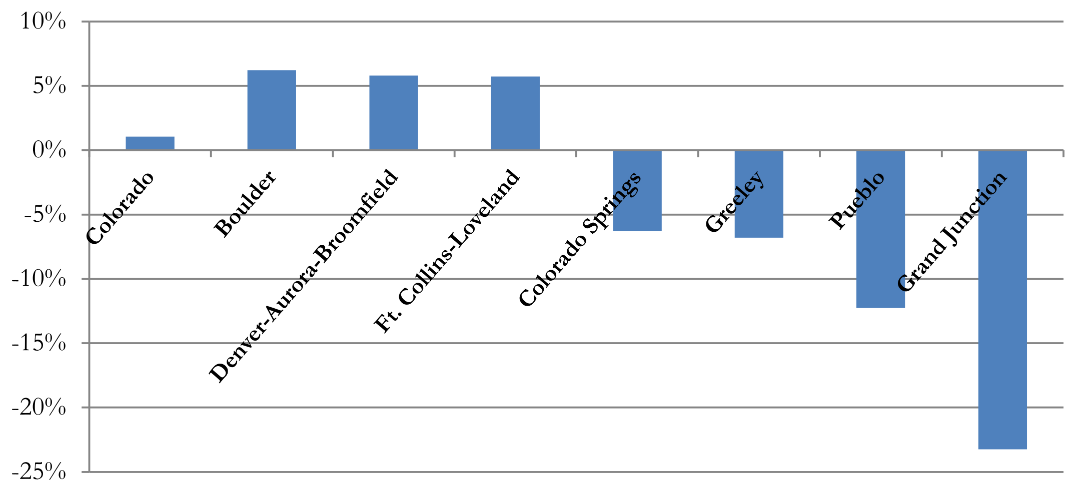
Figure 29. FHFA House Price Index Year-over-Year Change with National Months' Supply of Existing Homes, 2010 through the Third Quarter of 2013



Source: Federal Housing Finance Agency and U.S. Census Bureau

The national house price index represents the aggregate measure of all housing markets across the country. Many markets are actually performing much better than the statistic suggests while others are still performing worse. Colorado has also experienced substantial unevenness among housing markets in various parts of the state. Figure 30 shows the percent change of home prices in Colorado's largest metro areas between each area's pre-recession peak and the third quarter of 2013.

Figure 30. FHFA All-Transactions House Price Index, Colorado's Largest Metro Areas Percent Change from Pre-Recession Peak as of the Third Quarter of 2013*



Source: Federal Housing Finance Agency
* This chart shows changes in the "All-Transactions" house price index, which includes appraisals for refinance transactions in addition to sale prices, so the overall value for Colorado is lower than the growth reflected in the purchase-only index shown in Figure 29. Only the all-transactions index is available for local areas.

As shown, only three of the seven areas have recovered the losses incurred during the economic downturn, with Colorado Springs, Greeley, Pueblo, and Grand Junction remaining below the pre-recession level. The uneven performance of regional housing markets reflects inconsistency in other indicators such as job growth, income gains, and construction activity.

Home appreciation influences home equity and household wealth – More homeowners in both Colorado and the United States have increasing equity in their properties as a result of the rebounding housing market. Home equity is often used to finance spending on home improvement projects or other major purchases, as well as a source of financing used by entrepreneurs to start or grow businesses. Rising home values are linked to higher rates of business formation and productive risk-taking, activities that drive growth in employment and overall economic activity. Greater home equity also improves households' net worth – a phenomenon called the "wealth effect" – which can influence their willingness to engage in larger purchases and other economic activities.

