NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
Moody's "MIG 1"
S&P "SP-1+"
(See "RATINGS" herein)

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015B Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; and interest on the Series 2015B Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws as described herein. See "TAX MATTERS."

$339,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM
TAX AND REVENUE ANTICIPATION NOTES
SERIES 2015B

Dated: Date of Delivery **Maturity Date: June 29, 2016**

The proceeds of the Series 2015B Notes will be used as more fully described herein to (i) make interest-free loans to certain Colorado school districts identified herein in order to alleviate temporary general fund cash flow deficits expected to be experienced by such school districts during the fiscal year ending June 30, 2016, and (ii) pay the costs of issuing the Series 2015B Notes.

The Series 2015B Notes will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Series 2015B Notes. Beneficial Ownership Interests in the Series 2015B Notes, in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through participants in the DTC system. Beneficial Ownership Interests will be governed as to receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2015B Notes by the rules and operating procedures applicable to the DTC book-entry system as described herein.

The principal of and interest on the Series 2015B Notes, at the rates per annum specified below, are payable on the maturity date of the Series 2015B Notes specified above. The Series 2015B Notes are *not* subject to redemption prior to maturity.

Principal Amount	Interest Rate	Price	Reoffering Yield	CUSIP No.[1]
$150,000,000	2.00%	100.824%	0.22%	19672M BQ0
154,000,000	2.00	100.815	0.24	19672M BQ0
35,000,000	3.00	101.278	0.24	19672M BR8

The Series 2015B Notes are special, limited obligations of the State payable solely from and secured by a pledge of the Pledged Revenues described herein. Interest on the Series 2015B Notes will be payable from amounts deposited by the State Treasurer upon issuance of the Series 2015B Notes in the Series 2015-16 Notes Repayment Account; and the principal of the Series 2015B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2016, as payment of their Program Loans and, if necessary, from certain State funds, all as described herein. The Series 2015B Notes are secured on parity with the previously issued State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2015A, which are currently outstanding in the aggregate principal amount of $165,000,000. The Series 2015B Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the constitution or statutes of the State, and the registered owners and Beneficial Owners of the Series 2015B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2015B Notes.

An investment in the Series 2015B Notes involves risk. Prospective investors are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed in "INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

The Series 2015B Notes are offered when, as and if issued by the State, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Certain legal matters will be passed upon for the State by the Attorney General of the State, and by Dinsmore & Shohl LLP, Denver, Colorado, as special counsel to the State. The Series 2015B Notes are expected to be delivered through the facilities of DTC on or about January 12, 2016.

Dated: January 6, 2016

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[1] CUSIP is a registered trademark of the American Bankers Association. The CUSIP data included herein has been provided by CUSIP Global Services operated by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by Standard & Poor's, a business unit of McGraw-Hill Financial, and is provided solely for the convenience of the purchasers of the Series 2015B Notes and only as of the issuance of the Series 2015B Notes. The State takes no responsibility for the accuracy of such data now or at any time in the future.

NOTICES

This Official Statement does not constitute an offer to sell the Series 2015B Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or other person has been authorized by the State, the State Treasurer or the Financial Advisor to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the State or any other person.

The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described in this Official Statement since the date hereof.

The information in this Official Statement has been obtained from officers, employees and records of the State, the Participating Districts and other sources believed to be reliable, but this Official Statement is not to be construed as the promise or guarantee of the State, the State Treasurer or the Financial Advisor.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2015B Notes is made only by means of this entire Official Statement.

This Official Statement is submitted in connection with the initial offering and sale of the Series 2015B Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2015B Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have neither confirmed the accuracy nor determined the adequacy of this Official Statement. Any representation to the contrary is unlawful.

CAUTIONARY STATEMENTS REGARDING
PROJECTIONS, ESTIMATES AND OTHER FORWARD
LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

This Official Statement, including, but not limited to, the material set forth in "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts – Summary Financial Information Regarding the Participating Districts," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," "APPENDIX A – THE STATE GENERAL FUND," "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST" and "APPENDIX E – STATE PENSION SYSTEM," contains statements relating to future results that are "forward looking statements." When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward looking statements. The achievement of certain results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. The State Treasurer does not plan to issue any updates or revisions to those forward looking statements if or when its expectations or events, conditions or circumstances on which these statements are based occur.

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OFFICIAL STATEMENT

Relating to

$339,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM TAX AND REVENUE ANTICIPATION NOTES
SERIES 2015B

INTRODUCTION

This Official Statement, which includes the cover page, inside cover, prefatory information and the appendices, furnishes information in connection with the issuance and sale by the State of Colorado (the "State") of its $339,000,000 State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2015B (the "Series 2015B Notes").

This Official Statement contains information that was either not available or differs from that contained in the Preliminary Official Statement dated December 30, 2015, including, without limitation, the interest rates, prices, reoffering yields, CUSIP numbers, original purchasers of and the aggregate purchase price paid by the original purchasers for the Series 2015B Notes. Accordingly, prospective investors should read this Official Statement in its entirety.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2015B Notes to potential investors is made only by means of the entire Official Statement.

Purpose

Sections 29-15-112 and 22-54-110, Colorado Revised Statutes, as amended ("C.R.S."), referred to herein collectively as the "Loan Program Statutes," establish a program (the "Loan Program") for making interest-free loans ("Program Loans") to participating Colorado school districts (the "Participating Districts") in order to alleviate Participating Districts' temporary general fund cash flow deficits. The Series 2015B Notes are being issued for the purpose of funding the Loan Program for the State's fiscal year ending June 30, 2016 ("Fiscal Year 2015-16"), and paying the costs of issuing the Series 2015B Notes. The first installment of the Loan Program was funded on July 21, 2015, by the issuance of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2015A (the "Series 2015A Notes"), in the aggregate principal amount of $165,000,000, the net proceeds of which have been borrowed by 27 Participating Districts. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS."

The net proceeds of the sale of the Series 2015B Notes will be deposited in the Series 2015B Education Loan Program Tax and Revenue Anticipation Notes Proceeds Account (the "Series 2015B Notes Proceeds Account") of the State's General Fund (the "General Fund") and used to make Program Loans to approximately 19 Participating Districts in order to alleviate actual temporary general fund cash flow deficits currently forecast by each Participating District during Fiscal Year 2015-16. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts." Prior to receiving a Program Loan, each Participating District is required to adopt a resolution (each a "District Resolution" and collectively the "District Resolutions") pledging to the repayment of its Program Loan those ad valorem property tax revenues received by the Participating District during the

period of March through June of 2016 that are required to be deposited in the Participating District's general fund ("Taxes"), and is required to execute a promissory note payable to the State Treasurer (each a "District Note" and collectively the "District Notes") to evidence its repayment obligation. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS – Program Loans – The Participating Districts," "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2015B Notes

Authorization. The Series 2015B Notes are issued pursuant to the Loan Program Statutes; Part 2 of Article 57 of Title 11, C.R.S. (the "Supplemental Public Securities Act"); and a resolution (the "State Resolution") adopted by the State Treasurer (the "State Treasurer") and approved and countersigned by the Controller of the State (the "State Controller"). See "THE SERIES 2015B NOTES – Authorization."

General Provisions. The Series 2015B Notes will be dated the date of issuance and delivery to the original purchasers thereof (the "Closing Date") and will mature on June 29, 2016 (the "Series 2015B Notes Maturity Date"). The Series 2015B Notes are not subject to redemption prior to the Series 2015B Notes Maturity Date. Interest on the Series 2015B Notes, at the rates per annum set forth on the cover page hereof (computed on the basis of a 360-day year of twelve 30-day months), will accrue from the Closing Date and will be payable on the Series 2015B Notes Maturity Date. See "THE SERIES 2015B NOTES – General Provisions."

Book-Entry Only System. The Series 2015B Notes will be issued in fully registered form (*i.e.*, registered as to payment of both principal and interest) and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will serve as securities depository for the Series 2015B Notes. Ownership interests in the Series 2015B Notes ("Beneficial Ownership Interests"), in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through participants in the DTC system ("DTC Participants"). Beneficial Ownership Interests will be recorded in the name of the purchasers thereof ("Beneficial Owners") on the books of the DTC Participants from whom they are acquired, and will be governed as to the receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2015B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2015B NOTES – General Provisions" and "APPENDIX F – DTC BOOK-ENTRY SYSTEM." References in this Official Statement to the registered owners or the owners of the Series 2015B Notes mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

Security and Sources of Payment. The Series 2015B Notes are special, limited obligations of the State payable solely from and secured by a pledge of the following (the "Pledged Revenues"), which the State Treasurer believes will be sufficient for the repayment of the Series 2015B Notes:

- amounts received by the State Treasurer from the Participating Districts on or before June 25, 2016, as repayment of their Program Loans;
- amounts deposited to the "Series 2015-16 Education Loan Program Tax and Revenue Anticipation Notes Repayment Account" of the General Fund (the "Series 2015-16 Notes Repayment Account") as discussed in "THE SERIES 2015B NOTES – Security and Sources of Payment – *The Series 2015-16 Notes Repayment Account*"; and
- any unexpended proceeds of the Series 2015A Notes, the Series 2015B Notes and of any additional tax and revenue anticipation notes authorized and issued pursuant to the Loan Program Statutes and the Supplemental Public Securities Act and payable from and secured by a pledge of all or any portion of the Pledged Revenues on a parity with the

pledge thereof in favor of the registered owners (the "Owners") of the Series 2015B Notes ("Parity Lien Notes") that have not been loaned to the Participating Districts, together with the interest earnings thereon in excess of the amount deposited by the State Treasurer in the Series 2015B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS – The Series 2015B Notes Proceeds Account."

Interest on the Series 2015B Notes will be payable from a deposit to be made by the State Treasurer on the Closing Date to the Interest Subaccount of the Series 2015-16 Notes Repayment Account in an amount equal to the interest to accrue on the Series 2015B Notes from the Closing Date to the Series 2015B Notes Maturity Date. This deposit is to be made from "Current General Fund Revenues," consisting of any cash income or other cash receipt credited to the General Fund for Fiscal Year 2015-16 that is (i) subject to appropriation for Fiscal Year 2015-16 and (ii) not yet credited to the General Fund as of the Closing Date, but not including the proceeds of the Series 2015A Notes, the Series 2015B Notes, any Parity Lien Notes or of any other borrowing of the State.

Principal of the Series 2015B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2016, as repayment of their Program Loans, supplemented if necessary by, among other things, any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes, including Current General Fund Revenues and any amounts in the State Funds from which the State Treasurer is authorized to borrow under State law ("Borrowable Resources").

The ability of the State Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2015-16, including, without limitation, the State of Colorado General Fund Tax and Revenue Anticipation Notes, Series 2015B (the "State Series 2015A General Fund Notes"), issued by the State Treasurer on July 23, 2015, in the principal amount of $600 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2015-16.

The Series 2015-16 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2015A Notes, the Series 2015B Notes and any Parity Lien Notes. The Owners of the Series 2015A Notes, the Series 2015B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2015-16 Notes Repayment Account and the moneys credited thereto.

The Series 2015B Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the Constitution of the State of Colorado (the "State Constitution") or State statutes, and the Owners and Beneficial Owners of the Series 2015B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2015B Notes.

See generally "THE SERIES 2015B NOTES – Security and Sources of Payment – Parity Lien Notes," "DISTRICT RESOLUTIONS AND DISTRICT NOTES," "SOURCE OF PAYMENT OF PROGRAM LOANS," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," "APPENDIX A – THE STATE GENERAL FUND" and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST."

Legal and Tax Matters

Kutak Rock LLP, Denver, Colorado, is serving as bond counsel ("Bond Counsel") in connection with the issuance of the Series 2015B Notes and will deliver its opinion substantially in the form included in this Official Statement as "APPENDIX G – FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the State by the Attorney General of the State and by Dinsmore & Shohl LLP, Denver, Colorado, as special counsel to the State.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015B Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; and interest on the Series 2015B Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws as described herein. See also "LEGAL MATTERS" and "TAX MATTERS" and "APPENDIX G – FORM OF OPINION OF BOND COUNSEL."

Continuing Disclosure

In accordance with the exemption set forth in paragraph (d)(3) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), no undertaking to report annual financial information or operating data as set forth in the final Official Statement, or audited financial statements, will be provided by the State in connection with the Series 2015B Notes because the Series 2015B Notes have a stated maturity of less than 18 months. However, the State Treasurer does undertake in the State Resolution to provide notice of certain enumerated events if they occur, as described in "THE SERIES 2015B NOTES – Security and Sources of Payment – *The Series 2015-16 Notes Repayment Account* – Covenants of the State" and "CONTINUING DISCLOSURE."

For a discussion of the recent compliance by the State and certain State departments and agencies that utilize the State's credit with the various continuing disclosure undertakings of such entities, see "CONTINUING DISCLOSURE – Compliance With Other Continuing Disclosure Undertakings."

State Economic and Demographic Information

This Official Statement contains economic and demographic information about the State prepared by Development Research Partners, Inc. for use by the State. See "APPENDIX D – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." Development Research Partners, Inc. has consented to the inclusion of such information in this Official Statement. The State does not assume responsibility for the accuracy, completeness or fairness of such information. The information in such Appendix has been included in the Official Statement in reliance upon the authority of Development Research Partners, Inc. as experts in the preparation of economic and demographic analyses. Potential investors should read such Appendix in its entirety for information with respect to the economic and demographic status of the State.

Additional Information

Brief descriptions of the Series 2015B Notes, the State Resolution, the Loan Program Statutes, the District Resolutions, the District Notes, the Participating Districts, the State and certain other statutes, reports, documents and instruments are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period, copies of the State Resolution and certain other documents referred to herein may be obtained from RBC Capital Markets, LLC (the "Financial Advisor"), 1801 California Street, Suite 3850, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222.

Investment Considerations

An investment in the Series 2015B Notes involves risk. Prospective investors are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed in "INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

Forward Looking Statements

See the inside cover of this Official Statement regarding forward-looking statements.

Miscellaneous

The cover page, inside cover, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained in this Official Statement has been obtained from officers, employees and records of the State, the Participating Districts and from other sources believed to be reliable, but this Official Statement is not to be construed as the promise or guarantee of the State, the State Treasurer or the Financial Advisor. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described in this Official Statement since the date hereof. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

This Official Statement shall not be construed as a contract or agreement between the State and the registered owners or Beneficial Owners of the Series 2015B Notes.

THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS

The Loan Program

Timing differences between revenue collections and disbursements cause many Colorado school districts to incur annual cash flow deficits. The salaries of some school district employees are paid over a 12-month period, and some school district expenses occur on a relatively consistent monthly basis, although most salaries and expenses of school districts are incurred during the traditional school year of September through May. The primary sources of revenue to school districts to meet these expenditures include (i) funding from the State pursuant to the Public School Finance Act of 1994, as amended (the "Public School Finance Act"), which is received in approximately equal monthly amounts throughout the July 1-June 30 fiscal year of the school districts and the State (the "Fiscal Year"), and (ii) property taxes levied by the school districts, most of which are received in March through June when property taxes are paid by taxpayers. See "SOURCE OF PAYMENT OF PROGRAM LOANS." As a result, school districts often experience cash flow shortages during the fall and winter months before such tax revenues are received. School districts may address this cash flow shortage in a variety of ways, including: (i) borrowing funds from the State; (ii) transferring funds to the school district's general fund from other school district funds on a short-term basis; (iii) borrowing funds on a short-term basis through the issuance by the school district of tax anticipation notes; or (iv) borrowing funds on a short-term basis from a bank or other lender.

Under the Loan Program Statutes, upon approval by the State Treasurer of an application submitted by a school district, the State Treasurer is to make available to such school district in any

month of the budget year in which a cash flow deficit occurs an interest-free or low-interest loan from the State's General Fund or from the proceeds of tax and revenue anticipation notes. There are certain limits on the receipt of such loans. For instance, a Program Loan may not be made to provide assistance for matters eligible for payment from the school district's contingency reserve or to cover a foreseeable level of uncollectible property taxes, nor may a Program Loan be used by a school district for the simultaneous purchase and sale of the same security or an equivalent security in order to profit from price disparity. All loans to a school district are to be made from the proceeds of tax and revenue anticipation notes issued by the State Treasurer as discussed below; provided, however, that if the amount of the tax and revenue anticipation notes, if any, issued on behalf of a school district as determined by the State Treasurer is not sufficient to cover the school district's cash deficit, the State Treasurer may, in his or her discretion, make available to such school district an emergency low-interest loan from the State's General Fund. Such loan is to have the same rate of interest as that paid by the State Treasurer on the general fund tax and revenue anticipation notes issued by the State Treasurer pursuant to Part 9 of Article 75 of Title 24, C.R.S. See "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds."

The Loan Program Statutes authorize the State Treasurer to issue tax and revenue anticipation notes for the purpose of alleviating temporary cash flow deficits by making interest-free loans available to eligible school districts. The Series 2015B Notes are being issued pursuant to this authorization. See also "THE SERIES 2015B NOTES – Authorization."

Application of Series 2015B Notes Proceeds

The proceeds of the Series 2015B Notes, net of amounts used to pay costs and expenses relating to the issuance and sale of the Series 2015B Notes, will be deposited in the Series 2015B Notes Proceeds Account and disbursed from time to time by the State Treasurer upon request of the Participating Districts in order to alleviate temporary general fund cash flow deficits expected to be experienced by such Participating Districts during Fiscal Year 2015-16, subject to the conditions stated in the State Resolution and the District Resolutions. See "Program Loans" and "The Participating Districts" below, "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2015B Notes Proceeds Account

The State Resolution directs the State Controller to establish within the State's General Fund the Series 2015B Notes Proceeds Account, which is to be segregated from all other accounts in the General Fund. Moneys deposited in the Series 2015B Notes Proceeds Account are to be applied in accordance with the Loan Program Statutes, including the payment of the costs and expenses related to the issuance and sale of the Series 2015B Notes. The original purchasers of the Series 2015B Notes will not be responsible for the application or disposition by the State or its officers of any of the funds derived from the sale of the Series 2015B Notes.

Moneys held in the Series 2015B Notes Proceeds Account may be commingled for investment purposes with other moneys in the General Fund but are not available for the payment of other General Fund expenditures or interfund transfers. Investment earnings on moneys credited to the Series 2015B Notes Proceeds Account up to the amount deposited by the State Treasurer to the Interest Subaccount on the Closing Date are to be credited to the State General Fund and will not be credited to the Series 2015B Notes Proceeds Account; and investment earnings on moneys credited to the Series 2015B Notes Proceeds Account in excess of the amount deposited by the State Treasurer to the Interest Subaccount on the Closing Date are to be retained therein until June 25, 2016, on which date any remaining moneys credited to such Account are to be transferred to the Interest Subaccount of the Series 2015-16 Notes Repayment Account, after which the Series 2015B Notes Proceeds Account is to be closed. See "APPENDIX A – THE STATE GENERAL FUND – Investment of the State Pool."

Program Loans

In order to participate in the Loan Program, each Participating District's governing board (the "Board of Education") must adopt a resolution approving the amount of the Program Loan (the "Maximum Principal Amount") and submit any actual or projected financial or budgetary statements required by the State Treasurer, as well as certain other financial information required by the State Treasurer. Based on such information, the State Treasurer has approved the Maximum Principal Amount of the Program Loan for each such Participating District.

An aggregate amount of not more than the Maximum Principal Amount may be drawn upon in the manner provided in the District Resolution and expended by the Participating District from time to time to fund its general fund cash flow deficit occurring during Fiscal Year 2015-16. See also "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Participating Districts

As of the date hereof, the Participating Districts that have requested the State Treasurer to issue the Series 2015B Notes on their behalf are set forth in "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts." Denver School District No. 1 and Boulder Valley School District RE-2 are expected to borrow the largest percentages of available proceeds of the Series 2015A Notes and the Series 2015B Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts."

THE SERIES 2015B NOTES

The following is a summary of certain provisions of the Series 2015B Notes during such time as the Series 2015B Notes are subject to the DTC book-entry system. Reference is hereby made to the State Resolution in its entirety for the detailed provisions pertaining to the Series 2015B Notes, including provisions applicable upon discontinuance of participation in the DTC book-entry system.

Authorization

The Series 2015B Notes are being issued pursuant to the Loan Program Statutes, the Supplemental Public Securities Act and the State Resolution. The Loan Program Statutes authorize the State Treasurer to issue tax and revenue anticipation notes from time to time to accomplish the purposes of the Loan Program Statutes. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS." The State Treasurer may, but does not foresee the need to, issue additional Parity Lien Notes in Fiscal Year 2015-16. See "Parity Lien Notes" under this caption.

General Provisions

The Series 2015B Notes will be issued in fully registered form (*i.e.*, registered as to payment of both principal and interest) and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2015B Notes. Beneficial Ownership Interests in the Series 2015B Notes, in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and will be governed as to payment of principal and interest and the receipt of notices and other communications, transfers and various other matters with respect to the Series 2015B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "APPENDIX F – DTC BOOK-ENTRY SYSTEM." References in this Official Statement to the registered owners or the owners

of the Series 2015B Notes mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

The Series 2015B Notes will be dated as of the Closing Date, mature on the Series 2015B Notes Maturity Date and bear interest at the rates per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) set forth on the cover page of this Official Statement. Interest on the Series 2015B Notes will accrue from the Closing Date and will be payable on the Series 2015B Notes Maturity Date. The principal of and interest on the Series 2015B Notes will be payable by the State Treasurer, as paying agent for the Series 2015B Notes (the "Paying Agent"), to Cede & Co., as the Owner of the Series 2015B Notes, for subsequent credit to the accounts of the Beneficial Owners. See "APPENDIX F – DTC BOOK-ENTRY SYSTEM." Interest on the Series 2015B Notes will cease to accrue on the Series 2015B Notes Maturity Date.

The Deputy State Treasurer or the Chief Financial Officer of the Department of the Treasury will serve as the registrar for the Series 2015B Notes (the "Registrar"), subject to the provisions of the DTC book-entry system.

Neither the State, the State Treasurer, the Deputy State Treasurer, the Chief Financial Officer of the Department of the Treasury, the State Controller nor the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2015B Notes under the State Resolution, (iii) the payment by DTC or any DTC Participant of any amounts received under the State Resolution with respect to the Series 2015B Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of Series 2015B Notes or (v) any other related matter.

No Redemption Prior to Maturity

The Series 2015B Notes are not subject to redemption prior to the Series 2015B Notes Maturity Date.

Security and Sources of Payment

The Series 2015B Notes are special, limited obligations of the State payable solely from the Pledged Revenues, on parity with the Series 2015A Notes and any additional Parity Lien Notes. The Series 2015B Notes do not constitute a debt, an indebtedness or a multiple fiscal year financial obligation of the State or the Participating Districts within the meaning of any applicable provision of the State Constitution or State statutes, and the Owners and Beneficial Owners of the Series 2015B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2015B Notes.

The Pledged Revenues. The Pledged Revenues consist of: (i) amounts received by the State Treasurer from the Participating Districts on or before June 25, 2016, in repayment of their Program Loans; (ii) amounts deposited to the Series 2015-16 Notes Repayment Account as provided below; and (iii) any unexpended proceeds of the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes that have not been loaned to Participating Districts, together with the interest earnings thereon in excess of the amount deposited by the State Treasurer in the Series 2015B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS – The Series 2015B Notes Proceeds Account."

The Series 2015-16 Notes Repayment Account. The State Resolution directs the State Controller to establish within the General Fund the Series 2015-16 Notes Repayment Account, including therein the Interest Subaccount and the Principal Subaccount, all of which are to be segregated from all other accounts in the General Fund. The Series 2015-16 Notes Repayment Account and the Pledged Revenues

are irrevocably pledged to the payment when due of the principal of and interest on the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes. The Owners of the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2015-16 Notes Repayment Account and the moneys credited thereto.

On the Closing Date, the State Treasurer is required to deposit to the Interest Subaccount of the Series 2015-16 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2015B Notes from the Closing Date to the Series 2015B Notes Maturity Date.

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2015-16 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2016, in repayment of their Program Loans. However, if on June 27, 2015, the amount credited to the Principal Subaccount is less than the principal amount of the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes, the State Treasurer is to deposit to the Principal Subaccount the amount of the deficiency from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the State Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes.

The ability of the State Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2015-16, including, without limitation, the State Series 2015A General Fund Notes. In addition, the covenant of the State Treasurer to first use all other funds that are eligible for investment in the District Notes in order to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account does not constitute a pledge of or lien on such other funds for that purpose, and there is no limit on the availability or use of such other funds for any other purpose permitted or required by law. If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2015-16 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the State Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2015B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2016. The making of such investment by the State Treasurer, and the determination of the Fund or Funds, if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the State Treasurer and the exercise of the discretion and fiduciary obligation of the State Treasurer in the investment of State funds. See "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds," "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "APPENDIX A – THE STATE GENERAL FUND."

Moneys held in the Series 2015-16 Notes Repayment Account may be commingled for investment purposes with other moneys in the General Fund but are not available for the payment of other General Fund expenditures or interfund transfers. Interest income from the investment or reinvestment of moneys credited to the Interest Subaccount and the Principal Subaccount up to and including June 25, 2016, is to be credited to the General Fund and not credited to the Interest Subaccount or the Principal Subaccount. See "APPENDIX A – THE STATE GENERAL FUND – Investment of the State Pool."

Limitations on the Obligations of the State. The State Resolution provides that no provision thereof or of the Series 2015B Notes is to be construed or interpreted: (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (ii) as creating a debt or an indebtedness of the State within the meaning of any applicable provision of the State Constitution or State statutes; (iii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Article X, Section 20 of the State Constitution (the "Taxpayer's Bill of Rights" or "TABOR") for which adequate cash reserves have not been pledged irrevocably and held for payment in all future fiscal years; (iv) as a delegation of governmental powers by the State; (v) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the State Constitution; or (vi) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the State Constitution. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights."

Parity Lien Notes

The State Resolution authorizes the State Treasurer from time to time during Fiscal Year 2015-16 to issue additional tax and revenue anticipation notes pursuant to the Loan Program Statutes that are payable from and secured by a pledge of all or any portion of the Pledged Revenues on a parity with (but not superior to) the pledge in favor of the Owners of the Series 2015B Notes. Such Parity Lien Notes may have such details as the State Treasurer may determine; provided, however, that the Parity Lien Notes are required to be (i) non-redeemable prior to their Maturity Date, (ii) due and payable as to both principal and interest on the Maturity Date and (iii) payable from the Series 2015-16 Notes Repayment Account.

The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes payable from and secured by a pledge of all or a portion of the Pledged Revenues on parity with the pledge in favor of the Series 2015A Notes and the Series 2015B Notes; however, the State Treasurer reserves the right to issue additional Parity Lien Notes if additional funds are requested by eligible school districts. The State Resolution does not limit the principal amount of Parity Lien Notes.

Covenants of the State

The State Treasurer covenants in the State Resolution for the benefit of the original purchasers (the "Purchasers") and the Owners of the Series 2015B Notes to: (i) keep proper books of record and accounts showing complete and correct entries of all transactions relating to the Funds and Accounts referred to therein and in such manner that the amount of Program Loans made to each Participating District and the amount of repayment of such Program Loans by each Participating District may at all times be readily and accurately determined; and (ii) take any and all actions that may be reasonably required to ensure timely collection of the amounts due by Participating Districts under their respective District Notes.

Defaults and Remedies

Each of the following constitutes an "Event of Default" under the State Resolution:

- payment of the principal of or interest on any of the Series 2015B Notes is not made on the Series 2015B Notes Maturity Date; or
- the State fails to perform or observe any of the covenants, agreements or conditions contained in the State Resolution or in the Series 2015B Notes and such failure continues for 15 days after receipt of written notice thereof by the State Treasurer from any Owner of any of the Series 2015B Notes.

Upon the occurrence of any Event of Default, any Owner of the Series 2015B Notes may: (i) bring any suit, action or proceeding, at law or in equity, to collect sums due and owing on the Series 2015B Notes or to enforce and protect such Owner's rights under the State Resolution and the Series 2015B Notes; (ii) compel, to the extent permitted by law, by mandamus or otherwise, the performance by the State of any covenant in the State Resolution or the Series 2015B Notes; or (iii) examine the books and records of the State and require the State Treasurer to account for all moneys and investments constituting Pledged Revenues as if the State Treasurer were the trustee of an express trust. Neither principal of nor interest on the Series 2015B Notes may be accelerated as a consequence of any Event of Default.

If on the Maturity Date the moneys in the Series 2015-16 Notes Repayment Account are insufficient to pay the principal of and interest on the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes, the State Treasurer is to ratably apply the moneys in the Series 2015-16 Notes Repayment Account to the payment of the principal and interest then due and unpaid upon the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes, without preference or priority of principal over interest or of interest over principal, or of any Series 2015A Note, Series 2015B Note or additional Parity Lien Note over any other Series 2015A Note, Series 2015B Note or additional Parity Lien Note, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or preference.

Tax Covenant

The State Treasurer covenants in the State Resolution for the benefit of the Purchasers and the Owners of the Series 2015B Notes that, subject to further investment limitations established pursuant to the terms of the State Resolution, moneys in the Series 2015B Notes Proceeds Account and the Series 2015-16 Notes Repayment Account not immediately needed will be invested only in investments authorized by the Loan Program Statutes; Article 36 of Title 24, C.R.S.; or, to the extent applicable, Part 6 of Article 75 of Title 24, C.R.S.

The State Treasurer further covenants that the State Treasurer will not take any action or omit to take any action with respect to the Series 2015B Notes, the proceeds thereof or other funds of the State if such action or omission: (i) would cause the interest on the Series 2015B Notes to lose its exclusion from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations thereunder (the "Tax Code"); (ii) would cause interest on the Series 2015B Notes to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income; or (iii) would cause interest on the Series 2015B Notes to lose its exclusion from State taxable income or State alternative minimum taxable income under present State law. This covenant will remain in full force and effect notwithstanding the payment in full of the Series 2015B Notes until the date on which all obligations of the State Treasurer in fulfilling such covenant under the Tax Code and State law have been met. See also "TAX MATTERS."

INVESTMENT CONSIDERATIONS

An investment in the Series 2015B Notes involves certain investment risks that are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below that, among others, could affect the payment of the principal of and interest on the Series 2015B Notes.

Limited Obligations

The Series 2015B Notes are special, limited obligations of the State payable solely from and secured by a pledge of the Pledged Revenues. The State has not pledged its General Fund, taxing power or revenues, other than the Pledged Revenues, to the payment of the Series 2015B Notes. The Series 2015B Notes do not constitute a debt, indebtedness or multiple fiscal year financial obligation of the State or any political subdivision thereof within the meaning of any applicable provision of the State Constitution or State laws; do not constitute general obligations of the State, the Participating Districts or any other political subdivision of the State; and no governmental entity has pledged its faith and credit for the payment of the Series 2015B Notes. If an Event of Default under the State Resolution should occur, there may not be sufficient Pledged Revenues available to pay the principal of and/or the interest on the Series 2015B Notes. See "THE SERIES 2015B NOTES – Security and Sources of Payment – Defaults and Remedies."

Repayment of Program Loans

The primary source of Pledged Revenues pledged to pay the principal of the Series 2015B Notes is amounts received by the State Treasurer from the Participating Districts on or before June 25, 2016, as repayment of their Program Loans, which in turn are payable solely from the Taxes of the respective Participating Districts received during the period of March through June of 2016. Property taxes received by a Participating District either prior or subsequent to such period will not be available for repayment of its Program Loan. There is no assurance that a Participating District will collect sufficient Taxes from March through June of 2016 to repay its Program Loan in full. In such event, the State Treasurer is required by the State Resolution to fund the amount of the deficiency, and pay the principal amount of the Series 2015B Notes, from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes, but is first to utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. The State Treasurer is entitled and intends to recover those moneys from such Participating District under the default provisions of the Loan Program Statutes and the District Resolution. See generally "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS – Taxes – Ad Valorem Property Tax Procedure – Summary Financial Information Regarding the Participating Districts."

The obligation of a Participating District to make payments in respect of its Program Loan does not constitute a joint obligation with any other Participating District and is strictly limited to the principal amount of the District Note and, under the circumstances described in "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Participation in the Loan Program," default interest thereon (the "Payment Obligation") under its District Resolution.

Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds

As discussed in "Repayment of Program Loans" under this caption and in "THE SERIES 2015B NOTES – Security and Sources of Payment – *The Series 2015-16 Notes Repayment Account*" and "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," in the event of a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account resulting from a default in the repayment of Program Loans, the State Resolution requires the State Treasurer to deposit to the Principal Subaccount of the Series 2015-16 Notes Repayment Account the amount of the deficiency from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the State Treasurer is to utilize all other funds that are eligible for investment for such purpose prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes.

The ability of the State Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2015-16, including, without limitation, the State Series 2015A General Fund Notes issued by the State Treasurer on July 23, 2015. In addition, the covenant of the State Treasurer to first use all other funds that are eligible for investment in the District Notes in order to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account does not constitute a pledge of or lien on such funds for that purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2015-16 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the State Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2015B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2016. The making of such investment by the State Treasurer, and the determination of the Fund or Funds, if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the State Treasurer and the exercise of the discretion and fiduciary obligation of the State Treasurer in the investment of State funds. See "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

Budgets and Revenue Forecasts

The State Constitution requires that expenditures for any Fiscal Year not exceed revenues for such Fiscal Year. In addition, Section 24-75-201.1(1)(d), C.R.S., provides that for each Fiscal Year, a portion of the unrestricted General Fund year-end balance is to be retained as a reserve (the "Unappropriated Reserve"), and Section 24-75-201.1, C.R.S., provides that General Fund appropriations for each Fiscal Year, with certain exceptions, may not exceed specified amounts, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts – Expenditures; The Balanced Budget and Statutory Spending Limitation*."

The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure for its appropriation process. By statute, the Governor's Office of State Planning and Budgeting ("OSPB") is responsible for developing the General Fund revenue estimate. The most recent OSPB revenue forecast was issued on September 21, 2015 (the "OSPB December 2015 Revenue Forecast"), and is included in its entirety in this Official Statement. See "STATE FINANCIAL INFORMATION," "APPENDIX A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST." The Colorado Legislative Council also prepares quarterly revenue forecasts which are released on the same dates as the OSPB revenue forecasts.

The State's Fiscal Year budgets are not prepared on a cash basis, but rather are prepared using the modified accrual method of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board ("GASB"), with certain statutory exceptions. The State could experience temporary and cumulative cash shortfalls as the result of differences in the timing of the actual receipt of revenues and payment of expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on a modified accrual basis, which is not solely based on when such amounts are received or paid. If an unanticipated cash shortfall were to occur in late Fiscal Year 2015-16, it may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account on June 25, 2016. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," "APPENDIX A – THE STATE GENERAL FUND –

Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST."

The OSPB December 2015 Revenue Forecast projects that General Fund revenues in Fiscal Year 2015-16 will increase by $207.1 million, or 2.1%, over Fiscal Year 2014-15, and that General Fund revenues in Fiscal Year 2016-17 will increase by $675.0 million, or 6.7%, over Fiscal Year 2015-16. The OSPB December 2015 Revenue Forecast indicates that the State ended Fiscal Year 2014-15 with reserves of $112.1 million in excess of the Unappropriated Reserve requirement, will end Fiscal Year 2015-16 with reserves of $156.5 million below the Unappropriated Reserve requirement and will end Fiscal Year 2016-17 with reserves of $47.1 million in excess of the Unappropriated Reserve requirement. These figures are based on revenue and budget information available when the OSPB December 2015 Revenue Forecast was completed and are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

The next OSPB revenue forecast will be released in March of 2016. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB December 2015 Revenue Forecast. If a revenue shortfall is projected for Fiscal Year 2015-16 and subsequent forecasted years, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. A revenue shortfall in Fiscal Year 2015-16 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account on June 25, 2016. See "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," "APPENDIX A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts – *Revenue Shortfalls*" and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST."

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See the inside cover of this Official Statement regarding forward-looking statements.

Parity Lien Notes

The State Resolution permits the State to issue additional Parity Lien Notes upon satisfaction of certain conditions provided therein and in the Loan Program Statutes. If issued, such Parity Lien Notes would be payable from and secured by a pledge of the Pledged Revenues on parity with the pledge securing the Series 2015A Notes and the Series 2015B Notes. Therefore, the issuance of additional Parity Lien Notes could materially diminish the level of repayment coverage provided by the Taxes and other funds as security for the Series 2015B Notes. The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes payable from and secured by a pledge of all or a portion of the Pledged Revenues on a parity with the pledge in favor of the Series 2015A Notes and the Series 2015B Notes; however, the State Treasurer reserves the right to issue such additional Parity Lien Notes if additional funds are requested by eligible school districts. The State Resolution does not limit the principal amount of Parity Lien Notes. See "THE SERIES 2015B NOTES – Authorization – Parity Lien Notes."

Loss of Tax Exemption

As discussed in "TAX MATTERS," the interest on the Series 2015B Notes could become includable in gross income for federal income tax purposes and/or become includable in Colorado taxable income or Colorado alternative minimum taxable income as a result of a failure of the State to comply with certain covenants contained in the State Resolution.

Future Changes in Laws

Various State laws and State Constitutional provisions apply to the operations of the Participating Districts and the imposition, collection and expenditure of ad valorem property taxes and other funds by the Participating Districts, including the Taxes and other funds pledged to the repayment of the Program Loans, as well as to the operations of and availability and appropriation of funds by the State. There is no assurance that there will not be any changes in, interpretation of or addition to such laws that would have a material adverse effect, directly or indirectly, on the operations of the Participating Districts, the imposition, collection or expenditure of ad valorem property taxes and other funds by the Participating Districts or the ability of the Participating Districts to repay the Program Loans, or on the affairs of the State, the availability of and appropriation of funds by the State or the ability of the State to repay the Series 2015B Notes.

DISTRICT RESOLUTIONS AND DISTRICT NOTES

The Board of Education of each Participating District that has requested the State Treasurer to issue the Series 2015B Notes on its behalf has, or prior to the Closing Date is required to have, adopted a District Resolution that authorizes the Participating District to borrow funds from the State Treasurer pursuant to the Loan Program, and has, or prior to the Closing Date is required to have, executed and delivered a District Note to the State Treasurer to evidence the Participating District's obligation to repay its Program Loan. The obligation of a Participating District to make payments in respect of its District Note is not a joint obligation with any other Participating District and is strictly limited to the Payment Obligations of such Participating District under its District Resolution.

Set forth below is a summary of the District Resolutions and District Notes. The District Resolutions and District Notes are substantially the same except as to Maximum Principal Amount and the cash flow projections. The references in this summary to a single District Resolution, District Note or Participating District are, except where otherwise indicated, equally applicable to all of the District Resolutions, District Notes, and Participating Districts. The following summary does not purport to be complete, and is qualified by express reference to the provisions of the District Resolutions and District Notes, copies of which are available as provided in "INTRODUCTION – Additional Information" and "MISCELLANEOUS." A District Resolution may be amended only with the written consent of the State Treasurer. See also "THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS – Program Loans – The Participating Districts."

Participation in the Loan Program

The District Resolution authorizes the Participating District to participate in the Loan Program for Fiscal Year 2015-16, and to issue and deliver the District Note to the State Treasurer in the Maximum Principal Amount to evidence the Participating District's Payment Obligation, for the purpose of paying the Participating District's projected budgeted expenditures during Fiscal Year 2015-16. The District Note matures on June 25, 2016 (the "District Note Maturity Date"), and is interest-free through such date; provided, however, that if the District Note is not paid in full on the District Note Maturity Date, it will become a defaulted note (a "Defaulted Note") and the unpaid portion thereof will bear interest thereafter until paid at a default rate equal to the interest rate, or the weighted average interest rate, paid by the State Treasurer on the series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes. The District Note may be prepaid in whole or in part at any time prior to the District Note Maturity Date.

The Participating District may obtain advances on its Program Loan in the manner discussed in "THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS – Program Loans."

The State Treasurer is authorized pursuant to the District Resolution to maintain records on behalf of the Participating District that reflect the outstanding principal amount due under the District Note, the date and amount of the Program Loan and repayment of the Program Loan by the Participating District to the State Treasurer.

Security for and Payment of the District Note

The District Note is payable from and secured by a lien in the amount of the Participating District's Payment Obligations on all of the Participating District's ad valorem taxes on real and personal property received by the Participating District during the period of March through June of 2016 that are required to be credited to the Participating District's general fund. Such lien has priority over all other expenditures from such Taxes until the Participating District's Payment Obligations are paid in full. All Taxes received by the Participating District are to be paid to the State Treasurer within one Business Day of receipt until the Payment Obligations are paid in full. The District Resolution authorizes the State Treasurer to pledge and assign the District Note and all or any part of the Participating District's obligations thereunder, including, without limitation, the Participating District's Payment Obligations, to secure the payment of the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS."

Defaults and Remedies

The occurrence of any of the following constitutes a "District Event of Default" with respect to the District Resolution and District Note:

(i) failure by the Participating District to pay in full the principal amount of the District Note when due or before the District Note Maturity Date;

(ii) default by the Participating District in the performance or observance of any other covenant, agreement or obligation of the Participating District under its District Note or District Resolution (other than as described in the previous paragraph) and failure to cure such default within ten days after the earlier of the date that the Participating District furnishes notice of a default or the Participating District receives written notice of default from the State Treasurer;

(iii) with certain exceptions, any warranty, representation or other statement by or on behalf of the Participating District contained in its District Resolution or in any certificate, requisition, report or any other instrument furnished in compliance with or in reference to its District Resolution or its District Note is false or misleading in any material respect; or

(iv) the Participating District applies for or consents to the appointment of a receiver, trustee, liquidator, custodian or the like either of itself or of its property; admits in writing its inability to pay its debts generally as they become due; makes a general assignment for the benefit of creditors; or is adjudicated as bankrupt or insolvent.

Upon the occurrence of a District Event of Default as described in clause (i) above, the statutory remedy of the State Treasurer is to notify the treasurer of each county in which the Participating District levies Taxes that the Participating District is in default on its obligation to pay its Payment Obligation and the amount of the Payment Obligation. Pursuant to the Loan Program Statutes, the county treasurer is thereupon required to withhold any "Default Taxes" (being ad valorem taxes on real and personal property received or to be received by the Participating District after the District Note Maturity Date that are required to be credited to the Participating District's general fund and are available for payment of the Defaulted Note pursuant to Section 22-54-110(2)(c), C.R.S.) to be received by the District and in the possession of the county treasurer in the amount of such unpaid Payment Obligation. If the amount of Default Taxes to be received by the District and in the possession of the county treasurer at the time such

notice is given is less than the amount of the Payment Obligation, the county treasurer is to withhold additional Default Taxes to be received by the District and in the possession of the County Treasurer until such time as the Payment Obligation has been paid to the State Treasurer in full. *Default Taxes are available solely to repay a Participating District's Payment Obligation to the State Treasurer following a District Event of Default and are not pledged to the payment of the Series 2015B Notes.*

The State Treasurer also may, with the agreement of the Participating District, acquire from the Participating District real property having a fair market value at least equal to the outstanding balance of the District Note and lease back such property to the Participating District pursuant to a lease-purchase agreement that is subject to annual appropriation. If a Participating District defaults in the payment of rent required by the lease-purchase agreement and fails to cure such default, the State Treasurer may take possession of the property and, upon entry of a judgment in favor of the State Treasurer and the issuance of a writ of restitution, the State Treasurer is to liquidate the property to the best advantage of the State.

Upon the occurrence of any District Event of Default, the State Treasurer may take any other action at law or in equity to enforce the performance or observance of any other obligation, agreement or covenant of the Participating District, and to enforce the levy, liens, pledges and security interests granted or created under the District Resolution. The several remedies available to the State Treasurer upon a District Event of Default are cumulative. No delay or omission to exercise any right or power occurring upon any default is to impair any such right or power or be construed to be a waiver thereof, and all such rights and powers may be exercised as often as may be deemed expedient.

A District Event of Default does not constitute an Event of Default under the State Resolution. See "THE SERIES 2015B NOTES – Defaults and Remedies."

Other Covenants and Representations

The Participating District also makes the following covenants and agreements in the District Resolution:

- The Participating District will provide to the State Treasurer demographic and financial information concerning the Participating District relevant to the Participating District's obligations under the District Resolution, which the State Treasurer is authorized to provide, on behalf of the Participating District, to such other parties as the State Treasurer deems necessary and in the best interests of the Participating District in order to consummate the transactions contemplated by the District Resolution and under the Loan Program. The Participating District further covenants that, with respect to the Participating District's operations or description as of the Closing Date and as of the date provided, whether prior to or following the Closing Date, the information so provided will not contain any untrue statement of a material fact, and will not omit any material fact necessary to prevent such statements or information so provided, in light of the circumstances under which they are made, from being misleading.