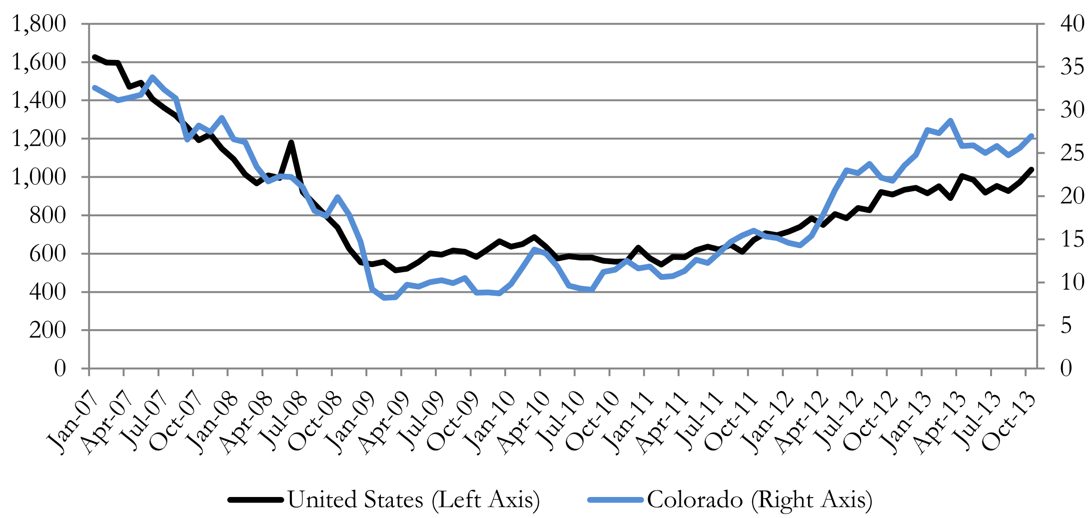
The proportion of mortgages for houses that are worth less than the amount owed on the loan – called "underwater mortgages" – is also shrinking as a result of home price appreciation. According to real estate data firm CoreLogic, the proportion of underwater mortgage loans in Colorado was lower than the national average at 9.5 percent in the second quarter of 2013, down from 14.2 percent in the first quarter. As much as 21 percent of all mortgages were underwater in the state in 2011. These trends are a key part of overall economic recovery because fewer underwater mortgages means that people have greater flexibility to pursue opportunities that grow the economy.

Average rent in Colorado continued to rise as vacancies remained low in the first half of 2013 – Average vacancy rates have plummeted since the Great Recession as more people are renting housing rather than purchasing a home for issues related to job security, credit qualifications, and increased aversion to homeownership based on the experience of the housing downturn. The average statewide vacancy rate of 4.5 percent in the second quarter of 2013 was at the lowest level since data was first available in 2002. Low vacancies helped push average rent to its highest point on record, at $976.

As with home price appreciation, there is substantial unevenness across rental markets in Colorado. The second quarter vacancy rate in Loveland was 3.2 percent while it was 7.0 percent in nearby Fort Collins. Similarly, the second quarter vacancy rate in Colorado Springs was just 5.4 percent while the vacancy rate in Pueblo was above 11 percent. Even within the Denver metro area, where the average vacancy rate was 4.4 percent in the third quarter of 2013, figures ranged from 2.8 percent in Boulder and Broomfield Counties to 5.7 percent in Adams County. The uneven performance of rental markets across Colorado illustrates that, while the statewide economy continues to build momentum, many parts of the state are still working on establishing a stronger foundation for growth.

Residential construction continues to grow as homebuilders respond to strength in the housing market – After falling to extreme lows during the recession, residential construction has steadily grown since 2011. Although inventory has ticked upward in recent months, the overall number of homes on the market remains relatively modest, providing opportunity for homebuilders to sell new units. Despite relatively strong growth, overall housing permits remain below the level before the housing downturn.

Figure 31. New Residential Construction Permits,
3-Month Moving Average of Seasonally Adjusted Annual Rate
January 2007 through October 2013, in Thousands



Source: U.S. Census Bureau

The construction of multi-family units continues to comprise a much higher than average share of total residential units, both in Colorado and nationally. The greater focus on multi-family construction is likely a result of several factors, including elevated housing rents, low apartment vacancies, and a growing preference among households to purchase smaller, more moderately-priced homes.

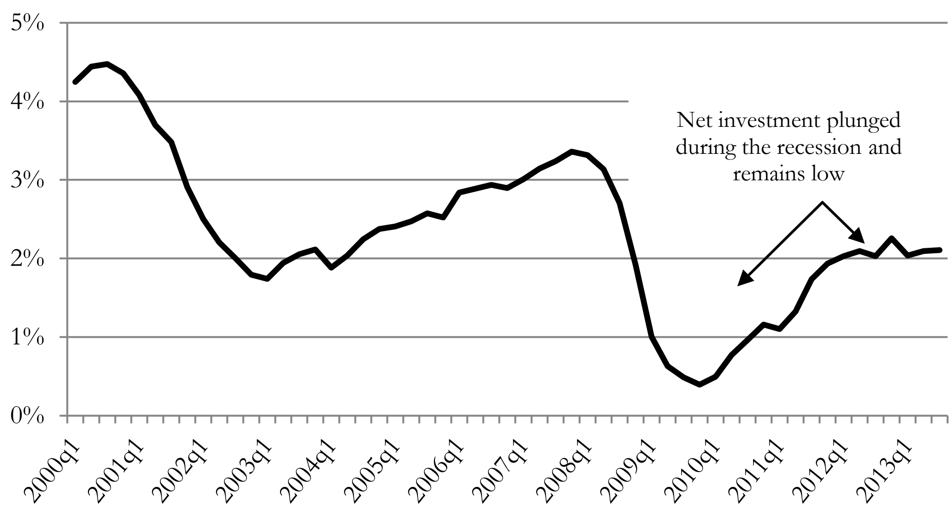
Business Investment

Business capital investment is vital for higher levels of growth. New and better technology, equipment, and structures raise the productive capacity of the economy, providing the foundation for growing output and maintaining employment. The rate of investment in part reflects business optimism and whether decision-makers see opportunities for growth.

Investment spending collapsed during the recession and its slow recovery is indicative of the overall economy's performance. This area of economic activity appears to have been in a negative feedback cycle as businesses have not invested as much due to weaker expectations of economic conditions, which has contributed to slower growth, thus reinforcing those expectations. A pick up in investment will be an important ingredient going forward.

Net investment, or investment after depreciation, is helpful to determine the rate at which U.S. businesses are adding to the nation's capital stock to boost their productive capacity. Figure 32 shows that capital investment activity as a proportion of overall gross domestic product remains sluggish in the wake of the Great Recession. Given Colorado's better economic growth than the nation, it likely has experienced a larger pickup in investment since the recession; however, information on business spending for state economies is not readily available on a timely basis.

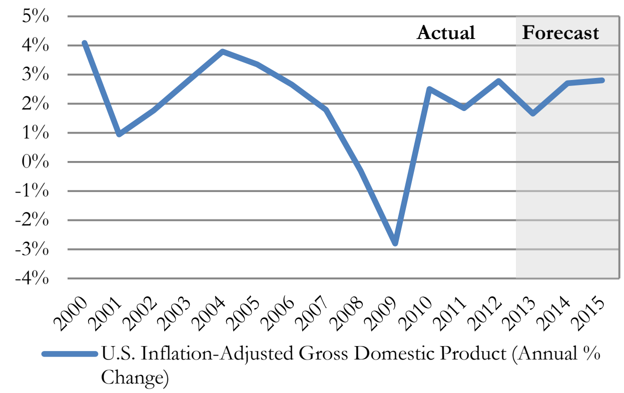
Figure 32. US Inflation-Adjusted Private Non-Residential Net Domestic Investment as a Percent of GDP, First Quarter of 2000 to Third Quarter of 2013



Source: Bureau of Economic Analysis

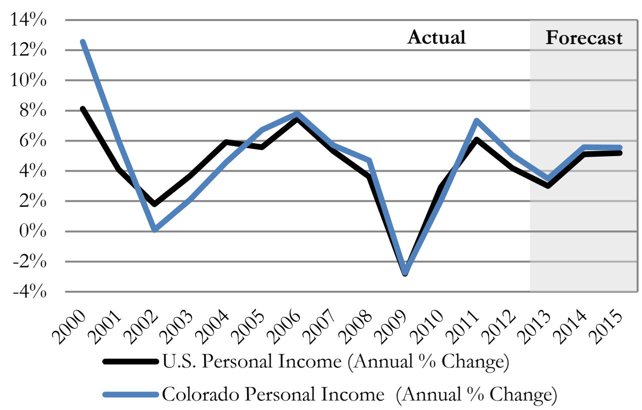
Summary of Key Economic Indicators, Actual and Forecast

U.S. Gross Domestic Product (GDP)