- The Participating District will not issue notes or other obligations for cash flow purposes that are payable from the Taxes or Defaulted Taxes or are secured by a lien on the Taxes or Defaulted Taxes that is superior to or on a parity with the lien of the District Note.

- The Participating District will furnish to the State Treasurer as soon as possible (and in any event within two Business Days) after the discovery by the Participating District of any District Event of Default, or of any event, act or occurrence that with notice or lapse of time, or both, would become a District Event of Default (a "District Default"), a certificate of an Authorized Officer (as defined in the District Resolution) setting forth

the details of such District Event of Default or District Default and the action proposed to be taken by the Participating District with respect thereto.

- The Participating District will deliver to the State Treasurer such financial data as the State Treasurer may reasonably request (including, without limitation, any information relating to Taxes, expenses, available funds, tax rolls, financial statements, budget and cash flow) and, if requested, copies of the Participating District's audited year-end financial statements, budgets, official statements and similar information issued by it to the public.

The Participating District also represents to the State Treasurer that unless, prior to the Closing Date, one of the Authorized Officers of the District notifies the State Treasurer in writing to the contrary, among other things: (i) it has had an ad valorem property tax collection rate of not less than 90% of the aggregate amount of ad valorem property taxes levied within the Participating District in each of the most recent three Fiscal Years; (ii) as of the date of adoption of the District Resolution and on the date of issuance of the District Note the Participating District reasonably expects to collect at least 90% of such amount for Fiscal Year 2015-16; (iii) the Participating District has not defaulted within the past five years, and is not currently in default, on any debt obligation; and (iv) any documents setting forth, among other matters, financial information regarding the District and information relating to the District Resolution and the District's obligations thereunder, other disclosures by the District pursuant to the District Resolution and cash flow projections and ongoing reports pursuant to the District Resolution have been and will be prepared consistent with generally accepted accounting principles; and (v) the District's budget and financial accounting policies and procedures are in compliance with State law.

Parties in Interest

Nothing in the District Resolution, expressed or implied, is intended to or is to be construed to confer upon or to give to any person or party other than the State Treasurer, acting on behalf of the State, as the sole owner of the District Note, any rights, remedies or claims under or by reason of the District Resolution or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the District Resolution are for the sole and exclusive benefit of the State Treasurer, acting on behalf of the State, as a third party beneficiary.

SOURCE OF PAYMENT OF PROGRAM LOANS

Taxes

The Program Loans are payable solely from the Taxes of the Participating Districts, and do not constitute general obligations of the Participating Districts. See "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Security for and Payment of the District Note."

Taxes are limited to ad valorem taxes on real and personal property received by the Participating District during the period of March through June of 2016 that are required to be credited to the Participating District's general fund. These in turn are comprised of the ad valorem property taxes that the Participating District is authorized to impose in accordance with the Public School Finance Act, plus certain permitted "override revenues," both of which are discussed in this section.

In addition to the Taxes, the Participating Districts are also authorized to impose ad valorem property taxes for certain other purposes, such as for bond redemption and capital improvements, and receive various other local, State and federal revenues. However, none of these other revenues constitute Taxes pledged to the payment of the District Loans.

State Equalization Funding of School Districts

The discussion under this caption provides an overview of the funding of the Colorado school districts under existing State statutes. *The State portion of the school districts' funding is not pledged to pay the Program Loans.*

Public School Finance Act of 1994. Colorado school districts are funded primarily from revenues that are determined in accordance with the Public School Finance Act, which was adopted in furtherance of the duty of the State legislature, known as the General Assembly, under Article IX, Section 2 of the State Constitution to provide for a thorough and uniform system of public schools throughout the State. The Public School Finance Act has applied to school districts for budget years beginning on and after July 1, 1994, and its provisions are to be used to calculate for each school district an amount that represents the financial base of support for public education in that district (the "Total Program"), which is then funded in part by the school district and in part by the State.

The constitutionality of the existing public school finance system has been subject to challenge on occasion, the most recent being a lawsuit (*Lobato v. State of Colorado*) brought in Denver District Court against the State by several school districts, students and parents. However, in May of 2013 the Colorado Supreme Court ruled that the State's present public school financing system complies with the State Constitution and is rationally related to the constitutional mandate that the General Assembly provide a "thorough and uniform" system of public education. See also "INVESTMENT CONSIDERATIONS – Future Changes in Laws"

During the 2013 legislative session the General Assembly passed Senate Bill ("SB") 13-213, which creates a new public school finance act that substantially changes the current public school finance system. However, implementation of the new funding program is conditional upon passage by no later than November 2017 of a citizen-initiated Statewide ballot measure to increase State revenues for funding public education. Such an initiative was submitted to the State's voters at the State's general election held on November 5, 2013, but was defeated. Should a subsequent funding initiative be successful, various administrative provisions of the new program would take effect during the first budget year commencing after the election and the new funding formula and the distribution of State moneys under the provisions of the new program would take effect in the second budget year commencing after the election. The new funding program, if eventually implemented, will have no impact on the State's ability to pay the Series 2015B Notes.

Total Program Funding Formula. Funding to school districts is based on a per-pupil formula that calculates the Total Program. For each pupil funded in the October 1 pupil count, the formula provides a base per pupil amount of money, increased each year to account for inflation ($6,292.39 for Fiscal Year 2015-16), plus additional money to recognize variances among school districts in cost of living, personnel costs and size. The Total Program amount also includes additional funding for at-risk pupils. As these components vary among school districts, so does the amount of Total Program funding provided.

A new factor was introduced in the school finance formula starting in Fiscal Year 2010-11 due to the budget balancing challenges facing the State. This new factor, originally called the "State Budget Stabilization Factor," and pursuant to SB 11-230 renamed the "Negative Factor" beginning with Fiscal Year 2011-12, reduces in an equitable manner the amount of funding that school districts would have received prior to the application of this factor. In general, the Negative Factor is calculated by first determining the Total Program funding amount for all school districts in the State (the "Statewide Total Program") prior to application of the Negative Factor. The Negative Factor then reduces this Statewide Total Program to an amount set by the General Assembly, which amount reflects reductions to stabilize the State's budget for each Fiscal Year, as applicable. The difference between the Statewide Total Program amount prior to application of the Negative Factor and the established floor amount for the Statewide Total

Program after the application of the Negative Factor is utilized to calculate a percentage reduction that is then applied to decrease each school district's Total Program funding amount for a given Fiscal Year.

SB 11-230 extends the Negative Factor to each subsequent budget year without specifying the amount of Total Program funding for any budget year after Fiscal Year 2011-12. The Negative Factor percentage fluctuates depending on the amount of revenues received by the State in a particular Fiscal Year and action taken by the General Assembly.

The general rule for calculating Total Program funding for Fiscal Year 2011-12 and thereafter is as follows:

Total Program	=	Funded Pupil Count (October 1)	x	Total Per Pupil Funding	+	At-Risk Funding	+	On-Line Funding and ASCENT	-	Negative Factor

Funded Pupil Count	=	The sum of (i) the greater of the number of pupils enrolled in the school district for the current budget year or the average enrollment for the current and up to four prior budget years (less the Colorado Preschool Program Pupil Counts), plus (ii) the school district's On-line Pupil Count plus (iii) the school district's Colorado Preschool Program Pupil Count.
Per Pupil Funding	=	A formula which takes into consideration a Statewide base level plus adjustments for variances in district size, cost of living, personnel costs and non-personnel cost factors specified in the Public School Finance Act.
At-Risk Funding	=	Formulaic funding amounts which are based upon the number of district pupils, pupils Statewide eligible for the federal free lunch program and English language learner pupils.
On-Line Funding and ASCENT	=	Funding amounts for pupils receiving an education predominantly through an on-line program and residing in the State or participating in the "Accelerating Students Through Concurrent Enrollment" ("ASCENT") program administered by the Colorado Department of Education pursuant to Section 22-35-108, C.R.S. The goals of the ASCENT program are to, among other things, increase the percentage of students who participate in postsecondary education, especially among low-income and traditionally underserved populations.
Negative Factor	=	An amount equal to (i) the Negative Factor percentage reduction for a given year multiplied by (ii) a district's Total Program funding amount before application of the Negative Factor.

The Statewide Total Program funding amount is established in the Public School Finance Act initially based upon projections of various factors. Once actual figures are known, a mid-year revision may be made to this amount.

The Statewide Total Program funding amount for Fiscal Year 2015-16, after application of the Negative Factor, was established by SB 15-267 at an amount of not less than $6,233,955,737. The Statewide Total Program funding amount for Fiscal Year 2015-6, after application of the Negative Factor, currently is $6,239,564,775, constituting a Negative Factor of 12.13%.

The Public School Finance Act provides for a minimum level of Total Program funding for Fiscal Year 2015-16 of $7,875.42 per traditional pupil plus $7,588.00 per on-line pupil ($6,919.92 and $6,667.37, respectively, before application of the Negative Factor), although a school district's ability to

accept the full amount of Total Program funding may be limited by the constraints on the school district's annual revenue and spending growth discussed in "Taxpayer's Bill of Rights" below.

Amendment 23. In November of 2000, the State's voters approved an amendment to the State Constitution relating to funding for public schools, commonly referred to as "Amendment 23." Amendment 23 requires that the base per-pupil funding amount and the funding for categorical programs (such as transportation, language proficiency, expelled and at-risk students, special education, gifted and talented education, vocational education, small attendance centers and comprehensive health education): (i) increase by the rate of inflation plus one percentage point for Fiscal Year 2001-02 through Fiscal Year 2010-11, and (ii) increase by at least the rate of inflation each year thereafter. Amendment 23 also creates the State Education Fund, and (i) mandates that there be deposited therein an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, and (ii) exempts such revenues from the revenue limitations of TABOR. See "Taxpayer's Bill of Rights" below. The General Assembly may appropriate moneys from the State Education Fund only to increase funding in preschool through 12th grade education or for purposes specifically provided in Amendment 23, including accountable education reform, accountable programs to meet State academic standards, reducing class size, expanding technology education, improving public safety, accountability reporting, performance incentives for teachers and public school building capital construction. The Amendment 23 funds may not be used to reduce the current level of general fund appropriations for Total Program funding and categorical programs. Amendment 23 further requires the State to increase its General Fund appropriation for the Public School Finance Act by at least 5% in each year from Fiscal Year 2001-02 through Fiscal Year 2010-11, except in any Fiscal Year in which State personal income grows less than 4.5% between the previous two Fiscal Years, as was the case for Fiscal Years 2008-09 and 2009-10. The State was not required to increase by at least 5% its General Fund appropriation for the Total Program in Fiscal Year 2010-11. See also "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – *The State Education Fund*" for a discussion of the State Education Fund established by Amendment 23.

A lawsuit was filed in June of 2014 against the State asserting generally that the General Assembly has failed to adequately fund the State's public school system as required by Amendment 23. The potential impact on State finances if the suit is ultimately resolved against the State is not yet known. However, the State intends to vigorously defend the case. See also "INVESTMENT CONSIDERATIONS – Future Changes in Laws" and Note 44 to the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report appended to this Official Statement.

Sources of Funding of Total Program. Under the Public School Finance Act, a school district's Total Program is funded in part by the school district (the "local share"), with the State funding the balance (the "State share"). The local share is the amount raised by the school district's ad valorem property tax levy (assuming 100% collection) plus the amount of specific ownership tax revenue paid to the school district in the prior Fiscal Year that is attributable to the school district's general fund, excluding override revenues.

Pursuant to the Public School Finance Act, a school district's property tax levy to fund the local share of its Total Program is to be the lowest of the following: (i) the number of mills (one mill equals $0.001) levied by the school district for the immediately preceding property tax year; (ii) the number of mills that will generate property tax revenue in an amount equal to the school district's Total Program for the applicable budget year minus the minimum State aid and the amount of specific ownership tax revenue paid to the school district; (iii) for school districts that have not obtained voter approval to retain and spend revenues in excess of the property tax revenue limitation imposed on such school districts by TABOR (such voter approval commonly referred to as being "De-Bruced"), the number of mills that may

be levied by such school districts in accordance with the property tax revenue limitation imposed by TABOR; or (iv) 27.000 mills. See "Taxpayer's Bill of Rights" below and "INVESTMENT CONSIDERATIONS – Repayment of Program Loans."

Specific ownership tax revenue is the portion of the revenues of the specific ownership tax on certain motor vehicles and other personal property imposed by the State pursuant to Article 3 of Title 42, C.R.S., allocable to the school district. Specific ownership taxes are collected on property within each county by the county treasurer, and the total amount of specific ownership taxes collected by the county treasurer is apportioned among all taxing entities within the county on the basis of the amount of ad valorem property taxes levied by such entities within the county during the preceding calendar year.

The difference between the Total Program and the amount generated from the school district's mill levy is required to be paid by the State. The State Legislature is required to make annual appropriations to fund the State's share of the Total Program of all school districts. The availability of State funds to the school district may be affected by actions of the legislature and by the cash position of the State itself. In the event the State's appropriation for its share of the Total Program of all school districts is not sufficient to fund fully the State's share, the Department of Education is required to submit a request for a supplemental appropriation in an amount which will fund fully the State's share during the Fiscal Year in which such insufficiency occurs. If a supplemental appropriation is not made, a percentage reduction in State aid to all school districts receiving State aid is to be made in funding categories not mandated by the State Constitution. Such reductions, or "rescissions," occurred in Fiscal Years 2001-02, 2002-03, 2008-09 and 2009-10. For Fiscal Year 2010-11, the reduction in State aid was effected through the application of the Negative Factor. It is expected that the Negative Factor may occur in future years as a result of State budgetary constraints. See also "Amendment 23" above.

Override Revenues

The other source of Taxes pledged to the repayment of Program Loans is "override revenues" received by the Participating District. If a school district or its electorate desires to spend property tax revenues in excess of the amount authorized to fund its share of the Total Program, the school district may, or upon receipt of a valid initiative petition is required to, seek voter approval to raise and spend additional, or "override," property tax revenues. Override revenues currently are permitted for excess transportation costs, special building and technology fund, excess costs related to a full-day kindergarten program and, for school districts that obtained voter approval for override revenues in 2009 or thereafter, capital construction projects. Override revenues are also permitted for a school district whose Fiscal Year 1994-95 actual Total Program exceeded its funding formula calculation for that Fiscal Year (a "hold harmless" district).

The Public School Finance Act currently provides that a school district's override revenues are to be limited to the sum of: (a) the greater of (i) 20% (25% in the case of a school district that obtained voter approval for override revenues in 2009 or thereafter, and 30% for "small rural districts") of the school district's Total Program, or (ii) $200,000; plus (b) an amount equal to the maximum dollar amount of property tax revenue that the school district could have generated for Fiscal Year 2001-02 in a cost of living adjustment election pursuant to Section 22-54-107.5, C.R.S. Override revenues are generated solely from increased property taxes and do not affect the amount of State funding that the school district is otherwise eligible to receive under the Public School Finance Act.

Ad Valorem Property Taxation Procedure

Property Subject to Taxation. Subject to the limitations discussed in "Taxpayer's Bill of Rights" below, the Board of Education of each school district has the power to certify to each county in which the school district is located a levy for collection of ad valorem taxes against all taxable property within the school district.

Property taxes are uniformly levied against the assessed valuation of all taxable property within the boundaries of the school district. Both real and personal property are subject to taxation unless exempt. Exempt property includes, without limitation: property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; charitable property; religious property; nonprofit cemeteries; irrigation ditches, canals, and flumes used exclusively to irrigate the owner's land; household furnishings and personal effects not used to produce income; intangible personal property; and inventories of merchandise and materials and supplies that are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; and works of art, literary materials and artifacts on loan to a political subdivision, gallery or museum operated by a charitable organization. The State Board of Equalization supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes.

Determination of Actual Value. Each County Assessor in the State annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory "actual" value of all taxable property within the county as of January 1st. The statutory actual value of a property is not intended to represent current market value, but, with certain exceptions, is determined by the County Assessor utilizing a "level of value" ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. The statutory actual value is based on the "level of value" for the period one and one-half years immediately prior to the July 1st preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). The one and one-half year period used to determine the level of value advances two years with the start of each reassessment cycle.

The following table sets forth the State property appraisal system for property tax levy years 2011 through 2016:

Levy Years	Collection Years	Value Calculated as of July 1	Based on the Market Period
2011 and 2012	2012 and 2013	2010	Jan. 1, 2009 to June 30, 2010
2013 and 2014	2014 and 2015	2012	Jan. 1, 2011 to June 30, 2012
2015 and 2016	2016 and 2017	2014	Jan. 1, 2013 to June 30, 2014

Oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals are valued based on production levels rather than by the base year method. Public utilities are valued by the State property tax administrator based upon the value of the utility's tangible property and intangibles (subject to certain statutory adjustments), gross and net operating revenues and the average market value of its outstanding securities during the prior calendar year.

Determination of Assessed Value. Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of statutory actual value. To avoid extraordinary increases in residential real property taxes when the base year level of value is changed, the State Constitution requires the General Assembly to adjust the ratio of valuation for assessment of residential property for each year in which a change in the base year level of value occurs based on an estimated target percentage. This adjustment is mandated in order to maintain the same percentage of the aggregate statewide valuation for assessment attributable to residential property that existed in the previous year. The State Constitution also prohibits any valuation for assessment ratio increase for a property class without prior voter approval. See "Taxpayer's Bill of Rights" below. The ratio of valuation for assessment of residential property has been 7.96% since the 2003 levy year.

All other taxable property, with certain exceptions, is assessed at 29% of statutory actual value. Vacant land (other than agricultural land), which includes land upon which no buildings, structures or fixtures are located, but may include land with site improvements, is also assessed at 29% of statutory actual value. Producing oil and gas property is generally assessed at 87.5% of statutory actual value.

Protests, Appeals, Abatements and Refunds. Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other information related to the amount of property taxes levied, in accordance with certain statutory deadlines. Property owners are given the opportunity to object to increases in the actual value of such property, and may petition for a hearing thereon before the county's board of equalization. Upon the conclusion of such hearings, the County Assessor is required to complete the assessment roll of all taxable property and, no later than August 25th each year, prepare an abstract of assessment therefrom. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15th of each year and, if necessary, the State Board of Equalization may order the County Assessor to correct assessments. The valuation of property is subject to further review during various stages of the assessment process at the request of the property owner, by the State Board of Assessment Appeals, the State courts or by arbitrators appointed by the applicable Board of County Commissioners. On the report of an erroneous assessment, an abatement or refund must be authorized by the Board of County Commissioners; however, in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1st of the year in which the taxes were levied. Refunds or abatements of taxes are prorated among all taxing entities that levied a tax against the property.

Statewide Review. The General Assembly is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not County Assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations for that year. The final study, including findings and conclusions, must be submitted to the General Assembly and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the State Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. A school district's assessed valuation may be subject to modification following any such annual assessment study.

Homestead Exemption. The State Constitution provides to qualified senior citizens and qualified disabled veterans a property tax exemption equal to 50% of the first $200,000 of the actual value of owner-occupied residential real property. In order to qualify for the senior citizen exemption, the owner or his or her spouse must be at least 65 years of age and have occupied the residence for at least ten years, and in order to qualify for the disabled veteran exemption, the veteran must be rated 100% permanently disabled by the federal government. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from this exemption, and therefore the exemption does not result in a loss of revenue to school districts. The homestead exemption for qualified senior citizens was suspended by the General Assembly for property tax collection years 2011 and 2012 as part of a State budget balancing package, which means that senior citizens were required to pay property taxes to local governments for 2011 and 2012 and the State is not required to reimburse such amounts to the local governments. The exemption was restored beginning with property tax bills payable in 2013.

Taxation Procedure. The County Assessor is required to certify to the school district the assessed valuation of property within the school district no later than August 25th of each year, which amount is subject to adjustment until December 10th of such year. Subject to the limitations of the State Constitution, based upon the valuation certified by the County Assessor, the school district's Board of Education computes a rate of levy that, when levied upon every dollar of the valuation for assessment of taxable property within the school district, and together with other legally available school district revenues, will raise the amount required by the school district in its upcoming Fiscal Year. The school district subsequently certifies to the applicable county or counties the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year.

The Board of County Commissioners is required to certify to the County Assessor the levy for all taxing entities within the county by December 22nd of each year. If such certification is not made, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed

valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the County Treasurer.

Property Tax Collections. Property taxes levied in one year are collected in the succeeding year. Thus, taxes levied in 2015 will be collected in 2016. Taxes are due on January 1st in the year of collection; however, they may be paid in either a single payment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1st until the date of payment unless the whole amount is paid by April 30th. If the second installment is not paid by June 15th, the unpaid installment will bear interest at the rate of 1% per month from June 16th until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the school district on a monthly basis, with an additional mid-month payment in March, May and June.

All taxes levied on property, together with interest thereon and penalties for default, and other costs of collection with respect to such taxes as have become delinquent, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Once a tax lien attaches, it has priority over all other liens, even those created prior in time (except for certain federal liens) such as a deed of trust or mortgage on the property. Thus, while a foreclosure will extinguish liens junior to the lien being foreclosed, it will not extinguish an existing tax lien. The lien would have to be paid as part of the foreclosure process in order to obtain clear title to the property. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty, but no lien can be filed or other collection procedures begun more than six years after the date the taxes become due. Delinquent personal property taxes are enforceable by court action, employment of a collection agency or distraint, seizure and sale of the property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. The County Treasurer will issue a certificate of purchase to the successful bidder at the sale, but a deed on the property cannot be issued until at least three years after the sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale.

Tax liens may not be sold for less than the aggregate amount of all due taxes, delinquent interest and fees. If no bid to settle the full value of the tax lien is offered, the County Treasurer removes the property from the tax rolls and strikes off the tax lien to the county until the county sells the lien or it is redeemed by the original tax debtor. When any real property has been stricken off to the county and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the county after that time. Therefore, to the extent that a tax lien is not successfully sold at an auction or the county cancels the uncollectible taxes, the proceeds of tax liens sold may not necessarily be sufficient to produce the amount required with respect to property taxes levied by the school district and property taxes levied by overlapping taxing authorities, as well as any interest or costs due thereon.

Taxpayer's Bill of Rights

Article X, Section 20 of the State Constitution limits the ability of the State and its local governments, such as school districts, to increase revenues, debt and spending and restricts property, income and other taxes. Generally, TABOR limits most percentage increases in spending and property tax revenues to the prior year's amounts, adjusted for inflation, local growth and voter approved changes. Local growth for school districts is defined as the percentage change in student enrollment. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during

the next Fiscal Year unless voters approve a revenue change as an offset. TABOR also requires that school districts obtain voter approval for certain tax or tax rate increases and to create any "multiple fiscal year direct or indirect ... debt or other financial obligation," except for refinancing debt at a lower interest rate or adding new employees to existing pension plans. Voter approval under TABOR is not required for the issuance of the District Notes as they are both issued and payable within the same Fiscal Year and as such do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR. TABOR also requires school districts to establish and maintain an emergency reserve equal to 3% of fiscal year spending (as defined in TABOR) excluding bonded debt service.

Many of the provisions of TABOR are ambiguous. Several lawsuits have been filed regarding TABOR, and some of its provisions have been judicially interpreted. Future litigation regarding TABOR could raise questions that bear upon the operations and financial condition of school districts. See also "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights."

Budgets

School districts are required by State law to annually formulate a budget and to hold a public hearing thereon prior to the determination of the amounts to be financed in whole or in part by ad valorem property taxes, funds on hand or estimated revenues from other sources.

No later than 30 days prior to the beginning of each Fiscal Year, the administrators of the school district are required to present the proposed budget to the Board of Education. After conducting a public hearing on the budget proposals, at which time any person paying school taxes in the school district has an opportunity to be heard, the Board of Education is required to adopt a final budget for the succeeding Fiscal Year by resolution specifying the amount of money appropriated to each fund. Beginning in 2009, the Board of Education is required to file the adopted budget with the Department of Education on or before January 31 of each year. By December 15th the Board of Education is to certify to the applicable board of county commissioners the amounts necessary to be raised from levies against the assessed valuation of all taxable property located within the school district to defray expenditures therefrom during the next ensuing Fiscal Year. The Board of Education may not expend moneys in excess of the amount appropriated by resolution for a particular fund.

The annual budget for all expenditures and estimated revenues prepared by the Board of Education becomes the financial operating plan for the school district after adoption by the Board of Education. The budget may be revised from time to time after following steps required by Board of Education policy and State law.

Financial Statements

An annual audit of the school district's financial affairs is required by State law to be submitted to the Board of Education within five months after the close of the Fiscal Year and filed with the State Auditor and the State Commissioner of Education within 30 days after receipt thereof by the school district. Failure to file an audit report may result in the withholding of moneys of the school district by the applicable county treasurers until the audit report is filed with the State Auditor.

Due to the number of Participating Districts, the audited financial statements of the Participating Districts are not presented in this Official Statement; however, such financial statements are available upon request as provided in "INTRODUCTION – Additional Information" and "MISCELLANEOUS."

Summary Financial Information Regarding the Participating Districts

The following table sets forth certain financial information concerning the Participating Districts. The Participating Districts expected to borrow the largest percentages of available proceeds of the Series 2015A Notes and the Series 2015B Notes are Denver School District No. 1 and Boulder Valley School District RE-2. See "Largest Borrowers" following the table.

Participating District Financial Information

(Totals may not add due to rounding)

Participating District	Amount of Program Loans[1]						Fiscal Year 2015-16 Tax Information				Fiscal Year 2014-15 Loan Program Information[6]	
	Series 2015A Notes	% of Total	Series 2015B Notes[2]	% of Total	Total Amount Borrowed	% of Total	2015 Assessed Valuation (000's)[3]	Estimated 2016 Tax Collections[4]	Ratio of Amount Borrowed to Estimated 2016 Tax Collections	3 Year Average[5]	Amount Borrowed	Repayment Date (2015)
Boulder Valley RE-2	$ 54,998,047	33.2%	$60,183,489	29.0%	$115,181,536	30.8%	$ 5,852,367	$199,345,915	57.8%	99.5%	$107,889,944	May 12
Briggsdale (Weld RE-10)	--	--	581,757	0.3	581,757	0.2	184,444	2,474,298	23.5	99.9	1,156,872	May 12
Cherry Creek 5	21,966,751	13.3	45,008,684	21.7	66,975,435	17.9	5,210,192	191,934,426	34.9	98.6	31,330,620	March 11
Commerce City (Adams 14)	--	--	3,714,292	1.8	3,714,292	1.0	640,715	18,003,501	20.6	98.5	1,940,150	March 11
Custer County C-1	99,838	0.1	206,996	0.1	306,834	0.1	98,538	1,758,065	17.5	100.6	282,511	March 11
Denver 1	63,173,802	38.1	52,376,836	25.2	115,550,638	30.9	13,221,694	403,240,465	28.7	97.9	163,600,000	May 12
Dolores RE-4A	--	--	90,638	0.0	90,638	0.0	162,344	2,235,427	4.1	96.5	430,456	May 12
Douglas RE-1	--	--	15,270,004	7.4	15,270,004	4.1	5,620,056	164,003,113	9.3	97.7	10,000,000	March 11
Durango 9-R	2,974,037	1.8	1,308,861	0.6	4,282,898	1.1	1,490,216	16,426,925	26.1	98.8	3,864,920	March 25
Eagle County RE-50	4,781,767	2.9	3,166,099	1.5	7,947,866	2.1	2,734,684	33,921,934	23.4	99.4	10,182,467	March 11
Estes Park (Park R-3)	569,522	0.3	1,066,568	0.5	1,636,090	0.4	362,725	7,921,026	20.7	99.1	1,476,000	March 11
Gilcrest (Weld RE-1)	200,206	0.1	4,803,627	2.3	5,003,833	1.3	1,550,246	13,390,367	37.4	99.3	4,389,326	May 12
Hayden RE-1	478,478	0.3	874,933	0.4	1,353,411	0.4	101,939	2,784,692	48.6	97.9	1,621,334	May 27
Keenesburg (Weld RE-3J)	4,328,662	2.6	4,853,615	2.3	9,182,277	2.5	1,584,510	17,650,421	52.0	99.9	4,259,124	May 12
Leadville (Lake R-1)	737,145	0.4	1,412,002	0.7	2,149,147	0.6	234,262	5,601,520	38.4	101.3	2,593,533	May 12
Montezuma - Cortez RE-1	2,971,829	1.8	2,331,814	1.1	5,303,643	1.4	668,795	12,117,362	43.8	103.5	3,921,415	May 12
Platte Valley (Weld RE-7)	1,725,760	1.0	1,588,278	0.8	3,314,038	0.9	1,654,166	7,730,288	42.9	99.9	3,900,000	May 12
Pueblo 70	4,344,244	2.6	1,247,190	0.6	5,591,434	1.5	661,864	15,817,746	35.3	98.8	8,573,969	May 12
Sierra Grande R-30	283,679	0.2	523,601	0.3	807,280	0.2	61,563	1,473,996	54.8	97.3	637,886	May 12
South Routt RE-3	461,301	0.3	1,335,585	0.6	1,796,886	0.5	97,155	2,681,692	67.0	99.0	1,442,004	May 12
Summit RE-1	1,055,925	0.6	2,501,242	1.2	3,557,167	1.0	1,724,568	21,338,105	16.7	99.7	--	--
Wiggins (Morgan RE-50J)	514,371	0.3	213,902	0.1	728,273	0.2	194,469	3,057,068	23.8	96.2	900,000	May 27
Windsor RE-4	108,370	0.1	3,000,741	1.4	3,109,111	0.8	626,501	17,701,241	17.6	100.4	921,290	March 11
	$165,773,734	100.0%	$207,660,754	100.0%	$373,434,488	100.0%						

[1] These are estimates based upon information furnished by the Participating Districts regarding the amounts that they will borrow from the proceeds of the Series 2015A Notes and the Series 2015B Notes. Such amounts do not necessarily represent the actual Maximum Principal Amount that will be borrowed from the Loan Program by such Participating Districts. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2015B NOTES PROCEEDS." The Owners of the Series 2015B Notes will have a lien upon the Taxes of these Participating Districts, as well as on the Taxes of any Participating Districts that have not yet expressed the intent to participate in the Series 2015B Notes program (and thus are not included in the table) but eventually do participate in the program. Such lien also will be on parity with the lien thereon of the Owners of any Additional Parity Lien Notes. See "THE SERIES 2015B NOTES – Parity Lien Notes."

[2] These amounts do not include approximately $96 million expected to be borrowed by Denver School District No. 1 (approximately 2/3 of the total, which constitutes a reimbursement to its charter schools) and various other Participating Districts to cover cash flow deficits occurring in the first 15 days of January 2016 which are in excess of the amounts available to be borrowed from the proceeds of the Series 2015A Notes.

[3] See "Ad Valorem Property Tax Procedure – *Taxation Procedure*" above.

[4] This amount was calculated for each Participating District by multiplying the 2015 assessed value of the Participating District by the Participating District's 2015 general fund mill levy; and assumes collections of 100% of Taxes collected by all Participating Districts normally during the months of March through June of 2016. See also "State Equalization Funding of School Districts – Allocation of Total Program Funding" above and "INVESTMENT CONSIDERATIONS – Repayment of Program Loans."

[5] Based on each Participating District's actual collection data for Fiscal Years 2012-13, 2013-14 and 2014-15.

[6] Participating District's actual borrowing amounts and repayment dates for Fiscal Year 2014-15. These amounts were funded with the proceeds of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2014A Notes and Series 2014B Notes.

Sources: The Participating Districts, the Colorado Department of Education and the State Treasurer's Office

Largest Borrowers

Denver School District No. 1. School District No. 1, commonly known as Denver Public Schools ("DPS"), is expected to be the largest borrower of proceeds of the Series 2015A Notes and the Series 2015B Notes. DPS expects to borrow approximately 38.1% of the net proceeds of the Series 2015A Notes and approximately 25.2% of the net proceeds of the Series 2015B Notes, or approximately30.9% of the combined amount of the Series 2015A Notes and the Series 2015B Notes.

DPS is the only school district serving the City and County of Denver, the boundaries of which are coterminous with those of the City, encompassing approximately 155 square miles with an estimated population of approximately 635,000. For the 2015-16 school year, the district's full time equivalent pupil count (October 1 pupil count), including charter schools but excluding on-line and ASCENT pupils, is 85,584.6. The equivalent October 1 pupil counts for the 2014-15, 2013-14 and 2012-13 school years were 83,221.0, 79,714.5 and 76,502.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

The 2014 certified assessed valuation of DPS (for ad valorem property tax collections in 2015), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is approximately $10.52 billion. The district's total tax levy for the 2014 levy year (2015 tax collection year) is 49.299 mills, of which 25.541 mills is for the district's local share of Total Program funding pursuant to the Public School Finance Act, 12.466 mills is for voter-approved override revenues, 10.519 mills is for debt service on general obligation bonds and 0.773 mills is to recover lost revenue due to prior year tax abatements and credits.

The 2015 certified assessed valuation of DPS (for ad valorem property tax collections in 2016), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is approximately $13.22 billion. The district's total tax levy for the 2015 levy year (2016 tax collection year) is 47.397 mills, of which 25.541 mills is for the district's local share of Total Program funding pursuant to the Public School Finance Act, 10.976 mills is for voter-approved override revenues, 10.250 mills is for debt service on general obligation bonds and 0.630 mills is to recover lost revenue due to prior year tax abatements and credits.

Boulder Valley School District RE-2. Boulder Valley School District RE-2 ("BVSD") is expected to be the second largest borrower of proceeds of the Series 2015A Notes and the Series 2015B Notes. BVSD expects to borrow approximately 33.2% of the net proceeds of the Series 2015A Notes and approximately 29.0% of the net proceeds of the Series 2015B Notes, or approximately 30.8% of the combined amount of the Series 2015A Notes and the Series 2015B Notes.

BVSD encompasses approximately 500 square miles in Boulder and Gilpin Counties and the City and County of Broomfield approximately 20 miles northwest of Denver, including the cities of Boulder, Lafayette, Louisville and Superior, a large portion of the City and County of Broomfield, the towns of Gold Hill, Jamestown, Nederland and Ward, a portion of the town of Erie and certain unincorporated areas within the counties. The district serves an estimated population of 211,000. For the 2015-16 school year, the district's full time equivalent pupil count (October 1 pupil count), including charter schools but excluding on-line and ASCENT pupils, is 29,702.3. The equivalent October 1 pupil counts for the 2014-15, 2013-14 and 2012-13 school years were 28,556.5, 28,674.0 and 28,247.0, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

The 2014 certified assessed valuation of BVSD (for ad valorem property tax collections in 2015), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is approximately $4.93 billion. The district's total tax levy for the 2014 levy year (2015 tax collection year) is 47.569 mills, of which 25.023 mills is for the district's local share of Total Program funding pursuant to the Public School Finance Act, 13.012 mills is for voter-approved override

revenues, 1.482 mills is to fund excess transportation costs, 7.526 mills is for debt service on general obligation bonds and 0.526 mills is to recover lost revenue due to prior year tax abatements and credits.

The 2015 certified assessed valuation of BVSD (for ad valorem property tax collections in 2016), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is approximately $5.85 billion. The district's total tax levy for the 2015 levy year (2016 tax collection year) is 45.814 mills, of which 25.023 mills is for the district's local share of Total Program funding pursuant to the Public School Finance Act, 11.348 mills is for voter-approved override revenues, 1.247 mills is to fund excess transportation costs, 7.885 mills is for debt service on general obligation bonds and 0.311 mills is to recover lost revenue due to prior year tax abatements and credits.

Major Taxpayers

Taxes consist of only those revenues that are received by the Participating Districts during the period of March through June of 2016. Typically, taxing entities do not collect 100% of the taxes levied each year; however, the property tax collection rate among the Participating Districts historically has been very high as shown in the previous table.

Receipt of Taxes by the Participating Districts requires timely payment of ad valorem property taxes by property owners. Participating Districts having one or more large taxpayers are particularly dependent upon the timely payment of property taxes by such taxpayers. Taxpayers owning more than 10% of the property comprising the certified assessed valuation of a Participating District typically are public or private companies involved in the mining or drilling industries or in the production of power. Property tax payments by such taxpayers could be impacted not only by each taxpayer's individual financial condition but also by events that negatively impact the energy production industry as a whole. It is not possible to predict whether any such events will occur that will have a material impact upon the repayment of the Program Loans.

THE STATE

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately five million. The State's major economic sectors include agriculture, professional and business services, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also "APPENDIX C – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014" and "APPENDIX D – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State Constitution empowers the General Assembly to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of

Education reports to the elected State Board of Education. The elected officials serve four year terms. The current term of such officials commenced in January of 2015 (following the general election held in November of 2014) and will expire on the second Tuesday in January of 2019. No elected executive official may serve more than two consecutive terms in the same office.

The General Assembly is bicameral, consisting of the 35-member Senate and 65-member House of Representatives. Senators serve a term of four years and representatives serve a term of two years. No senator may serve more than two consecutive terms, and no representative may serve more than four consecutive terms. The State Constitution allocates to the General Assembly legislative responsibility for, among other things, appropriating State moneys to pay the expenses of State government. The General Assembly meets annually in regular session beginning no later than the second Wednesday of January of each year. Regular sessions may not exceed 120 calendar days. Special sessions may be convened by proclamation of the Governor or by written request of two-thirds of the members of each house to consider only those subjects for which the special session is requested.

STATE FINANCIAL INFORMATION

The information in this section, "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS," "APPENDIX A – THE STATE GENERAL FUND" and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST" describes general State finances and particularly funds that are eligible for investment in the District Notes. On the Closing Date, the State Treasurer is required to deposit to the Interest Subaccount of the Series 2015-16 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2015B Notes from the Closing Date to the Series 2015B Notes Maturity Date. The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2015-16 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2016, in repayment of their Program Loans. Prospective investors are advised that in the event the amounts received by the State Treasurer from Participating Districts as repayment of their Program Loans on or before June 25, 2016, together with investment earnings thereon, is insufficient to pay the principal of the Series 2015B Notes when due, the principal of the Series 2015B Notes will be payable solely from funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The Series 2015B Notes are not general obligations of the State. See also "THE SERIES 2015B NOTES – Security and Sources of Payment – *The Series 2015-16 Notes Repayment Account*" and "INVESTMENT CONSIDERATIONS – Repayment of Program Loans – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds."

The State Treasurer

The State Constitution provides that the State Treasurer is to be the custodian of public funds in the State Treasurer's care, subject to legislative direction concerning safekeeping and management of such funds. The State Treasurer is the head of the statutorily created Department of the Treasury (the "State Treasury"), which receives all State moneys collected by or otherwise coming into the hands of any officer, department, institution or agency of the State (except certain institutions of higher education). The State Treasurer deposits and disburses those moneys in the manner prescribed by law. Every officer, department, institution and agency of the State (except for certain institutions of higher education) charged with the responsibility of collecting taxes, licenses, fees and permits imposed by law and of collecting or accepting tuition, rentals, receipts from the sale of property and other moneys accruing to the State from any source is required to transmit those moneys to the State Treasury under procedures prescribed by law or by fiscal rules promulgated by the Office of the State Controller. The State Treasurer and the State Controller may authorize any department, institution or agency collecting or

receiving State moneys to deposit such moneys to a depository to the State Treasurer's credit in lieu of transmitting such moneys to the State Treasury.

The State Treasurer has discretion to invest in a broad range of interest bearing securities described by statute. See "Investment and Deposit of State Funds" under this caption and "APPENDIX A – THE STATE GENERAL FUND – Investment of the State Pool." All interest derived from the deposit and investment of State moneys must be credited to the General Fund unless otherwise expressly provided by law.

Taxpayer's Bill of Rights

General. As discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – Taxpayer's Bill of Rights," Article X, Section 20 of the State Constitution, entitled the Taxpayer's Bill of Rights and commonly known as "TABOR," imposes various fiscal limits and requirements on the State and its local governments, excluding "enterprises," which are defined in TABOR as government-owned businesses authorized to issue their own revenue bonds and receiving less than 10% of their annual revenues in grants from all State and local governments combined. Certain limitations contained in TABOR may be exceeded with prior voter approval.

TABOR provides a limitation on the amount of revenue that may be kept by the State in any particular Fiscal Year, regardless of whether that revenue is actually spent during the Fiscal Year. This revenue limitation is effected through a limitation on "fiscal year spending" as discussed hereafter. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year unless voters approve a revenue change.

TABOR also requires prior voter approval for the following, with certain exceptions: (i) any new State tax, State tax rate increase, extension of an expiring State tax or State tax policy change directly causing a net revenue gain to the State; or (ii) the creation of any State "multiple fiscal year direct or indirect ... debt or other financial obligation."

Thirdly, TABOR requires the State to maintain an emergency reserve equal to 3% of its fiscal year spending (the "TABOR Reserve"), which may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long Appropriation Bill (the "Long Bill") designates the resources that constitute the TABOR Reserve, which historically have consisted of portions of various State funds plus certain State real property. The amounts of the TABOR Reserve for Fiscal Years 2014-15 and 2015-16 have been estimated by the General Assembly in the related Long Bills to be approximately $361.5 million and $386.7 million, respectively.

Fiscal Year Revenue and Spending Limits; Referendum C. As noted above, unless otherwise approved by the voters, TABOR limits annual increases in State revenues and fiscal year spending, with any excess revenues required to be refunded to taxpayers. Fiscal year spending is defined as all expenditures and reserve increases except those for refunds made in the current or next Fiscal Year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards or property tax sales.

The maximum annual percentage change in State fiscal year spending is limited by TABOR to inflation (determined as the percentage change in U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index) plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991, being the base year for calculating fiscal year spending. TABOR provides for an automatic decrease in the State fiscal year spending limit when State TABOR revenues decline without a

corresponding automatic increase in State fiscal year spending limit when State TABOR revenues increase. This can result in what is commonly referred to as the "ratchet down effect" whenever there is a decline in TABOR revenues. The ratchet down effect occurs because each year's TABOR limit is calculated based on the lesser of the prior year's TABOR revenues or the prior year's TABOR limit. In a year in which the State's TABOR revenues are below the existing TABOR limit, the lesser amount is required to be used to calculate the following year's TABOR limit. Unlike this automatic reduction, the only means of increasing the TABOR limit is with the approval of State voters. The State experienced the ratchet down effect when TABOR revenues declined by 13.1% between Fiscal Years 2000-01 and 2002-03, followed by an increase of 8.0% in Fiscal Year 2003-04.

Several measures were passed by the General Assembly during the 2005 legislative session in an effort to relieve State budget challenges, including statutory changes designed to mitigate the ratchet down effect of TABOR on the State's finances. One of two measures that were referred by the General Assembly to a statewide vote in November of 2005, designated "Referendum C," was approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. The immediate impact of Referendum C was to preclude any ratchet down effect on the State beginning in Fiscal Years 2005-06. It also authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. For Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State Revenues Cap, or "ESRC," as a voter-approved revenue change under TABOR that now serves as the limit on the State's fiscal year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, being the revenues received in Fiscal Year 2007-08, is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law.

As a result of Referendum C, the State was able to retain the following amounts in excess of the previously applicable TABOR limit: $1.116 billion in Fiscal Year 2005-06, $1.308 billion in Fiscal Year 2006-07 and $1.169 billion in Fiscal Year 2007-08. TABOR revenues did not exceed the TABOR limit in either of Fiscal Years 2008-09 or 2009-10. TABOR revenues exceeded the TABOR limit in Fiscal Years 2010-11, 2011-12 and 2012-13 by $0.771 billion, $1.473 billion and $1.860 billion, respectively, although no refunds were required because such revenues were below the applicable ESRC.

The OSPB December 2015 Revenue Forecast projects that TABOR revenues in Fiscal Years 2014-15, 2015-16 and 2016-17 will exceed the TABOR limit by $2.384 billion, $2.423 billion and $2.571 billion, respectively, and that the State will be $152.9 million above the applicable projected ESRC in Fiscal Year 2014-15, $66.0 million below the projected ESRC in Fiscal Year 2015-16 and $212.0 million above the projected ESRC in Fiscal Year 2016-17. TABOR refunds of the excess amounts in Fiscal Years 2014-15 and 2016-17 will be required unless State voters authorize the State to retain such amounts. No legislation has been enacted by the General Assembly to refer a ballot measure to the voters to allow the State to retain any of such excess revenues. Consequently, the OSPB December 2015 Revenue Forecast projects TABOR refunds of $156.5 million[1] in Fiscal Year 2014-15 and $212.0 million[2] in Fiscal Year 2016-17 associated with revenues in excess of the ESRC. Colorado law currently specifies three mechanisms by which revenues in excess of the ESRC are to be refunded to taxpayers: a sales tax refund

[1] This amount includes $152.9 million in revenue above the ESRC forecast for Fiscal Year 2014-15, as well as $3.6 million in pending amounts owed related to refunds from prior years as the result of either (a) adjustments that were made to State accounting records for years in which TABOR refunds occurred that resulted in additional required refunds to taxpayers, or (b) the refund mechanisms in previous years refunding less actual money than the amount required. Such refunds are held by the State until a future year in which a TABOR refund occurs when they are added to the total refund amount and distributed to taxpayers. See "Taxpayer's Bill of Rights: Revenue Limit" in the OSPB December 2015 Revenue Forecast appended to this Official Statement.