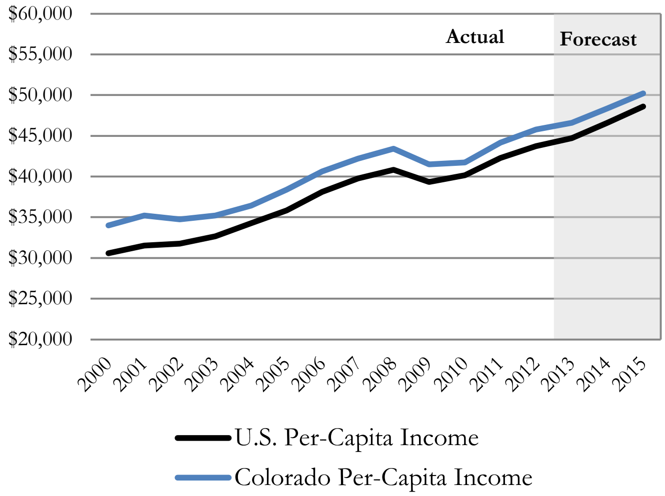
- GDP is a barometer for the economy's overall performance and reflects the final value of output in the U.S.
- GDP will grow 1.7 percent in 2013 and accelerate to 2.7 percent in 2014.

U.S. and Colorado Personal Income



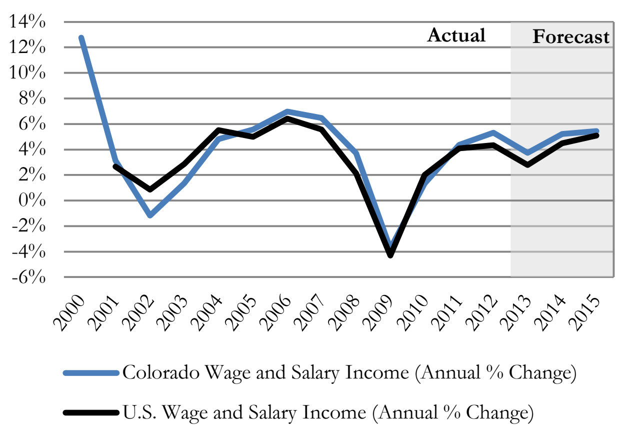
- A shifting of income from 2013 to 2012 due to federal tax increases is moderating personal income growth this year.
- Personal income will grow in Colorado at rate of 3.6 percent in 2013 and 5.6 percent in 2014.
- Personal income for the nation will grow by 3.0 percent in 2013 and 5.1 percent in 2014.

U.S. and Colorado Per-Capita Income



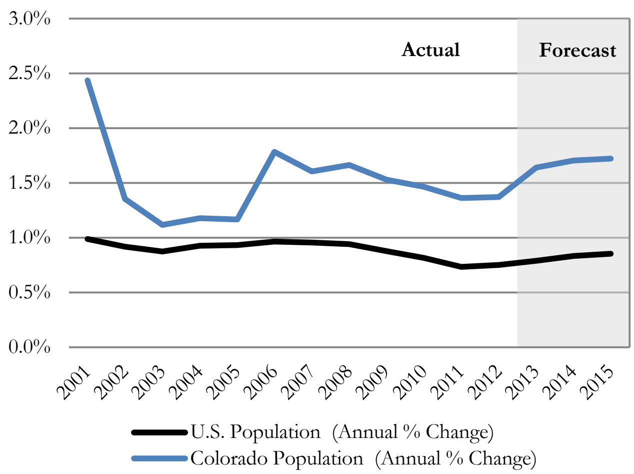
- Per-capita income in Colorado will grow to $46,603 in 2013 and $48,375 percent in 2014.
- Nationally, per-capita income will increase in 2013 to $44,699 and in 2014 to $46,590.

U.S. and Colorado Wage and Salary Income



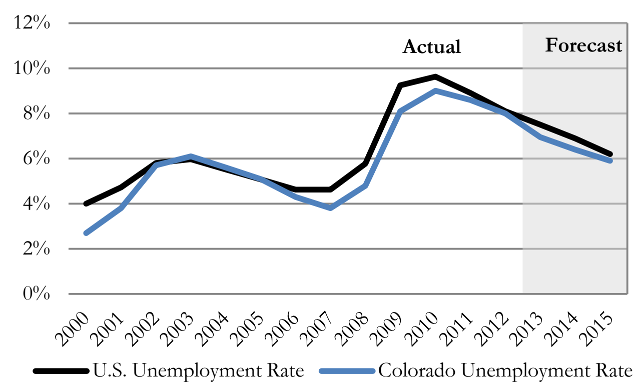
- Though growth in wages and salaries slowed in 2013, in part due to a federal tax-induced shift of some income into 2012, it will continue to increase as job growth continues.
- Total wages and salaries paid to all workers will grow in Colorado at a rate of 4.0 percent in 2013 and 5.2 percent in 2014.
- Wage and salary income for the nation will increase 2.8 percent in 2013 and accelerate to 4.5 percent growth in 2014.

U.S. and Colorado Population



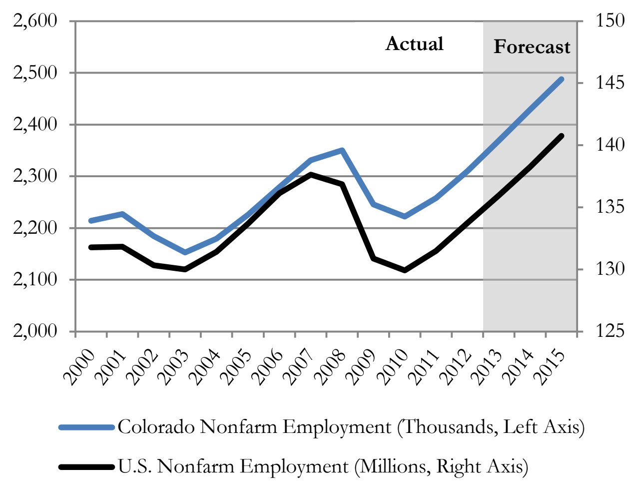
- The state's average population growth rate from 2007 to 2013 was approximately 1.5 percent. Nationally, average population growth was slightly less than one percent.
- Colorado's population is expected to grow 1.6 percent and reach 5.3 million in 2013.
- The nation's population will continue to grow less than one percent in 2013, 2014, and 2015.

U.S. and Colorado Unemployment



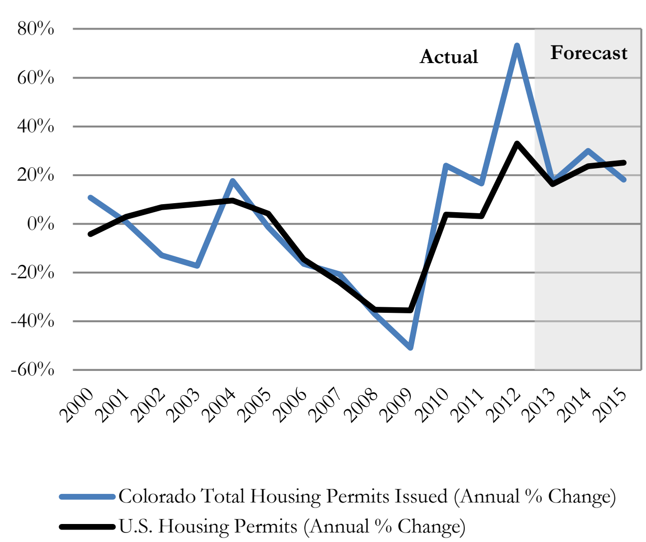
- The unemployment rate continues to fall.
- OSPB forecasts Colorado's unemployment rate at 7.0 percent and 6.4 percent in 2013 and 2014, respectively.
- The national unemployment rate will be higher in those years, at 7.5 and 6.9 percent.

U.S. and Colorado Total Nonagricultural Employment



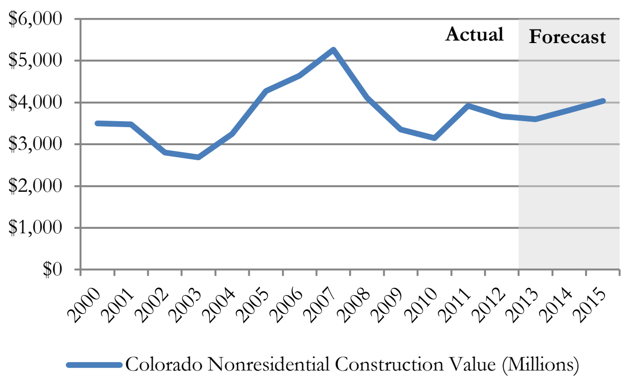
- Colorado gained 56,400 nonfarm jobs, or 2.5 percent, through October of this year over 2012 levels, with broad growth across industries.
- The nation grew at a 1.7 percent rate in November over levels of the prior year.
- Payroll jobs from Colorado employers will increase 2.6 percent in 2013 and 2.5 percent in 2014.
- Nationally, job growth will be slower, growing 1.6 percent in 2013 and 1.7 percent in 2014.