[2] The General Fund Overview table in Appendix A indicates a TABOR refund of only $112 million in Fiscal Year 2016-17 as the Governor's November 2015 budget request for Fiscal Year 2016-17 includes a reduction of $100 million in Hospital Provider Fee revenue to make more General Fund revenue available for spending, which would reduce total TABOR revenue, and thus the TABOR refund, by $100 million in Fiscal Year 2016-17.

to all taxpayers, the earned income tax credit to qualified taxpayers and a temporary income tax rate reduction. The amount that needs to be refunded determines which refund mechanisms are used. See "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST – Taxpayer's Bill of Rights: Revenue Limit" for a discussion of the statutorily defined refund methodology and the anticipated refund that will be distributed through each mechanism according to the revenue projections in the OSPB December 2015 Revenue Forecast. See also "APPENDIX B – THE STATE GENERAL FUND – General Fund Overview."

Referendum C also creates the "General Fund Exempt Account" within the General Fund, to which there is to be credited moneys equal to the amount of TABOR revenues in excess of the TABOR limit that the State retains for a given Fiscal Year pursuant to Referendum C. Such moneys may be appropriated or transferred by the General Assembly for the purposes of: (i) health care; (ii) public elementary, high school and higher education, including any related capital construction; (iii) retirement plans for firefighters and police officers if the General Assembly determines such funding to be necessary; and (iv) strategic transportation projects in the Colorado Department of Transportation Strategic Transportation Project Investment Program.

Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA. At the general election held on November 3, 2015, the State's voters authorized the State to retain and spend $66.1 million in sales and excise taxes on the sale of marijuana and marijuana products ("Marijuana Taxes") authorized by Proposition AA approved by the State's voters in November of 2013 that would otherwise have been subject to a required refund to taxpayers in Fiscal Year 2015-16 pursuant to TABOR. HB 15-1367, which referred the measure (Proposition BB) to the State's voters, also provides for the allocation of the retained amount for public school capital construction, for various purposes such as law enforcement, youth programs and marijuana education and prevention programs and for use by the General Fund for any purpose. For more information on how these amounts are treated in the General Fund, see the discussion in "General Fund and State Education Fund Budget" in the OSPB December 2015 Revenue Forecast appended to this Official Statement. HB 15-1367 also lowers the 10% special sales tax on retail marijuana sales to 8% starting in Fiscal Year 2017-18, subject, however, to later reinstatement without additional voter approval under the circumstances provided therein.

Effect of TABOR on the Series 2015B Notes. Voter approval under TABOR is not required for the issuance of the Series 2015B Notes as they are both issued and payable within the same Fiscal Year and as such do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR. Further, the revenue and spending limits of TABOR are not expected to affect the ability of the State to collect and spend the Pledged Revenues for the payment of the principal of and interest on the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes.

State Funds

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. The State also maintains a large number of statutorily created special funds for which specific revenues are designated for specific purposes, and, if necessary, are available for paying the principal of the Series 2015B Notes. Some of the Funds are considered Borrowable Resources available to pay the principal of and interest on any outstanding State General Fund Tax and Revenue Anticipation Notes, including, without limitation, the State Series 2015A General Fund Notes. See "THE SERIES 2015B NOTES – Security and Sources of Payment – *The Series 2015-16 Notes Repayment Account*," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – Borrowable Resources – The State General

Fund," "APPENDIX A – THE STATE GENERAL FUND" and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST."

Budget Process and Other Considerations

Phase I (Executive). The budget process begins in June of each year when State departments reporting to the Governor prepare both operating and capital budgets for the Fiscal Year beginning 13 months later. In August, these budgets are submitted to the OSPB, a part of the Governor's office, for review and analysis. The OSPB advises the Governor on departmental budget requests and overall budgetary status. Budget decisions are made by the Governor following consultation with affected departments and the OSPB. Such decisions are reflected in the first budget submitted in November for each department to the Joint Budget Committee of the General Assembly (the "JBC"), as described below. In January, the Governor makes additional budget recommendations to the JBC for the budget of all branches of the State government, except that the elected executive officials, the judicial branch and the legislative branch may make recommendations to the JBC for their own budgets.

Phase II (Legislative). The JBC, consisting of three members from each house of the General Assembly, develops the legislative budget proposal embodied in the Long Bill, which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the JBC marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes: (i) General Fund appropriations, supported by general purpose revenue such as taxes; (ii) General Fund Exempt appropriations primarily funded by TABOR-exempt or excess TABOR revenues retained under Referendum C; (iii) cash fund appropriations supported primarily by grants, transfers and departmental charges for services; (iv) reappropriated amounts funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2015-16 (SB 15-234) was adopted by the General Assembly in April of 2015.

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor's vetoes are subject to override by a two-thirds majority of each house of the General Assembly. The Long Bill for Fiscal Year 2015-16 was approved and signed by the Governor on April 24, 2015.

Phase IV (Legislative). During the Fiscal Year for which appropriations have been made, the General Assembly may increase or decrease appropriations through supplemental appropriations. Any supplemental appropriations are considered amendments to the Long Bill and are subject to the line item veto of the Governor.

Revenues and Unappropriated Amounts. For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve (as previously defined, the "Unappropriated Reserve"), which may be used for possible deficiencies in General Fund revenues. Unrestricted General Fund revenues that exceed the required Unappropriated Reserve, based upon revenue estimates, are then available for appropriation, unless they are obligated by statute for another purpose. In response to economic conditions and their effect on estimated General Fund revenues, the General Assembly periodically modifies the required amount of the Unappropriated Reserve. Set forth in

the following table are the Unappropriated Reserve requirements for Fiscal Years 2008-09 and thereafter. See also "APPENDIX B – THE STATE GENERAL FUND – General Fund Overview."

State of Colorado
Unappropriated Reserve Requirement

Fiscal Years	Unappropriated Reserve Requirement[1]
2008-09 and 2009-10 [1]	2.0%
2010-11	2.3
2011-12	4.0
2012-13 and 2013-14	5.0
2014-15 and thereafter [2]	6.5

[1] The Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated level of 4.0% of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

[2] Per HB 14-1337, the Unappropriated Reserve for Fiscal Years 2014-15 and thereafter was increased to 6.5% of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

The State's Comprehensive Annual Financial Report ("CAFR") for Fiscal Year 2013-14 (the "Fiscal Year 2013-14 CAFR") appended to this Official Statement shows that the State ended such Fiscal Year with $410.9 million in General Fund Surplus, which is in excess of the required 5.0% Unappropriated Reserve level. The OSPB December 2015 Revenue Forecast indicates that the State ended Fiscal Year 2014-15 with reserves of $112.1 million in excess of the Unappropriated Reserve requirement, and that, based upon the current budget for Fiscal Year 2015-16 and the Governor's November 2015 budget request, the State will end Fiscal Year 2015-16 with reserves of $156.5 million below the Unappropriated Reserve requirement and will end Fiscal Year 2016-17 with reserves of $47.1 million in excess of the Unappropriated Reserve requirement. The Governor's November 2015 budget request restores the full reserve amount in Fiscal Year 2016-17, although it has been suggested by some Colorado lawmakers that mid-term spending cuts for Fiscal Year 2015-16 should be considered rather than utilizing General Fund reserves. These figures are based on revenue and budget information available when the OSPB December 2015 Revenue Forecast was completed and are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

See also "APPENDIX B – THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST."

Expenditures; The Balanced Budget and Statutory Spending Limitation. The State Constitution requires that expenditures for any Fiscal Year not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years discussed in this Official Statement to and including Fiscal Year 2008-09, total General Fund appropriations were limited to: (i) such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) the lesser of (a) an amount equal to 5% of Colorado personal income (as reported by the U.S. Bureau of Economic Analysis for the calendar year preceding the calendar year immediately preceding a given Fiscal Year) or (b) an amount equal to 106% of General Fund appropriations for the previous Fiscal Year. Per SB 09-228, for Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to the sum of the amount stated in (i) above plus an amount equal to 5% of Colorado personal income.

Excluded from this appropriations limit are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or

service or for any increase in the level of service for an existing program beyond the existing level of service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election.

The limitation on the level of General Fund appropriations may also be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor.

See "Taxpayer's Bill of Rights" above for a discussion of spending limits imposed on the State by TABOR and changes to these limits as the result of the approval of Referendum C.

Fiscal Year Spending and Emergency Reserves. Through TABOR, the State Constitution imposes restrictions on increases in fiscal year spending without voter approval and requires the State to maintain a TABOR Reserve. See "Taxpayer's Bill of Rights" under this caption for a discussion of the effects of the State Constitution on the State's financial operations.

Fiscal Controls and Financial Reporting

No moneys may be disbursed to pay any appropriations unless a commitment voucher has been prepared by the agency seeking payment and submitted to the central accounting system, which is managed by the Office of the State Controller, a division of the Department of Personnel & Administration. The State Controller is the head of the Office of the State Controller. The State Controller or his delegate has statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation and whether the appropriation contains sufficient funds to pay the expenditure. All payments from the State Treasury are made by warrants or checks signed by the State Controller and countersigned by the State Treasurer, or by electronic funds transfer. The signature of the State Controller on a warrant or check is full authority for the State Treasurer to pay the warrant or check upon presentation.

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants or checks for payment of claims against the State. The State Controller prepares a Comprehensive Annual Financial Report, or "CAFR," in accordance with generally accepted accounting principles ("GAAP") applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting. The State's Fiscal Year 2013-14 CAFR is appended to this Official Statement and includes the most current annual financial statements for the State.

The State implemented a new integrated financial system in July 2014 and has been experiencing various issues, including the labor allocation process which continues to utilize the State's legacy payroll system. The longer time period to complete labor allocation, the first time closing in the new system and developing financial statement reports has caused delays in closing the books and producing the State's financial statements. The result is that the State currently expects that the State's unaudited Basic Financial Statements for Fiscal Year 2014-15 will not be released until mid-January 2016, and that the State's Fiscal Year 2014-15 CAFR will not be released until April 2016. See "CONTINUING DISCLOSURE – Compliance With Other Continuing Disclosure Undertakings."

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to the financial statements in the State's Fiscal Year 2013-14 CAFR appended to this Official Statement.

Basis of Presentation of Financial Results and Estimates

The financial reports and financial schedules contained in this Official Statement are based on principles that may vary based on the requirements of the report or schedule. The fund level financial statements and revenue estimates are primarily prepared on the modified accrual basis of accounting. Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State, and to a lesser degree include intergovernmental transactions, charges for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special cash receipts that are related to fees, permits and other charges rather than to the general taxing power of the State.

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the "Auditor") through the Auditor's staff as assisted by independent accounting firms selected solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2016. The Legislative Audit Committee is comprised of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The State's Fiscal Year 2012-13 CAFR, including the State Auditor's Opinion thereon, is appended to this Official Statement. The Office of the State Auditor, being the State's independent auditor, has not been engaged to perform and has not performed since the date of the State Auditor's report included herein, any procedures on the financial statements presented in the Fiscal Year 2013-14 CAFR, nor has the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The State Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., as well as other State statutes, to invest State funds in certain public and non-public fixed income securities. In making such investments, the State Treasurer is to use prudence and care to preserve the principal and to secure the maximum rate of interest consistent with safety and liquidity. The State Treasurer is also required to formulate investment policies regarding the liquidity, maturity and diversification appropriate to each Fund or pool of funds in the State Treasurer's custody available for investment. In accordance with this directive, the State Treasurer has developed standards for each portfolio to establish the asset allocation, the level of liquidity, the credit risk profile, the average maturity/duration and performance monitoring measures appropriate to the public purpose and goals of each Fund.

The State Treasurer is also authorized to deposit State funds in national or state chartered banks and savings and loan associations having a principal office in the State and designated as an eligible public depository by the State Banking Board or the State Commissioner of Financial Services, respectively. To the extent that the deposits exceed applicable federal insurance limits, they are required to be collateralized with eligible collateral (as defined by statute) having a market value at all times equal to at least 100% of the amount of the deposit that exceeds federal insurance (102% for banks).

See also Notes 14 and 15 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement and "APPENDIX A – THE STATE GENERAL FUND – Investment of the State Pool."

SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS

General

On the Closing Date, the State Treasurer is required to deposit to the Interest Subaccount of the Series 2015-16 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2015B Notes from the Closing Date to the Series 2015B Notes Maturity Date. See "The State General Fund" below and "APPENDIX A – THE STATE GENERAL FUND."

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2015-16 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2016, in repayment of their Program Loans. However, if on June 27, 2016, the amount credited to the Principal Subaccount of the Series 2015-16 Notes Repayment Account is less than the principal amount of the Series 2015B Notes and any Parity Lien Notes, the State Resolution requires the State Treasurer to deposit the amount of the deficiency to the Principal Subaccount from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The State Resolution further provides that the State Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. See "THE SERIES 2015B NOTES – Security and Sources of Payment – *The Series 2015-16 Notes Repayment Account*."

The ability of the State Treasurer to use Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2015-16, including, without limitation, the State Series 2015A General Fund Notes. See "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds" and "APPENDIX A – THE STATE GENERAL FUND."

Certain Funds Eligible for Investment in the District Notes

A deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account on June 25, 2016, is required to be funded by the State Treasurer first from all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. However, such covenant does not constitute a pledge of or lien on any such funds for that purpose, and there is no limit on the availability or use of such funds for any other purpose permitted or required by law. Further, the State Treasurer has both a statutory and a fiduciary obligation to use prudence and care in investing State funds. See "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

If it becomes necessary to make a deposit to the Principal Subaccount of the Series 2015-16 Notes Repayment Account in order to fund a deficiency therein, the State Resolution requires the State Treasurer to take such actions as may be necessary to identify and designate the District Notes as an investment of the Funds used to make such deposit, and the Owners of the Series 2015B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2016. See also "INVESTMENT CONSIDERATIONS – Liquidity Sources in the Event of a Default in the Repayment of Program Loans; Subordination of Certain State Funds," "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds" and "APPENDIX A – THE STATE GENERAL FUND."

By constitutional or statutory provision and judicial decision, certain State Funds, including, without limitation, the State Education Fund, the Highway Users Tax Fund, the Public School Permanent

Fund and the TABOR Emergency Reserve Fund, are not Borrowable Resources although moneys therein may be eligible for investment by the State Treasurer. The two Funds in this category with the largest current balances that are eligible for investment, and thus the Funds that are likely to be considered first by the State Treasurer as an available source of investment in the District Notes in order to provide liquidity in the Principal Subaccount of the Series 2015-16 Notes Repayment Account in the event of a deficiency therein, are the State Education Fund and the State Highway Fund. Prospective investors are cautioned, however, that these Funds are neither required to be utilized by the State Treasurer, nor pledged for such purpose. The making of such investment by the State Treasurer, and the determination of the Fund or Funds, if any, to be used therefor, is in all cases subject to the application of the investment policies for the various State Funds established by statute and the State Treasurer for such Funds and the exercise of the discretion and fiduciary obligation of the State Treasurer in the investment of State funds. Accordingly, no representation or warranty is made herein that the State Treasurer will in fact utilize amounts available in these Funds, if necessary, to provide liquidity to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account. See also "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds."

The State Education Fund. The State Education Fund was established by Amendment 23. Amendment 23 also mandates that an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, is to be deposited into this Fund, and that such funds are exempt from the revenue limitations of "TABOR." See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights." The General Assembly may appropriate moneys from the State Education Fund only to increase funding in preschool through 12th grade education or for purposes specifically provided in Amendment 23 as discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding – Amendment 23." The State Education Fund represents a shift of General Fund moneys to a restricted cash fund. Moneys in the State Education Fund may not be transferred to the General Fund, and consequently the State Education Fund is not a Borrowable Resource.

The following information has been provided by the State Treasurer's office to show the actual cash and short term investment balances in the State Education Fund at June 30 of Fiscal Years 2010-11 through 2014-15.

State of Colorado
State Education Fund Actual Cash and Short Term Investment Balances
(Dollar amounts expressed in millions)

At June 30	Cash and Investment Balance
2011 [1]	$ 147.8
2012	140.6
2013 [2]	192.9
2014	1,012.2
2015	682.0

[1] This amount does not include the $221.4 million receivable as a transfer of the Fiscal Year 2010-11 General Fund Surplus per SB 11-156. The receivable was converted to cash in December 2011 at the date of publication of the State's Fiscal Year 2010-11 CAFR.

[2] This amount does not include the $1,073.5 million receivable as a transfer of the Fiscal Year 2012-13 General Fund Surplus per HB 13-1338 (Section 24-75-220(2), C.R.S.). The receivable was converted to cash in December 2013 at the date of publication of the State's Fiscal Year 2012-13 CAFR. See also "APPENDIX – THE STATE GENERAL FUND – General Fund Overview."

Source: State Treasurer's Office

The State Highway Fund. The State Highway Fund is established by Section 43-1-219, C.R.S. All receipts from the following sources are to be credited to the State Highway Fund: (i) such appropriations as may, from time to time, be made by law to the Fund from excise tax revenues; (ii) all revenues accruing to the Fund by law, by way of excise taxation from the imposition of any license, registration fee or other charge with respect to the operation of any motor vehicle upon any public

highways in the State, and the proceeds from the imposition of any excise tax on gasoline or other liquid motor fuel; and (iii) certain receipts from the Limited Gaming Fund. Moneys in the State Highway Fund are to be expended for, among other things, the construction, reconstruction, repair, improvement, planning, supervision and maintenance of the State highway system and other public highways, including any county and municipal roads and highways, together with the acquisition of rights-of-way and access rights for the same; provided, however, that receipts from the Limited Gaming Fund are to be used solely for public roads and highways leading to and within a 50-mile radius of any limited gaming community (currently Black Hawk, Central City, Cripple Creek and any Indian lands where limited gaming is authorized). Moneys in the State Highway Fund may not be transferred to the General Fund, and consequently the State Highway Fund is not a Borrowable Resource.

The following information has been provided by the State Treasurer's office to show the actual cash balances in the State Highway Fund at June 30 of Fiscal Years 2010-11 through 2014-15.

State of Colorado
State Highway Fund Actual Cash and Short Term Investment Balances
(Dollar amounts expressed in millions)

At June 30	Cash and Investment Balance
2011	$1,118.3
2012	1,130.9
2013	1,116.2
2014	1,019.2
2015	864.6

Source: State Treasurer's Office

Borrowable Resources

Borrowable Resources consist of over 600 funds and accounts other than the General Fund. By constitutional or statutory provision and judicial decision, certain State Funds, such as the Public School Permanent Fund, the State Education Fund, the Highway Users Tax Fund and the TABOR Emergency Reserve Fund, are not Borrowable Resources. Borrowable Resources are considered to be moneys in the State pool, and as such are invested as described in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds" and "APPENDIX A – THE STATE GENERAL FUND – Investment of the State Pool."

The ability of the State Treasurer to utilize Borrowable Resources to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account will depend upon the availability of funds in the State Treasury that are eligible for investment in the District Notes, and is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2015-16, including, without limitation, the State Series 2015A General Fund Notes. The availability of Borrowable Resources may also be affected by the State's statutory obligation to assure the timely payment of certain school district bonds and lease obligations pursuant to Section 22-41-110, C.R.S., commonly referred to as the "State Intercept Act."

The following tables set forth the estimated Borrowable Resources for Fiscal Years 2014-15 and 2015-16. The estimates are based on various assumptions made by the State Treasurer's office, which are subject to uncertainties. Inevitably, some assumptions used to develop the forecasted amounts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecasted amounts in the table and the amounts ultimately realized, and such differences may be material. See also the inside cover of this Official Statement regarding forward-looking statements. See also "STATE FINANCIAL INFORMATION – Fiscal Controls and Financial Reporting."

State of Colorado
Estimated Borrowable Resources
Fiscal Year 2014-15 [1,2,3]

(Amounts expressed in millions; totals may not add due to rounding)

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015
Aviation Fund	$ 22.0	$ 22.5	$ 22.8	$ 21.9	$ 23.1	$ 22.9	$ 22.2	$ 23.5	$ 24.5	$ 23.5	$ 23.2	$ 23.7
Capital Construction Fund	223.0	235.0	230.8	218.5	202.9	192.4	167.2	133.6	116.8	142.6	90.3	91.8
College Scholarship Fund	158.7	158.7	19.2	19.2	48.4	191.0	188.1	126.8	47.8	51.4	50.4	34.8
Colorado Student Obligation Bond Authority – Administration	31.2	31.7	39.2	38.1	36.5	30.1	32.0	31.3	31.5	31.2	31.6	40.5
Hazardous Substance Fund	14.8	14.7	15.1	15.1	15.0	14.7	15.0	14.8	14.7	14.9	15.0	15.5
Higher Education Funds [4]	1,120.8	1,379.3	1,521.2	1,473.2	1,414.4	1,352.0	1,503.0	1,561.7	1,561.8	1,497.3	1,401.3	1,480.7
Hospital Provider Fee	49.6	14.7	15.6	21.0	25.8	30.4	38.3	47.5	46.7	53.5	60.0	0.0
Limited Gaming Fund	43.3	2.7	4.4	7.6	11.3	14.8	18.7	22.8	26.7	31.5	36.3	41.6
Lottery Fund	46.1	50.9	34.7	43.7	51.4	41.7	49.3	52.7	35.1	44.4	54.1	37.5
Mineral Impact Fund	103.0	113.7	70.2	84.9	96.5	82.2	91.7	102.4	93.5	108.4	120.9	92.9
School Capital Construction Assistance	166.5	191.6	186.7	183.7	192.2	198.0	203.3	231.6	215.4	216.7	232.2	235.0
State and Local Severance Tax Funds	106.3	105.9	99.6	103.3	96.5	102.6	104.3	106.3	110.3	116.5	120.7	119.7
State Public School Fund	398.1	211.7	488.8	269.3	56.2	278.5	90.4	10.4	340.0	167.9	106.9	34.7
Tobacco Tax Funds	34.0	36.6	30.9	35.6	37.4	33.2	37.1	38.5	33.3	36.6	37.7	2.4
Water Conservation Construction Fund	136.0	138.9	159.8	157.3	153.8	162.2	158.2	152.9	159.8	170.7	174.9	180.2
Workers' Compensation Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Borrowable Resources	1,856.3	1,845.9	2,094.4	1,796.2	1,977.0	2,359.2	2,257.3	2,265.8	2,229.3	2,133.8	2,358.6	2,245.5
Total Borrowable Resources	4,509.7	4,554.4	5,033.6	4,488.7	4,438.5	5,106.0	4,976.2	4,922.3	5,087.1	4,840.8	4,914.1	4,676.5
Total General Fund	(138.8)	(259.5)	(672.4)	(365.2)	(192.2)	(1,133.7)	(461.4)	(437.6)	(1,147.3)	(350.4)	(29.6)	365.1
Less: Notes Issued and Outstanding	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	
Net Borrowable Resources	$3,870.9	$3,794.8	$3,861.1	$3,623.5	$3,746.3	$3,472.4	$4,014.7	$3,984.8	$3,439.7	$3,990.3	$4,384.6	$5,041.6

[1] This table shows monthly balances for 16 individual funds plus over 600 other funds and accounts of the State constituting Borrowable Resources. Such funds do not represent State funds with the largest fund balances and are included in this table to be consistent with the Borrowable Resources disclosures provided by the State in the last several years.

[2] The information in this table is presented on a cash basis, and is not directly comparable to similar information included in the State's CAFRs, which is presented on the modified accrual and accrual basis.

[3] Amounts in this table are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such estimates will be realized. See also the inside cover of this Official Statement regarding forward-looking statements.

[4] The amounts shown for Higher Education primarily represent cash balances in institutions of higher education other than certain institutions that have statutory authority to operate their own Treasury.

Source: State Treasurer's Office

State of Colorado
Estimated Borrowable Resources
Fiscal Year 2015-16 [1,2,3]

(Amounts expressed in millions; totals may not add due to rounding)

	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	June 2016
Aviation Fund	$ 18.0	$ 18.4	$ 18.7	$ 17.9	$ 18.9	$ 18.8	$ 18.2	$ 19.2	$ 20.0	$ 19.2	$ 19.0	$ 19.4
Capital Construction Fund	256.0	269.8	265.0	250.8	232.9	220.9	191.9	153.3	134.0	163.7	103.7	105.4
College Scholarship Fund	162.0	155.0	18.7	18.7	47.2	186.5	183.8	123.8	46.7	50.2	49.2	34.0
Colorado Student Obligation Bond Authority – Administration	31.7	32.3	39.9	38.8	37.1	30.6	32.5	31.8	32.0	31.7	32.1	41.1
Hazardous Substance Fund	14.7	14.6	15.0	15.0	14.9	14.6	14.9	14.7	14.6	14.8	14.9	15.4
Higher Education Funds [4]	1,211.2	1,490.6	1,643.8	1,592.0	1,528.5	1,461.1	1,624.2	1,687.7	1,687.8	1,618.0	1,514.3	1,600.2
Hospital Provider Fee	52.1	15.4	16.4	22.1	27.1	32.0	40.2	49.9	49.1	56.2	63.0	0.0
Limited Gaming Fund	48.4	3.0	4.9	8.5	12.7	16.6	20.9	25.5	29.9	35.2	40.5	46.4
Lottery Fund	45.0	49.7	33.9	42.7	50.2	40.8	48.2	51.4	34.2	43.4	52.8	36.6
Mineral Impact Fund	101.3	111.8	69.1	83.5	94.9	80.9	90.1	100.7	91.9	106.6	118.9	91.4
School Capital Construction Assistance	163.0	187.6	182.8	179.9	188.2	193.8	199.0	226.7	210.9	212.1	227.3	230.0
State and Local Severance Tax Funds	109.3	108.9	102.4	106.2	99.2	105.5	107.3	109.3	113.4	119.8	124.1	123.1
State Public School Fund	388.2	206.4	476.6	262.6	54.8	271.6	88.2	10.1	331.5	163.8	104.3	33.8
Tobacco Tax Funds	33.5	36.0	30.5	35.1	36.8	32.7	36.6	37.9	32.9	36.0	37.2	2.3
Water Conservation Construction Fund	140.0	143.0	164.5	161.9	158.3	167.0	162.9	157.4	164.5	175.7	180.0	185.5
Workers' Compensation Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Borrowable Resources	1,856.3	1,845.9	2,094.4	1,796.2	1,977.0	2,359.2	2,257.3	2,265.8	2,229.3	2,133.8	2,358.6	2,245.5
Total Borrowable Resources	4,630.7	4,688.2	5,176.6	4,631.9	4,578.8	5,232.3	5,116.1	5,065.2	5,222.6	4,980.2	5,040.0	4,810.2
Total General Fund	(36.1)	(186.0)	(654.4)	(347.9)	(183.1)	(1,208.7)	(522.9)	(511.2)	(1,286.9)	(480.5)	(155.4)	179.6
Less: Notes Issued and Outstanding	(600.0)	(600.0)	(600.0)	(600.0)	(600.0)	(600.0)	(600.0)	(600.0)	(600.0)	(600.0)	(600.0)	--
Net Borrowable Resources	$3,994.6	$3,902.2	$3,922.2	$3,684.0	$3,795.7	$3,423.6	$3,993.2	$3,954.0	$3,335.8	$3,899.7	$4,284.6	$4,989.9

[1] This table shows monthly balances for 16 individual funds plus over 600 other funds and accounts of the State constituting Borrowable Resources. Such funds do not represent State funds with the largest fund balances and are included in this table to be consistent with the Borrowable Resources disclosures provided by the State in the last several years.

[2] The information in this table is presented on a cash basis estimate, and is not directly comparable to similar information to be included in the State's CAFR, which will be presented on the modified accrual and accrual basis.

[3] Amounts in this table are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such estimates will be realized. See also the inside cover of this Official Statement regarding forward-looking statements.

[4] The amounts shown for Higher Education primarily represent cash balances in institutions of higher education other than certain institutions that have statutory authority to operate their own Treasury.

Source: State Treasurer's Office

The State General Fund

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs includes a large number of statutorily created special funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2013-14 CAFR as the General Purpose Revenue Fund.

It is presently anticipated that a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account would be funded from Current General Fund Revenues eligible for investment in the District Notes only after all other sources of funding therefor have been utilized. In addition, the right of the State Treasurer to use Current General Fund Revenues for this purpose is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2015-16, including, without limitation, the State Series 2015A General Fund Notes. See "APPENDIX A – THE STATE GENERAL FUND" for a discussion of the General Fund.

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

The State, State Departments and Agencies

The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years' general revenues. The State currently has, and upon issuance of the Series 2015B Notes will have, no outstanding general obligation debt.

The State is authorized to and has entered into lease-purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease-purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. See Notes 24 and 25 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of the outstanding lease-purchase agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum lease payments due under such lease-purchase agreements entered into by the State for Fiscal Years 2013-14 and thereafter. See also Note 45 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of lease-purchase agreements entered into by the State after June 30, 2014, but before publication of the Fiscal Year 2013-14 CAFR. The State also entered into a lease-purchase agreement on July 9, 2014, for a laboratory facility in Pueblo, Colorado, for the Colorado Bureau of Investigation (the "CBI"), the acquisition and renovation of which was funded by the sale of $11.0 million in principal amount of certificates of participation in such lease-purchase agreement; and entered into a lease-purchase agreement on September 29, 2015, to refinance the CBI's Grand Junction regional office and forensic laboratory, which was funded by the sale of $9.915 million in principal amount of certificates of participation in such lease-purchase agreement.

In addition to lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered. See Notes 22 and 25 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum payment obligations under such agreements in Fiscal Years 2014-15 and thereafter.

The Colorado Department of Transportation ("CDOT") has issued Transportation Revenue Anticipation Notes for the purpose of financing qualified federal aid transportation projects in the State. At June 30, 2014, CDOT had outstanding approximately $430.5 million in aggregate principal amount of such notes. The notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

CDOT also is considering the relocation of its headquarters campus and three of its regional campuses, the size and structure of the financing for which has not yet been determined.

State departments and agencies, including State institutions of higher education, also issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment and construction of facilities and infrastructure. With the exception of the University of Colorado, which is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. See Notes 24, 25 and 45 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of such bonds and notes outstanding as of June 30, 2014, and of those issued after June 30, 2014, but before publication of the Fiscal Year 2013-14 CAFR. The revenue bonds and certificates of participation listed in such Notes have in most cases been publicly offered, while the notes payable listed in such Notes have generally been private financings directly with banks or other financial institutions.

State Tax and Revenue Anticipation Notes

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes, such as the State Series 2015A General Fund Notes, in order to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of Borrowable Resources. Since Fiscal Year 2003-04, the State has also issued education loan anticipation notes, such as the Series 2015B Notes, for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time.

See Notes 23 and 45 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of such notes outstanding as of June 30, 2014, and of such notes issued after June 30, 2014, but before publication of the Fiscal Year 2013-14 CAFR. After publication of the Fiscal Year 2013-14 CAFR, the State issued $245 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2014B, which matured and were paid in full, including approximately $2.07 million of interest, on June 29, 2015. In addition, the Series 2015A Notes were issued on July 21, 2015, in the aggregate principal amount of $165 million, and the State Series 2015A General Fund Notes

were issued by the State Treasurer on July 23, 2015, in the principal amount of $600 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2015-16.

State Authorities

A number of State authorities have issued financial obligations to support activities related to the special purposes of such entities. Such obligations do not constitute a debt or liability of the State and the State Treasurer has no responsibility for such issuances. Generally, State authorities are legally separate, independent bodies governed by their own boards, some including ex-officio State officials and/or members appointed by the Governor or ranking members of the General Assembly (in most cases with the consent of the State Senate).

Pension and Post-Employment Benefits

General. The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in "APPENDIX E – STATE PENSION SYSTEM," the "State Division Plan"). State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the "State Division DC Plan"), although the majority of State employees participate in the State Division Plan. State employees may also elect to participate in a limited healthcare plan. Each plan is administered by the Public Employees' Retirement Association ("PERA"), which is a statutorily created legal entity that is separate from the State. PERA also administers plans for school districts, local governments and other entities, each of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

For a general description of the State Division Plan and PERA, see "APPENDIX D – STATE PENSION SYSTEM." For a detailed discussion of the State Division Plan, the State Division DC Plan, the limited healthcare plan and PERA, see Notes 18, 19 and 20 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, as well as PERA's Comprehensive Annual Financial Report for calendar year 2014 (the "PERA 2014 CAFR"). The information in the State's Fiscal Year 2013-14 CAFR is derived from PERA's Comprehensive Annual Financial Report for calendar year 2013, while the information under this caption and in "APPENDIX E – STATE PENSION SYSTEM" is derived from the PERA 2014 CAFR. See also "*Future Accounting Standards*" hereafter.

The State Division Plan. The State Division Plan is funded with contributions made by the State and by each participating State employee at rates that are established by statute. The State has consistently made all statutorily required contributions to the State Division Plan. Nevertheless, at December 31, 2014, the PERA 2014 CAFR reports that the State Division Plan had an unfunded actuarial accrued liability of approximately $9.9 billion and a funded ratio of only 57.8%. This UAAL would amortize over a 45-year period based on contribution rates as of the date of calculation and scheduled future increases in employer contributions, as well as an investment rate of return on Plan assets and discount rate on actuarially accrued liabilities of 7.5%.

The actuarial value of assets for the State Division Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in the assets of the State Division Plan as a result of economic and market conditions is not reflected in the aforementioned funded ratio. Based on the market

value of assets of the State Division Plan, at December 31, 2014, the Plan had an unfunded accrued liability of approximately $9.5 billion and a funded ratio of 59.6%.

The funding status of the State Division Plan summarized above reflect the implementation by PERA in 2014 of GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("GASB 67"), which establishes new standards for financial reporting and note disclosure by defined benefit pension plans administered through qualified trusts, such as the State Division Plan, and note disclosure requirements for defined contribution pension plans administered through qualified trusts, such as the State Division DC Plan.

Because the State's annual contributions with respect to the State Division Plan are set by statute and funded in the State's annual budget, such contributions are not affected in the short term by changes in the actuarial valuation of the Plan assets or the funding ratio of the Plan.

See generally "APPENDIX E – STATE PENSION SYSTEM" for further information regarding the State Division Plan.

The Health Care Trust Fund. The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance to State employees is provided through PERA's Health Care Trust Fund, in which members from all divisions of PERA are eligible to participate. The Health Care Trust Fund is a cost-sharing, multiple employer plan under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The Health Care Trust Fund is funded by a statutory allocation of moneys consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division's trust fund. At December 31, 2014, the Health Care Trust Fund had an unfunded actuarial accrued liability of approximately $1.2 billion, a funded ratio of 19.4% and a 35-year amortization period. Because the Health Care Trust Fund is a cost-sharing, multiple employer plan, PERA's actuary has not determined the portion of the unfunded actuarial accrued liability that applies to each Division participant. The benefit provided by the Health Care Trust Fund is a fixed limited subsidy of the retiree's health care insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 9 and 11 to the PERA 2014 CAFR for additional information regarding the Health Care Trust Fund.

Future Changes in Pension Accounting Standards Applicable to the State – GASB 68. GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68"), which is related to GASB 67 but is applicable to the State, is effective for fiscal years beginning after June 15, 2014, and will be implemented by the State in its Comprehensive Annual Financial Report for Fiscal Year 2014-15. GASB 68 revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. GASB 68 requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had an unfunded actuarial accrued liability of approximately $9.7 billion as of December 31, 2013, and approximately $9.9 billion as of December 31, 2014. However, at June 30, 2014, the State was unable to estimate the magnitude of its share of the unfunded pension liability. See the introduction to Notes 1-7 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement and "APPENDIX E – STATE PENSION SYSTEM."

Effect of Pension Liability on the Series 2015B Notes. The Series 2015B Notes are short-term obligations maturing on June 29, 2016, and are payable from Pledged Revenues which are expected to consist

primarily of amounts received by the State Treasurer from the Participating Districts on or before June 25, 2016, as repayment of their Program Loans and a portion of the proceeds of the Series 2015B Notes deposited to the Series 2015-16 Notes Repayment Account as discussed in "THE SERIES 2015B NOTES – Security and Sources of Payment." Therefore, the State's current pension liability is not expected to adversely affect the State's ability to pay the Series 2015B Notes. See also the discussion of the State's pension liability in Management's Discussion and Analysis in the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, and particularly the section thereof captioned "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions."

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

No Litigation Affecting the Series 2015B Notes

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the issuance or delivery of the Series 2015B Notes or questioning or affecting the validity of the Series 2015B Notes or the proceedings or authority under which they are to be issued. There is also no litigation pending, or to the State's knowledge threatened, that in any manner questions the right of the State Treasurer to adopt the State Resolution and to secure the Series 2015B Notes in the manner provided in the State Resolution and the Loan Program Statutes.

Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, C.R.S. (the "Immunity Act"), provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity, except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered. For incidents occurring prior to July 1, 2013, the limits are $150,000 for injury to one person in a single occurrence and an aggregate of $600,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of $150,000; and for incidents occurring on and after July 1, 2013, the maximum amounts that may be recovered under the Immunity Act are $350,000 for injury to one person in a single occurrence and an aggregate of $990,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of $350,000. These limits are subject to adjustment on January 1, 2018, and every four years thereafter based on the percentage change in the Consumer Price Index. In individual cases the General Assembly may authorize the recovery from the State of amounts in excess of these limits by legislative action initiated either directly by the General Assembly or upon recommendation of the State Claims Board. The Immunity Act does not limit recovery against an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State or State employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State or its employees sued in their official capacities under federal statutes when such actions are brought in federal court.

HB 12-1361 amended the Immunity Act by waiving sovereign immunity of the State in an action for injuries resulting from a prescribed fire started or maintained by the State or any of its employees on

or after January 1, 2012. A prescribed fire is defined as the application of fire in accordance with a written prescription for vegetative fuels, but excluding a controlled burn used in farming industry to clear land of existing crop residue, kill weeds and weed seeds or to reduce fuel build-up and decrease the likelihood of a future fire.

Self-Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 6H, 21 and 44 in the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, as well as General Fund Components in the Supplementary Information in such document. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Current Litigation

For a description of pending material litigation in which the State is a defendant, see Note 44 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement. The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in Note 44 to the State's Fiscal Year 2013-14 CAFR, but the ultimate outcome cannot presently be determined. Except as provided in such Notes, no provision has been made in the financial statements related to the actions discussed in such Notes.

The National Federation of Independent Businesses recently brought a lawsuit against the Colorado Secretary of State asserting that their use of business and licensing fees violates TABOR. Such fees are deposited into the Secretary of State's cash fund, which is part of the State's General Fund. Summary judgment was granted in favor of the State, and an appeal by the plaintiff is anticipated. The TABOR Foundation recently brought a lawsuit against the Colorado Department of Health Care Policy and Financing asserting the imposition of a hospital fee violates TABOR. The State intends to vigorously defend this lawsuit.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of McGraw-Hill Financial, Inc. ("S&P"), have assigned to the Series 2015B Notes the ratings set forth on the cover page of this Official Statement. No other ratings have been applied for.

A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2015B Notes, the State and its financial condition and operations, including certain information and materials which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward, suspended or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of any such rating

may have an adverse effect on the market price of the Series 2015B Notes. The State has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

CONTINUING DISCLOSURE

Series 2015B Notes

In accordance with the exemption set forth in paragraph (d)(3) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, which exemption applies to offerings of municipal securities having a stated maturity of 18 months or less, such as the Series 2015B Notes, the State Treasurer will not undertake to provide on an ongoing basis either audited annual financial statements or annual financial information or operating data of the type presented in this Official Statement. However, the State Treasurer will undertake in the State Resolution, for the benefit of the Owners and Beneficial Owners of the Series 2015B Notes, that during such time as any of the Series 2015B Notes are outstanding, the State Treasurer will provide to the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access ("EMMA") system, in a timely manner, not in excess of ten Business Days after the occurrence of the event, notice of the occurrence of any of the events enumerated in Subsection (b)(5)(i)(C) of Rule 15c2-12 with respect to the Series 2015B Notes, including: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Series 2015B Notes; (iv) modifications to rights of owners of the Series 2015B Notes, if material; (v) defeasances; and (vi) rating changes; as well as the following events to the extent applicable to the Series 2015B Notes: (a) unscheduled draws on debt service reserves reflecting financial difficulties; (b) unscheduled draws on credit enhancements reflecting financial difficulties; (c) substitution of credit or liquidity providers, or their failure to perform; (d) Series 2015B Note calls, if material, and tender offers; (e) release, substitution or sale of property securing repayment of the Series 2015B Notes, if material; (f) bankruptcy, insolvency, receivership or similar event of the State; (g) the consummation of a merger, consolidation or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (h) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The obligations of the State Treasurer pursuant to the undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2015B Notes, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, breach of the State Treasurer's obligations pursuant to the undertaking does not constitute an Event of Default under the State Resolution, and none of the rights and remedies provided in the State Resolution for Events of Default will be available to the Owners or Beneficial Owners of the Series 2015B Notes in the event of a breach of such continuing disclosure undertaking.

Compliance With Other Continuing Disclosure Undertakings

From January 2011 to May 2011, the State Treasurer failed to file with the MSRB monthly cash flow schedules for the State's General Fund Tax and Revenue Anticipation Notes, Series 2010A, which were issued on December 14, 2010, and paid in full at maturity. Although such filings were not required

by Rule 15c2-12, the authorizing resolution for such notes included an affirmative covenant by the State Treasurer to do so.

The State Treasurer has determined that both prior to and during the previous five years the State Treasurer and certain other State departments or agencies have not complied in all material respects with other continuing disclosure undertakings entered into by such entities pursuant to Rule 15c2-12 in connection with municipal securities issued by or for the benefit of such entities by failing to file, or to file on a timely basis, on the EMMA website and its predecessor repositories, certain annual financial information, audited financial statements and/or notices of material events as required by those continuing disclosure undertakings. For example, CDOT failed to file annual financial information and audited financial statements in respect of its outstanding obligations for Fiscal Years 2008-09 through 2012-13. In addition, the State failed to file notices of bond insurer rating downgrades relating to certain outstanding obligations over the last five years, although such bond insurer downgrades did not affect the underlying rating of the State, and failed to file notices of an upgrade in the State's rating by Moody's from "Aa3" to "Aa2" as a result of a global recalibration of ratings by Moody's in May 2010. The State failed to timely file annual financial information and audited financial statements for certain obligations from Fiscal Year 2009-10 through Fiscal Year 2011-12, and failed to file on EMMA notices of such failures. Corrective actions have been taken with regard to these matters as discussed below.

Partially in response to the foregoing, the State Treasurer requested and the General Assembly enacted legislation in 2012 to provide the State Treasurer with statutory authority over debt issuance and post-issuance compliance with continuing disclosure undertakings entered into by the State, the State Treasurer and certain State departments and agencies that utilize the State's credit (collectively, the "Included Entities") in connection with financial obligations issued by or for the benefit of such the Included Entities. Consistent with this authorization, the responsibility for compliance with the continuing disclosure undertakings entered into by the Included Entities has been centralized with the State Treasurer, which is intended to ensure future compliance with such continuing disclosure undertakings.

In early 2013, the State Treasurer retained Digital Assurance Certification, LLC ("DAC Bond"), as its disclosure dissemination agent for the purpose of assisting it with auditing past compliance, making remedial filings and ensuring ongoing compliance with its continuing disclosure filing requirements with the MSRB of all information required in the continuing disclosure undertakings entered into by the Included Entities, and plans to implement other procedures intended to ensure future material compliance with such continuing disclosure undertakings.

In addition, consistent with its statutory authorization and as a result of the circumstances described above, the State Treasurer's office commenced, and is continuing to carry out, a comprehensive review of compliance by the State with the continuing disclosure undertakings entered into by the Included Entities for the purpose of determining whether there are other instances of material noncompliance with such continuing disclosure undertakings. Instances of material noncompliance discovered by the State Treasurer's office to date have been addressed by making appropriate corrective filings or taking other remedial actions, either directly or by DAC Bond.

As discussed in "STATE FINANCIAL INFORMATION – Fiscal Controls and Financial Reporting," the State currently expects that, due to various issues that have been experienced with the implementation of a new integrated financial system, the State's unaudited Basic Financial Statements for Fiscal Year 2014-15 will not be released until mid-January 2016 and the State's Fiscal Year 2014-15 CAFR will not be released until April 2016. If the eventual release dates cause the State to fail to comply with any of its continuing disclosure undertakings, the State intends to timely file on EMMA appropriate notices of such failure.