U.S. and Colorado Housing Permits Issued



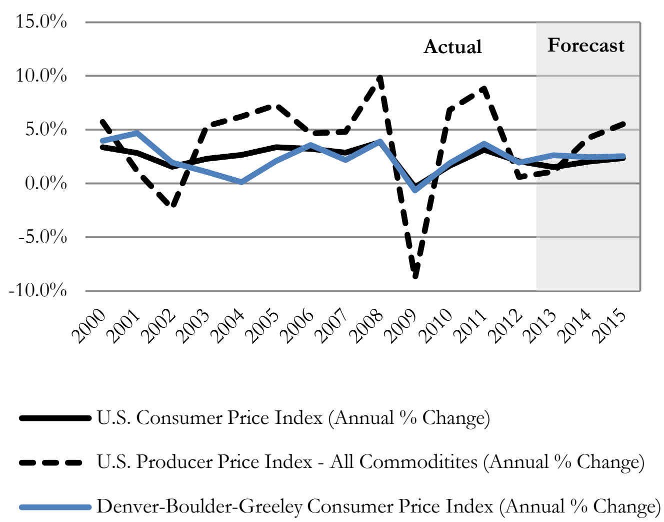
- Home prices in Colorado grew 9.0 percent between the third quarter of 2012 and the same time in 2013, rising to now 10.3 percent higher than their pre-recession peak in 2007.
- National home prices performed strongly over the past year, gaining about 8.4 percent over the year ending in third quarter of 2013. Still, prices remain about 9.8 percent below their 2007 peak.
- Colorado residential construction permits will grow 17.1 percent in 2013 and 29.9 percent in 2014.
- Housing permits for the nation will increase 16.2 percent in 2013 and grow 23.6 percent in 2014.

Colorado Nonresidential Construction Permits



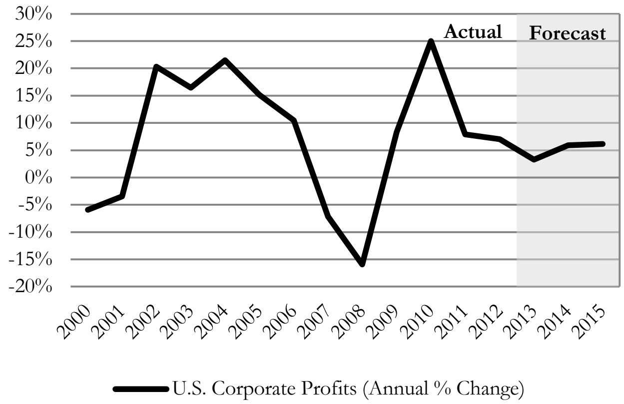
- Nonresidential construction activity growth has been modest due to high commercial vacancies and lower rates of business investment.
- In Colorado, the total value of nonresidential construction projects will decrease 2.0 percent in 2013 and grow 6.1 percent in 2013.

Consumer Price Index and Producer Price Index



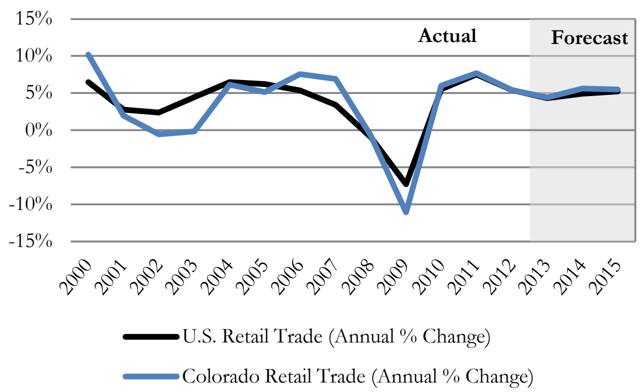
- The Denver-Boulder-Greeley Consumer Price Index is forecast to increase 2.6 percent in 2013 and 2.4 percent in 2014.
- Nationally, consumer prices will increases more slowly, at 1.5 percent in 2013 and 2.0 percent in 2014.
- The more volatile producer prices in the U.S. will increase 1.1 percent in 2013 and 4.2 percent in 2014.