Additional information concerning the matters discussed in this section may be obtained from the Colorado Attorney General's Office, 1300 Broadway, 6th Floor, Denver, Colorado 80203, Attention: Heidi Dineen, Esq., Senior Assistant Attorney General, telephone number: (720) 508-6179.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2015B Notes, as well as the treatment of interest on the Series 2015B Notes for purposes of federal and State income taxation, are subject to the approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. The substantially final form of the opinion of Bond Counsel is appended to this Official Statement. Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State and by Dinsmore & Shohl LLP, Denver, Colorado, as special counsel to the State in connection with the preparation of this Official Statement. Payment of legal fees to Bond Counsel and special counsel are contingent upon the sale and delivery of the Series 2015B Notes.

TAX MATTERS

Generally

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015B Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the State with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Series 2015B Notes. Failure to comply with such covenants could cause interest on the Series 2015B Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015B Notes. The State has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2015B Notes. Notwithstanding Bond Counsel's opinion that interest on the Series 2015B Notes is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that interest on the Series 2015B Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws.

The accrual or receipt of interest on the Series 2015B Notes may otherwise affect the federal income tax liability of the owners of the Series 2015B Notes. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015B Notes, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Tax Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or

continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015B Notes.

The amount treated as interest on the Series 2015B Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service (the "Service") Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the Service is studying whether the amount of the payment at maturity on debt obligations such as the Series 2015B Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Series 2015B Notes and the aggregate amount to be paid at maturity of the Series 2015B Notes (the "original issue discount"). For this purpose, the issue price of the Series 2015B Notes is the first price at which a substantial amount of the Series 2015B Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015B Notes if the taxpayer elects original issue discount treatment.

Tax Treatment of Original Issue Premium

The following disclosure relates to purchasers of the Series 2015B Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Series 2015B Notes as the amount excluded from gross income for federal income tax purposes. An amount equal to the excess of the issue price of a Series 2015B Note over its stated redemption price at maturity constitutes original issue premium on such Series 2015B Note. An initial purchaser of a Series 2015B Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Tax Code. Purchasers of a Series 2015B Note with original issue premium should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to state and local tax consequences of owning Series 2015B Notes with original issue premium.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2015B Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2015B Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2015B Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2015B Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2015B Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2015B Notes is subject to information reporting in a

manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Tax Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2015B Notes from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

UNDERWRITING

The Series 2015B Notes will be purchased from the State by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co., LLC, and Wells Fargo Bank, National Association, pursuant to a competitive sale conducted by the State, for an aggregate purchase price of $341,930,390, being the principal amount of the Series 2015B Notes plus an aggregate original issue premium of $2,938,400 and less an aggregate underwriting discount of $8,010.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Series 2015B Notes, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015B Notes.

FINANCIAL ADVISOR

RBC Capital Markets, LLC, Denver, Colorado, is acting as Financial Advisor to the State in connection with the issuance of the Series 2015B Notes, and in such capacity has assisted in the preparation of this Official Statement and other matters relating to the planning, structuring, rating and execution and delivery of the Series 2015B Notes. However, the Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement. The Financial Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Series 2015B Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2015B Notes is contingent upon the issuance and delivery of the Series 2015B Notes.

MISCELLANEOUS

The cover page, inside cover, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2015B Notes, copies of the State Resolution and certain other documents referred to herein may be obtained from the Financial Advisor at RBC Capital Markets, LLC, 1801 California Street, Suite 3850, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

The preparation and distribution of this Official Statement have been authorized by the State Treasurer. This Official Statement is hereby approved by the State Treasurer as of the date set forth on the cover page hereof.

By: /s/ Jonathan Forbes
Deputy State Treasurer

APPENDIX A

THE STATE GENERAL FUND

The State Resolution requires that if on June 25, 2016, the amount credited to the Principal Subaccount of the Series 2015-16 Notes Repayment Account is less than the principal amount of the Series 2015A Notes, the Series 2015B Notes and any additional Parity Lien Notes, the State Treasurer is to deposit the amount of the deficiency to the Principal Subaccount from any funds on hand or in the custody or possession of the State Treasurer and eligible for investment in the District Notes. The State Treasurer is to first utilize all other funds that are eligible for investment in the District Notes prior to the application of Current General Fund Revenues or Borrowable Resources that are eligible for investment in the District Notes. The ability of the State Treasurer to use Current General Fund Revenues that are eligible for investment in the District Notes to fund a deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account is subordinate to the use of such funds for payment of any general fund tax and revenue anticipation notes of the State issued during Fiscal Year 2015-16, including, without limitation, the State Series 2015A General Fund Notes. See "THE SERIES 2015B NOTES – Security and Sources of Payment – *The Series 2015-16 Notes Repayment Account*" and "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS."

This Appendix contains a discussion of the General Fund, including the estimated cash flows for the General Fund for Fiscal Year 2015-16. See also "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST."

The General Fund

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs includes a large number of statutorily created special funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2013-14 CAFR as the General Purpose Revenue Fund.

General Fund Revenue Sources

The major revenue sources to the General Fund are individual and corporate income taxes and sales and use taxes. The State also imposes excise taxes on the sale of cigarettes, tobacco products and liquor, and receives revenues from a diverse group of other sources such as insurance taxes, pari-mutuel taxes, interest income, court receipts and gaming taxes. The following table sets forth the State's receipts from major revenue sources for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2015-16 and 2016-17. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Revenue Sources[1]

(Accrual basis; dollar amounts expressed in millions)

	Actual										OSPB December 2015 Revenue Forecast			
	Fiscal Year 2010-11		Fiscal Year 2011-12		Fiscal Year 2012-13		Fiscal Year 2013-14		Preliminary Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17	
Revenue Source	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Excise Taxes:														
Sales Tax [2]	$2,043.5	12.0%	$2,093.2	2.4%	$2,211.7	5.7%	$2,425.3	9.7%	$2,619.2	8.0%	$ 2,720.0	3.8%	$ 2,879.3	5.9%
Use Tax	190.1	22.0	200.6	5.6	242.7	21.0	241.3	(0.6)	260.3	7.8	246.5	(5.3)	260.2	5.6
	2,233.6	12.8	2,293.8	2.7	2,454.4	7.0	2,666.6	8.6	2,879.5	8.0	2,966.5	3.0	3,139.5	5.8
Cigarette Tax	39.3	(3.8)	39.5	0.5	38.3	(3.1)	36.6	(4.5)	37.9	3.6	36.4	(4.0)	34.8	(4.4)
Tobacco Products [3]	13.8	(14.2)	16.0	16.1	15.6	(2.9)	16.9	8.5	17.8	5.3	20.9	17.7	19.4	(7.5)
Liquor Tax	36.4	2.8	38.4	5.3	39.2	2.2	40.3	2.9	41.5	2.8	43.6	5.0	43.9	0.8
	89.5	(3.0)	93.9	4.9	93.1	(0.9)	93.8	0.8	97.2	3.6	100.9	3.8	98.1	(2.8)
Total Excise Taxes	2,323.1	12.1	2,387.7	2.8	2,547.5	6.7	2,760.4	8.4	2,976.7	7.8	3,067.4	3.0	3,237.6	5.5
Income Taxes:														
Net Individual Income Tax	4,496.1	10.1	5,011.6	11.5	5,596.3	11.7	5,696.1	1.8	6,350.1	11.5	6,477.5	2.0	6,973.9	7.7
Net Corporate Income Tax	393.9	5.9	486.5	23.5	636.3	30.8	720.7	13.3	692.9	(3.9)	665.6	(3.9)	696.0	4.6
Total Income Taxes	4,890.0	9.7	5,498.1	12.4	6,232.6	13.4	6,416.8	3.0	7,043.0	9.8	7,143.1	1.4	7,669.9	7.4
Less State Education Fund Diversion[2]	(370.5)	12.6	(407.5)	10.0	(486.3)	19.3	(478.8)	(1.6)	(519.8)	8.6	(525.7)	1.1	(567.6)	8.0
Total Income Taxes to the General Fund	4,519.5	9.5	5,090.6	12.6	5,746.2	12.9	5,938.0	3.3	6,523.1	9.9	6,617.3	1.4	7,102.3	7.3
Other Revenues:														
Estate	(0.1)	--	0.3	--	(0.1)	--	--	--	--	--	--	--	--	--
Insurance	189.7	1.5	197.2	4.0	210.4	6.7	239.1	13.6	256.7	7.4	283.4	10.4	301.0	6.2
Interest Income	7.9	(21.6)	13.6	71.5	17.4	28.6	15.2	(12.8)	8.1	(47.0)	14.4	77.9	15.1	5.4
Pari-Mutuel	0.5	(0.6)	0.6	14.4	0.7	10.3	0.6	(8.8)	0.6	0.2	0.6	(3.0)	0.6	(3.0)
Court Receipts	%	(80.0)	2.6	(27.6)	2.3	(9.0)	2.6	9.5	2.6	0.3	2.5	(4.2)	2.4	(1.0)
Other Income	21.2	(18.8)	23.1	8.8	18.1	(21.6)	21.3	17.9	34.0	59.1	23.2	(31.8)	24.7	6.7
Total Other	222.8	(7.7)	237.3	6.5	249.0	4.9	279.2	12.1	301.9	8.1	324.0	7.3	343.9	6.1
Gross General Fund	**$7,065.4**	**9.7%**	**$7,715.7**	**9.2%**	**$8,542.7**	**10.7%**	**$8,977.7**	**5.1%**	**$9,801.7**	**9.2%**	**$10,008.8**	**2.1%**	**$10,683.8**	**6.7%**

[1] Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The "Other Revenues" in this table for Fiscal Years 2010-11 through 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in "Transfers to the General Fund" in the General Fund overview table hereafter rather than as a General Fund revenue source in this table. This change does not affect the overall amount of "Total General Fund Revenue Available for Expenditure" in the General Fund overview table.

[2] State voters approved Proposition AA in November of 2013, which included the imposition by the State of a sales tax of 10% on sales of retail marijuana and retail marijuana products effective January 2014. Under current law, the revenue from this sales tax first goes to the General Fund and is then transferred to a cash fund. A portion of this revenue is also distributed to local governments where such sales occur. Proposition AA also approved the imposition by the State of an excise tax of 15% on certain sales of unprocessed retail marijuana effective January 2014 that does not flow through the General Fund but is mostly credited directly to a cash fund for public school capital construction projects. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA*."

[3] All individual and corporate income tax revenues are deposited to the General Fund and then a portion of the amount is diverted by law to the State Education Fund. See "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts – Amendment 23," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – State Education Fund" and Note 13 to the table in "General Fund Overview" hereafter.

Source: Office of State Planning and Budgeting

General Fund Overview

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2010-11 through Fiscal Year 2014-15 and the forecasts for Fiscal Years 2015-16 and 2016-17 from the OSPB December 2015 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB December 2015 Revenue Forecast for Fiscal Years 2015-16 and 2016-17. Any new budget information will be incorporated in subsequent OSPB revenue forecasts. The format of the following table is used by the State in developing its annual budget, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations." See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST," as well as the preliminary notices in this Official Statement regarding forward looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2010-11 through 2016-17

(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited)[1]					OSPB December 2015 Revenue Forecast	
	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Preliminary Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
REVENUE:							
Beginning Reserve	$ 137.4	$ 156.6	$ 795.8	$ 373.0	$ 435.9	$ 688.6	$ 455.9
Gross General Fund Revenue[2]	7,065.4	7,715.7	8,542.7	8,977.7	9,801.7	10,008.8	10,683.8
Transfers to the General Fund[2]	178.5	162.4	12.4	14.1	65.9	16.3	16.9
Proposed Policy Changes Affecting Revenue[3]	N/A	N/A	N/A	N/A	N/A	3.8	0.5
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,381.3	8,034.7	9,351.0	9,364.8	10,303.6	10,717.4	11,157.0
EXPENDITURES:							
Appropriation Subject to Limit[4]	6,811.1	7,027.8	7,459.2	8,218.7	8,869.0	9,458.0	9,830.1
Dollar Change From Prior Year	179.5	216.7	431.5	759.5	650.3	589.0	372.1
Percent Change From Prior Year	2.7%	3.2%	6.1%	10.2%	7.9%	6.6%	3.9%
Spending Outside Limit:	151.5	189.0	452.3	545.5	791.0	803.6	644.0
TABOR Refund under Subsection (7)(d)[5]	--	--	--	--	156.5	--	112.0
TABOR Refund under Subsection (3)(c)[6]	--	--	--	--	58.0	(58.0)	--
Rebates and Expenditures[7]	127.6	134.8	380.9	250.2	258.1	264.3	284.5
Transfer to Capital Construction[8]	12.0	49.3	61.4	186.7	248.5	271.4	58.7
Transfers to Highway Users Tax Fund[8]	N/A	N/A	N/A	--	--	200.2	106.8
Transfers to State Education Fund per SB 13-234[9]	N/A	N/A	N/A	45.3	25.3	25.3	25.3
Transfers to Other Funds[10]	--	5.0	4.6	30.9	44.0	100.4	56.7
Other Expenditures Exempt from General Fund Appropriations Limit[11]	12.0	--	5.4	32.4	0.5	--	--
TOTAL GENERAL FUND OBLIGATIONS	6,962.6	7,216.8	7,911.5	8,764.3	9,660.0	10,261.6	10,474.1
Percent Change from Prior Year	(3.7)%	3.7%	9.6%	10.8%	10.2%	6.2%	2.1%
Reversions and Accounting Adjustments	26.9	36.9	7.1	(50.4)	(45.0)	--	--
RESERVES							
Year-End General Fund Balance	445.5	854.8	1,446.5	650.9	688.6	455.9	682.9
Year-End General Fund as a % of Appropriations	6.5%	12.2%	19.4%	7.9%	7.8%	4.8%	6.9%
General Fund Statutory Reserve Amount	156.6	281.1	373.0	410.9	576.5	612.4	635.8
Unappropriated Reserve Percentage[12]	2.3%	4.0%	5.0%	5.0%	6.5%	6.5%	6.5%
Amount Above (Below) Statutory Reserve	288.9	573.7	1,073.5	240.0	112.1	(156.5)	47.1
Transfer of Excess Reserve to State Education Fund/ Other Funds[13]	(288.9)	(59.0)	(1,073.5)	(215.0)	--	--	--
Balance After Any Funds Above Statutory Reserve are Allocated	156.6	795.8	--	435.9	112.1	(156.5)	47.1

[1] This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

[2] Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The amounts in these line items for Fiscal Years 2010-11 through 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in this table as a transfer to the General Fund rather than as General Fund revenue. This change does not affect the overall amount of Total General Fund Revenue Available for Expenditure.

[3] The proposed policy changes shown in this line are from the Governor's November budget request. The Fiscal Year 2015-16 $3.8 million amount is a proposed transfer from severance taxes to the General Fund. This is the amount needed to fulfill the intent of SB 15-255, which required $20 million in severance tax revenue to be credited to the General Fund at the end of Fiscal Year 2014-15. The proposed transfer of $500,000 in Fiscal Year 2016-17 is associated with a Department of Health Care Policy and Financing marijuana-funded measure.

[4] Per SB 09-228, commencing with Fiscal Year 2009-10 this appropriation limit was revised from: (a) the lesser of (i) 5% of Colorado personal income as reported by the U.S. Bureau of Economic Analysis or (ii) 6% growth applied to appropriated amounts from the General Fund during the prior Fiscal Year; to (b) 5% of Colorado personal income. The appropriations amount for Fiscal Year 2014-15 reflects current law. The appropriations amounts for Fiscal Years 2015-16 and 2016-17 reflect the Governor's November 2015 budget request. The Fiscal Year 2015-16 amount includes the $12.0 million in General Fund appropriations authorized by the passage of Proposition BB in November 2015. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA*" and "General Fund and State Education Fund Budget" in the OSPB December 2015 Revenue Forecast appended to this Official Statement. The amounts will change based on future budgeting decisions and updates to the revenue forecast.

[Notes continued on next page]

[5] Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. The refund amount for Fiscal Year 2014-15 includes $152.9 million in revenue above the Referendum C cap, as well as $3.6 million in pending amounts owed related to refunds from prior years. The projected TABOR refund shown for Fiscal Year 2016-17 incorporates a $100 million reduction in Hospital Provider Fee revenue under the Governor's November 2015 budget request for Fiscal Year 2016-17 to make more General Fund revenue available for spending. This proposal would reduce total TABOR revenue, and thus the TABOR refund, by $100 million in Fiscal Year 2016-17. The mechanisms used to refund the excess revenue, such as the earned income tax credit, will reduce revenue to the General Fund. However, the refund mechanisms are not shown as reducing revenue in the OSPB December 2015 Revenue Forecast but rather as amounts that need to be refunded. The net impact to the General Fund under both scenarios is essentially the same. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Fiscal Year Revenue and Spending Limits; Referendum C*."

[6] The amount shown in Fiscal Year 2014-15 reflects the amount set aside by HB 15-1367 for the potential liability for a TABOR refund relating to Proposition AA. At the general election held on November 3, 2015, the State's voters authorized the State to retain and expend such amount. Because voters approved Proposition BB, the State is able to use the money for the uses outlined in HB 15-1367. Therefore, a reversal of the $58 million set aside is shown in Fiscal Year 2015-16 to make it available for spending. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA*," Note 4 above and Note 2 to the table in "General Fund Revenue Sources" above.

[7] This generally includes 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; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; 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 the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. The homestead exemption for qualified seniors was suspended for Fiscal Years 2009-10 through 2011-12. The homestead exemption for qualified disabled veterans was not affected by this suspension.

[8] SB 09-228 requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0%. Such transfers are to be reduced by half if there is a TABOR refund in an amount between 1% and 3% of total General Fund revenue in the same Fiscal Year, and are to be suspended altogether if there is a TABOR refund in excess of 3% of total General Fund revenue. Personal income growth exceeded this threshold in the 2014 calendar year, which triggers the required transfers in Fiscal Year 2015-16. Because no TABOR refund is projected for Fiscal Year 2015-16, transfers for transportation and capital construction are projected to be made at full levels, resulting in transfers of $200.2 and $50.0 million, respectively, in Fiscal Year 2015-16. The $271.4 million transfer to capital construction in Fiscal Year 2015-16 includes the projected $50.0 million SB 09-228 transfer and a $221.4 million transfer required by SB 15-250. The Governor's November 2015 budget request for Fiscal Year 2016-17 includes a total General Fund transfer of $58.7 million for capital construction. This amount incorporates the additional $25.0 million from the full SB 09-228 transfer in Fiscal Year 2015-16 that was not projected when the Fiscal Year 2015-16 budget was adopted. The adopted budget assumed only a half SB 09-228 transfer of $25.0 million. The projected Fiscal Year 2016-17 TABOR refund of $112.0 million (assuming lower Hospital Provider Fee collections) is equal to 1.05% of General Fund revenue and therefore results in SB 09-228 transfers being made at half levels, although a very small decrease in revenue from projections would result in full transfers.

[9] SB 13-234 requires annual General Fund transfers to the State Education Fund in Fiscal Years 2013-14 through 2018-19.

[10] State law requires transfers of General Fund money to various State cash funds. Starting in Fiscal Year 2013-14, this line item includes transfers of General Fund money from the new 10% retail marijuana sales tax to a cash fund. See Note 1 to the table in "General Fund Revenue Sources" above.

[11] Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

[12] Per HB 14-1337, for Fiscal Year 2014-15 and subsequent Fiscal Years, the Unappropriated Reserve has been increased to 6.5% of the amount appropriated for expenditure from the General Fund in such Fiscal Years. See also "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."

[13] In recent years, all or a portion of the amount in excess of the statutory reserve was required by law to be credited to other State Funds, mostly the State Education Fund. For example, per HB 12-1338, all of the Fiscal Year 2012-13 excess was transferred to the State Education Fund. All of the Fiscal Year 2013-14 excess reserves, except for $25 million that remained in the General Fund, was transferred to various other State Funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342 and SB 14-223. The amount remaining in the General Fund became part of the beginning reserve and funds available in Fiscal Year 2014-15. Under current law, all of the surplus in Fiscal Year 2014-15 became part of the beginning reserve and funds available in Fiscal Year 2015-16.

Source: Office of State Planning and Budgeting

Revenue Estimation; OSPB Revenue and Economic Forecasts

Revenue Estimating Process. The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing a General Fund revenue estimate. No later than June 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the State Controller and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The most recent OSPB Revenue Forecast was issued on December 21, 2015, and is included in this Official Statement as "APPENDIX B – OSPB DECEMBER 2015 REVENUE FORECAST." The OSPB December 2015 Revenue Forecast projects revenues for Fiscal Years 2015-16 through 2017-18. The amounts forecast for Fiscal Years 2015-16 and 2016-17 are summarized in "General Fund Revenue Sources" and "General Fund Overview" above in this Appendix.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast for the OSPB December 2015 Revenue Forecast was provided by Moody's Economy.com. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody's Economy.com's forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic data estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

Revenue Shortfalls. The State's Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by GASB, with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon the current forecast, there is anticipated to be an Unappropriated Reserve, the State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The next OSPB revenue forecast will be released in March of 2016. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB December 2015 Revenue Forecast if economic conditions change markedly. If a revenue shortfall is projected for Fiscal Year 2015-16 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. A cash shortfall in Fiscal Year 2015-16 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2015-16 Notes Repayment Account on June 25, 2016. See "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF DEFAULT IN THE REPAYMENT OF PROGRAM LOANS" and "INVESTMENT CONSIDERATIONS – Budgets and Revenue Forecasts."

Investment of the State Pool

General. The investment of public funds by the State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitraged against must be closely matched in both dollar amount and term.

Fiscal Years 2014-15 and 2015-16 Investments of the State Pool. The following tables set forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Years 2014-15 and 2015-16 for which information is available.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2014-15
(Amounts expressed in millions)[1]

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	April 2015	May 2015	June 2015
Agency CMOs	$ 17.6	$ 16.7	$ 15.9	$ 15.0	$ 14.2	$ 13.3	$ 12.5	$ 11.8	$ 11.3	$ 10.7	$ 10.1	$ 9.4
Commercial Paper	0.0	140.0	60.0	100.0	100.0	0.0	150.0	0.0	50.0	368.0	291.0	484.9
U.S. Treasury Notes	974.0	974.0	973.9	973.8	973.8	973.8	973.9	949.1	909.2	909.2	909.3	909.3
Federal Agencies	3,725.4	3,568.5	3,529.3	3,234.5	2,863.2	2,654.2	3,372.5	3,242.7	2,877.3	3,707.7	3,580.8	2,710.9
Asset-Backed Securities	1,452.5	1,469.2	1,497.1	1,536.1	1,539.0	1,529.1	1,493.0	1,459.6	1,449.2	1,434.2	1,420.2	1,404.9
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	390.0	225.0	95.0	370.0
Corporates	1,720.8	1,737.8	1,766.8	1,738.8	1,742.8	1,735.8	1,728.8	1,678.9	1,720.9	1,729.0	1,749.9	1,739.9
Certificates of Deposit	7.5	7.5	7.5	7.5	7.5	7.5	5.5	5.5	5.5	5.5	5.5	5.5
Totals	$7,897.8	$7,913.7	$7,850.5	$7,605.7	$7,240.5	$6,913.7	$7,736.2	$7,447.6	$7,413.4	$8,389.3	$8,061.8	$7,634.8

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2015-16
(Amounts expressed in millions)[1]

	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015
Agency CMOs	$ 9.3	$ 8.5	$ 8.1	$ 7.7	$ 7.3
Commercial Paper	786.9	789.9	694.9	959.8	980.8
U.S. Treasury Notes	909.2	894.4	894.4	894.4	879.8
Federal Agencies	2,877.1	2,907.1	3,065.8	2,461.2	2,321.4
Asset-Backed Securities	1,382.8	1,348.2	1,318.8	1,289.0	1,255.9
Money Market	360.0	265.0	435.0	435.0	320.0
Corporates	1,693.3	1,708.1	1,708.7	1,704.9	1,695.5
Certificates of Deposit	5.0	6.5	0.0	6.5	6.5
Totals	$8,023.6	$7,927.7	$8,125.7	$7,758.5	$7,467.2

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

General Fund Cash Flow

General Fund cash flow deficits are attributable to several categories of loans and expenditures by the State throughout each Fiscal Year, including public school distributions, medical assistance and grants and contract purchased services. The State Treasurer has certain administrative powers to remedy negative cash balances, including the ability to issue tax and revenue anticipation notes in anticipation of the receipt of revenues in the General Fund and to use Borrowable Resources. The Governor also has authority to impose spending restrictions, and the General Assembly may defer certain payments from one Fiscal Year to the next, if necessary, to ensure that the General Fund will not end any Fiscal Year with a negative fund balance. See "STATE FINANCIAL INFORMATION – The State Treasurer."

The following tables present on a cash basis the estimated cash flows of the General Fund for Fiscal Years 2014-15 and 2015-16 by total categories of receipts and disbursements. The tables are based on revenue and expenditure projections prepared on the modified accrual basis of accounting, with accounting adjustments made by the State Treasurer to arrive at a cash basis presentation, and should be read in conjunction with the information set forth above in this Appendix. See also "STATE FINANCIAL INFORMATION – Fiscal Controls and Financial Reporting."

Monthly cash flow estimates for Fiscal Years 2014-15 and 2015-16 are based upon (i) the General Fund appropriations for Fiscal Years 2014-15 and 2015-16 adopted by the General Assembly, (ii) historical experience as adjusted to reflect economic conditions, (iii) statutory and administrative changes and anticipated payment dates for payrolls and (iv) the OSPB December 2015 Revenue Forecast discussed in "Revenue Estimation; OSPB Revenue and Economic Forecasts" above. Unforeseen events or variations from underlying assumptions may cause an increase or decrease in receipts and/or disbursements from those projected for a given month, which may adversely affect the projections of estimated cash flows. Additionally, the timing of transactions from month to month may vary from the forecasts. Therefore, there are likely to be differences between the forecasted and actual results, and such differences may be material. See the preliminary notices in this Official Statement regarding forward looking statements.

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State of Colorado
Estimated General Fund Cash Flow
Fiscal Year 2014-15[1]
Current Law

(Amounts expressed in millions; totals may not add due to rounding)

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015	Total
Beginning Cash and Investments Balance	$ 342.5												$ 342.5
Revenues:													
General Fund Revenue:													
Sales and Use Tax	209.4	$ 247.6	$ 257.5	$ 248.3	$ 233.5	$ 236.6	$ 283.7	$ 214.9	$ 218.0	$ 243.5	$ 235.5	$ 252.9	2,881.4
Individual Income Tax	361.4	409.2	573.5	524.0	467.0	495.8	661.5	181.8	254.8	728.9	504.4	667.7	5,830.3
Corporate Income Tax	12.7	6.3	150.4	56.4	(43.3)	61.3	51.7	8.2	84.4	136.3	27.8	140.6	692.9
Other	50.5	7.4	(21.4)	(49.4)	1.5	(51.1)	6.9	68.2	34.9	213.7	(34.8)	170.0	396.4
Total General Fund Revenue	634.0	670.6	960.0	779.4	658.7	742.7	1,003.8	473.0	592.1	1,322.4	732.9	1,231.3	9,801.0
Federal Revenue	434.0	509.8	652.2	415.2	557.7	644.7	537.7	553.6	664.8	474.8	561.0	1,171.5	7,177.1
Total Revenues	1,068.0	1,180.4	1,612.3	1,194.6	1,216.4	1,387.4	1,541.5	1,026.6	1,256.9	1,797.2	1,293.9	2,402.8	16,978.0
Expenditures:													
Payroll	128.2	138.9	139.4	140.3	139.0	130.6	136.2	131.5	133.2	129.1	130.8	141.2	1,618.4
Medical Assistance	433.0	504.0	366.3	361.4	546.4	462.8	312.5	501.6	397.5	665.3	662.7	443.6	5,657.2
Public School Distribution	748.5	(15.3)	977.2	0.3	2.1	971.2	3.5	0.4	971.6	0.4	0.3	2.5	3,662.7
Higher Education Distribution	3.0	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	(0.8)	106.2
Grants and Contracts	41.0	257.3	305.6	204.2	236.3	291.7	248.7	238.9	270.7	236.3	242.9	273.6	2,847.3
Other	433.1	391.7	235.9	155.9	113.4	425.1	196.0	113.0	204.2	(63.0)	(137.0)	346.6	2,415.0
Total Expenditures:	(1,786.8)	(1,321.6)	(2,026.4)	(866.1)	(1,041.6)	(2,324.1)	(897.3)	(985.8)	(1,977.7)	(968.5)	(900.1)	(1,206.7)	(16,302.8)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(376.3)	(141.2)	(414.1)	328.5	174.8	(936.7)	644.2	40.9	(720.8)	828.7	393.8	1,196.0	1,017.8
Revenue Accrual Adjustment	130.6	(20.1)	2.1	6.5	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	31.4
Expenditure Accrual Adjustment	(144.6)	40.6	(0.9)	(27.8)	30.2	(9.3)	26.1	(16.7)	13.0	67.9	(20.4)	(282.8)	(324.6)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(110.0)	--	--	(110.0)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(501.0)	(1.0)
Capital Construction Transfer	(248.5)	--	--	--	--	--	--	--	--	--	--	--	(248.5)
General Fund Reserve Transfer to Highway Users Tax Fund	--	--	--	--	--	--	--	--	--	--	--	--	--
State Education Fund Transfer	--	--	--	--	--	--	--	--	--	--	--	--	--
Actual/Projected Monthly Cash Change	(138.8)	(120.7)	(412.9)	307.3	173.0	(941.5)	672.2	23.9	(709.8)	796.9	320.9	394.7	365.1
General Fund Cash Balance End of Month	**$ (138.8)**	**$ (259.5)**	**$ (672.4)**	**$ (365.2)**	**$ (192.2)**	**$(1,133.7)**	**$ (461.4)**	**$ (437.6)**	**$(1,147.3)**	**$ (350.4)**	**$ (29.6)**	**$ 365.1**	

[1] General Fund revenues in this table are derived from the OSPB December 2015 Revenue Forecast. All other amounts are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such forecasted amounts will be realized. See the preliminary notices in this Official Statement regarding forward looking statements.

Source: State Treasurer's Office

State of Colorado
Estimated General Fund Cash Flow
Fiscal Year 2015-16[1]
Current Law

(Amounts expressed in millions; totals may not add due to rounding)

	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	June 2016	Total
Beginning Cash and Investments Balance	$ 365.1												$ 365.1
Revenues:													
General Fund Revenue													
Sales and Use Tax	215.7	$ 254.9	$ 265.1	$ 255.7	$ 240.4	$ 243.6	$ 292.1	$ 221.2	$ 224.4	$ 250.7	$ 242.4	$ 260.4	2,966.5
Individual Income Tax	372.2	417.4	585.0	534.5	476.4	505.8	675.5	185.9	259.9	743.5	514.5	681.1	5,951.8
Corporate Income Tax	13.1	6.1	144.3	54.1	(41.6)	58.8	49.6	7.8	81.0	130.8	26.7	134.9	665.6
Other	52.0	6.0	(14.6)	(48.9)	(2.9)	(50.2)	7.3	67.9	39.0	224.7	(35.6)	180.2	424.8
Total General Fund Revenue	653.0	684.4	979.8	795.4	672.2	758.0	1,024.5	482.8	604.3	1,349.7	748.0	1,256.6	10,008.8
Federal Revenue	447.0	541.4	692.6	441.0	592.3	684.7	571.0	587.9	705.9	504.2	595.7	1,244.1	7,607.8
Total Revenues	1,100.0	1,225.8	1,672.4	1,236.4	1,264.5	1,442.6	1,595.5	1,070.7	1,310.3	1,853.9	1,343.8	2,500.7	17,616.6
Expenditures:													
Payroll	132.0	145.8	145.8	146.7	145.5	135.9	142.5	137.6	139.4	135.0	136.8	148.2	1,691.2
Medical Assistance	446.0	547.7	398.1	392.8	593.9	503.0	339.6	545.1	432.1	723.1	720.3	482.1	6,123.7
Public School Distribution	771.0	(14.5)	926.5	0.2	2.0	920.9	3.4	0.4	921.2	0.4	0.2	2.4	3,534.1
Higher Education Distribution	3.1	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	(0.8)	106.3
Grants and Contracts	42.2	271.0	321.8	215.0	248.9	307.2	262.0	251.6	285.1	248.9	255.8	288.2	2,997.7
Other	446.1	408.5	357.6	160.9	111.7	558.4	205.2	111.8	322.1	(79.3)	(157.6)	361.5	2,806.9
Total Expenditures:	(1,840.4)	(1,403.5)	(2,152.0)	(919.8)	(1,106.1)	(2,468.1)	(952.9)	(1,046.8)	(2,100.3)	(1,028.5)	(955.9)	(1,281.5)	(17,255.8)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(375.3)	(177.7)	(479.5)	316.6	158.4	(1,025.5)	642.6	23.8	(790.0)	825.4	387.8	1,219.2	725.8
Revenue Accrual Adjustment	142.8	(20.1)	2.1	6.5	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	43.6
Expenditure Accrual Adjustment	(156.8)	40.6	(0.9)	(27.8)	30.2	(9.3)	26.1	(16.7)	13.0	67.9	(20.4)	(282.8)	(336.8)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(118.0)	--	--	(118.0)
General Fund Notes – Including Interest	600.0	--	--	--	--	--	--	--	--	--	--	(602.0)	(2.0)
Capital Construction Transfer	(246.8)	--	--	--	--	--	--	--	--	--	--	--	(246.8)
General Fund Reserve Transfer to Highway Users Tax Fund	--	--	--	--	--	--	--	--	--	--	--	--	--
State Education Fund Transfer	--	--	--	--	--	--	--	--	--	--	--	--	--
Actual/Projected Monthly Cash Change	(36.1)	(157.2)	(478.3)	295.4	156.6	(1,030.3)	670.6	6.8	(779.0)	785.5	315.0	316.8	65.9
General Fund Cash Balance End of Month	**$ (36.1)**	**$ (193.3)**	**$ (671.6)**	**$ (376.2)**	**$ (219.7)**	**$(1,249.9)**	**$ (579.3)**	**$ (572.5)**	**$(1,351.4)**	**$ (565.9)**	**$ (251.0)**	**$ 65.9**	

[1] General Fund revenues in this table are derived from the OSPB December 2015 Revenue Forecast. All other amounts are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such forecasted amounts will be realized. See the preliminary notices in this Official Statement regarding forward looking statements.

Source: State Treasurer's Office

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APPENDIX B

OSPB DECEMBER 2015 REVENUE FORECAST

As discussed in "APPENDIX A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts," the OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Years 2015-16 through 2017-18. The forecasts include projections of General Fund revenues available for spending and end-of-year reserves through the forecast period. Budgeted General Fund spending levels are also included. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts.

The most recent OSPB Revenue Forecast was issued on December 21, 2015, and is presented in its entirety in this Appendix. The pagination of this Appendix reflects the original printed document.

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See also the inside cover of this Official Statement regarding forward looking statements.

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COLORADO
Office of State Planning & Budgeting

December | 2015

The Colorado Economic Outlook

Economic and Fiscal Review

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Summary

- General Fund revenue is forecasted to increase just 2.1 percent in FY 2015-16, a lower growth rate than forecast in September. Projected revenue is $170.8 million, or 1.7 percent, lower compared with September. The slower economic activity that was projected in prior forecasts has weakened tax collections more than expected. Also, corporate income tax collections continue to decline and underperform expectations as a result of weak corporate earnings. Further, declining oil prices have lowered expectations for income tax revenue from royalty payments.

- General Fund revenue growth is still expected to rebound moderately in FY 2016-17 as economic expansion continues and the factors weighing on growth this fiscal year ease. However, the FY 2016-17 General Fund revenue growth rate of 6.7 percent is still below the rates experienced in most years of the current expansion.

- Under this forecast, the State's General Fund reserve is projected to be $156.5 million below the required amount of 6.5 percent of appropriations in FY 2015-16. The projected shortfall is larger than in OSPB's September forecast, due to lower revenue projections and the new expectation that transfers to transportation and capital construction under Senate Bill 09-228 will occur at their full amounts rather than being reduced by half. Full transfers are now expected as no TABOR refunds are forecast for FY 2015-16. Refunds above one percent of General Fund revenue trigger a reduction in the transfers.

- Under the Governor's November budget request and this forecast, the State's General Fund reserve in FY 2016-17 is projected to be $47.1 million above the required amount of 6.5 percent of appropriations.

- After exceeding the Referendum C cap in FY 2014-15, TABOR revenue is projected to come in below the cap in FY 2015-16. TABOR revenue is expected to come in over the cap by $212.0 million in FY 2016-17 and $340.9 million in FY 2017-18.

- The projected TABOR refund in FY 2016-17 under the Governor's budget request is only slightly above the level that would trigger full SB 09-228 transfers to transportation and capital construction. Therefore, a small downward revision in the revenue forecast would result in additional General Fund obligations to cover full transfers. As a result of the expected size of the TABOR refunds in FY 2017-18, SB 09-228 transfers are projected to be eliminated.

- Revenue above the Referendum C cap from FY 2014-15 will be refunded through the State Earned Income Tax Credit (EITC) to qualified taxpayers and the sales tax refund to all taxpayers. The sales tax refund is projected to average $19 per taxpayer, while the EITC will average about $217 per qualifying taxpayer. In FY 2016-17, revenue above the Referendum C cap will be refunded through the sales tax refund. In FY 2017-18, the refund will occur through a temporary income tax rate reduction and the sales tax refund.

- As expected in prior forecasts, Colorado's economic growth slowed during the course of 2015 from its robust pace in 2014. The contraction in the oil and gas sector, a tighter labor market, and sluggish global growth all have contributed to the slowdown. The core of the state's economy, with its diverse industry base and stronger population growth, remains resilient in the face of these headwinds. Because of these favorable attributes, Colorado's economy is expected to continue to post stronger levels of growth than the nation overall, but slower than the high growth experienced in 2014.

- Sluggish global economic conditions continue to pose downside risks to the forecast. Further, recent weakness in areas of corporate credit markets is making it harder for some businesses to borrow money and could imply broader deteriorating economic conditions. In addition, oil prices have dropped further recently and another major contraction in the industry presents a downside risk to the forecast.

- Cash fund revenue subject to TABOR in FY 2015-16 is forecasted to be $103.7 million, or 3.8 percent, higher than FY 2014-15, primarily as a result of growth in revenue from the Hospital Provider Fee. This growth will offset a sharp decline in revenue from severance taxes. Cash fund revenue subject to TABOR will increase 1.2 percent in FY 2016-17.

The Economy: Issues, Trends, and Forecast

The following section discusses overall economic conditions in Colorado, nationally, and around the world. Economic conditions provide the foundation for trends in tax collections and the demand for State services. The OSPB forecast for job and income growth for Colorado is slightly lower compared with the September Colorado Economic Outlook. The contraction in the oil and gas sector, a tighter labor market, and a global downturn in commodities and manufacturing all have contributed to slower growth for the state, though the core of the state's economy remains solid. This section includes an analysis of:

- Economic conditions in Colorado (page 4)
- Economic conditions for the nation (page 12)
- International economic conditions and trade (page 16)
- Oil and gas industry conditions (page 19)
- Housing costs and the Colorado economy (page 21)

Trends and forecasts for key economic indicators — A summary of key economic indicators with their recent trends and statistics, as well as forecasts, is provided at the end of this section. This summary is intended to provide a snapshot of the economy's performance and OSPB's economic projections, which are informed by the following analysis of the economy.

Summary — As expected in prior forecasts, Colorado's economic growth slowed during the course of 2015 from its robust pace in 2014. The contraction in the oil and gas sector, a tighter labor market, and sluggish global growth all have contributed to the slowdown. However, much of the slowdown in economic activity worldwide has been confined to the manufacturing and mining sectors, which make up a relatively small portion of Colorado's economy. Therefore, the core of the state's economy, with its diverse industry base and stronger population growth, remains resilient in the face of these headwinds. Because of the state's favorable economic attributes, Colorado's economy is expected to continue to post stronger levels of growth than the nation overall, but slower than the high growth experienced in 2014. The state is forecast to achieve job gains of 2.6 percent in 2016, after growth of 3.4 percent and 2.8 percent in 2014 and 2015, respectively.

In the midst of headwinds from sluggish global economic conditions, the U.S. economy overall continues to grow at a modest yet steady pace. Although the manufacturing sector has been hit particularly hard by slow global growth and lower commodity prices, the services sector, which makes up a larger portion of the U.S economy, remains resilient. A solid labor market and lower gasoline prices continue to fuel strong growth in consumer spending, one of the largest factors contributing to overall growth in the U.S. economy.

This forecast includes an analysis of housing cost trends and their implications for the economy. The recent increases in home prices and rents for parts of Colorado, especially the northern Front Range, have been among the highest in the nation, making these regions less affordable. However, higher housing costs are not generally associated with lower in-migration rates or slower economic growth. Some of the least affordable areas in the nation have among the highest in-migration rates of young and educated populations and experience some of the strongest job growth in the country. Other factors thus can outweigh housing costs in determining growth, namely economic diversity and vibrancy, the amount and quality of economic opportunities, quality of schools, and other amenities. Therefore, higher housing costs in Colorado do not necessarily portend a slowdown in economic growth for the state.

There is some evidence, however, that higher housing costs can reduce job growth and increase out-migration rates compared to scenarios in which housing costs were lower, especially over time. Therefore, although higher housing costs do not necessarily cause an area to have poor economic performance, they can act as a growth constraint.

Economic risks — Sluggish global economic conditions continue to pose downside risks to the forecast. Colorado's economy does not have a large amount of direct exposure to the global slowdown in manufacturing activity and trade in goods and commodities, but a larger sustained downturn may begin to have larger negative spillover effects for the state. In addition, recent weakness in higher-yield, more risky corporate bonds is making it harder for some businesses to borrow money and could imply broader deteriorating economic conditions.

Oil prices have dropped further recently due to continued oil production growth amidst weak global demand. The oil and gas industry's contraction in the state has contributed to overall slower growth in Colorado and future contractions in the industry will weigh further on growth.

Finally, the economy faces risks associated with the Federal Reserve's tightening of monetary policy through raising the target for the federal funds rate. The Federal Reserve raised the target range for the federal funds rate to 0.25-0.5 percent, up from 0-0.25 percent, at its meeting on December 16. It also signaled future increases are expected in 2016 but are likely to be gradual and dependent on the economy. Although the financial markets and broad economic conditions appear to be ready for such an increase, further tightening in the rate, after being at near-zero levels for an extended period of time, creates some uncertainty.

Colorado Economy

As expected in prior forecasts, Colorado's economic growth slowed during the course of 2015 from its robust pace in 2014. Recently released state gross domestic product data from the U.S. Bureau of Economic Analysis confirms the slower growth this year through the second quarter after the state experienced among the highest rates of growth in the country in 2014.

The contraction in the oil and gas sector, a tighter labor market, and sluggish global growth all have contributed to the slowdown. Colorado's agricultural sector is also experiencing weakened conditions due to lower crop and livestock prices, a stronger dollar, and less global demand for its products. These adverse conditions are impacting some areas of the state more than others, most notably nonurban areas, the northeast, and the western slope. The Denver Metro region is also feeling the impact of the oil and gas industry's contraction due the industry's large presence there.

Because of the state's favorable economic attributes, Colorado's economy is expected to continue to post stronger levels of growth than the nation overall, but below the robust growth experienced in 2014.

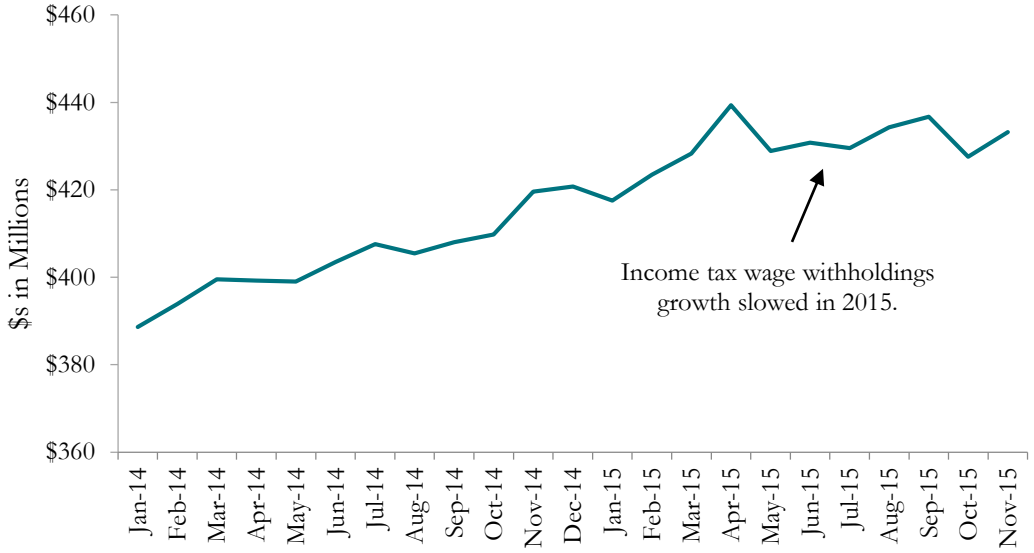
The core of the state's economy, however, with its diverse industry base, remains resilient in the face of these headwinds. The professional and business services, high-tech, finance, and health care sectors all continue to grow as they are producing goods and services that remain in demand in the current economic environment. As a result of sustained expansion in these key economic drivers, the construction, real estate, retail, restaurant, and entertainment sectors continue to add jobs. Solid population gains and a higher concentration of skilled workers also bolster the state's economy.

Despite the slowdown in overall job growth, Colorado's unemployment rate has continued to drop, falling to 3.6 percent in November after hovering above 4.0 percent for most of 2015. This is the lowest unemployment level since the summer of 2007. Further, layoffs in most sectors remain at low levels outside of an uptick in unemployment insurance claims related to oil and gas.

Because of the favorable economic attributes that remain for the state, Colorado's economy is expected to continue to post stronger levels of growth than the nation overall, but below the high growth experienced in 2014. The state is forecast to post job gains of 2.6 percent in 2016, after growth of 3.4 percent and 2.8 percent in 2014 and 2015, respectively.

Recent indicators point to slower growth for the state – The following graph shows the recent trend in income tax wage withholdings, a near-real-time indicator of broad economic performance that shows actual collections from employers across the state economy through November. The slower growth in income tax withholdings from wages is a telling indicator of the slowdown in job growth in the state.

Figure 1. Income Tax Wage Withholdings for Colorado*



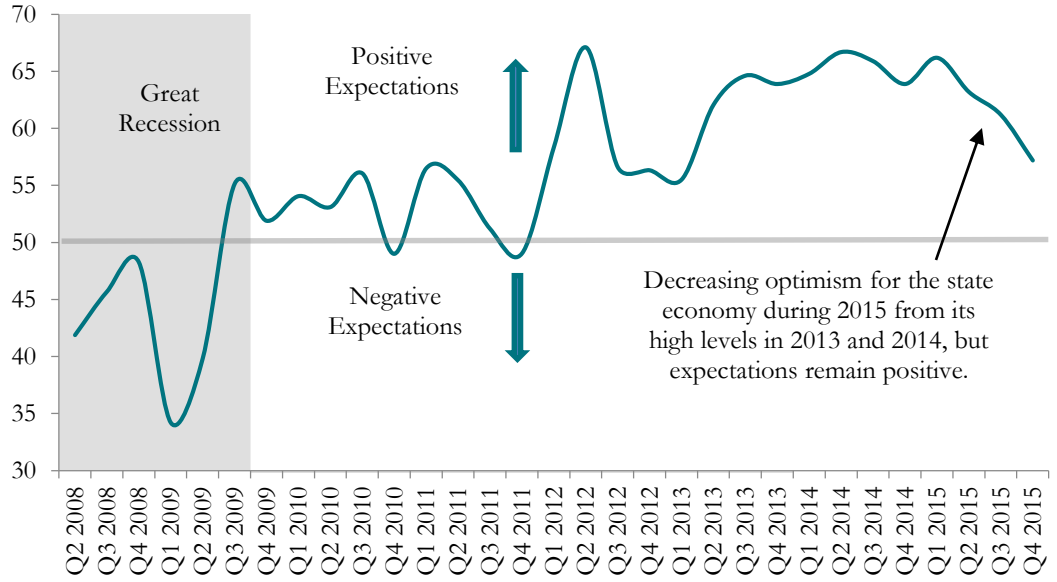
*Seasonally Adjusted, Three-month moving average
Source: Colorado Department of Revenue

Expectations for the state economy have become less positive – The Leeds Business Confidence Index, published by the University of Colorado at Boulder, Leeds School of Business, measures business assessments about economic conditions for the upcoming quarter. Figure 2 shows the index for business expectations for the overall state economy since the Great Recession and entering the fourth quarter of 2015.

Expectations for the state economy declined for the third consecutive quarter entering the fourth quarter of 2015, mirroring the slowdown in the state's economic growth.

The index declined for the third consecutive quarter, mirroring the slowdown in the state's economic growth during 2015. However, despite the decline, the index continues to post positive readings above the neutral threshold score of 50. Further, businesses remained more positive about the state economy than the national economy. Expectations for the economy are a key factor for future performance. When expectations for the economy are positive, businesses are more likely to hire and invest. Therefore, positive readings in the index point to continued expansion in the near term.

Figure 2. CU Leeds Business Confidence Index on Expectations for the State Economy*



* Readings above 50 indicate positive expectations, with higher readings signifying greater business confidence, while readings below 50 represent negative expectations.
Source: CU Leeds School of Business, Business Research Division

Colorado's more advanced, knowledge- and services-based economy is withstanding the global downturn in the manufacturing and mining sectors – Much of the slowdown in economic activity worldwide has been confined to the manufacturing and mining sectors. However, these two sectors make up a relatively small portion of Colorado's economy. In 2014, the sectors represented about 13 percent of the state's gross domestic product. Further, in contrast to national and global trends, Colorado's manufacturing sector continues to grow. Manufacturing employment in the state posted gains through October. This resilience may owe to the fact that much of Colorado's manufacturing sector produces advanced goods that are less tied to the global slowdown in commodities and heavy equipment.

Despite the recent slower growth, Colorado's concentration of diverse services, knowledge-based, and high-tech industries, combined with stronger population growth, will help it continue to perform better than the nation.

Most of Colorado's economic activity involves higher value professional and business services, such as architecture, engineering, accounting, and information technology, as well as financial and health care products and services. These activities continue to be in demand in the current economic environment despite the slowdown in oil and gas and manufacturing across the economy.

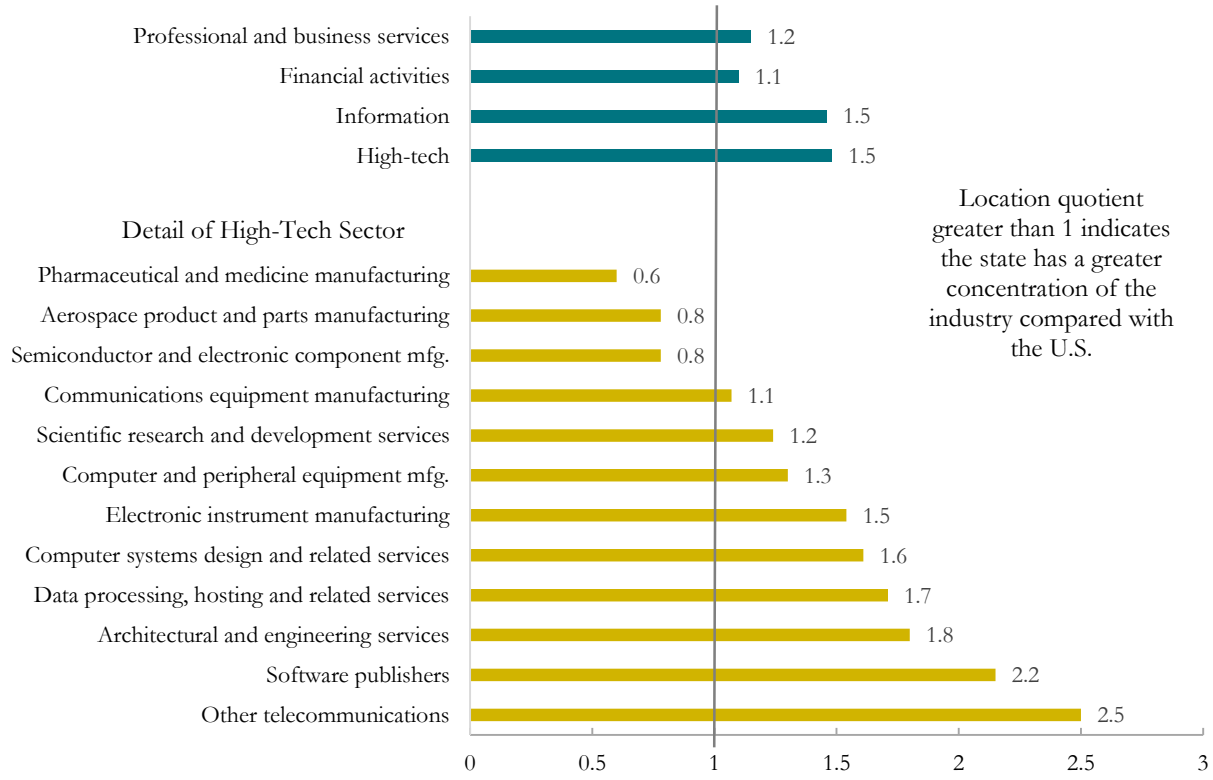
Several of the above industries are considered high-tech industries due to their high proportion of scientists, engineers, and technicians. These industries typically have higher paying jobs. Further, the state's economy has become increasingly knowledge-based, in which economic value is created through ideas, information, innovation, and relationships. Knowledge-based and high-tech industries are involved with developing new products and production processes that lead to increased productivity and overall economic growth. Regions with concentrations of this activity have better economic competitiveness and more growth.

The following graph demonstrates that Colorado has a stronger concentration of high-tech industries, professional and business services, and information and financial services than the national economy as a whole.

The graph shows the location quotient of these industries for Colorado, which is based on the share of industry employment in an area.

A location quotient greater than one indicates the state has a greater concentration of the industry compared with the U.S. economy overall. Industries with higher location quotients are typically export-oriented industries as they generally produce more than the region in which they operate consumes. Exporting industries are important because they bring money into the region for investment and hiring. The state's higher concentration of these industries will help its economy continue to perform better than the nation.

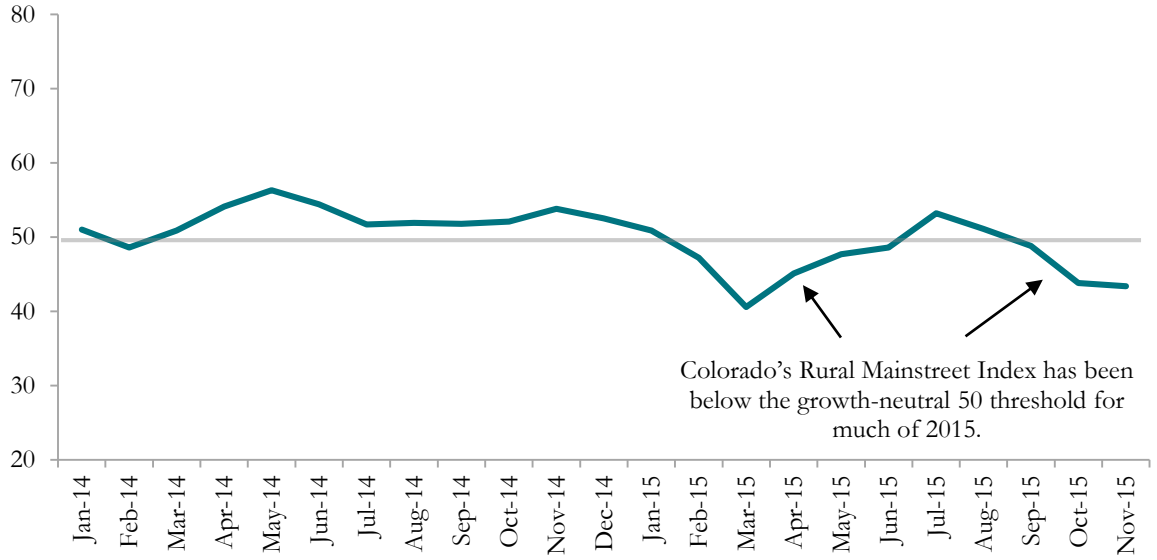
Figure 3. Colorado's Concentration (Location Quotient) of High-Tech, Knowledge, and Services-related Industries*



* The location quotient is the ratio of an industry's employment to total employment in Colorado divided by the ratio of the industry's employment to total employment for the U.S. overall. Some of the detailed high-tech industries listed are also part of the broader professional and business services and information sectors.
Source: U.S. Bureau of Labor Statistics

Nonurban areas tied to agricultural economies continue to experience more sluggish conditions – Low prices for certain crops and livestock, combined with a stronger dollar and weaker exports, continue to dampen farm income and negatively impact some of Colorado's regional agricultural-based economies. Colorado's Rural Mainstreet Index, published by Creighton University, has hovered below the growth-neutral 50 threshold for much of 2015, as shown in Figure 4. The index in November registered 43.4, similar to October's level. Some of the weakness in the rural index is likely tied to the slowdown in the oil and gas industry. The index surveys rural community banks in nonurban agricultural and energy-dependent areas regarding current economic conditions and their economic outlooks.

Figure 4. Colorado's Rural Mainstreet Index



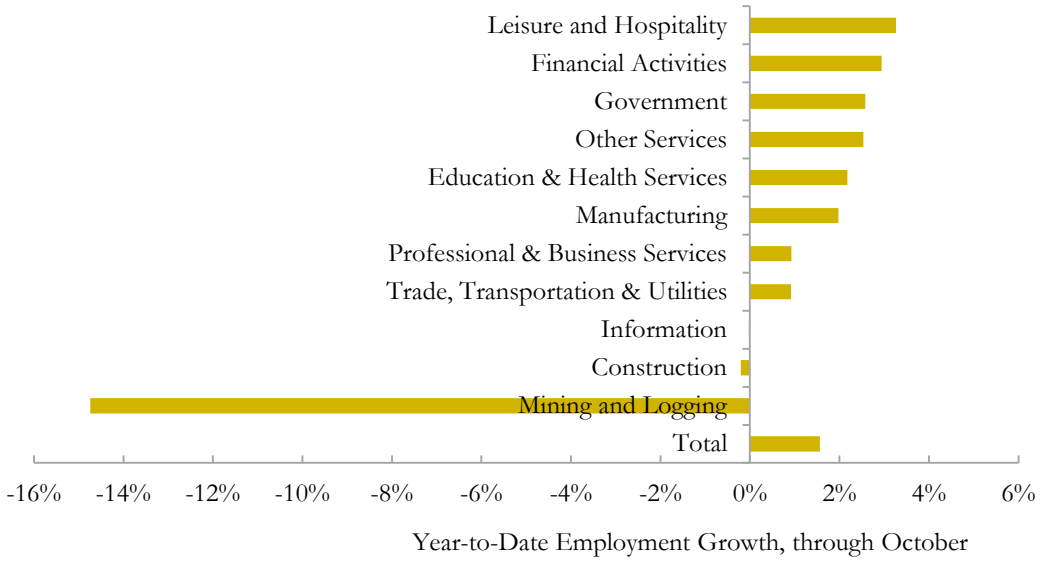
Source: Creighton University

Service-related job growth is leading the Colorado employment expansion while construction and extractive industries lag – Colorado has seen broad-based employment growth throughout this year, with the notable exceptions of information, construction, and especially the oil and gas industry, where low oil prices have caused firms to shed workers. As Figure 5 demonstrates, job growth has been especially concentrated in services sectors such as leisure and hospitality, financial services, and education. The slight drop in construction employment may reflect a low supply of workers, many of whom left the industry in the wake of the recession. The oil and gas industry lost over 15 percent of its total workforce in the first half of 2015. The impact of persistently low oil prices on the industry remains to be seen, but job losses have slowed in the second half of the year based on preliminary survey data. For further discussion on the oil and gas industry, see page 19.

Job growth in the state has been solid in most sectors, and especially in service-related industries, dampening the negative impact of the slowdown in the oil and gas industry.

Other signs point to a solid Colorado jobs market. According to a report from the Conference Board concerning online help-wanted ads, the ratio of unemployed persons to online ads was 0.78, the lowest in the Western region of the country and roughly half the nationwide average. Likewise, Denver's "supply/demand" ratio measured 0.5, the lowest of any major metropolitan area tracked by the survey. These low ratios indicate that employers in the state are having a more difficult time filling their openings, and that Coloradans continue to have more job opportunities relative to the rest of the nation.

Figure 5. Colorado Year-to-Date Employment Growth by Sector*



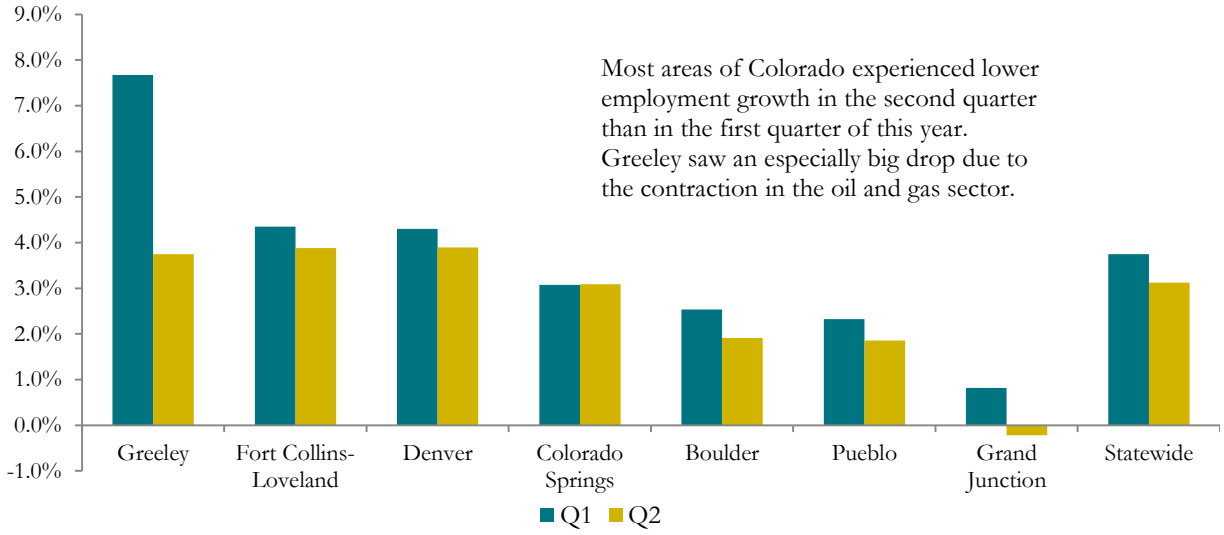
*Seasonally adjusted data
Source: Bureau of Labor Statistics, OSPB Calculations

Job growth is concentrated in the central and northern Front Range regions, but is slowing across the state – While Colorado has experienced healthy growth in employment over the course of the year, gains have not been spread evenly across the state. The northern Front Range fared best early in the year as employment in Greeley, Denver and the Fort Collins-Loveland area grew by 7.7, 4.4 and 4.3 percent in the first quarter over the same period in 2014. Jobs in Grand Junction, and Pueblo grew slower than the state average.

Despite these positive developments, though, employment growth slowed in the state over the course of the year. As shown in Figure 6, year-over-year growth slowed from 3.7 percent in the first quarter to 3.1 percent in the second quarter. Growth stalled in all metro areas except Colorado Springs, and the slowdown was especially marked in Grand Junction and Greeley, both of which lost jobs during the second quarter.

Year-over-year job growth fell from 3.7 percent in the first quarter to 3.1 percent in the second, and almost all areas of the state have experienced some slowing.

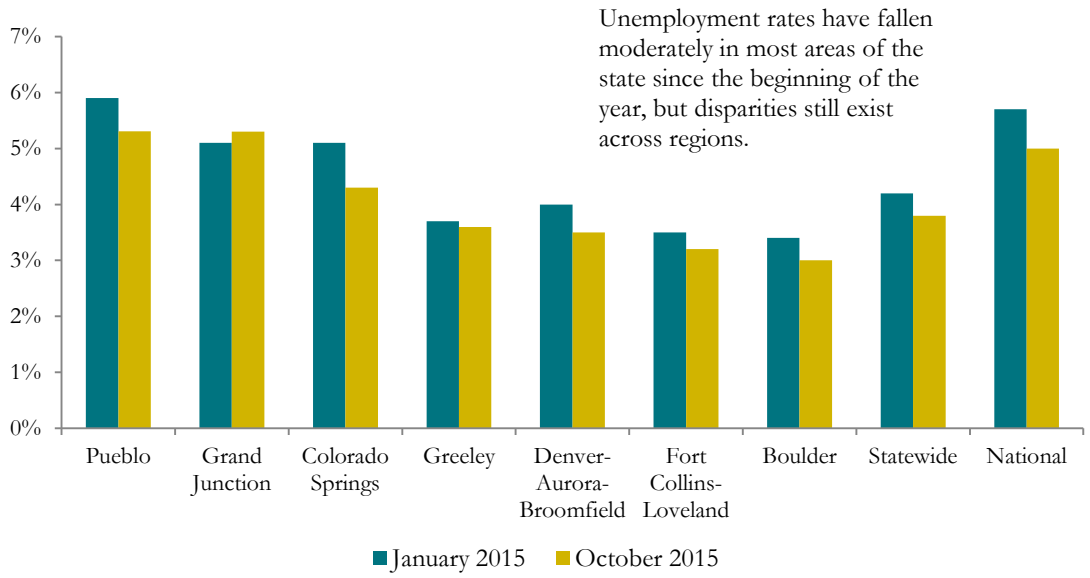
Figure 6. Year-over-Year Employment Growth in First and Second Quarter, 2014 to 2015



Source: Colorado Department of Labor and Employment, OSPB Calculations

Unemployment continues to fall, but unemployment levels vary widely across the state – The official unemployment rate in Colorado fell to 3.6 percent in November, 1.4 percentage points below the national average and 0.6 percentage points below the level at the beginning of the year. In addition, the broader U-6 measure of underemployment averaged 8.4 percent for Colorado from the fourth quarter of 2014 through the third quarter of this year, compared to 10.8 percent for the same metric at the national level. As shown in Figure 7, topline state numbers mask significant variation across the state. For instance, Boulder's unemployment rate stood at 3.0 percent in October, while Pueblo and Grand Junction both had rates of 5.3 percent.

Figure 7. Unemployment Rates by Colorado Metro Area



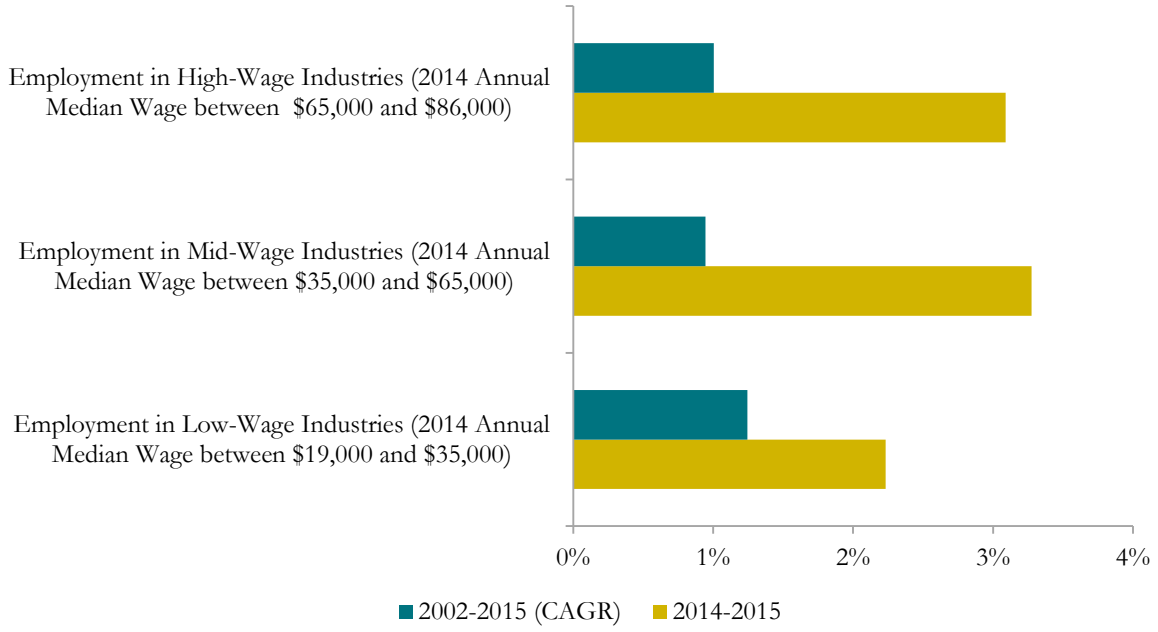
Source: Bureau of Labor Statistics

Colorado is breaking with long-term trends by adding more high- and middle-wage jobs – As Figure 8 shows, lower-wage jobs in Colorado grew at an average annual rate of 1.2 percent between 2002 and 2015, compared to growth of only 1.0 percent for middle- and higher-wage jobs. More recently, though, higher- and middle-wage jobs have grown faster. From the first half of 2014 to the same period in 2015, higher-wage jobs grew by 3.1 percent, middle-wage jobs by 3.3 percent, and lower-wage jobs by 2.2 percent. This translated into roughly 43,600 new middle- and higher-wage jobs over the year, and shows that Colorado's economic expansion has created opportunities across occupations and industries

Over the long term, wage disparity has increased, however. From 2002 to 2014, workers in high-wage industries saw their real median annual wages increase 24.4 percent. On the other hand, middle-wage industries increased real median wages by only 1.8 percent, while workers in low-wage industries experienced an 8.1 percent erosion over the period.

Middle- and higher-wage jobs grew 3.3 and 3.1 percent respectively from 2014 to 2015, a higher rate than lower-wage jobs and significantly better than long-run averages.

Figure 8. Growth in Colorado Employment by Wage Level*



*Data represents average employment levels from the first half of each year. Median wage data is not available for 2015, so 2014 median wages are applied to all years.
Source: Colorado Department of Labor and Employment, Bureau of Labor Statistics, OSPB Calculations

National Economy

The national economy continues to grow at a modest pace – In the midst of headwinds from sluggish global economic conditions, the U.S. economy continues to grow at a modest yet steady pace. Although the manufacturing sector has been hit particularly hard by slow global growth and lower commodity prices, the services sector, which makes up a larger portion of the U.S economy, remains resilient. Additionally, multiple labor market indicators continue to point towards a tightening labor market putting more upward pressure on wages, although still sluggish compared with historical trends. A solid labor market and lower gasoline prices continue to fuel strong growth in consumer spending, one of the largest factors contributing to overall growth in the U.S. economy.

The U.S. economy continues modest yet steady growth in the midst of sluggish global economic conditions.

According to the Federal Reserve's most recent "Beige Book," business and other contacts across the economy indicated that economic activity expanded modestly across most regions and industries in recent months. Reports on manufacturing were mixed with contacts indicating that the strong dollar, low commodity prices, and weak global demand remain constraining factors. Business contacts reported modest growth in labor demand and that wages have increased modestly, but mostly in higher-skilled occupations.

Longer-term drivers of the overall health of the economy point to continued moderate growth — The recent trend toward moderated growth in the national economy may be a preview of longer-term expectations. One simple measure of longer-term economic growth is population growth plus productivity growth. Given the long-term downward trend in measured productivity growth and the demographic shifts in the U.S., overall economic growth will likely be constrained in the near term and potentially over the long term, as well.

A long-run downward trend in measured productivity, demographic shifts, and a smaller prevalence of new businesses are slowing growth in the U.S.

Furthermore, the U.S. has traditionally been a highly entrepreneurial and dynamic economy. However, new business formation and the prevalence of small businesses have been on a slow decline over the past few decades giving further indication that, without any fundamental shift in the economy, the U.S. economy is on a slower growth trajectory than in previous periods. This national trend masks the performance of many areas around the U.S., Colorado among them, that have more of an entrepreneurial culture with younger, growing populations that helps facilitate business formation and growth. These regions continue to outperform other areas in the nation.

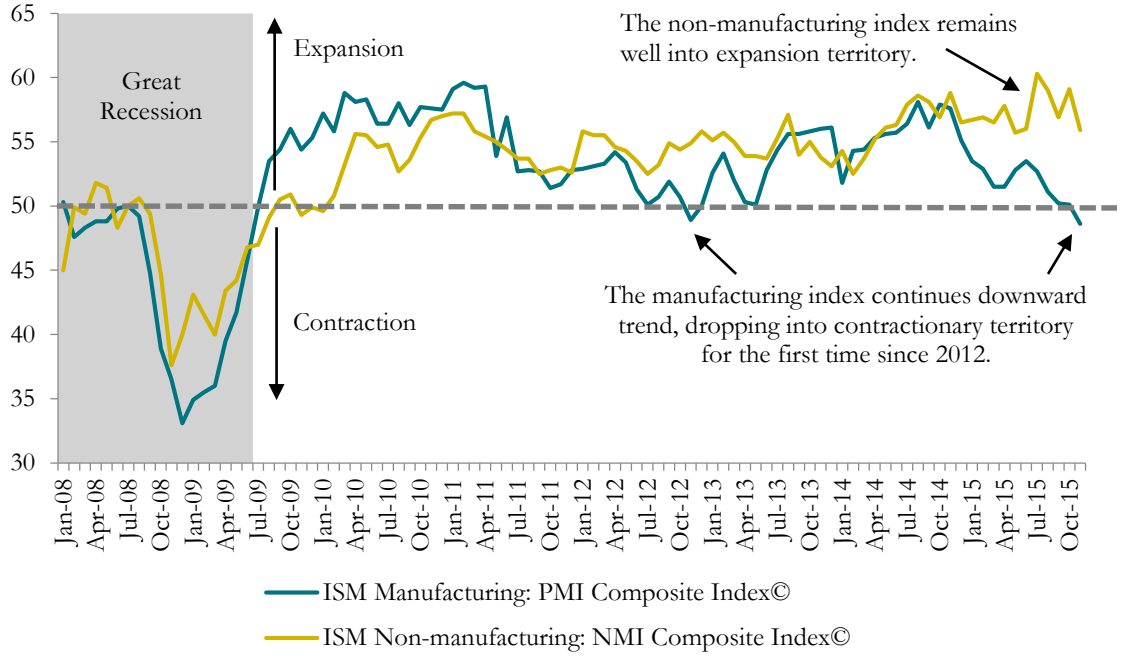
Broad measures of manufacturing and non-manufacturing activity show diverging patterns between the two sectors — The Manufacturing Composite Index and the Non-manufacturing Composite Index, both published by the Institute for Supply Management (ISM), indicate that the non-manufacturing sector continued to expand while the manufacturing sector entered contractionary territory in November. These two indices use data collected from business surveys that gauge activity by tracking key behaviors, such as placing new orders, increasing production volume, hiring new employees, and making deliveries.

The ISM non-manufacturing index, which looks at the largest portion of U.S. economic activity, indicates continued expansion while the manufacturing index dropped into contractionary territory in November for the first time in three years.

As shown in Figure 9, the non-manufacturing index, which covers the largest portion of economic activity in the U.S., dropped to 55.9 in November from 59.1 in October. Despite the decline, the index remains above the 50 threshold, indicating that the industry continues to expand. The month of November marked the 70th consecutive month for expansion in the non-manufacturing sector. Importantly, comments from representatives remained positive about business conditions in the non-manufacturing sector.

The ISM manufacturing index decreased to 48.6 in November from 50.1 in October. A reading below 50 indicates a contraction in the industry. Comments from representatives were mixed, with some indicating sales remained consistent while others indicated that the global economy and low commodity prices continue to put downward pressure on sales.

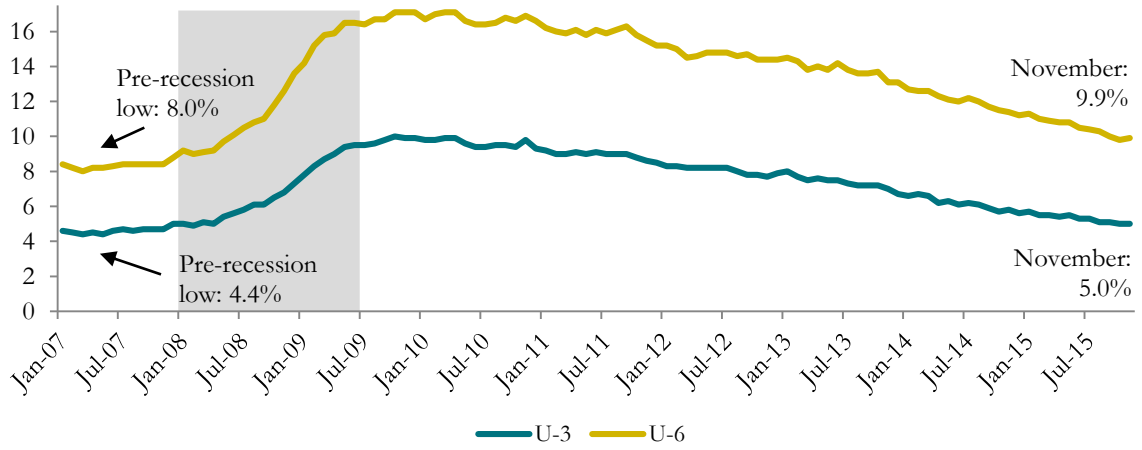
Figure 9. ISM Manufacturing and Non-Manufacturing Indices*



*Readings above 50 indicate expansion in the industry while readings below 50 indicate contraction.
Source: Institute for Supply Management

Unemployment numbers and other measures indicate improving labor market conditions– After years of stubbornly high unemployment figures, the U.S. official, or "U-3," unemployment rate dropped to 5.0 percent in October and remained there in November, only 0.6 percentage points above the pre-recession low of 4.4 percent. Likewise, the U-6 rate, long seen as an indication of excessive slack in the U.S. economy, saw its fastest quarter-over-quarter post-recession drop to end at 9.9 percent in November, despite a 0.1 percent rise over the previous month. The Federal Reserve's Labor Market Conditions Index also suggests a tightening jobs landscape. The index gauges national labor market activity and momentum using the unemployment rate and other indicators. The momentum measure fell over the last few months, but still remains close to post-recession highs, while the level of activity indicator shows its strongest reading since June 2008.

Figure 10. National Unemployment Indicators

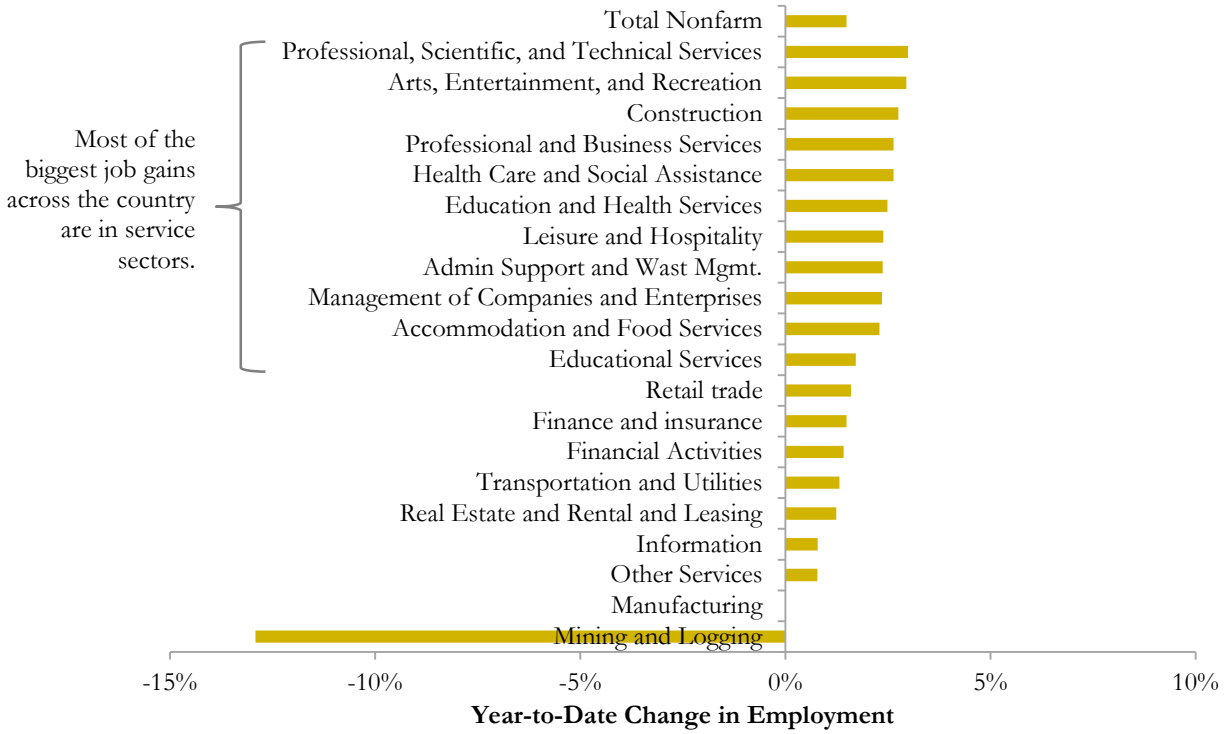


Source: Bureau of Labor Statistics

Job gains are being led by services sectors, easing the drag from extractive industries and manufacturing – As Figure 11 shows, the service sector accounts for nearly all of the fastest growing industries in the country. The construction sector is an important exception, as firms and employees have benefited from a rebound in housing and construction in many parts of the country. Manufacturers experienced the lowest job growth over the past year. The mining and logging sector endured the effects of low energy and commodity prices and actually shed nearly 14 percent of its total workforce. This picture is consistent with global trends in which service industries are generally outperforming goods-producing industries. The year-over-year job growth rate slowed from 2.3 percent in January to a low of 1.9 percent in November. This may be an indication that the country is approaching full employment.

Nearly all of the top industries for national job gains this year are services-based, reflecting the general strength of services industries versus goods-producing sectors.

Figure 11. National Year-to-Date Job Growth by Sector*



*Seasonally adjusted data
Source: Bureau of Labor Statistics, OSPB calculations

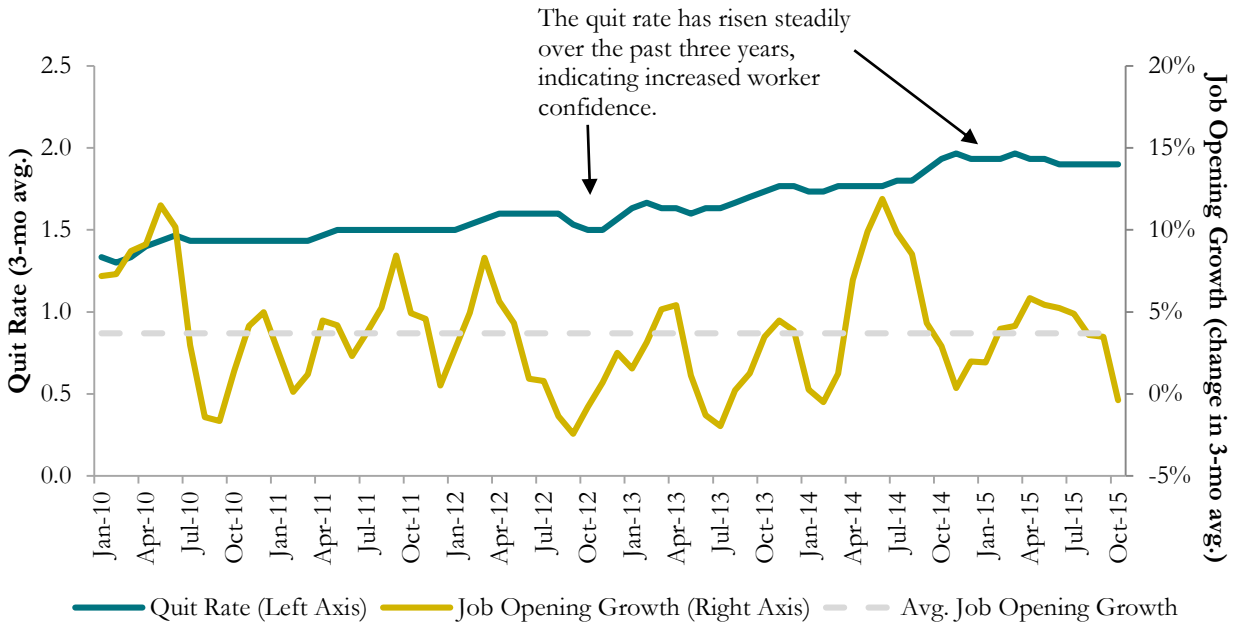
Job openings growth points to further tightening in the labor market, despite recent slowdown – As shown in Figure 12, nationwide job openings have grown at an above-average pace for most of the last 18 months. Although the pace of growth fell in the last few months for which data is available, this momentum is a positive sign that the labor market continues to recover.

In another encouraging development, the number of unemployed people per job opening fell from 2.6 in January 2014 to 1.4 in September 2015, its lowest level since the recession began. This means that less people are likely to be competing for a given position, but it also shows that employers have less applicants to fill positions. In addition, recent data from the Society for Human Resources Management shows that companies are having more difficulty recruiting and that they must offer better compensation, further evidence that the labor market continues to tighten.

The number of unemployed people per job opening fell to its lowest post-recession level in September, while survey data confirmed that many firms are finding it increasingly difficult to find workers.

Figure 12 also shows the national quit rate, which is often considered a proxy for worker confidence: a higher quit rate points to increased confidence as employees have more faith in their ability to get a new job after leaving a current position. The quit rate did fall recently but, as with the unemployment indicators described above, the long-term move towards pre-recession averages suggests that the labor market is healthier than it has been in years. One result of this renewed health is rising wages: real average hourly earnings rose by over 1.5 percent year over year during every month in 2015, the first such run since 2010. However, growth in overall wages remain below prior economic expansions.

Figure 12. National Quit Rate and Growth in Job Openings



Source: Bureau of Labor Statistics, OSPB calculations

International Economic Conditions and Trade

While the U.S. economy has shown signs of continued modest expansion, the world economy overall continues to struggle as it lacks solid drivers of economic growth. Some indicators point to increased stability in the developed, more advanced economies whose economic activity is based more on services and information, rather than manufacturing and mining. The severity of the slowdown in China will play a large role in determining global progress over the next several quarters, especially in parts of the world that have grown dependent on Chinese consumption of raw materials.

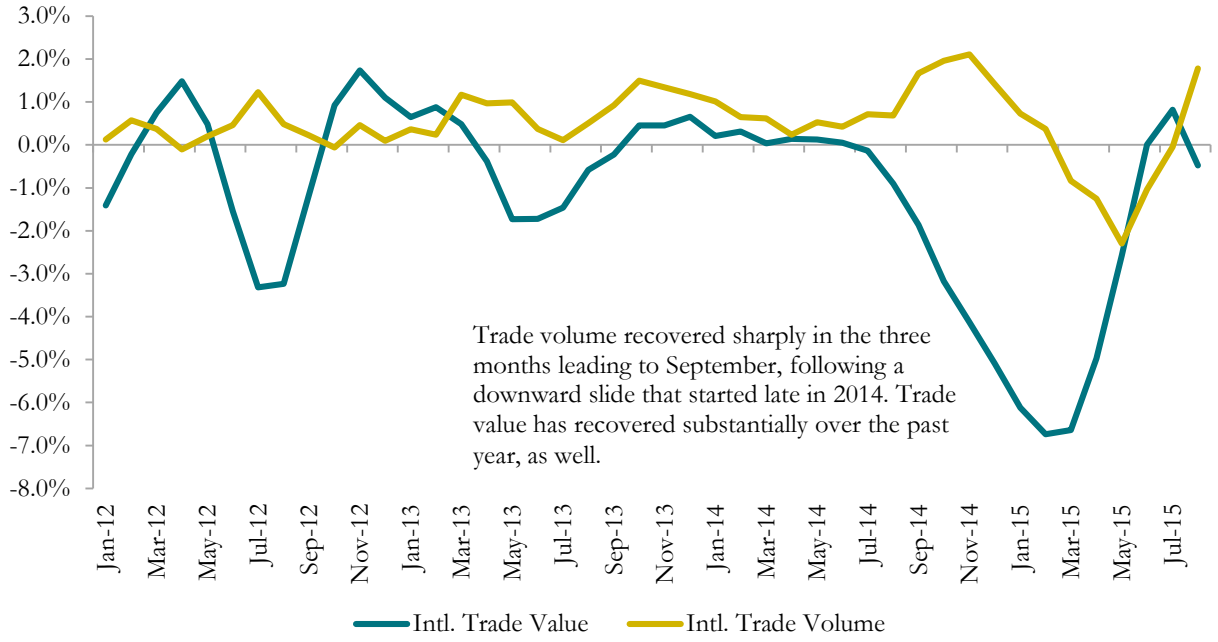
The volume of international goods trade grew only 1.5 percent over the last year as commodity demand dropped substantially due in part to the economic slowdown in China.

The slowdown in China is taking a toll on the world economy, especially in developing economies – As China's economic growth slows from its rapid pace of the last decade, growth is also declining in countries around the world that have helped supply the raw materials for development in the world's second-largest economy. For decades, China consumed an ever-greater amount of commodities to build infrastructure and supply its manufacturing activities, much of which it imported from the rest of the world. Resource-rich developing economies became especially reliant on commodity exports. For instance, according to The Economist magazine, between 2010 and 2013 primary commodity exports accounted for 17.7 percent of Chile's GDP, 27.1 percent of Nigeria's GDP, and 17.4 percent of Russia's GDP.