U.S. Corporate Profits



- Corporate profits at the national level are now posting more modest growth than in the years following the recession. They will increase 3.3 percent this year and 5.9 percent in 2014.

Retail Trade



- The impact of federal tax increases in 2013 should abate in 2014. Continued wealth gains and growth of disposable income should push consumer spending higher in 2014.
- Retail trade sales in Colorado will grow 4.4 percent in 2013 after increasing 5.4 percent in 2012. Growth will accelerate in 2014 to 5.6 percent.
- Nationwide retail trade will grow by 4.3 percent in 2013 and 4.9 percent in 2014.

Table 5
History And Forecast For Key Colorado Economic Variables
Calendar Year 2007 - 2015

Line No.		Actual						December 2013 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
	Income									
1	Personal Income (Billions) /A	$202.7	$212.2	$206.4	$210.6	$226.0	$237.5	$246.0	$259.7	$274.1
2	Change	5.7%	4.7%	-2.7%	2.0%	7.3%	5.1%	3.6%	5.6%	5.5%
3	Wage and Salary Income (Billions) /A	$112.5	$116.7	$112.3	$113.8	$118.7	$125.1	$130.1	$136.9	$144.3
4	Change	6.5%	3.7%	-3.8%	1.3%	4.4%	5.3%	4.0%	5.2%	5.4%
5	Per-Capita Income ($/person)	$42,199	$43,406	$41,515	$41,717	$44,179	$45,775	$46,648	$48,422	$50,240
6	Change	3.9%	2.9%	-4.4%	0.5%	5.9%	3.6%	1.9%	3.8%	3.8%
	Population & Employment									
7	Population (Thousands)	4,821.8	4,901.9	4,976.9	5,049.7	5,118.5	5,188.7	5,273.7	5,363.7	5,456.1
8	Change	1.6%	1.7%	1.5%	1.5%	1.4%	1.4%	1.6%	1.7%	1.7%
9	Net Migration (Thousands)	34.8	39.6	36.7	37.2	33.9	37.2	48.3	52.9	55.0
10	Unemployment Rate	3.8%	4.8%	8.1%	9.0%	8.6%	8.0%	7.0%	6.4%	5.9%
11	Total Nonagricultural Employment (Thousands) /B	2,331.3	2,350.3	2,245.6	2,222.3	2,258.2	2,310.0	2,369.0	2,428.9	2,487.8
12	Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.3%	2.6%	2.5%	2.4%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	30.4	19.1	9.4	11.6	13.5	23.4	27.4	35.6	42.0
14	Change	-20.7%	-37.2%	-51.0%	23.9%	16.5%	73.2%	17.1%	29.9%	18.1%
15	Nonresidential Construction Value (Millions) /C	5,259.5	4,114.0	3,354.5	$3,146.7	$3,923.1	$3,669.7	$3,595.1	$3,813.0	$4,036.6
16	Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-6.5%	-2.0%	6.1%	5.9%
	Prices & Sales Variables									
17	Retail Trade (Billions) /D	$75.3	$74.8	$66.5	$70.5	$75.9	$80.0	$83.5	$88.2	$93.1
18	Change	6.9%	-0.7%	-11.1%	6.0%	7.7%	5.4%	4.4%	5.6%	5.5%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	202.0	209.9	208.5	212.4	220.3	224.6	230.5	236.1	242.1
20	Change	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.6%	2.4%	2.5%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proporietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published . The jobs figures will be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on a survey of employers.