The slowdown in China has had a cascading effect on these countries. Chinese builders and factories use less inputs, which in turn reduces the income for countries supplying the inputs. This fall in demand was an important contributor to the Dow Jones All Metals Commodity Price Index falling by over 27 percent in the past year.

Trade growth remains slow, though there are some signs of progress – International trade as a share of global GDP shrank slightly between 2013 and 2014, and the commodities decline described above has further weakened trading between countries in 2015. Figure 13 shows longer-term measures of the global volume and value of goods traded. As the figure shows, the drop in commodities traded hit international trade in late 2014 and early 2015. Although trade volume continued to rise modestly at the beginning of this period, the sharp decline in commodity prices caused the total value of trade to plummet. More recently, trade appears to be stabilizing, and trade volumes grew at their fastest rate of the year in the three months ending in September. However, gains in the last few months are almost entirely the result of Asian countries increasing imports, and overall year-to-date trade volume grew only 1.5 percent, compared with 3.9 percent growth from 2013 to 2014.

Figure 13. Change in International Merchandise Trade, Volume and Value*



*Percent change in three-month averages.
Source: CPB World Trade Monitor

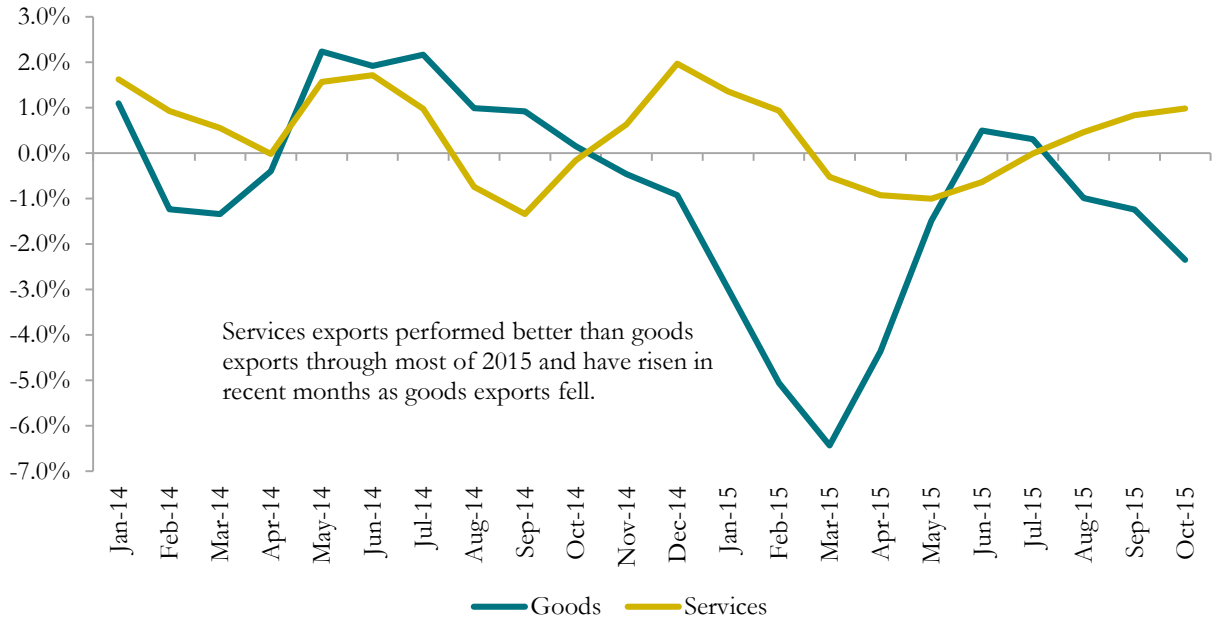
Weak trade and a strong dollar are hurting exporters and U.S. firms with international exposure, but services exports are growing – The U.S. dollar has appreciated 24 percent against other major currencies in trade-weighted terms since January 2013, and by 4.8 percent this year alone. A stronger dollar affects American firms in a few important ways. First, U.S. exporters become less competitive as their goods and services become more expensive relative to foreign competitors. Firms that produce goods abroad and sell them through foreign-currency denominated contracts are shielded from this impact, but their profits are reduced when they exchange foreign currency back to dollars. The impact of the strong dollar is especially important for large, publicly traded companies, which is one reason stock markets have been weaker over the past year.

U.S services exports have experienced modest growth over the last six months, but goods exports continue to drop, reflecting a global trend that saw merchandise trade fall beginning in late 2014.

Despite currency headwinds, U.S. exports have recovered over the last quarter, and service exports have returned to positive growth. As shown in Figure 14, goods exports fell precipitously starting at the end of 2014, reflecting the worldwide drop in merchandise trade discussed above. However, services exports experienced a milder drop, and posted modest monthly gains for each of the six months leading to October. More recent

data corroborate tepid export performance: the ISM new export orders index for the U.S. fell to 47.5, its sixth consecutive month in contractionary territory. The non-manufacturing component of the index fell slightly below the neutral mark of 50 to 49.5 in November, but still remained above the manufacturing component, which hovered near its six-month average at 47.5. The high concentration of services exporters in the U.S. insulates the country from some of the international headwinds. In addition, exports comprise only about 9.4 percent of GDP, and thus weakness in trade from slower growth around the world typically does not have broad negative impacts.

Figure 14. U.S. Exports of Goods and Services



*Percent change in three-month averages.
Source: Bureau of Economic Analysis, OSPB calculations

Colorado's limited direct exposure to international markets is cushioning the state from global headwinds – Colorado's goods exports shrank by 2.4 percent year over year through October, after dropping by the same amount from 2013 to 2014. However, while Colorado has developed a broad range of industries to fuel economic growth, the state remains relatively insulated from the global economy through direct trade. Exports of goods make up only 2.7 percent of Colorado GDP, compared with 9.4 percent for the country as a whole. This means that, although individual sectors like mining and agriculture are feeling the effects of a commodity-led trade slowdown more acutely, the state as a whole will likely be less affected. However, though the state's economy has less direct trade of goods with other countries, it does sell products to other states with more international trade exposure, and thus is affected by slowing activity in those states.

Although Colorado's exports dropped in the first part of this year, the state's focus on service-related industries and relatively narrow exposure to international goods markets provide protection from global headwinds.

Though data on Colorado's export of services is not readily available, the state likely is more engaged in the trading of services than the nation overall. Because the services-related sectors across the global economy are performing better than goods sectors, the state economy is also better positioned to withstand the current global headwinds.

Oil and Gas Industry Conditions

As oil and gas prices remain suppressed due to weakened demand combined with abundant supply, the industry continues to contract. Given the latest employment data and expectations for suppressed oil and gas prices, direct oil and gas industry employment in Colorado will likely decrease nearly 20 percent by the end of 2015, higher than estimated in prior OSPB forecasts.

Although employment in the oil and gas industry makes up a small share of overall employment in Colorado, wages in the industry tend to be relatively high and the industry invests large sums of money. Therefore, there can be material impacts on the state from growth or contraction in the industry. However, Colorado's economy is diverse with many growing industries that have been able to dampen the impact of the oil and gas contraction. In addition, lower gasoline prices have given consumers and businesses more money to spend on other goods and services, softening some of the shock.

The oil and gas industry continues to contract due to low prices.

Oil and gas prices remain suppressed, but production levels remain high — Oil prices dropped below $40 at the beginning of December, causing concern that prices will remain low for longer than expected. Price projections for 2016 are expecting only a minor improvement to $51 with downward risk associated with the continued expansion of oil production globally, combined with modest growth in global demand. Natural gas prices also remain substantially lower than their 2014 levels due to oversupply and are expected to rebound only slightly in 2016.

Given the dramatic decline in oil prices, expectations were for a much larger decline in production during 2015. However, as of August 2015, production in Colorado is still higher in 2015 than it was in 2014. More recent data exists on production levels in the Niobrara Region, which accounts for a majority of Colorado's overall production. Although production began to decrease in May 2015, production levels from January 2015 to November 2015 remain 20.2 percent higher than the same timeframe in 2014. Energy firms have become increasingly efficient, focusing on the most productive areas to drill new wells. As a result, producers are able to extract more oil using half as many rigs. Further, firms have cut expenses to make continued production more profitable. However, this trend in production will likely reverse as prices continue to stay low, causing firms to ramp down production. Thus, a downward trend in production through the remainder of 2015 into 2016 is expected.

Although prices remain suppressed, continued efficiencies in the industry have enabled firms to continue to produce at record levels this year.

According to the October Energy Survey administered by the Federal Reserve Bank of Kansas City, firms within the Kansas City District, which includes Colorado, continue to need oil prices around $60 per barrel, on average, to be profitable. Prices are not expected to rebound to this level until at least 2017, so many of the survey's respondents indicated plans for further capital spending cuts and layoffs. However, the Wattenberg Field in the Denver-Julesburg Basin remains one of the least costly and most profitable places for oil and gas extraction in the nation, making it relatively more attractive for continued activity even as prices remain low.

The oil and gas industry continues to contract — Employment data from the Colorado Department of Labor and Employment indicates that employment in the industry decreased 18 percent, or by 5,709 jobs, from December 2014 to June 2015. The contraction in employment is expected to slow through the remainder of the year, resulting in approximately 20 percent, or 6,200, fewer jobs in the industry by the end of 2015.

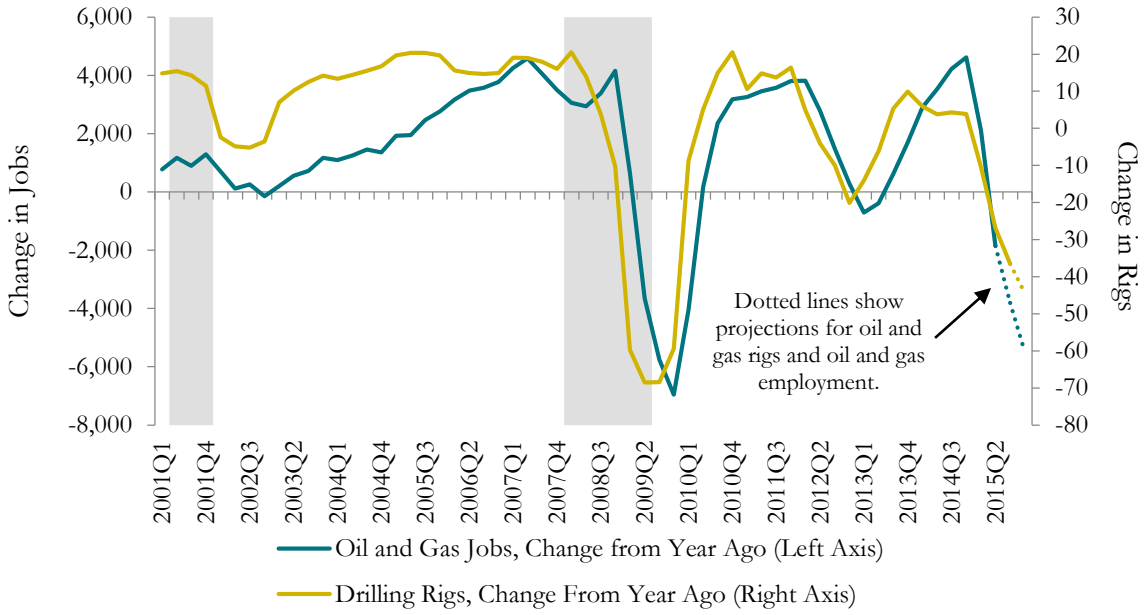
The number of oil and gas rigs operating in Colorado continues to track closely with the trend in oil prices. The number of rigs in operation appeared to stabilize in the second quarter of 2015 in the upper 30's range and then turned down again beginning in August as oil prices continued to soften. As of the second week in December, the number of rigs in operation stood at 25, down from a rig count of 77 in September 2014.

Continued contractions in oil and gas employment are expected to result in approximately 20 percent fewer jobs in the industry by the end of 2015.

Figure 15 examines the relationship between drilling rigs and oil and gas employment historically and projected through the end of 2015. The data indicates that changes in drilling rigs are highly associated with changes in employment levels. The current trends in operating rigs are consistent with about a 20 percent decline in employment this year if the relationship maintains a similar pattern.

The decline in employment will likely continue into 2016, although at a slower rate than occurred in 2015. Prices are expected to remain weak through the year, reducing incentives for exploration and drilling. Many firms were holding out as long as possible with the expectation of a rebound in prices; this appears less likely as growth in global supply remains stronger than expected. Many of the current hedges made at higher prices are expiring in the end of 2015, which will likely lead to another round of industry cutbacks. Access to financing continues to present challenges, especially for smaller firms, as investment in the industry remains less profitable. However, firms continue to adapt to lower prices by becoming more efficient and requiring less resources and time to drill wells, with the most productive firms remaining profitable at oil prices below $50. Future drilling will focus on the most productive regions around the nation, including the Wattenberg Field in Colorado, leading to a softer slowdown in these areas.

Figure 15. Oil and Gas Employment and Operating Drilling Rigs in Colorado*

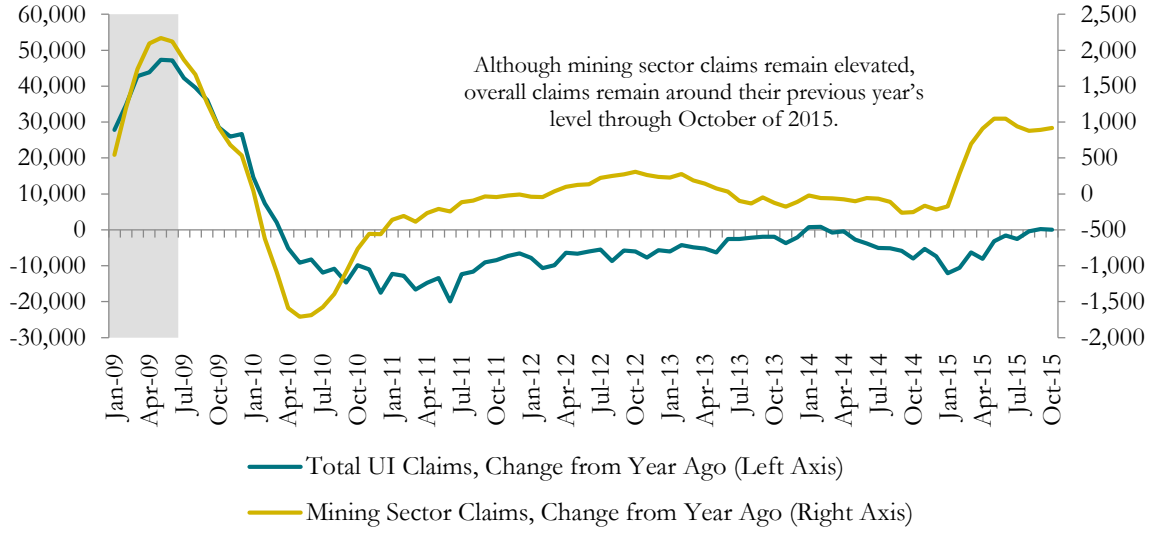


*Actual data on drilling rigs through the third quarter of 2015, actual employment data through the second quarter of 2015. The dotted line shows fourth quarter projections for drilling rigs, third and fourth quarter projections for industry employment.
Source: Colorado Department of Labor and Employment; Baker Hughes

Recent trends in initial unemployment claims in the oil and gas industry indicate layoffs in the industry have picked up slightly over the previous few months when oil prices began to soften further, although they remain lower than the beginning of the year. As shown in Figure 16, unemployment claims in the oil and gas industry

remain well above their previous year's levels. However, overall claims in Colorado remain about even with prior year levels, indicating that the overall economy continues to be able to withstand the contraction in the oil and gas industry. For more information on the Colorado economy, see the Overview of Colorado's Economy section.

Figure 16. Colorado Unemployment Claims by Industry



Source: Colorado Department of Labor and Employment

Housing Costs and the Colorado Economy

The recent increases in home prices and rents have made parts of Colorado, especially the northern Front Range, less affordable. Home prices in Colorado increased 28.4 percent from the second quarter of 2012 to the second quarter of 2015, and appreciation has accelerated in the last few quarters. Rents have increased at similar rates. This section explores recent trends in housing costs and the implications of rising home prices and rent for the Colorado economy.

Recent home price increases have led to less affordable housing in Colorado metro areas — Home prices in Colorado increased 28.4 percent from the second quarter of 2012 to the second quarter of 2015, when the median Colorado home price rose to $271,167. Price increases for some areas in the northern Front Range have been among the highest in the country. At the national level, median home prices have grown 16.2 percent since 2012, with a median price of $197,641 in the second quarter of 2015.

While trends in median home price figures can be useful for understanding general market conditions, they do not account for variations in income levels across geographies that help determine the affordability of homes. To assess affordability, this analysis looks at housing costs in relation to income levels, measuring the percentage of income that a median household must spend on mortgage payments and property taxes in order to buy a median-priced house in a specific state or metro area.[1]

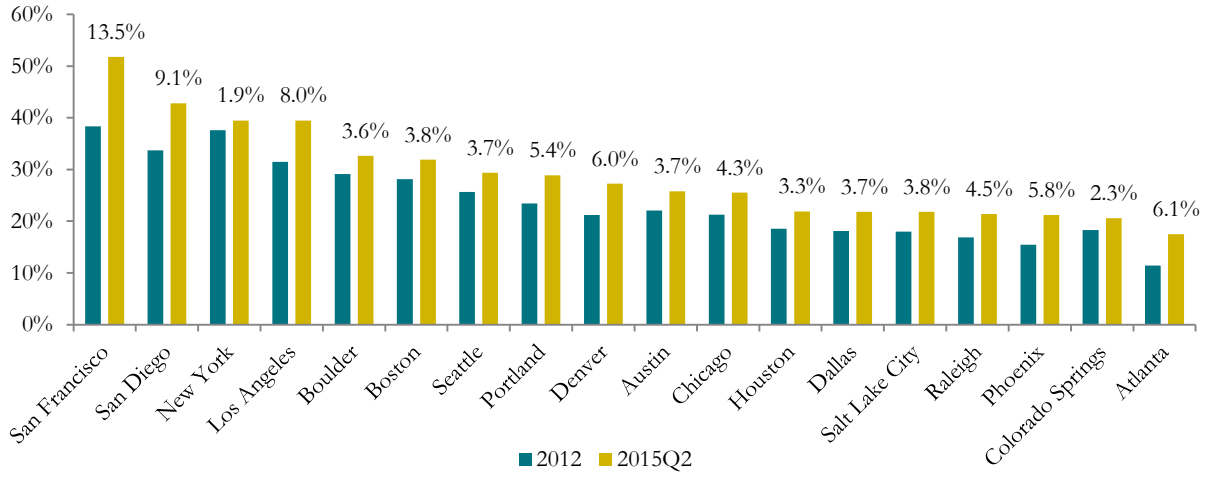
[1] For median home prices, the analysis incorporates data compiled by the Federal Housing Finance Authority (FHFA), available at http://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#atvol. Using 2010 as a base year, home prices from 1984 to 2015 were estimated using the FHFA's House Price Index. The home affordability indexes for metro areas were estimated using National Association of Realtor home price data, which is available publicly from 2012 to 2015. For all geographies, the analysis uses median household income data from the U.S. Census Bureau's American Community Survey (ACS). The ACS only contains data up to 2014. Therefore, to show affordability levels for 2015, the analysis projects median household income using the growth rate of statewide personal

Figure 17 shows affordability across 18 selected major metropolitan areas including Denver, Boulder, and Colorado Springs from 2012 to the second quarter of 2015. Colorado Springs was the group's second-most affordable city in the second quarter of 2015, behind Atlanta. Denver and Boulder, on the other hand, ranked fifth- and ninth-most expensive relative to income, respectively. Denver and Boulder rank in the bottom 10 percent of the 165 largest U.S. metro areas in terms of home affordability.

Denver is becoming less affordable at a faster rate than almost all of 18 select metro areas outside of California. However, the metro area remains more affordable based on median prices and incomes compared with other urban areas like Boston, New York, and larger coastal California metro areas.

In addition, Denver is becoming less affordable at a faster rate than almost all of the metro areas in this group outside of California cities and Atlanta. Neither Boulder nor Colorado Springs saw significant changes in affordability over the period. However, Boulder remains one of the least affordable metro areas in the country, while Colorado Springs became more affordable than places like Houston, Salt Lake City, and Raleigh.

Figure 17. Affordability Index for Selected Metro Areas, Percent Change Shown Above Bars



Source: National Association of Realtors, American Community Survey (U.S. Census Bureau), Bureau of Economic Analysis.

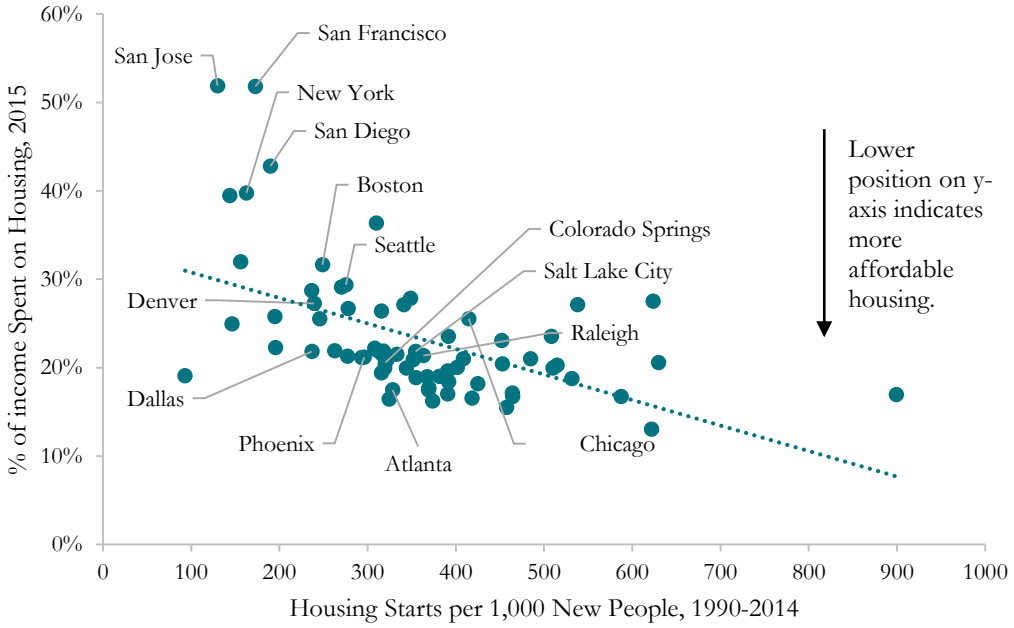
A region's ability to build enough homes to meet new demand is a key factor in maintaining affordability — While a number of factors contribute to home price variations and affordability across cities, housing is generally more affordable in urban areas where housing construction has been higher in relation to population growth. As shown in Figure 18, cities that built more homes per 1,000 new residents from 1990 to 2014 are generally more affordable in 2015 than cities that built less. This demonstrates that increased

Housing is generally more affordable in urban areas where housing construction has been higher in relation to population growth.

income obtained from the Bureau of Economic Analysis. Due to data limitations at the metro area level, the state-level growth rate of each state that the metro area is located in is used to project metro area household income in 2015. Property tax payments are derived from the American Community Survey's "Median Real Estate Taxes Paid for Units with a Mortgage," table B25103. Property tax data is available from 2005 to 2014. For all other years, tax payments are imputed using the average ratio of tax payment to median home price from all years with available data.

housing units in an area can place downward pressure on housing costs, though other factors will also influence house prices and affordability.

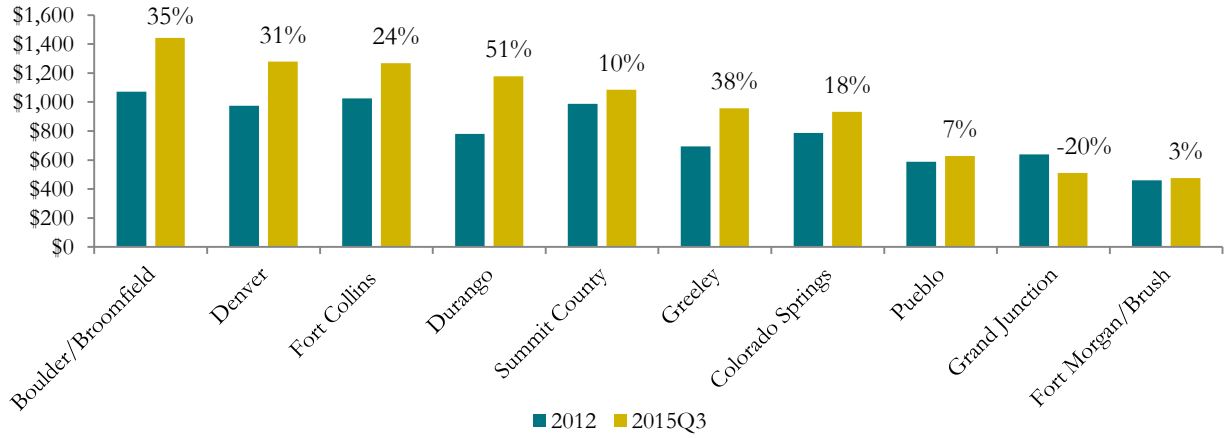
Figure 18. Affordability and Housing Starts in Select Cities



Source: National Association of Realtors, American Community Survey (U.S. Census Bureau), Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, OSPB calculations

Rents are rising fast in Colorado metro areas, raising concerns about rental affordability – As Figure 19 shows, rents rose by 20 percent or more in Boulder, Denver, Fort Collins, Durango, and Greeley from 2012 to the third quarter of 2015. Rent growth was much slower in Pueblo and average rent decreased in Grand Junction. Among the country's largest 643 cities, Boulder was the 35th most expensive city to rent based on data from Zillow, while Denver and Colorado Springs were 37th and 119th, respectively.

Figure 19. Average Rent by Colorado Metro Area, Percent Change Shown Above Bars*



*2015 figures are from Q3 for all areas except Denver and Boulder/Broomfield, for which data is only available through Q2. Denver and Colorado Springs growth rates differ slightly from national analysis above due to different data sources being used.
Source: Colorado Division of Housing, OSPB calculations

The strong rent growth provides some justification for the recent growth in home prices. Rental costs help show the fundamental value of housing as they indicate the value that households receive from housing, or how much households are willing to pay to live in an area. One commonly used ratio of home price to monthly rent suggests that, despite their strong recent growth, home prices in Metro Denver and the U.S. as a whole are not significantly elevated when compared to their long-term relationship to rent prices.

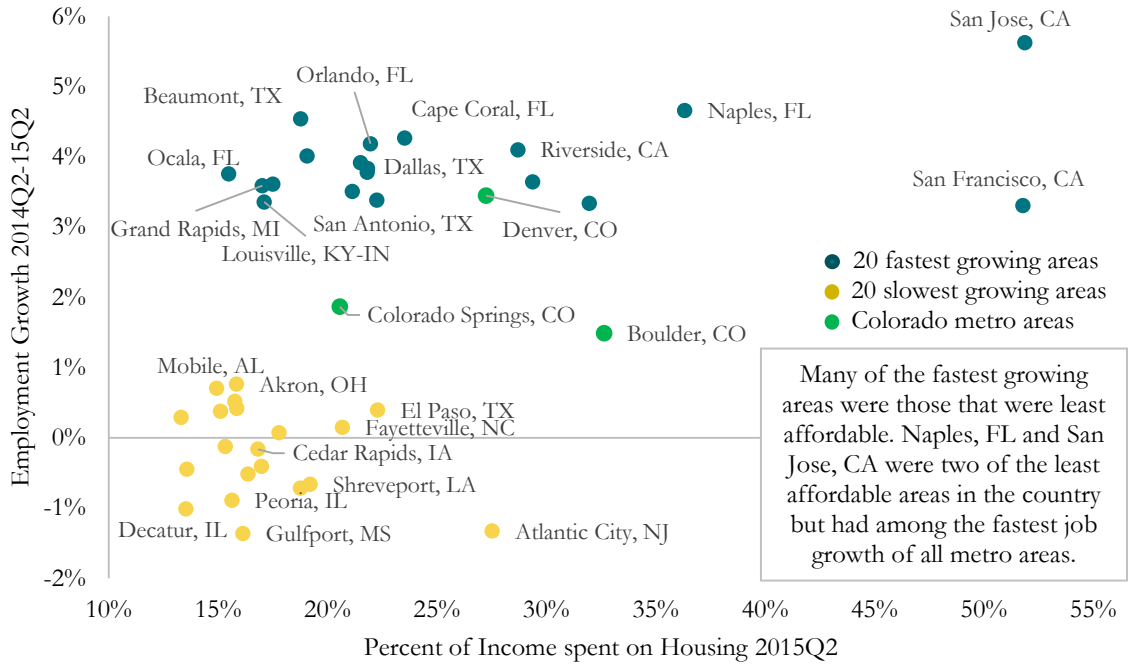
Regions with higher housing costs can still have strong economies and high in-migration rates — Rapid home price and rent appreciation have caused concerns about the impact of falling affordability on Colorado's economy. As Figure 20 shows, though, no clear relationship exists between home price affordability and employment growth rates. The graph depicts the 20 areas in the nation with the most job growth between the second quarters of 2014 and 2015, the 20 slowest growing areas, and select Colorado MSA's.

As shown, most of the areas with the fastest job growth have much less affordable homes than average, though some fast growing areas do have relatively more affordable housing. While San Jose, CA was the least affordable area overall, the area had the fastest employment growth rate from the second quarter of 2014 to the second quarter of 2015. Naples, FL, the metro area with the second-highest employment growth during the same period, was the sixth-least affordable area in the country. Both of these areas are much less affordable than areas along the Front Range of Colorado. They have also had high housing costs for many years.

Similar analyses show that housing affordability has little bearing on in-migration rates for educated individuals, or even for young people who may be more price sensitive in the early stages of their careers. This indicates that other factors are often more important for economic performance and an area's ability to attract migrants. These factors include a concentration of industries involved with products in high demand in the economy, higher levels of innovation and entrepreneurship, and a high-skilled workforce. In many cases, people appear willing to pay a premium to live in areas with these conditions and attributes.

Some of the least affordable areas in the nation in the first part of 2015 experienced robust job growth. This indicates that other factors are often more important for economic performance, most notably a high level of economic opportunities and local amenities.

Figure 20. Percent Change in Employment and Homeownership Affordability



Source: U.S. Bureau of Labor Statistics, National Association of Realtors, Federal Housing Finance Agency, American Community Survey (U.S. Census Bureau), OSPB calculations

***Some evidence suggests that high housing costs can act as a constraint on growth*—** There is a small body of evidence on the impacts of high housing costs on job growth and migration trends. Some economic research has found that areas with less affordable housing have greater amounts of out-migration[2] and lower employment growth[3] over time than they would have with lower housing costs. Other research found a negative impact on economic growth from high housing costs as people are excluded from living in the most productive regions.[4]

Although higher housing costs do not necessarily cause an area to have poor economic performance, they can act as a constraint on growth.

Although higher-cost areas may continue to have better performing economies and thus be attractive places to move, this evidence suggests that they may have had stronger growth had housing been more affordable. Therefore, although higher housing costs do not necessarily cause an area to have poor economic performance, they can act as a constraint on growth. This implies that areas of Colorado with higher housing costs could experience less growth than if housing costs were lower.

[2] Sasser, A. 2010. "Voting with their feet: Relative economic conditions and state migration patterns." *Regional Science and Urban Economics 40: 122-135*. This study notes that other empirical evidence on the relationship between migration and house prices is mixed, with some studies finding no significant relationship. Taylor, M. 2015. "California's High Housing Costs: Causes and Consequences." California Legislative Analyst's Office. This study found that the state would have had lower priced housing had more housing units been built, resulting in less out-migration from the state.

[3] Chakrabarti, R and Zhang, J. 2015. "Unaffordable housing and local employment growth: Evidence from California municipalities." *Urban Studies 52(6): 1134-1151*.

[4] Hsieh, C. and Moretti, E. 2015. "Why Do Cities Matter? Local Growth and Aggregate Growth." National Bureau of Economic Research Working Paper No. 21154

***Although economies can continue to perform well with lower housing affordability, there are still negative consequences to higher housing costs, many of which are less visible*—** Many of the negative economic impacts associated with high housing costs are less visible because they are activities or spending that may have happened if housing costs were lower. Higher housing costs reduce the amount of income that can be spent in other areas of the economy, thus potentially reducing sales and other business activity. This may be one reason job growth can be slower than if housing costs were lower as found in the aforementioned economic research. As an example, the median income household owning a median-priced home in Colorado spends about 23 percent of its income on mortgage and property tax payments. This compares to 21 percent nationally. If a Colorado median-income household devoted this smaller portion of its income to housing costs, it would have over $1,000 more a year to spend elsewhere. This equates to an additional $1.5 billion for the state overall if all homeowners experienced this savings.

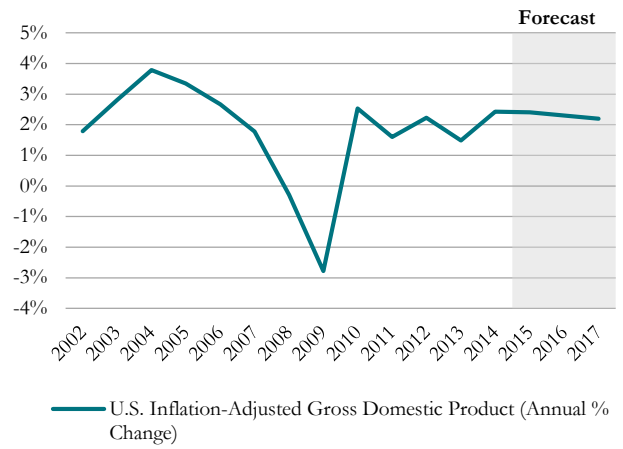
Less visible economic impacts of high housing costs include less money for spending in other areas of the economy, fewer households that can gain the benefits of homeownership, and more workers and businesses are excluded from participating in the most productive economies.

Lower income households typically need to devote a higher portion of their income to housing. Therefore, higher cost housing can place a disproportionate burden on lower income households and cause greater financial difficulties.

Higher housing costs have other negative impacts on the economy, as well. Places with higher housing costs typically have higher labor costs, thus making these areas less attractive for businesses to locate and expand. High housing costs can also make it more difficult to attract and retain a skilled workforce, which is a vital factor in economic performance. These are the factors that can cause job growth and in-migration to be slower than if housing costs were lower. Also, higher housing costs can result in longer commute times as people may need to live further away to find lower-cost housing. Furthermore, people may need to live together in more crowded housing conditions to share housing costs.

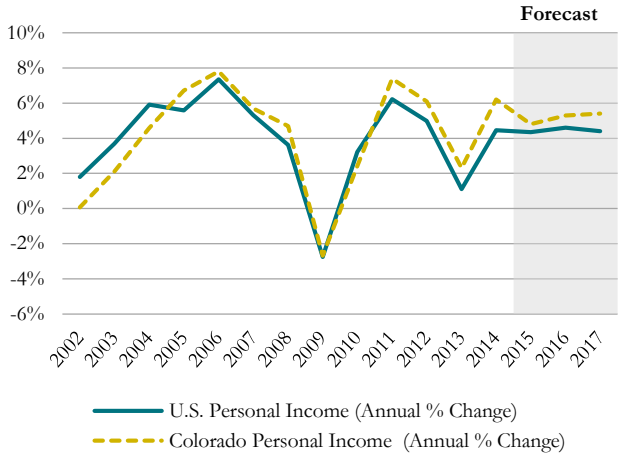
Summary of Key Economic Indicators
Actual and Forecast

U.S. Gross Domestic Product (GDP)



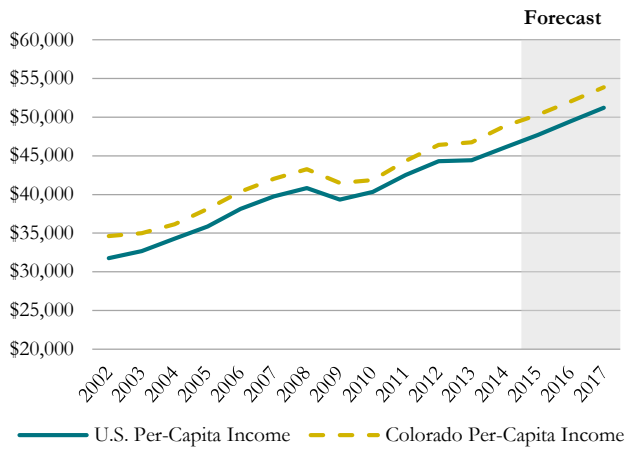
- GDP is a barometer for the economy's overall performance and reflects the value of final output in the U.S.
- In the midst of headwinds from a sluggish global economy, along with the continuing slowdown in growth in the labor force, the U.S. economy will continue modest growth of 2.4 percent in 2015 and slightly slower growth of 2.3 percent in 2016.

U.S. and Colorado Personal Income



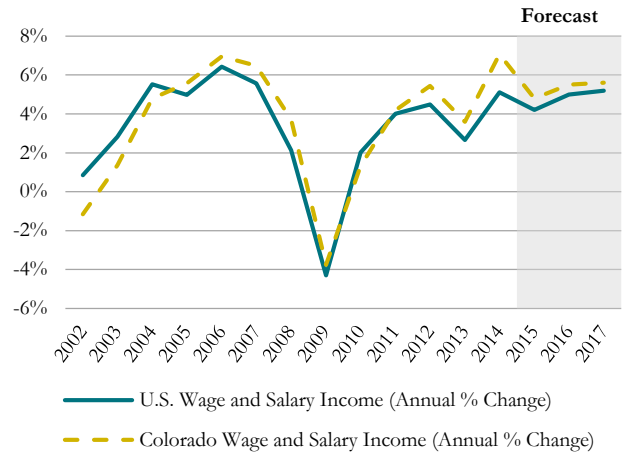
- Personal income growth in Colorado will slow to 4.8 percent in 2015, largely as a result of the oil and gas slowdown. Although the oil and gas industry will continue to weigh on the Colorado economy in 2016, the state's diverse economy will dampen the impact, resulting in a modest rebound in 2016 to 5.3 percent personal income growth.
- Personal income for the nation is on track to grow 4.3 percent for 2015. Continued improvements in the labor market will lead to 4.6 percent growth in 2016.

U.S. and Colorado Per-Capita Income



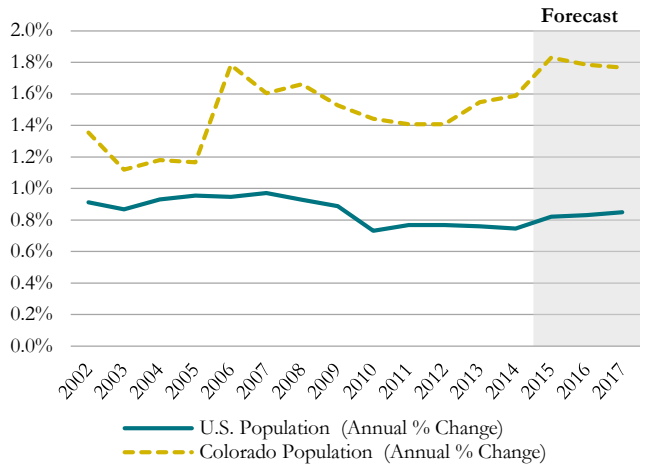
- Per-capita income in Colorado will grow to $50,294 in 2015 and $52,031 in 2016.
- In the U.S., per-capita income will increase to $47,693 in 2015 and $49,476 in 2016.

U.S. and Colorado Wage and Salary Income



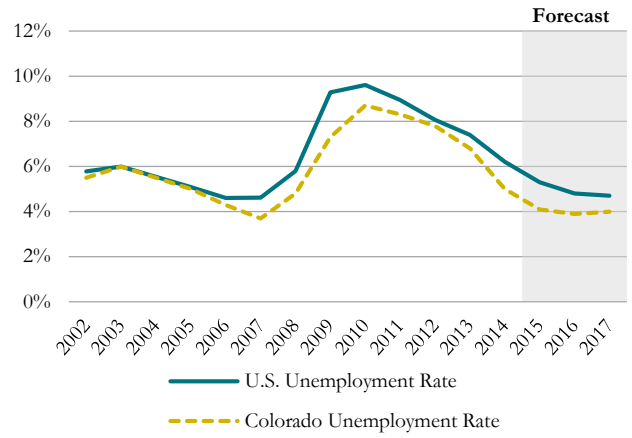
- Wage and salary growth in Colorado will slow in 2015 from the strong 2014 increase of 7.1 percent, partly as the result of the oil and gas slowdown. The forecast growth rate for 2015 is 4.8 percent, with higher growth of 5.5 percent in 2016.
- Wage and salary income for the nation will increase 4.2 percent in 2015 and 5.0 percent in 2016.

U.S. and Colorado Population



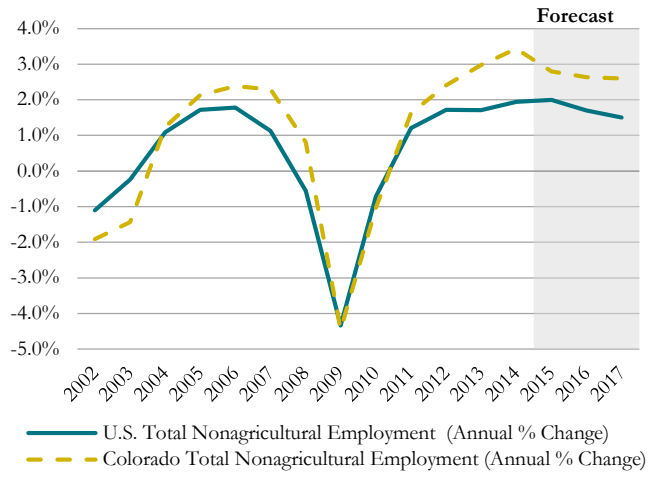
- Colorado continues to be an attractive place to move and the population is expected to grow over twice as fast as the national average at 5.5 percent from 2014 to 2017. The state's total population is expected to reach 5.65 million by 2017.
- Population continues to grow sluggishly across the country, rising by 2.5 percent between 2014 and 2017.

U.S. and Colorado Unemployment



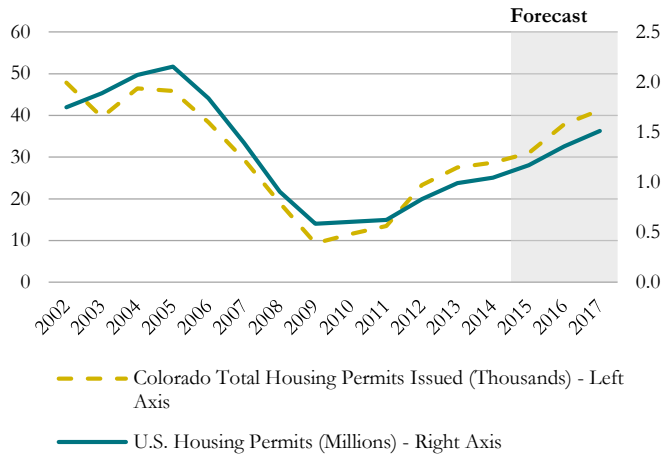
- The unemployment rate in Colorado continued a downward trend through 2015 despite a contraction in the oil and gas industry. OSPB forecasts that the rate will average 4.1 percent for 2015 and 3.8 percent in 2016.
- The national unemployment rate is following a similar trend but remains roughly a percentage point higher, averaging 5.3 percent in 2015 then dropping to 4.8 percent in 2016.

U.S. and Colorado Total Nonagricultural Employment



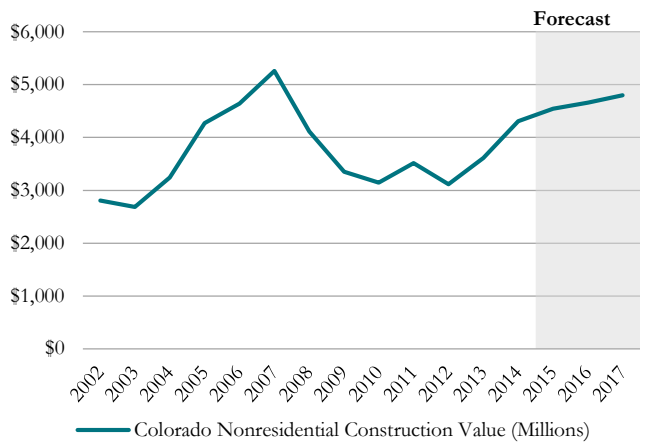
- Slower Colorado employment growth is projected over the forecast period than experienced in 2014 given the slowdown in the energy sector and the continued tightening of the labor market. 2015 is on track for a 2.8 percent increase in nonfarm employment. Growth in 2016 should decrease slightly to 2.6 percent.
- U.S. nonfarm payroll jobs will increase 2.0 percent in 2015 followed by slower growth of 1.7 percent in 2016.