/C Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/D Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

Table 6
History And Forecast For Key National Economic Variables
Calendar Year 2007 - 2015

Line No.		Actual						December 2013 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,876.8	$14,833.6	$14,417.9	$14,779.4	$15,052.4	$15,470.7	$15,727.5	$16,152.2	$16,604.4
2	Change	1.8%	-0.3%	-2.8%	2.5%	1.8%	2.8%	1.7%	2.7%	2.8%
3	Personal Income (Billions) /B	$11,995.7	$12,430.6	$12,082.1	$12,435.2	$13,191.3	$13,743.8	$14,156.1	$14,878.1	$15,651.7
4	Change	5.3%	3.6%	-2.8%	2.9%	6.1%	4.2%	3.0%	5.1%	5.2%
5	Per-Capita Income ($/person)	$39,761	$40,817	$39,325	$40,143	$42,275	$43,731	$44,699	$46,590	$48,599
6	Change	4.3%	2.7%	-3.7%	2.1%	5.3%	3.4%	2.2%	4.2%	4.3%
7	Wage and Salary Income (Billions) /B	$6,396	$6,533	$6,252	$6,377	$6,639	$6,927	$7,120.4	$7,440.8	$7,820.3
8	Change	5.6%	2.1%	-4.3%	2.0%	4.1%	4.3%	2.8%	4.5%	5.1%
	Population & Employment									
9	Population (Millions)	301.6	304.4	307.1	309.6	311.9	314.2	316.7	319.3	322.1
10	Change	1.0%	0.9%	0.9%	0.8%	0.7%	0.8%	0.8%	0.8%	0.9%
11	Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.5%	6.9%	6.2%
12	Total Nonagricultural Employment (Millions)	137.6	136.9	130.9	129.9	131.5	133.7	135.9	138.3	140.8
13	Change	1.1%	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.6%	1.7%	1.8%
	Price Variables									
14	Consumer Price Index (1982-84=100)	207.3	215.3	214.5	218.1	224.9	229.6	233.0	237.7	243.3
15	Change	2.9%	3.8%	-0.4%	1.6%	3.1%	2.1%	1.5%	2.0%	2.4%
16	Producer Price Index - All Commodities (1982=100)	172.6	189.6	172.9	184.7	201.0	202.2	204.4	213.0	224.8
17	Change	4.8%	9.8%	-8.8%	6.8%	8.8%	0.6%	1.1%	4.2%	5.5%
	Other Key Indicators									
18	Corporate Profits (Billions)	1,529.0	1,285.1	1,392.6	1,740.6	$1,877.7	$2,009.5	$2,075.0	$2,197.1	$2,332.4
19	Change	-7.1%	-16.0%	8.4%	25.0%	7.9%	7.0%	3.3%	5.9%	6.2%
20	Housing Permits (Millions)	1.398	0.905	0.583	0.605	0.624	0.829	0.963	1.191	1.490
21	Change	-24.0%	-35.3%	-35.6%	3.7%	3.1%	32.9%	16.2%	23.6%	25.1%
22	Retail Trade (Billions)	$4,443.8	$4,402.5	$4,082.1	$4,307.9	$4,631.1	$4,881.4	$5,091.8	$5,341.8	$5,620.0
23	Change	3.4%	-0.9%	-7.3%	5.5%	7.5%	5.4%	4.3%	4.9%	5.2%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Governor's Revenue Estimating Advisory Committee

The Governor's Office of State Planning and Budgeting would like to thank the following individuals that provided valuable feedback on key national and Colorado-specific economic indices included in this forecast. All of these individuals possess expertise in a number of economic and financial disciplines and were generous with their time and knowledge.

- Tucker Hart Adams – Senior Partner, Summit Economics LLC
- John Cuddington – W.J. Coulter Professor of Mineral Economics and Professor of Economics and Business, Colorado School of Mines; President, JTC Economics+Finance LLC
- Elizabeth Garner - State Demographer, Colorado Department of Local Affairs
- Alexandra Hall - Labor Market Information Director, Colorado Department of Labor and Employment
- Robert Jaros - State Controller, Department of Personnel and Administration
- Ronald New – Capital Markets Executive
- Patricia Silverstein - President, Development Research Partners
- Richard Wobbekind - Associate Dean, Leeds School of Business; University of Colorado, Boulder

In addition to the above individuals, the Governor's Office of State Planning and Budgeting would like to thank Dr. Phyllis Resnick, Managing Director of R Squared Analysis, LLC for her valuable contributions in producing this forecast.

COLORADO
It's our nature.