U.S. and Colorado Housing Permits Issued



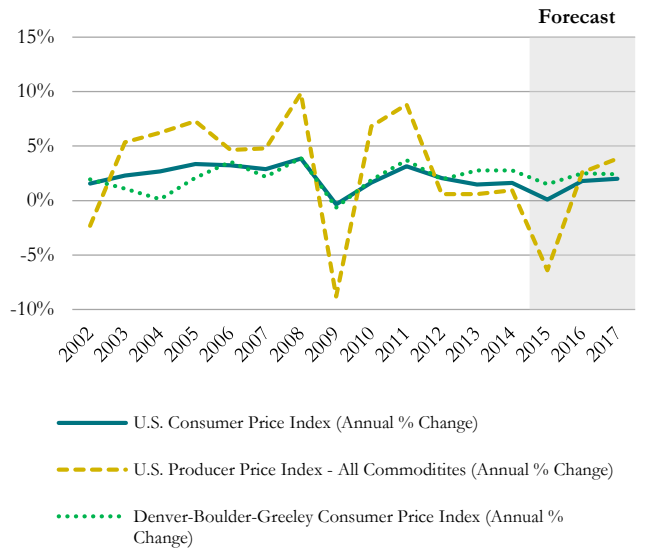
- After slow growth in 2014, Colorado residential construction permits will increase 7.9 percent in 2015 and 22.3 percent in 2016, when 37,850 permits will be issued. The increases will be driven by population growth and strong housing markets in metro areas in the state.
- Similarly, U.S. housing permits will rebound from slow 2014 growth to increase 11.9 percent in 2015 and 16.1 percent in 2016.

Colorado Nonresidential Construction Permits



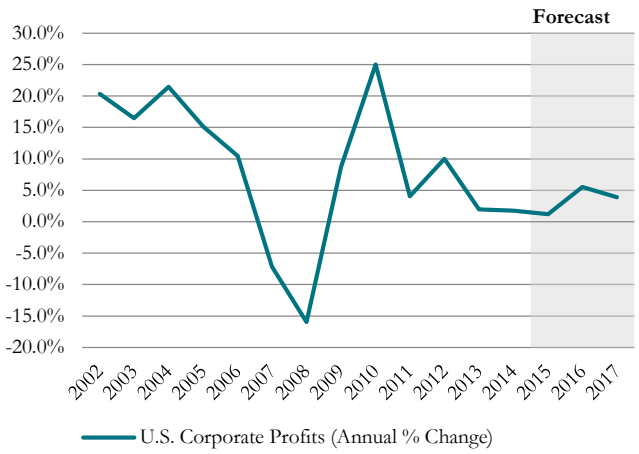
- Following robust growth in 2014, in which the value of nonresidential construction permits reached $4.3 billion, growth will moderate to 5.5 percent in 2015 for a final value of $4.5 billion. The value of nonresidential construction is expected to grow throughout the forecast period with the expanding economy.

Consumer Price Index and Producer Price Index



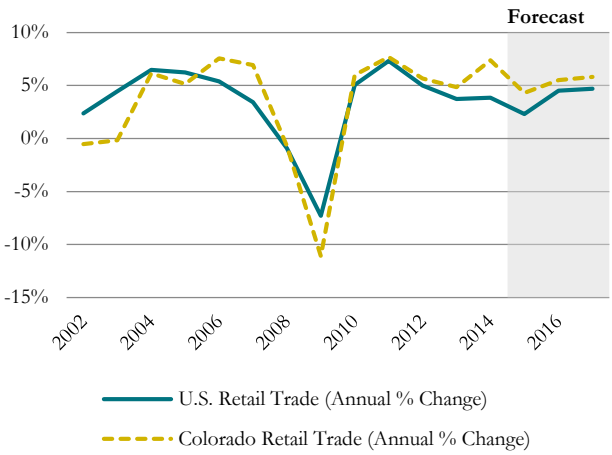
- Nationally, prices have remained essentially flat through 2015, largely due to falling gas prices. OSPB projects 0.1 percent growth in the nationwide Consumer Price Index (CPI) for the year. Prices are expected to rise 1.8 percent in 2016.
- The national Producer Price Index will fall 6.4 percent in 2015, largely due to low fuel and commodity prices, but will grow 2.6 percent in 2016.
- The Denver-Boulder-Greeley CPI is also being pulled down by low gasoline prices, but stronger growth rates in housing costs are leading to higher growth of 1.5 percent in 2015 followed by 2.5 percent in 2016.

U.S. Corporate Profits



- U.S. corporate profits will continue to grow slowly throughout the forecast period as the business cycle matures and a challenging global environment depresses revenue growth.
- Profit growth will fall slightly in 2015 to 1.2 percent before recovering to 5.5 percent growth in 2016.

Retail Trade



- Retail trade sales in Colorado will grow more slowly in 2015 than in the previous year, posting 4.3 percent growth. Sales will increase 5.5 percent in 2016.
- Nationwide retail trade will grow 2.3 percent in 2015 and 4.5 percent in 2016.

General Fund and State Education Fund Revenue Forecast

General Fund revenue is forecasted to increase just 2.1 percent in FY 2015-16, a lower growth rate than forecast in September. With the reduction in revenue expectations, General Fund revenue is projected to be $170.8 million, or 1.7 percent, lower for FY 2015-16 compared with September's forecast. Slower job and income growth from the contraction in the oil and gas sector, a weaker stock market, and sluggish global growth is resulting in the marked slowdown in revenue growth. General Fund revenue increased 9.2 percent in FY 2014-15.

Growth in income taxes from wage withholdings have slowed noticeably, resulting in lower revenue expectations for the year. Also, corporate income tax collections continue to decline and underperform expectations as a result of weak corporate earnings. Sales and use tax collections growth has also recently softened, in part tied to reduced spending from the oil and gas sector in the state and slower income growth. It should be noted these trends were mostly expected in prior forecasts, and the recent adjustments are relatively small in the context of the continuation of similar basic assumptions about the economy. OSPB's assessment and forecast for the economy can be found starting on page 3 in this report.

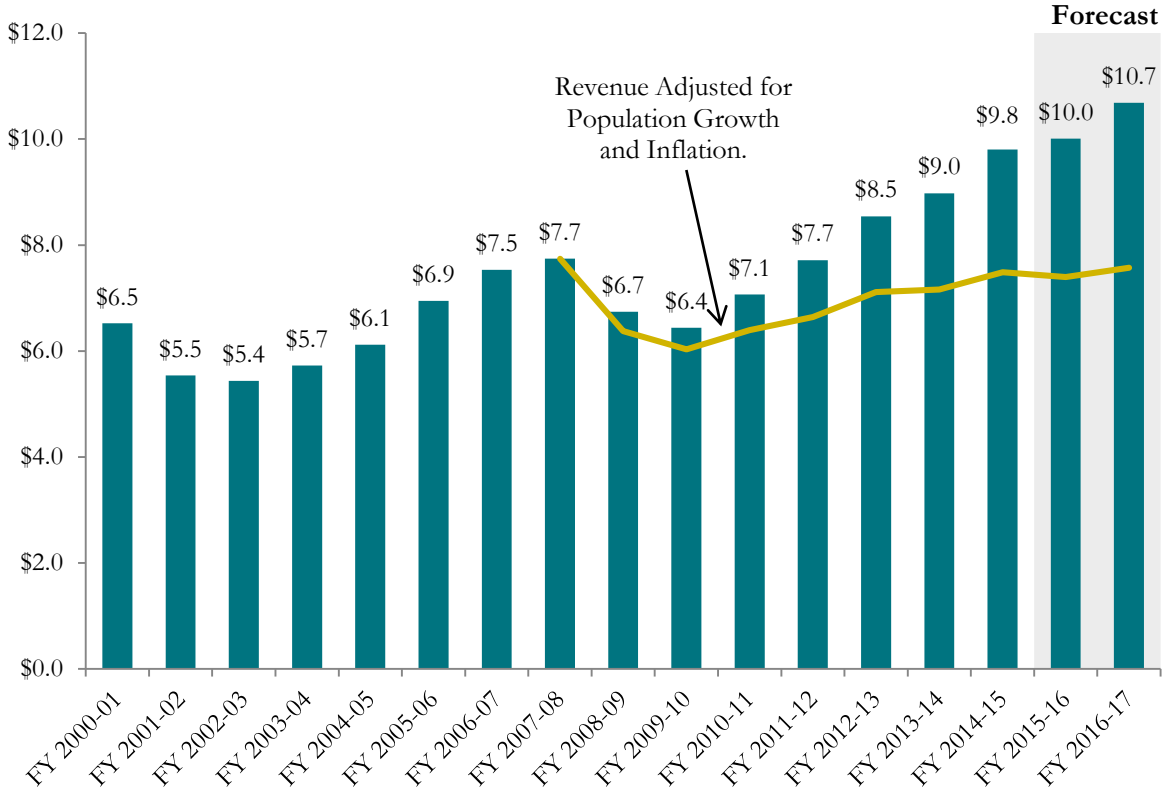
General Fund revenue is forecasted to increase just 2.1 percent in FY 2015-16. Moderating job and income growth from the contraction in the oil and gas sector, a weaker stock market, and sluggish global growth is resulting in the marked slowdown in revenue growth. General Fund revenue growth in FY 2016-17 is expected to rebound moderately.

General Fund revenue growth is still expected to rebound moderately in FY 2016-17 from the slower growth in FY 2015-16. Continued economic expansion in the state combined with less downward impacts from the factors weighing on growth this fiscal year will result in FY 2016-17 General Fund revenue growth of 6.7 percent.

The availability of the State Earned Income Tax Credit will begin to reduce tax collections starting in FY 2015-16, which is also contributing to the decreased rate of revenue growth this fiscal year. After becoming a TABOR refund mechanism in FY 2014-15, the credit will be available starting in tax year 2016, lowering revenue collections throughout the forecast period.

Figure 21 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2016-17. The figure includes a line reflecting revenue adjusted for inflation and population growth since FY 2007-08. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix.

Figure 21. General Fund Revenue, Actual and Forecast, with Revenue Adjusted for Population Growth and Inflation



Source: Office of the State Controller and OSPB

Discussion of Forecasts for Major General Fund Revenue Sources

The following section discusses the forecasts for the three major General Fund revenue sources that together 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 continue to grow modestly over the forecast period.

For FY 2014-15 only, this miscellaneous group of sources included a portion of severance tax collections from mineral extraction in the state. As discussed on page 52, SB 15-255 credited the first $20 million of state severance tax revenue received in May and June to the General Fund. Actual severance tax collections in these months amounted to only $16.2 million. This amount is included in other income in line 16 of Table 3 in the Appendix. This money helps pay for the FY 2014-15 TABOR refund paid out of the General Fund.

Individual income tax – Individual income tax collections will slow markedly to growth of just 2.0 percent in FY 2015-16, following robust gains of 11.5 percent last fiscal year. Individual income tax revenue will rebound with growth of 7.7 percent in FY 2016-17 as some of the negative factors impacting this fiscal year abate.

Growth in individual income tax collections has slowed substantially in FY 2015-16. This slowdown is due to more modest economic growth, the contraction in the oil and gas industry, weakness in growth in investment and royalty income, and tax policies that reduce tax liabilities.

A convergence of factors is slowing income tax revenue growth this fiscal year. The downturn in the oil and gas industry is reducing wages, business income, and oil and gas royalty payments. A material portion of Colorado's expansion in recent years was tied to the industry, so the sharp contraction is slowing income gains. A tight labor market in Colorado with less available workers to fill employers' hiring needs is also weighing on growth. Further, weaker stock market gains in 2015 will dampen income tax revenue.

These factors are expected to have less downward influence on income tax revenue growth next year with continued economic expansion. Most notably, the oil and gas sector's sharp contraction that reduced income and wages in the state this year is not expected to occur to the same extent in 2016. Further, the sharp increase in the dollar and weakening global growth that occurred over this year that hit the stock market are not forecast to be repeated in 2016.

Wage withholdings collections are forecast to grow 3.5 percent this fiscal year, less than half of FY 2014-15's 8.1 percent. Wage withholding will increase 6.6 percent in FY 2016-17, though this growth rate overstates actual growth because a portion of the increase is due to an expected large accrual accounting adjustment tied to the end of June's pay period that year.

Estimated income tax payments are expected to grow 5.6 percent in FY 2015-16, much slower than the 24.7 percent increase last fiscal year. Estimated income tax payments are used to pay tax on income that is not subject to withholding, such as earnings from self-employment, rents, interest, and dividends. Capital gains account for the largest proportion of income sources that are subject to estimated payments, accounting for about 30 to 35 percent of the total. Income from rents and royalties comprise around 25 to 30 percent, while business income accounts for about 15 percent of the total.

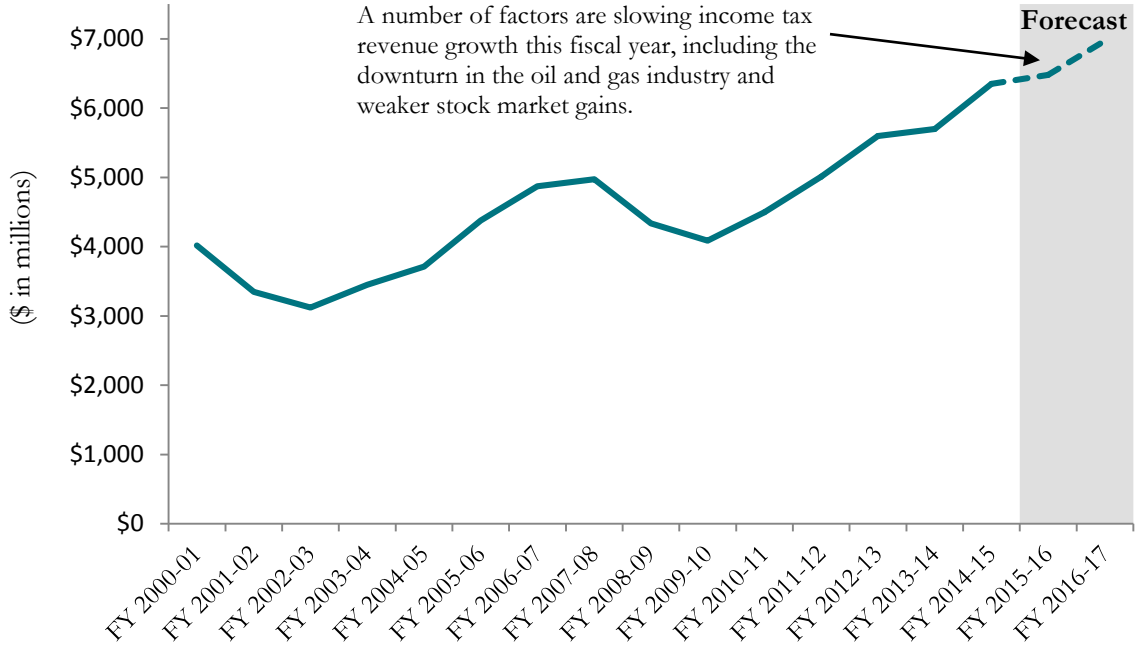
Slower growth is projected for estimated income tax payments due to weaker capital gains and a decline in royalty payments as a result of lower oil and gas prices. Estimated payments are still projected to increase overall as economic growth will generate income gains from other sources, such as business income and rental income. Rent growth along the Front Range has been particularly strong, boosting the income of property owners. Moreover, despite recent volatility, equity assets are expected to increase in value overall this year, which will help generate estimated payments growth from capital gains income.

Estimated payments growth will rebound moderately in FY 2016-17 with continued economic expansion and as tax collections are less adversely affected by the decline in oil and gas royalty payments as the price of oil and gas increases gradually over the next few years. Improvement in the stock market will also help generate a modest rebound.

Changes in tax deductions and credits also are impacting revenue collections over the forecast period; the largest of these is the State Earned Income Tax Credit. After becoming a TABOR refund mechanism in FY 2014-15, the credit will be available on an ongoing basis starting in tax year 2016. This will lower FY 2015-16 income tax collections by an estimated $45.0 million — half of the full-year impact of the credit — and by $93.6 million in FY 2016-17.

Also, the tax credit for gross conservation easements is allowed as a refundable credit when revenue exceeds the Referendum C cap. This occurred in FY 2014-15 and is forecasted again in FY 2016-17 and FY 2017-18. This will reduce income tax revenue by about $7 million annually. Additionally, SB 15-206 increased the size of the gross conservation easement income tax credit beginning with tax year 2015. The change is expected to reduce income tax revenue by $7.0 million annually.

Figure 22. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2016-17



Source: Office of the State Controller and OSPB

Corporate income tax – Corporate income tax revenue is expected to decrease 3.9 percent in FY 2015-16 and rebound with modest growth of 4.6 percent in FY 2016-17. This follows a 3.9 percent decline in corporate income tax revenue in FY 2014-15. A strong dollar, weak global growth, higher business costs, and weaker earnings for oil and gas firms are negatively impacting U.S. corporate profits, the primary driver behind corporate income tax revenue. Some of these headwinds are expected to weaken through the course of FY 2016-17, resulting in modest revenue growth.

Corporate income tax revenue will fall again in FY 2015-16 as firms face global headwinds and an increasingly competitive environment.

The U.S dollar has appreciated by about 24 percent against other major currencies in trade-weighted terms since January 2013. A stronger dollar affects U.S. firms by making their goods and services more expensive relative to foreign competitors, and through foreign exchange channels when companies convert foreign currencies back to dollars.

Although the U.S. and Colorado economies have limited exposure to international markets, U.S. firms' earnings are being affected by tepid international growth. While the slowdown in China has received most attention from the media, weakening conditions in Canada and slow growth in Japan—the U.S.'s number one and number four trading partners, respectively—have contributed to slow revenue growth for export-oriented firms. Continued slow growth in Europe is also a factor weighing on corporate profits.

Finally, the earnings of energy and commodities companies have seen downward pressure this year due to unfavorable market conditions. As discussed in the section on oil and gas in this report, crude oil prices have fallen 57 percent since June 2014. Commodity prices have experienced a similarly precipitous drop, due largely to weak economic conditions in China and other parts of the world. Expectations are for prices to remain low through 2016, so energy firms' earnings are likely to remain a drag in the near term.

Consensus estimates suggest a return to healthy earnings growth in 2016, and some analysts point out that earnings would be growing now if not for the dollar- and energy-related drags discussed above. However, some cyclical trends are likely to prevent a strong rebound in earnings growth. As the economic recovery matures, topline revenue growth may flatten out, which could lead to weaker earnings. Indeed, according to the Financial Post, only about 40 percent of publicly traded companies reported increases in sales in the third quarter of this year. In addition, companies may see wages rise as the labor market continues to tighten. Higher wages would put more downward pressure on profits, especially for firms in labor-intensive industries like retail and food service.

Figure 23. Corporate Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2016-17

Source: Office of the State Controller and OSPB

Sales and use tax – Sales tax revenue will grow 3.8 percent in FY 2015-16 after increasing 8.0 percent in FY 2014-15. This growth rate is lower than the average of 7.1 percent during economic expansions since 1990. Slower growth in car sales in the state — a sizable component of sales tax-related transactions — and a decline in investment from the oil and gas industry are leading factors in moderating consumer and business spending compared with the robust growth of last fiscal year. Similarly, slower employment growth will slow spending, although a tighter labor market should lead to some upward pressure on wages. Sales tax revenue is forecast to grow 5.9 percent in FY 2016-17 as the conditions mentioned here that are weighing on growth this fiscal year, most notably the contracting oil and gas industry, will be less prevalent.

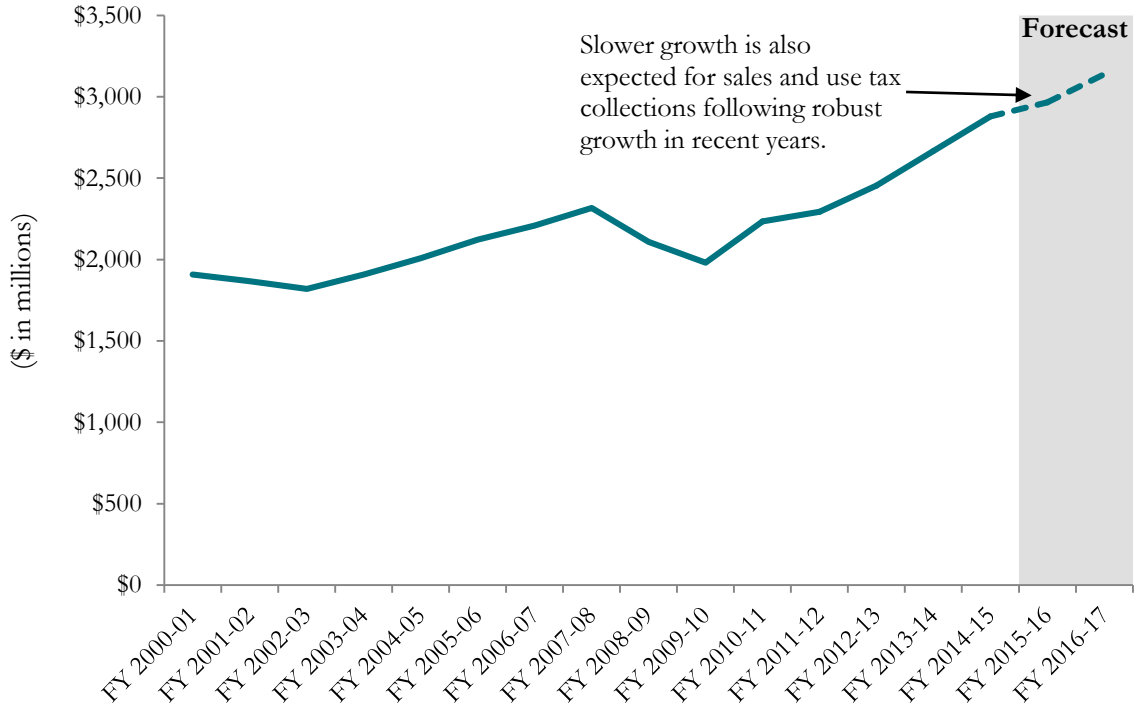
Car sales will moderate and extractive industries investment will decline in FY 2015-16, resulting in lower-than-average sales tax growth. Sales tax revenue will grow 3.8 percent in FY 2015-16 after an increase of 8.0 percent in FY 2014-15. FY 2016-17 sales tax revenue will rebound with 5.9 percent growth.

Growth in revenue from the 10 percent sales tax on retail marijuana will bolster sales tax revenue to the General Fund in each year of the forecast period. Revenue from the retail marijuana sales tax, approved by voters in 2013 under Proposition AA, goes first to the General Fund and is then transferred to the Marijuana Tax Cash Fund to support regulation and enforcement. A portion is also

distributed to local governments in localities where retail marijuana sales occur. The tax will generate $47.7 million in revenue in FY 2015-16 and $52.8 million in FY 2016-17. HB 15-1367 reduces the 10 percent tax rate to 8 percent starting in FY 2017-18. Revenue from the regular 2.9 percent sales tax on marijuana sales does not go to the General Fund but is credited to the Marijuana Tax Cash Fund, which is included in the Miscellaneous Cash Funds category in Table 6 in the Appendix.

After growing 7.8 percent in FY 2014-15, use tax revenue is expected to decrease 5.3 percent in FY 2015-16 mostly as a result of a decline in business spending tied to the oil and gas industry. Collections will rebound with 5.6 percent growth in FY 2016-17. The use tax is a companion to the sales tax and is paid by Colorado residents and business on purchases that did not include a Colorado sales tax. Use taxes bring in a much smaller amount of revenue and are often more volatile. Much of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers.

Figure 24. Sales and Use Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2016-17



Source: Office of the State Controller and OSPB

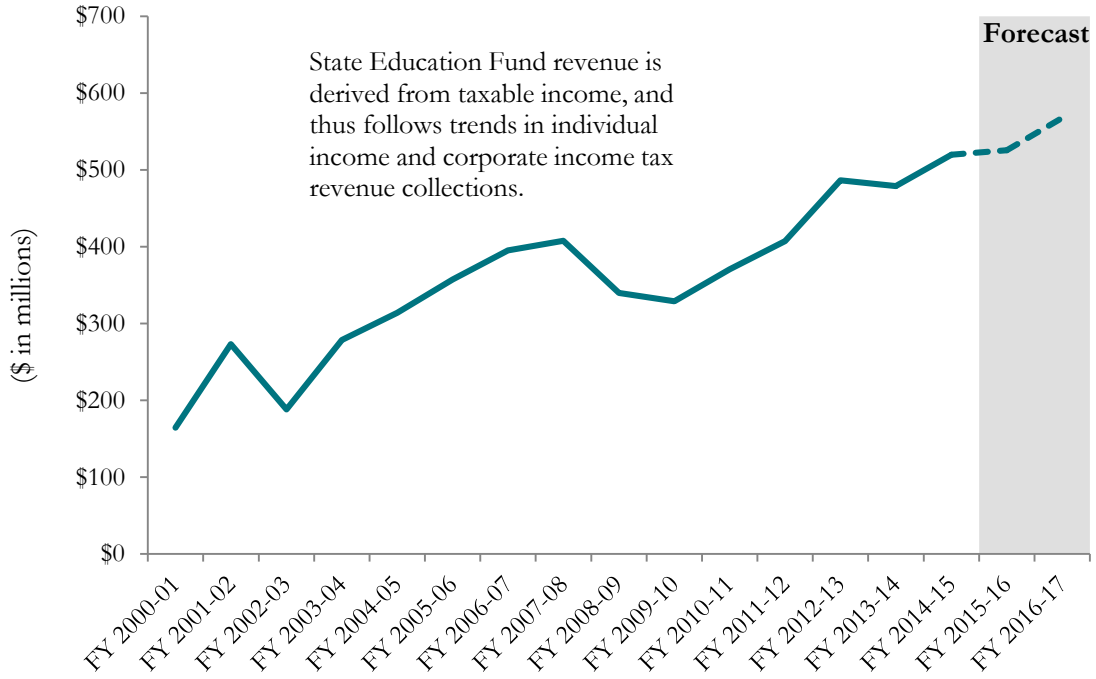
State Education Fund Revenue Forecast

Tax revenue to the State Education Fund will increase 1.1 percent in FY 2015-16 and 8.0 percent in FY 2016-17. State Education Fund revenue is derived from taxable income, and thus follow trends in individual income and corporate income tax revenue collections.

Tax revenue to the State Education Fund will increase 1.1 percent in FY 2015-16 and 8.0 percent in FY 2016-17. Because this revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections discussed above. Slower economic activity tied to the contraction in the oil and gas industry and global economic headwinds, along with slower growth in investment income and weaker oil and gas royalty payments, is diminishing growth in revenue to the State Education Fund in FY 2015-16. However, these factors will partially abate in FY 2016-17, resulting in more revenue growth to the Fund.

The state constitution requires that one-third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. In addition to this money, policies enacted over the past few years have transferred other General Fund money to the State Education Fund, which is shown in detail in Figure 33 on page 47.

Figure 25. State Education Fund Revenue from One-Third of One Percent of Taxable Income, Actual and Forecast, FY 2000-01 to FY 2016-17



Source: Office of the State Controller and OSPB

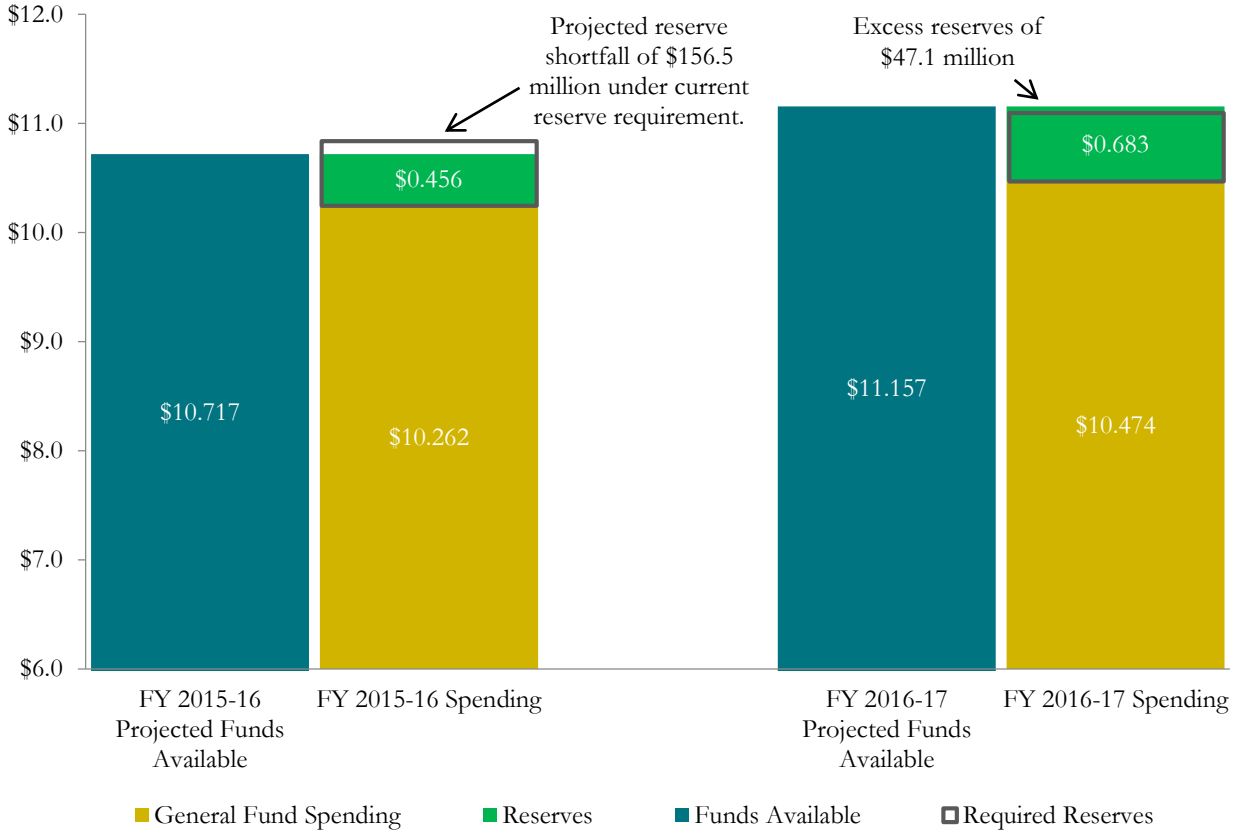
General Fund and State Education Fund Budget

Summary

General Fund – As discussed in the *General Fund Revenue Forecast* section starting on page 33, projections for General Fund revenue for FY 2015-16 are $170.8 million, or 1.7 percent, lower than in the September forecast. The forecast for FY 2016-17 is lower by $180.3 million, or 1.7 percent.

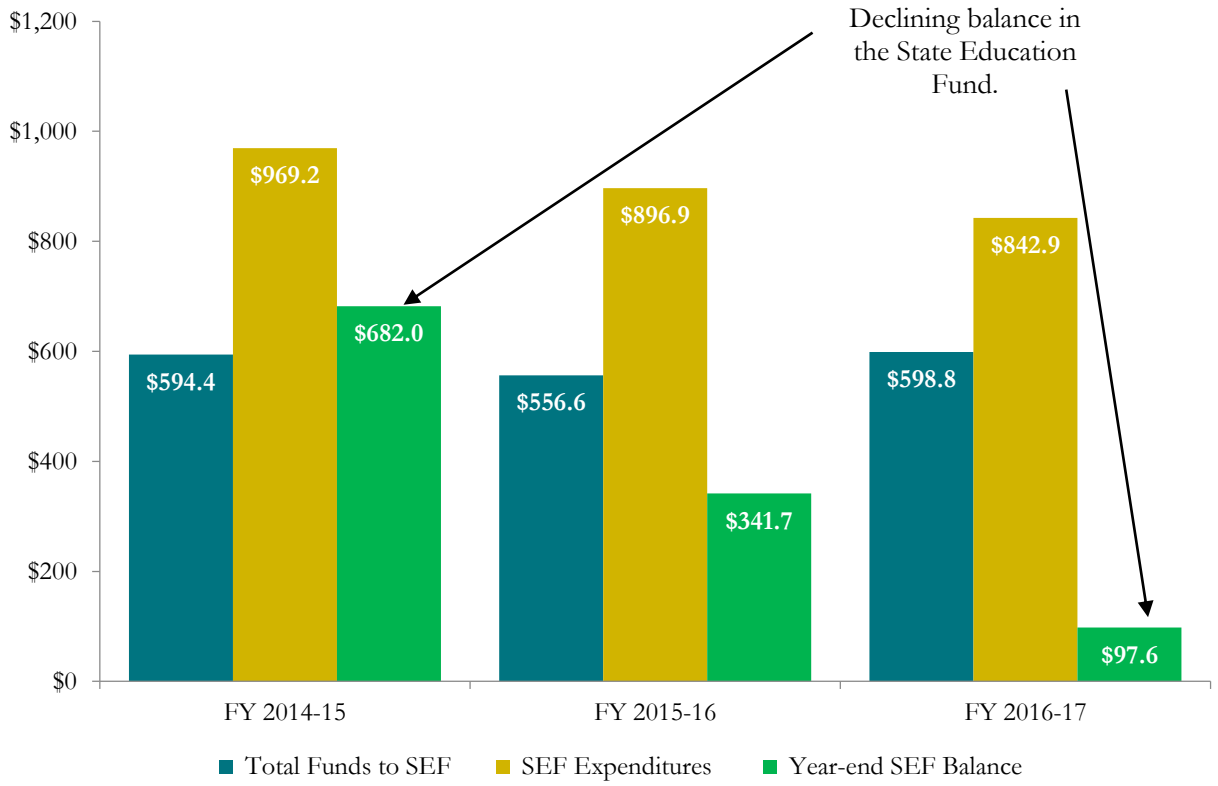
The State's General Fund reserve ended FY 2014-15 with $112.1 million above its required amount, based on preliminary figures. With the current budget for FY 2015-16 and under the Governor's November 2015 budget request, the State's General Fund reserve is projected to be $156.5 million below the current law required amount of 6.5 percent of appropriations in FY 2015-16, and $47.1 million above the reserve requirement in FY 2016-17. The budget request restores the full reserve amount in FY 2016-17. Figure 26 summarizes total General Fund revenue available, total spending, and reserve levels for FY 2015-16 and FY 2016-17 based on this forecast, the enacted budget and the Governor's budget request.

Figure 26. General Fund Money, Spending, and Reserves under Governor's Budget Request, $ in Billions



State Education Fund – The State Education Fund is supporting a larger share of education funding than it has historically, which is drawing down its fund balance. Figure 27 summarizes total State Education Fund revenue available, total spending, and balance levels from FY 2014-15 through FY 2016-17. In FY 2015-16, the year-end balance in the Fund is expected to drop 50 percent from its level in FY 2014-15, and a larger drop of 71.4 percent is expected in FY 2016-17 when the projected balance will be just under $100 million.

Figure 27. State Education Fund Money, Spending, and Reserves under Governor's Budget Request*, $ in Millions



*FY 2015-16 and FY 2016-17 expenditures represent the Governor's November 2015 budget request. Actual expenditures from the State Education Fund will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections are illustrative only.

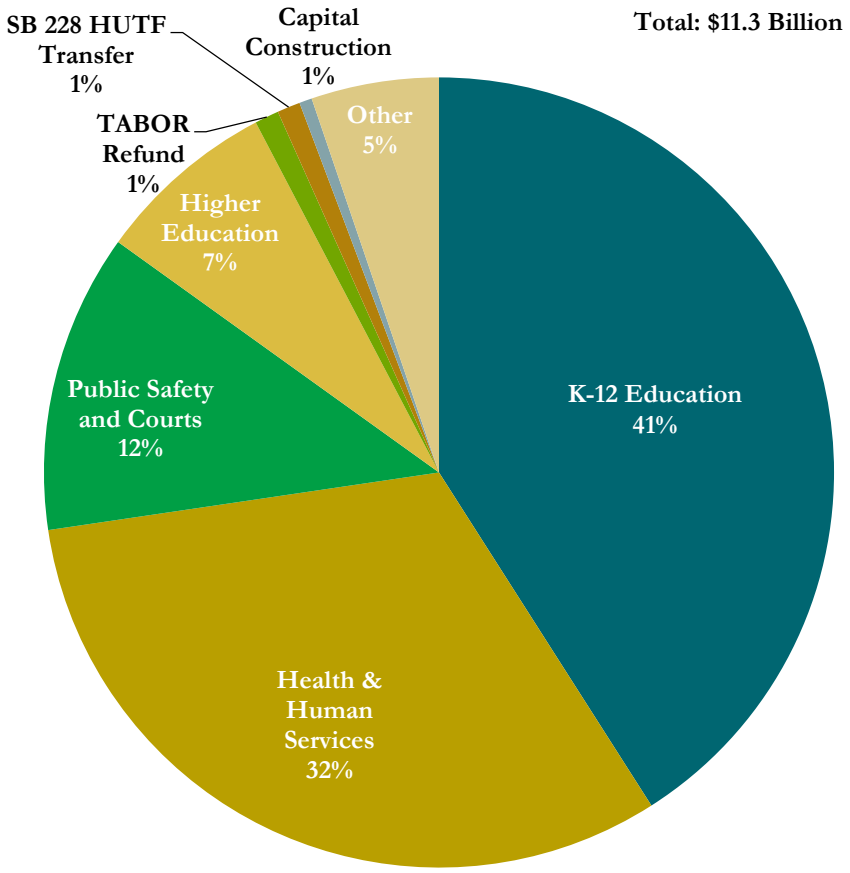
Detailed Overview Tables – A detailed overview of the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves are provided in the overview tables in the Appendix at the end of this document. These overviews are discussed further starting on page 43.

Spending by Major Department or Program Area

The General Fund provides funding for the State's core programs and services, such as preschool through 12th grade education, higher education, services for low-income populations, the disabled and elderly, courts, and public safety. It also helps fund capital construction and maintenance needs for State facilities and, in some years, transportation projects. Under the state constitution, the State Education Fund helps fund preschool through 12th grade education and annually receives one-third of one percent of taxable income. In recent years, it has also received supplemental money from the General Fund as authorized by statute.

Figure 28 shows the allocation of General Fund and State Education Fund spending for FY 2016-17 by major department or program area under the Governor's November 2015 budget request. As noted above, the current forecast shows $47.1 million above the required General Fund reserve amount for FY 2016-17 under the request.

Figure 28. Composition of Governor's FY 2016-17 General Fund and State Education Fund Budget Request



Risks to the Outlook and Budget Implications

This budget outlook is based on OSPB's economic analysis and forecast, discussed in the section titled *The Economy: Issues, Trends, and Forecast*, beginning on page 3. Changes in the Colorado economy determine revenue to the General Fund and State Education Fund. In addition to revenue, changes in economic conditions impact the budget outlook through associated changes in the use of many State services, including higher education, Medicaid, and other human services. In times of weaker economic conditions, the use of government services increases as incomes decline, unemployment grows, and more people seek education and training to better their job prospects.

As noted elsewhere in this document, key economic indicators in Colorado are exhibiting some signs of slowing down. For instance, the rate of job growth fell throughout 2015, although Colorado still has some of the healthiest unemployment numbers in the country. The slowdown in the oil and gas industry could hamper growth further, especially if oil prices decline further and remain at lower levels for an extended period of time. Weaker global conditions may also impact Colorado, but the state's relatively low exposure to international markets and its highly diversified economy should help mute these effects. Nonetheless, an economic downturn would likely cause State revenue to decline and have substantial impacts on the budget outlook.

However, even relatively small changes in the projected growth rate of revenue sources has implications for critical components of the budget, such as the amount of General Fund money available for spending and the amount required to be transferred to transportation and capital construction. As an example, this forecast assumes that the amount of the TABOR rebate for FY 2016-17 will result in a transfer of $106.8 million from the General Fund for transportation projects and an additional $26.7 million to capital construction, as dictated by Senate Bill 09-228 (for more details, see page 57). However, a decrease of just 0.05 percentage points, or $5.2 million, in revenue subject to TABOR (assuming the lower Hospital Provider Fee collections) would result in these transfers doubling, adding to General Fund spending obligations. This amount is well within the amount of typical forecast error. Therefore, future revisions to the forecast could result in material revisions to these transfers.

General Fund Overview Table

Table 4 in the Appendix presents the General Fund Overview for the December 2015 OSPB revenue forecast, providing details on forecasts for available General Fund money, expenditures, and end-of-year-reserves under the Governor's budget request. The following section discusses the information presented in Table 4. To aid understanding, the discussion includes figures showing each section of the detailed overviews found in the Appendix.

Revenue

The top portion of the overview, shown in Figure 29, indicates the amount of General Fund money available for spending. The forecast for General Fund revenue is discussed in further detail in the *General Fund and State Education Fund Revenue Forecast* section starting on page 33. In addition to General Fund revenue, the General Fund receives money transferred from other State funds each fiscal year, although these transfers generally account for less than 1 percent of total revenue (shown in line 3 below).

The proposed policy changes shown in line 4 are from the Governor's November budget request. The FY 2015-16 $3.8 million amount is a proposed transfer from severance taxes to the General Fund. This is the amount needed to fulfill the intent of SB 15-255, which required $20 million in severance tax revenue to be credited to the General Fund at the end of FY 2014-15. The proposed transfer of $500,000 in FY 2016-17 is associated with a Department of Health Care Policy and Financing marijuana-funded measure.

Figure 29. General Fund Revenue Available under Governor's Budget Request (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2015-16	FY 2016-17	FY 2017-18
1	Beginning Balance	$688.6	$455.9	$682.9
2	General Fund Revenue	$10,008.8	$10,683.8	$11,253.6
3	Transfers to the General Fund	$16.3	$16.9	$17.1
4	Proposed Policy Changes Affecting Revenue	$3.8	$0.5	NA
5	**Total General Funds Available**	**$10,717.4**	**$11,157.0**	**$11,953.6**
	Dollar Change from Prior Year	$413.9	$439.6	$796.6
	Percent Change from Prior Year	4.0%	4.1%	7.1%

Expenditures

Spending subject to the appropriations limit – The middle portion of the General Fund overview in Table 4 shows General Fund spending. Each year, the total of most General Fund spending cannot exceed 5 percent of the aggregate level of personal income received by Coloradans. This limit is projected to be $12.3 billion in FY 2015-16 and $13.1 billion in FY 2016-17. Therefore, the General Fund appropriations shown in Figure 30

are about $3.0 and $3.2 billion under the limit in these two years, respectively. The General Fund appropriation amounts for FY 2015-16 and FY 2016-17 reflect the Governor's budget request. The FY 2015-16 amount includes the $12.0 million in General Fund appropriations authorized by the passage of Proposition BB in November (Proposition BB is discussed further in the next section). The appropriations amount in line 6 for FY 2017-18 in Table 4 in the Appendix reflects the level of spending that can be supported by forecasted revenue while maintaining the required reserve level.

Figure 30. General Fund Spending Subject to the Appropriations Limit Under Governor's Budget Request (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2015-16	FY 2016-17
6	Appropriations	$9,458.0	$9,830.1
7	Dollar Change from Prior Year	$589.0	$372.1
8	Percent Change from Prior Year	6.6%	3.9%

Spending not subject to the appropriations limit – Figure 31 summarizes General Fund spending that does not count under the General Fund appropriations limit. More information about each line item is presented below the table.

Figure 31. General Fund Spending Not Subject to the Appropriations Limit Under Governor's Budget Request (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
10	TABOR Refund under Art. X, Section 20, (7) (d)	$156.5	$0.0	$112.0	$340.9
11	Set Aside for Potential TABOR Refund under Art. X, Section 20, (3) (c)	$58.0	-$58.0	$0.0	$0.0
	Cigarette Rebate to Local Governments	$12.3	$9.3	$8.9	$8.7
	Marijuana Rebate to Local Governments	$6.3	$7.2	$7.9	$6.8
	Old-Age Pension Fund/Older Coloradans Fund	$111.3	$105.1	$109.1	$114.0
	Aged Property Tax & Heating Credit	$5.7	$6.2	$6.0	$6.5
	Homestead Exemption	$116.9	$130.4	$146.4	$154.5
	Interest Payments for School Loans	$0.7	$1.2	$1.2	$1.3
	Fire/Police Pensions	$4.2	$4.2	$4.2	$4.2
	Amendment 35 General Fund Expenditure	$0.9	$0.8	$0.8	$0.8
12	**Total Rebates and Expenditures**	**$258.1**	**$264.3**	**$284.5**	**$296.8**
13	Transfers to Capital Construction	$248.5	$271.4	$58.7	$68.3
14	Transfers to Highway Users Tax Fund	$0.0	$200.2	$106.8	$0.0
15	Transfers to State Education Fund per SB 13-234	$25.3	$25.3	$25.3	$25.3
16	Transfers to Other Funds	$44.0	$100.4	$56.7	$41.6
17	Other	$0.5	$0.0	$0.0	$0.0
	Total	$791.0	$803.6	$644.0	$772.9
	Dollar Change from Prior Year	$245.4	$12.6	-$159.5	$128.9
	Percent Change from Prior Year	45.0%	1.6%	-19.9%	20.0%

Lines 10 and 11: Revenue exceeded the Referendum C cap in FY 2014-15 and is projected to exceed the cap again in FY 2016-17 and FY 2017-18, but not this fiscal year. Spending not subject to the limit includes any TABOR refunds funded from the General Fund, which occur when State revenue exceeds its cap as defined in Article X, Section 20 (7) of the Colorado Constitution ("TABOR") and Section 24-77-103.6, C.R.S. ("Referendum C"). For more information on the TABOR refund, see the Taxpayer's Bill of Rights: Revenue Limit section later in this report. The projected TABOR refund shown in line 10 for FY 2016-17 incorporates the $100 million reduction in Hospital Provider Fee revenue under the Governor's November budget request

for FY 2016-17 to make more General Fund available for spending. The proposal would reduce total TABOR revenue and thus the TABOR refund by $100 million in FY 2016-17.

The $58.0 million shown in line 11 for FY 2014-15 reflects money set aside by HB 15-1367 in a special account to cover a potential refund relating to the passage of Proposition AA, which created excise and sales taxes on retail marijuana. HB 15-1367 submitted Proposition BB to voters in November to ask if the State can retain and spend the money. Because voters approved Proposition BB, the State is able to use the money for the uses outlined in HB 15-1367. Therefore, a reversal of the $58 million set aside is shown in line 11 under FY 2015-16 to make it available for spending.

Of the $58.0 million, $40.0 million is transferred to public school capital construction (and is thus included in "Transfers to Other Funds" in line 16 under FY 2015-16); $12 million is used by the General Fund for appropriations for various purposes, such as law enforcement, youth programs, and marijuana education and prevention programs (and is thus included in "Appropriations Subject to the Limit" in line 6 under FY 2015-16); and the remaining $6 million is available for use by the General Fund for any purpose.

Line 12: "Rebates and Expenditures" account for a large portion of General Fund spending not subject to the appropriations limit. The primary programs under rebates and 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 Marijuana Rebate, which distributes 15 percent of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; (3) the Old-Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (4) the Aged Property Tax, Heat, and Rent Credit, which provides property tax, heating bill, and rent assistance to qualifying low-income, disabled, or elderly individuals; and (5) the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans.

Lines 13 and 14: Transfers to capital construction and transportation are required if growth in statewide personal income exceeds 5 percent. This 5 percent trigger and the associated transfers are commonly referred to as "228" transfers because they were put into law by SB 09-228. Personal income growth exceeded 5 percent in the 2014 calendar year, which triggers the required transfers in FY 2015-16. However, these transfers are reduced by half if there is a TABOR refund in an amount between 1 and 3 percent of total General Fund revenue in the same fiscal year. The transfers are suspended in full if there is a TABOR refund in excess of 3.0 percent of total General Fund revenue.

Because no TABOR refund is projected for FY 2015-16, SB 09-228 transfers for transportation and capital construction are projected to be made at full levels, resulting in transfers of $200.2 and $50.0 million, respectively, in FY 2015-16. As shown in line 13, a total of $271.4 million will be transferred in FY 2015-16 for capital construction projects. This amount includes the projected $50.0 million SB 09-228 transfer and a $221.4 million transfer set by SB 15-250.

The Governor's November 2015 budget request for FY 2016-17 includes a total General Fund transfer of $58.7 million for capital construction. This amount incorporates the additional $25.0 million from the full SB 09-228 transfer in FY 2015-16 that was not projected when the FY 2015-16 budget was adopted. The adopted budget assumed a half SB 09-228 transfer of $25.0 million.

The projected FY 2016-17 TABOR refund of $112.0 million (assuming the lower Hospital Provider Fee collections) is equal to 1.05 percent of General Fund revenue, meaning that the SB 09-228 transfers will only be made at half levels. However, a very small decrease in revenue from projections would result in full transfers.

Line 15: Senate Bill 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19. The transfers in each fiscal year through FY 2017-18 is $25.3 million.

Line 16: State law requires transfers of General Fund money to various other State cash funds. Generally, the largest transfer in this line is money from the 10 percent special sales tax on retail marijuana tax (reduced to 8 percent starting in FY 2017-18) credited to the General Fund, 85 percent of which is transferred to the Marijuana Tax Cash Fund. However, for FY 2015-16 only, as discussed above, $40.0 million of the transfer to other funds amount is a transfer to public school capital construction related to the passage of Proposition BB.

Line 17: This line includes any expenditures for certain programs that have exceeded their appropriated amount for a fiscal year, called "overexpenditures."

Reserves

The final section of the overview table in the Appendix ("Reserves") shows the amount of General Fund money remaining at the end of each fiscal year — the "Year-End General Fund Balance." This amount reflects the difference between total funds available and total expenditures. The section shows the statutorily determined reserve requirement and whether the amount of funds is above or below the requirement ("Money Above/Below Statutory Reserve"). Under current law, the reserve is required to be 6.5 percent of General Fund appropriations subject to the appropriations limit. Starting in FY 2015-16, appropriations for finance, or "lease-purchase" payments, called Certificates of Participation, for certain capital projects were made exempt from the reserve calculation requirement by SB 15-251.

Figure 32 provides information on the General Fund ending balance. As the figure shows, the State's General Fund reserve is projected to be $156.5 million below the current law required amount for FY 2015-16. However, the Governor's November 2015 budget request restores the 6.5 percent reserve in FY 2016-17.

Figure 32. General Fund Reserves under Governor's Budget Request (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2015-16	FY 2016-17	FY 2017-18
21	Year-End General Fund Balance	$455.9	$682.9	$679.4
22	Balance as a % of Appropriations	4.8%	6.9%	6.5%
23	General Fund Statutory Reserve	$612.4	$635.8	$679.4
24	Money Above/Below Statutory Reserve	-$156.5	$47.1	$0.0

State Education Fund Overview

Figure 33 summarizes State Education Fund annual revenue and spending. It also includes projected beginning and ending fund balances. As the figure shows, lower revenue to the fund will put increasing strain on the fund's balance in the coming years despite lower expenditure levels. By the end of FY 2015-16, the balance is projected to fall nearly 50.0 percent, to $341.7 million, from levels a year earlier. The trend is projected to continue into FY 2016-17, as the year-end balance drops by another 71.4 percent to $97.6 million.

State Education Fund expenditures for FY 2015-16 and FY 2016-17 reflect the Governor's November 2015 budget request. The FY 2017-18 expenditure amount projects spending needed to keep the negative factor in the School Finance Act at the proposed FY 2016-17 dollar amount of $905.2 million, while maintaining a balance in the Fund at about the same level as FY 2016-17.

Figure 33. State Education Fund Revenue, Spending, and Reserves under Governor's Budget Request,* $ in Millions

	FY 2015-16	FY 2016-17	FY 2017-18
Beginning Balance	*$682.0*	*$341.7*	*$97.6*
One-third of 1% of State Taxable Income	*$525.7*	*$567.6*	*$609.8*
Transfers under SB 13-234	*$25.3*	*$25.3*	*$25.3*
Other	*$5.5*	*$5.9*	*$6.4*
Total Funds to State Education Fund	**$556.6**	**$598.8**	**$641.5**
State Education Fund Expenditures	**$896.9**	**$842.9**	**$645.7**
Year-end Balance	**$341.7**	**$97.6**	**$93.4**

*Actual expenditures from the State Education Fund will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections are illustrative only.

The State Education Fund plays an important role in the State's General Fund budget. Under the state constitution, the State Education Fund helps fund preschool through 12th-grade education, the largest General Fund program. Therefore, higher or lower spending from the State Education Fund generally affects General Fund appropriations in order to support the targeted level of school funding. Decisions in one year affect the range of choices in the next year because they impact the available balance in the State Education Fund for future spending and General Fund availability for other programs.

Table 5 in the Appendix incorporates all of the same information from the General Fund overview in Table 4, but also includes spending, revenue, and fund-balance information for the State Education Fund. Given the budget implications of the balance of funding between the State Education Fund and General Fund, a unified and multi-year view provides important insight into the sustainability of budgeting decisions.

Cash Fund Revenue Forecast

Cash fund revenue supports a wide array of State programs that collect taxes, fees, fines, and interest to fund services. When fees or other revenue are designated for a particular program, they typically are directed to a cash fund used to fund the program. OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 6 in the Appendix.

Cash fund revenue subject to TABOR in FY 2015-16 is forecasted to be $103.7 million, or 3.8 percent, higher than FY 2014-15, primarily as a result of growth in revenue from the Hospital Provider Fee. This growth will offset a sharp decline in revenue from severance taxes and a decrease in insurance-related revenue. The forecast for FY 2015-16 is $11.9 million, or 0.4 percent, lower than projections from the September forecast, as lower projections for severance tax revenue are offsetting an increase in expectations for revenue to the group of miscellaneous cash funds.

Cash fund revenue subject to TABOR will increase 1.2 percent in FY 2016-17 when growth in revenue from most of the major categories of cash funds, most notably severance taxes, will offset an expected 6.0 percent decrease in revenue from the Hospital Provider Fee. The forecast for FY 2016-17 is $31.5 million, or 1.1 percent, lower compared with projections in September.

Table 6 shows only the outlook for revenue that is subject to the TABOR provisions in the Colorado Constitution that place a limit on the amount of 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, that receive most of their money from sources other than the State. More information on TABOR revenue and the revenue limit can be found on page 54.

Transportation-related cash funds — Transportation-related cash fund revenue is forecast to grow 1.4 percent in FY 2015-16 and 1.2 percent in FY 2016-17. In FY 2014-15, transportation-related cash fund revenue subject to TABOR grew $28.9 million, or 2.5 percent, to $1.16 billion.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and several smaller cash funds. HUTF collections, which account for roughly 85 percent of revenue in this category, are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol.

Low fuel prices and an expanding economy will drive continued growth in vehicle purchases and fuel consumption, though at a slower rate than in FY 2014-15.

In FY 2014-15, revenue from HUTF vehicle fuel taxes and vehicle registrations grew 4.7 and 4.5 percent, respectively, the fastest growth since before the Great Recession. Strong growth continued in the first part of FY 2015-16, posting 3.0 percent year-to-date growth through November. Changes in these revenue streams have a substantial influence on overall transportation-related cash funds because they account for approximately three-quarters of all revenue in the category.

Coloradans ramped up vehicle purchases and driving over the past fiscal year in the growing economy. According to the Colorado Automobile Dealers Association, new vehicle registrations increased 8.0 percent through September of this year over the same period in 2014. Low gas prices are facilitating more purchases of light trucks, for which registrations grew 15.0 percent. Conversely, car registrations actually declined 2.8 percent. This purchasing behavior should offset to some degree the downward pressure on gas tax revenue that results

from improving auto fuel efficiency. This forecast assumes that the recent car-buying and driving trends will moderate, with overall HUTF revenue growth averaging 1.1 percent over the next three fiscal years.

Limited Gaming — Limited gaming revenue is forecast to grow by $10.4 million, or 9.3 percent, in FY 2015-16, after increasing 3.3 percent in FY 2014-15. Revenue from gaming will grow an additional $3.0 million, or 2.4 percent, to $124.8 million in FY 2016-17.

The gaming industry has experienced a slow recovery from the Great Recession, with limited gaming revenue yet to reach its pre-recession peak of $122 million in FY 2006-07. However, growth in the overall state economy will cause gaming activity to continue posting modest increases over the forecast period. In addition, the gaming landscape is undergoing a gradual transition as some smaller gaming venues close and larger operations absorb market demand. This has important implications for revenue because casinos are taxed on a graduated scale based on adjusted gross proceeds. For instance, a casino with adjusted gross proceeds of $2.0 million pays taxes at an effective rate of 0.25 percent, while a casino with proceeds of $10 million pays an effective rate of 5.6 percent. In FY 2014-15, two small- to medium-sized casinos closed. Assuming some clients from these smaller casinos instead played at larger establishments, the state could expect higher tax revenues even if the same amount were wagered. Thus, the trend toward larger casinos could have a noticeable impact on gaming revenue in the coming years.

Growth in the economy and wages, combined with industry consolidation, will produce continued moderate growth in gaming revenue in FY 2015-16 and FY 2016-17.

Of the total expected limited gaming revenue of $121.8 million for FY 2015-16, $102.4 million will be subject to TABOR, as reflected in Figure 34. Of this amount, $101.0 million is classified as "base limited gaming revenue" as designated by State law after the passage of Amendment 50 in 2008. This revenue is distributed by formula in state statute to the State General Fund, the State Historical Society, cities and counties affected by gaming activity, and economic development-related programs.

Gaming revenue attributable to Amendment 50, which is not subject to TABOR, is distributed mostly to community colleges, with a smaller portion going to local governments with communities affected by gaming. These distributions will grow along with overall gaming revenue, totaling $13.6 million and $14.6 million in FY 2015-16 and FY 2016-17, respectively. Figure 34 shows the distribution of limited gaming revenues in further detail.

Figure 34. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY 14-15	Forecast FY 15-16	Forecast FY 16-17	Forecast FY 17-18
A. Total Limited Gaming Revenues	**$111.4**	**$121.8**	**$124.8**	**$126.8**
Annual Percent Change	3.3%	9.3%	2.4%	1.6%
B. Base Limited Gaming Revenues (max 3% growth)	**$98.1**	**$101.0**	**$103.5**	**$105.1**
Annual Percent Change	3.0%	3.0%	2.4%	1.6%
C. Gaming Revenue Subject to TABOR	**$99.3**	**$102.4**	**$104.9**	**$106.6**
Annual Percent Change	1.1%	3.1%	2.4%	1.6%
D. Total Amount to Base Revenue Recipients	**$87.3**	**$91.7**	**$93.2**	**$93.9**
Amount to State Historical Society	$24.5	$25.7	$26.1	$26.3
Amount to Counties	$10.5	$11.0	$11.2	$11.3
Amount to Cities	$8.7	$9.2	$9.3	$9.4
Amount to Distribute to Remaining Programs (State Share)	$43.7	$45.9	$46.6	$47.0
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
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.0	$2.0	$2.0	$2.0
Transfer to the General Fund	$13.7	$15.9	$16.6	$17.0
E. Total Amount to Amendment 50 Revenue Recipients	**$9.9**	**$16.1**	**$17.2**	**$17.6**
Community Colleges, Mesa and Adams State (78%)	$7.7	$12.5	$13.5	$13.7
Counties (12%)	$1.2	$1.9	$2.1	$2.1
Cities (10%)	$1.0	$1.6	$1.7	$1.8

***Hospital Provider Fee*—** Hospital Provider Fee (HPF) revenue is expected to increase 52.2 percent, or $276.2 million, to $805.0 million in FY 2015-16. HPF revenue will then decrease 6.0 percent, or by $48.7 million, to $756.3 million in FY 2016-17. It will grow 5.6 percent, or by $42.5 million, in FY 2017-18. This forecast is unchanged from September.

The projections for HPF revenue are influenced by federal funding levels associated with the Affordable Care Act as well as changes in the population receiving medical care support under the Medicaid program. An increase in populations receiving medical services will generate higher HPF revenue starting in FY 2015-16. Growth in these populations occurred at a strong rate in 2014, which is driving the large increase in HPF revenue.

The large increase in FY 2015-16 is due to the caseload growth associated with expansion of the Medicaid program, as well as later-than-expected federal approval of the HPF funding levels associated with higher program costs. This later approval prevented the higher fee collections from taking effect earlier, shifting the higher collections to FY 2015-16.

The Hospital Provider Fee is paid by Colorado hospitals based on the amount of inpatient days and outpatient revenue. The amount of Hospital Provider Fee collected each year is calculated by a formula that considers the anticipated cost of care for some Medicaid populations. Revenue collected from the fee is matched by the federal government to help cover the cost of the Medicaid program.

***Severance tax revenue*—** Severance tax revenue will decrease 72.3 percent, or $202.6 million, to $77.6 million in FY 2015-16 due to the sharp decline in oil and natural gas prices. Severance tax revenue projections are $31.5

million lower than the September OSPB Forecast due to lower–than-expected revenue collections through the first part of FY 2015-16.

Robust severance tax revenue growth in the last few fiscal years resulted from the higher price environment for natural gas and oil prior to last summer that boosted the production value of the resources in Colorado. Prices for both natural gas and oil have since fallen substantially, contributing to the large decrease in severance tax revenue in FY 2015-16. A modest and gradual rebound in prices will lead to an increase of $56.3 million in severance tax revenue for FY 2016-17. The local ad valorem credit for State severance taxes is contributing to these large swings in revenue collections.

The price of natural gas and oil are key drivers of severance tax revenue because the tax is based on a percentage of the income received from selling the commodities. Because of the increase in oil production over the past few years in the state, the proportion of severance taxes from oil has increased to nearly the same as the proportion from natural gas production. Prior to 2012, severance tax revenue from oil was smaller than half the proportion from natural gas. Therefore, revenue from severance taxes is more responsive to changes in oil prices than in the past.

Continued low prices for natural gas and oil, combined with ad valorem tax credits, will result in a decline of $202.6 million in severance taxes in FY 2015-16. Revenue collections will rebound in FY 2016-17 with gradually increasing prices and smaller ad valorem tax credits.

Average oil prices in 2015 are nearly 50 percent lower than they were in 2014 as growing production in the United States boosted oil inventories and a sluggish global economy dampened demand. Expectations are for prices to remain low through at least 2016 and possibly into 2017. Given the recent downward trend in prices through the past few months and fact that the Organization of the Petroleum Exporting Countries (OPEC) did not come to an agreement to lower supply at their most recent meeting, there continues to be downside risk to price projections.

The price of natural gas also remains well below the previous few years as supply has outpaced demand recently. Natural gas prices in 2015 are nearly 40 percent below 2014 levels and only a slight increase in prices is expected in 2016.

In FY 2015-16, the impact of ad valorem tax credits is exacerbating the decline of severance tax revenue from lower oil and natural gas prices. Severance taxpayers claim ad valorem tax credits based on the local property taxes they pay on the value of mineral extraction in the prior year. Although the prices of natural gas and oil declined this year, taxpayers will mostly claim ad valorem credits based on the value of oil and gas in 2014, when prices were much higher. This dynamic increases the impact of lower prices on severance tax liabilities, helping generate the 72.3 percent forecasted decline for severance taxes in FY 2015-16. Along with gradual increases in prices, this dynamic will contribute to the projected rebound in severance taxes in FY 2016-17 when the ad valorem credits will be much smaller as they will based on the current low level of oil and natural gas prices.

The amount of oil and natural gas produced in Colorado, known as production volume, also influences severance tax collections, although production volumes do not tend to fluctuate as significantly as prices. Oil producers have begun to temper production as lower prices make new exploration and wells less profitable. A larger decline in production is expected in 2016 as prices are projected to remain suppressed for both oil and gas. The pullback in new production will further contribute to lower severance tax revenue growth over the forecast period.

Other mineral resources, including coal, gold, and molybdenum, generate severance tax revenue, although at much lower levels than oil and natural gas production. Severance tax revenue from coal production is expected to fall 3.0 percent, to $5.2 million, in FY 2015-16 after falling 33.2 percent, to $5.4 million, in FY 2014-15.

Senate Bill 15-255 credited the first $20 million of state severance tax revenue received in May and June of 2015 to the General Fund. Actual severance tax collections in these months amounted to $16.2 million. Therefore, the total severance tax revenue for FY 2014-15 shown in Table 6 is $16.2 million lower than actual collections, but General Fund revenue shown in line 16 of Table 3 in the Appendix is $16.2 million higher. This money helps pay for the FY 2014-15 TABOR refund paid out of the General Fund.

Federal Mineral Leasing revenue **—** Colorado's share of Federal Mineral Lease (FML) revenue will fall 28.4 percent to $103.9 million in FY 2015-16. This follows a decline of 16.4 percent in FY 2014-15. FML revenue is decreasing again in FY 2015-16 due to continued lower oil and natural gas prices and the refund of FML "bonus" payments to mineral extraction leaseholders on the Roan Plateau. FML revenue is expected to rebound 12.9 percent to $117.3 million in FY 2016-17 and an additional 11.5 percent in FY 2017-18.

FML royalties are assessed as a percentage of the value of resources produced on leased federal lands. FML activity includes production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. The Bureau of Land Management (BLM) sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are shared with the state where production occurred.

FML revenue will fall 28.4 percent in FY 2015-16 due to lower oil and gas prices and one-time refunds to leaseholders, but will rebound in FY 2016-17 and FY 2017-18 with gradual increases in commodity prices.

A portion of the reduced levels in FML revenue in FY 2015-16 through FY 2017-18 is a result of refunds to holders of cancelled leases on land for mineral extraction on the Roan Plateau in Colorado. The BLM carried out auctions for leases to produce natural gas on the Roan Plateau in 2008, collecting significant bonus payments. The BLM later revisited these leases and determined a need to re-negotiate or cancel several of them. As a result, the Bureau will refund nearly $50 million of the bonus payments that were originally made. Colorado's share of this amount, $23.4 million, will be recouped from the State's share of FML revenue.

The federal government will withhold $7.8 million of Colorado's FML payments in FY 2015-16 and each of the next two fiscal years to complete the required refund. As a result, the distributions of FML revenue to the State Public School Fund, the Colorado Water Conservation Board Construction Fund, and the Local Government Mineral Impact Fund would be proportionately reduced; however, Senate Bill 15-244 transfers money from the General Fund to these funds in each of the three fiscal years in order to backfill the decline in FML distributions.

The impact of lower oil and gas prices on FML revenue was larger than initially estimated through the first quarter of FY 2015-16, thus the forecast for this fiscal year is $15.5 million lower than in September. Although FML revenue will continue to decline through FY 2015-16, the decline will not be nearly as severe as the drop in severance tax revenue. The impact of lower prices on FML revenue is much smaller than the impact on severance taxes because the revenue stream is not affected by the ad valorem tax credits that reduce severance tax gross liabilities.

Figure 35. Federal Mineral Leasing (FML) Payments, $ in Millions

Fiscal Year	Bonus Payments	Non-Bonus	Total FML	% Change
FY 2014-15	$1.1	$144.0	$145.1	-16.4%
FY 2015-16	$3.7	$100.2	$103.9	-28.4%
FY 2016-17	$1.8	$115.6	$117.3	12.9%
FY 2017-18	$2.0	$128.9	$130.8	11.5%

FY 2014-15 figures are actual collections, and FY 2015-16 through FY 2017-18 are projections.

Other cash funds — Cash fund revenue to regulatory agencies will grow 3.5 percent to $67.0 million in FY 2015-16 after decreasing 5.5 percent in FY 2014-15. Cash fund revenue related to regulatory agencies will grow another 3.5 percent to $69.3 million in FY 2016-17. The Department of Regulatory Agencies (DORA) oversees businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. The Department is responsible for oversight of a wide variety of professions, ranging from landscape architects and psychologists to hunting guides. Revenue from licensing fees and other services fund many of the Department's activities.

Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance programs. Revenue from this source will decrease 36.4 percent to $13.7 million in FY 2015-16 due to a reduction in the surcharge. The surcharge is used to fund the Division of Workers' Compensation (DOWC), as well as the Major Medical Insurance Fund and Subsequent Injury Fund, which were created to absorb costs for individuals injured prior to 1981. Each year, the DOWC is required to perform a review to determine the funding needed to operate its programs. The DOWC projected that a 50 percent reduction in premium surcharges would generate sufficient funding to pay and administer claims for FY 2015-16.

The category called Other Miscellaneous Cash Funds in Table 6 includes revenue from a large array of mostly smaller cash funds that generally collect revenue from fines, fees, and interest earnings. Revenue from these funds is expected to be $601.6 million in FY 2015-16, an increase of 2.8 percent, after growth of 2.9 percent the prior year. Revenue to these funds is expected to grow 1.0 percent in FY 2016-17.

Revenue from the 2.9 percent sales tax on retail and medical marijuana, as well as fees related to regulation of the marijuana industry, is reflected in the miscellaneous cash funds category in Table 6. However, the table does not include the proceeds from marijuana taxes authorized by Proposition AA in November 2013 as they are not subject to TABOR. These taxes are transferred to the Marijuana Tax Cash Fund, local governments, and school construction. Revenue from the retail marijuana sales tax in Proposition AA goes first to the General Fund — and is included under sales tax revenue in Table 3 in the Appendix — before it is transferred to the Marijuana Tax Cash Fund and local governments. Proposition AA also included an excise tax of 15 percent on retail marijuana that is credited to public school cash funds, a majority of which goes to a cash fund for public school capital construction projects.

HB 15-1367, passed during the 2015 legislative session, contains several provisions affecting the taxes collected on retail marijuana authorized by Proposition AA. Most notably, it referred a measure to voters asking if the State can retain and spend the money collected from the taxes in FY 2014-15. A majority of voters voted in favor of the measure in November giving the State the authority to retain and spend the money.

HB15-1367 also reduced both the 10 percent special sales tax and 15 percent excise tax rates on retail marijuana to zero for one day. This satisfies TABOR's provisions to reduce the tax rates associated with a tax increase when revenue exceeds the estimates given to voters. However, the rates were reduced only temporarily because voters allowed the State to increase the rates under Proposition AA without further voter approval, as long as they do not exceed 15 percent. The bill also lowers the 10 percent special sales tax on retail marijuana sales to 8 percent starting in FY 2017-18. More information on HB 15-1367 and its impact on the General Fund can be found starting on page 38 in the General Fund budget section and on page 57 in the TABOR section.

Taxpayer's Bill of Rights: Revenue Limit

Background on TABOR – Provisions in the Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limit the growth of a large portion of State revenue to the sum of inflation plus population growth in the previous calendar year. Revenue collected above the TABOR limit must be returned to taxpayers unless voters decide the State can retain the revenue.

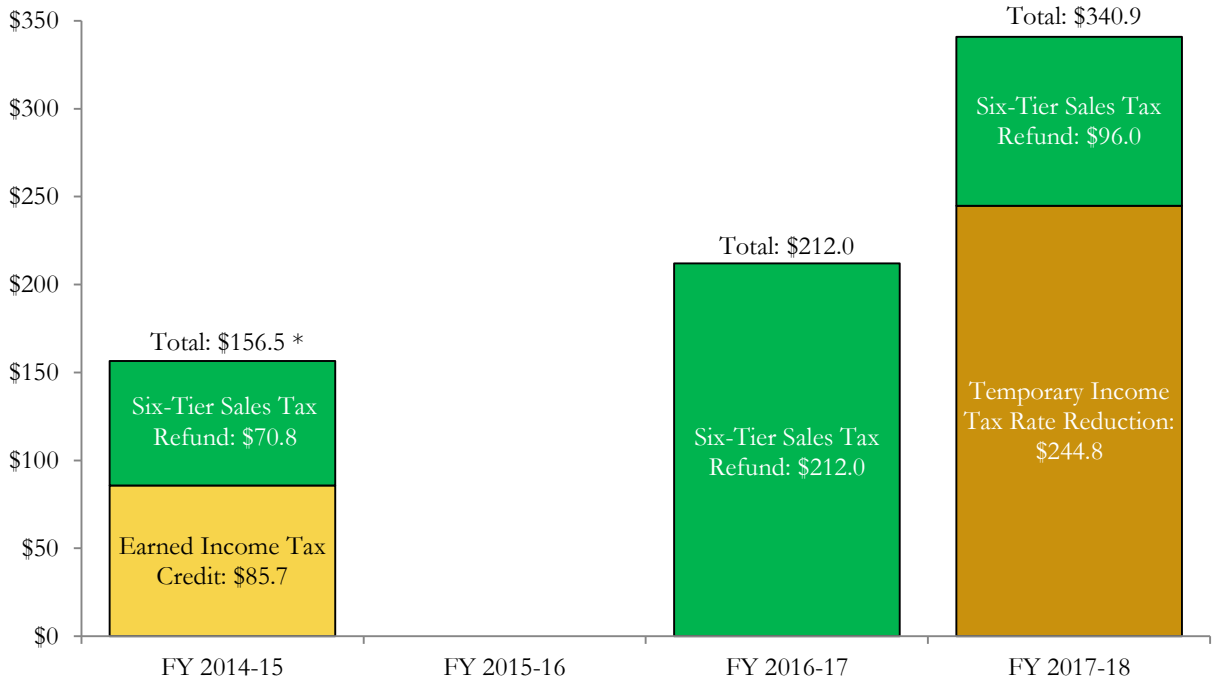
In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10 during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) 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 7) for each subsequent year.

Most General Fund revenue and a portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Revenue that is not subject to TABOR includes revenue exempt by Colorado voters; federal money; and revenue received by entities designated as enterprises, such as public universities and colleges. Table 7 found in the Appendix summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

TABOR refunds are projected in FY 2016-17 and FY 2017-18 – TABOR revenue exceeded the Referendum C cap by $152.9 million in FY 2014-15 and will be refunded to taxpayers, along with an additional $3.6 million owed related to refunds from prior years. TABOR revenue is projected to come in below the cap in FY 2015-16, but is expected to come in over the cap in the following two years by $212.0 million in FY 2016-17, and $340.9 million in FY 2017-18. Colorado law currently specifies three mechanisms by which revenue in excess of the cap is refunded to taxpayers: a sales tax refund to all taxpayers ("six-tier sales tax refund"), the Earned Income Tax Credit to qualified taxpayers, and a temporary income tax rate reduction. The refund amount determines which refund mechanisms are used. Figure 36 shows the anticipated refund that will be distributed through each mechanism according to the revenue projections in this forecast and the statutorily defined refund mechanisms.

In FY 2014-15, revenue above the cap exceeded the refund threshold amount that activates the State Earned Income Tax Credit (EITC), as specified by Section 39-22-123, C.R.S. Colorado taxpayers who qualify for the federal EITC will be able to claim up to 10 percent of the amount they claim on their federal tax return on their state tax return for the 2015 tax year. The amount refunded through this mechanism is estimated to be $85.7 million and the credit is estimated to average about $217 per qualifying taxpayer. The State EITC is only a TABOR refund mechanism for one year because it becomes permanent after the year it is used as a refund. After the use of the EITC as a refund mechanism for FY 2014-15, it becomes available to qualifying taxpayers on an ongoing basis.

Figure 36. Projected Distribution of Revenue in Excess of the Referendum C Cap, $ in Millions



* The FY 2014-15 amount includes $152.9 million in revenue above the Referendum C Cap for FY 2014-15, as well as $3.6 million in pending amounts owed related to refunds from prior years. These amounts are the result of (a) adjustments that were made to State accounting records for years in which TABOR refunds occurred that resulted in additional required refunds to taxpayers, and (b) the refund in previous years was less actual money than required. Such refunds are held by the State until a future year in which a TABOR refund occurs when they are added to the total refund amount and distributed to taxpayers.

The remaining $70.8 million of the refund for FY 2014-15 will be distributed through the six-tier sales tax refund, as specified by Section 39-22-2002, C.R.S., when taxpayers file their state tax return for the 2015 tax year. The amount of the refund that can be claimed by each taxpayer is calculated according to a statutory formula that includes six adjusted gross income tiers and the total amount to be refunded. Figure 37 shows per-taxpayer refund estimates by income tier for the six-tier sales tax refund.

For FY 2016-17, the six-tier sales tax refund mechanism will be used to distribute the projected $212.0 million exceeding the Referendum C cap, as shown in Figure 37. The refund amount is not large enough to trigger the temporary income tax rate reduction. If revenue comes in higher than projected and exceeds the threshold that would activate the temporary tax rate reduction, then the amount refunded via the six-tier sales tax refund will be reduced and the majority of the refund will be distributed via the temporary income tax rate reduction. OSPB projects the threshold for activating the income tax rate reduction to be $231.2 million for FY 2016-17, about $19 million higher than this forecast's projection for revenue in excess of the cap.

Revenue in excess of the cap in FY 2017-18, projected at $340.9 million, will meet the refund threshold amount to activate the temporary income tax rate reduction refund mechanism as specified by Section 39-22-627, C.R.S. This refund mechanism will reduce the state income tax rate from 4.63 to 4.5 percent for tax year 2018. This would reduce the income tax liability for individual income taxpayers by about $52 for tax year 2018 on average per taxpayer, though the amount will vary greatly based on a taxpayer's taxable income level as shown in Figure 37. The total amount refunded through this mechanism is estimated to be $244.8 million in FY 2017-18 with the remaining portion, $96.0 million, to be refunded through the six-tier sales tax refund mechanism.

Figure 37. Projected Distribution of Refunds per Taxpayer by Fiscal Year

FY 2014-15 TABOR Refund per Taxpayer								
	Individual Returns				Joint Returns			
Adjusted Gross Income Tier	Earned Income Tax Credit*	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Earned Income Tax Credit*	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Up to $36,000	$234	$13	$0	$247	$234	$26	$0	$260
$36,001 - $77,000	$137	$18	$0	$155	$137	$36	$0	$173
$77,001 - $120,000	$0	$21	$0	$21	$0	$42	$0	$42
$120,001 - $163,000	$0	$23	$0	$23	$0	$46	$0	$46
$163,001 - $204,000	$0	$24	$0	$24	$0	$48	$0	$48
$204,001 and Up	$0	$41	$0	$41	$0	$82	$0	$82

*EITC applies per household, while the sales tax and income tax refunds are per return. For tax years after 2015, the EITC will no longer be a TABOR refund mechanism and will become a permanent credit. Number of taxpayers and adjusted gross income tiers for FY 2014-15 are the Colorado Department of Revenue's projections.

No TABOR surplus is projected for FY 2015-16

FY 2016-17 TABOR Refund per Taxpayer						
	Individual Returns			Joint Returns		
Adjusted Gross Income Tier	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Up to $38,000	$39	$0	$39	$78	$0	$78
$38,001 - $81,000	$54	$0	$54	$108	$0	$108
$81,001 - $125,000	$63	$0	$63	$126	$0	$126
$125,001 - $170,000	$69	$0	$69	$138	$0	$138
$170,001 - $213,000	$72	$0	$72	$144	$0	$144
$213,001 and Up	$124	$0	$124	$248	$0	$248

FY 2017-18 TABOR Refund per Taxpayer						
	Individual Returns			Joint Returns		
Adjusted Gross Income Tier	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Up to $39,000	$17	$8	$25	$34	$3	$37
$39,001 - $83,000	$24	$49	$73	$48	$30	$78
$83,001 - $128,000	$28	$109	$137	$56	$79	$135
$128,001 - $174,000	$31	$159	$190	$62	$131	$193
$174,001 - $218,000	$32	$199	$231	$64	$184	$248
$218,001 and Up	$55	$608	$663	$110	$563	$673

TABOR refund amounts will affect transfers to transportation and capital construction (SB 09-228 transfers) – In addition to activating distributions of refunds to taxpayers, projected revenue in excess of the Referendum C cap affects the transfers to transportation and capital construction created by Senate Bill 09-228, as specified by Section 24-75-219, C.R.S. Because total personal income in Colorado grew by more than 5 percent in 2014, this statute requires transfers of General Fund revenue to the Highway Users Tax Fund and the Capital Construction Fund for five years starting in FY 2015-16. However, these transfers are reduced by half if there is a TABOR refund in the same fiscal year in an amount between 1 and 3 percent of total General Fund revenue. The transfers are suspended in full if there is a TABOR refund in excess of 3 percent of total General Fund revenue.

There is no projected TABOR refund for FY 2015-16, thus the transfers for this fiscal year are currently expected to be unaffected by these provisions. However, the projected TABOR refund for FY 2016-17 represents an amount equal to 2.0 percent of General Fund revenue. Therefore, the transfers for transportation and capital construction will be reduced by half – from $213.7 million to $106.8 million and $53.4 million to $26.7 million, respectively – under this forecast. A relatively small decrease in revenue subject to TABOR would push the TABOR refund below 1 percent of General Fund revenue, increasing the transfers to their full amounts. The proposed $100 million reduction in Hospital Provider Fee revenue under the Governor's November budget request for FY 2016-17 puts the projected TABOR refund just slightly above the 1 percent threshold.

According to current projections, the transportation and capital construction transfers will be reduced to zero for FY 2017-18 because the TABOR refund is expected to be larger than 3 percent of total General Fund revenue. This forecast projects the refund to be 3.03 percent of total General Fund revenue. Therefore, a small reduction in revenue subject to TABOR would result in half transfers.

TABOR election provisions and Proposition BB – HB 15-1367 referred a measure to voters — "Proposition BB" — asking if the State can retain and spend the revenue collected from the Proposition AA taxes on marijuana. The legislation set aside $58 million into a special account in the General Fund in case a refund was needed. Statewide voters approved Proposition BB, allowing the state to retain and spend the revenue. The legislation thus requires $40 million of the $58 million that was set aside to be credited to public school capital construction; $12 million to be used for various other purposes, such as law enforcement, youth programs, and marijuana education and prevention programs; and the remaining $6 million is available for use by the General Fund for any purpose. For more information on how these amounts are treated in the General Fund, see the discussion starting on page 40 of the General Fund and State Education Fund Budget section. HB 15-1367 also lowers the 10 percent special sales tax on retail marijuana sales to 8 percent starting in FY 2017-18.

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
- Alison Felix – Vice President and Denver Branch Executive, Denver Branch – Federal Reserve Bank of Kansas City
- Elizabeth Garner – State Demographer, Colorado Department of Local Affairs
- Alexandra Hall – Labor Market Information Director, Colorado Department of Labor and Employment
- Ronald New – Capital Markets Executive
- Patricia Silverstein – President, Development Research Partners
- Richard Wobbekind – Associate Dean, Leeds School of Business; University of Colorado, Boulder

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Appendix – Reference Tables

Table 1. History and Forecast for Key Colorado Economic Variables
Calendar Year 2010-2017

Line No.		Actual					December 2015 Forecast		
		2010	2011	2012	2013	2014	2015	2016	2017
	Income								
1	Personal Income (Billions) /A	$211.4	$227.1	$240.9	$246.4	$261.7	$274.3	$288.8	$304.4
2	Change	2.4%	7.4%	6.1%	2.3%	6.2%	4.8%	5.3%	5.4%
3	Wage and Salary Income (Billions)	$113.8	$118.6	$125.0	$129.5	$138.7	$145.3	$153.3	$161.9
4	Change	1.3%	4.2%	5.4%	3.6%	7.1%	4.8%	5.5%	5.6%
5	Per-Capita Income ($/person) /A	$41,877	$44,349	$46,402	$46,746	$48,869	$50,294	$52,031	$53,889
6	Change	0.9%	5.9%	4.6%	0.7%	4.5%	2.9%	3.5%	3.6%
	Population & Employment								
7	Population (Thousands)	5,048.6	5,119.7	5,191.7	5,272.1	5,355.9	5,453.9	5,551.2	5,649.3
8	Change	1.5%	1.4%	1.4%	1.5%	1.6%	1.8%	1.8%	1.8%
9	Net Migration (Thousands)	37.5	36.0	39.8	47.9	50.8	68.8	63.4	63.8
10	Unemployment Rate	8.7%	8.3%	7.8%	6.8%	5.0%	4.1%	3.8%	3.9%
11	Total Nonagricultural Employment (Thousands) /B	2,222.3	2,258.6	2,313.0	2,381.9	2,463.7	2,532.7	2,599.5	2,667.1
12	Change	-1.0%	1.6%	2.4%	3.0%	3.4%	2.8%	2.6%	2.6%
	Construction Variables								
13	Total Housing Permits Issued (Thousands)	11.6	13.5	23.3	27.5	28.7	31.0	37.9	41.3
14	Change	23.9%	16.5%	72.6%	18.1%	4.2%	7.9%	22.3%	9.1%
15	Nonresidential Construction Value (Millions) /C	$3,146.7	$3,516.2	$3,112.3	$3,614.0	$4,306.8	$4,543.7	$4,659.1	$4,801.0
16	Change	-6.2%	11.7%	-11.5%	16.1%	19.2%	5.5%	2.5%	3.0%
	Prices & Sales Variables								
17	Retail Trade (Billions) /D	$70.5	$75.9	$80.2	$84.1	$90.3	$94.2	$99.4	$105.1
18	Change	6.0%	7.7%	5.7%	4.8%	7.4%	4.3%	5.5%	5.8%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	212.4	220.3	224.6	230.8	237.2	240.8	246.8	252.7
20	Change	1.9%	3.7%	1.9%	2.8%	2.8%	1.5%	2.5%	2.4%

/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 2. History and Forecast for Key National Economic Variables
Calendar Year 2010 – 2017

Line No.		Actual					December 2015 Forecast		
		2010	2011	2012	2013	2014	2015	2016	2017
	Inflation-Adjusted & Current Dollar Income Accounts								
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,783.8	$15,020.6	$15,354.6	$15,583.3	$15,961.7	$16,346.4	$16,722.3	$17,090.2
2	Change	2.5%	1.6%	2.2%	1.5%	2.4%	2.4%	2.3%	2.2%
3	Personal Income (Billions) /B	$12,477.1	$13,254.5	$13,915.1	$14,068.4	$14,694.2	$15,331.9	$16,037.2	$16,742.8
4	Change	3.2%	6.2%	5.0%	1.1%	4.4%	4.3%	4.6%	4.4%
5	Per-Capita Income ($/person)	$40,334	$42,520	$44,300	$44,450	$46,084	$47,693	$49,476	$51,218
6	Change	2.4%	5.4%	4.2%	0.3%	3.7%	3.5%	3.7%	3.5%
7	Wage and Salary Income (Billions) /B	$6,377.5	$6,633.2	$6,930.3	$7,114.4	$7,477.8	$7,791.9	$8,181.5	$8,606.9
8	Change	2.0%	4.0%	4.5%	2.7%	5.1%	4.2%	5.0%	5.2%
	Population & Employment								
9	Population (Millions)	309.3	311.7	314.1	316.5	318.9	321.5	324.1	326.9
10	Change	0.8%	0.8%	0.8%	0.8%	0.7%	0.8%	0.8%	0.9%
11	Unemployment Rate	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.8%	4.7%
12	Total Nonagricultural Employment (Millions)	130.3	131.8	134.1	136.4	139.0	141.8	144.2	146.4
13	Change	-0.7%	1.2%	1.7%	1.7%	1.9%	2.0%	1.7%	1.5%
	Price Variables								
14	Consumer Price Index (1982-84=100)	218.1	224.9	229.6	233.0	236.7	237.0	241.2	246.1
15	Change	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%	1.8%	2.0%
16	Producer Price Index - All Commodities (1982=100)	184.7	201.0	202.2	203.4	205.3	192.2	197.2	204.7
17	Change	6.8%	8.8%	0.6%	0.6%	0.9%	-6.4%	2.6%	3.9%
	Other Key Indicators								
18	Corporate Profits (Billions)	$ 1,746.4	$ 1,816.6	$ 1,998.2	$ 2,037.4	$ 2,072.9	$ 2,097.8	$ 2,213.2	$ 2,299.5
19	Change	25.0%	4.0%	10.0%	2.0%	1.7%	1.2%	5.5%	3.9%
20	Housing Permits (Millions)	0.605	0.624	0.830	0.991	1.046	1.171	1.359	1.512
21	Change	3.7%	3.2%	32.9%	19.4%	5.6%	11.9%	16.1%	11.2%
22	Retail Trade (Billions)	$4,288.3	$4,601.8	$4,831.1	$5,011.7	$5,204.7	$5,324.4	$5,564.0	$5,825.5
23	Change	5.4%	7.3%	5.0%	3.7%	3.8%	2.3%	4.5%	4.7%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/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.

Table 3. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Category	Preliminary		December 2015 Estimate by Fiscal Year					
	FY 2014-15	% Chg	FY 2015-16	% Chg	FY 2016-17	% Chg	FY 2017-18	% Chg
Excise Taxes:								
Sales	$2,619.2	8.0%	$2,720.0	3.8%	$2,879.3	5.9%	$3,007.4	4.4%
Use	$260.3	7.8%	$246.5	-5.3%	$260.2	5.6%	$277.1	6.5%
Cigarette	$37.9	3.6%	$36.4	-4.0%	$34.8	-4.4%	$34.0	-2.0%
Tobacco Products	$17.8	5.3%	$20.9	17.7%	$19.4	-7.5%	$19.9	2.5%
Liquor	$41.5	2.8%	$43.6	5.0%	$43.9	0.8%	$45.1	2.7%
Total Excise	**$2,976.7**	**7.8%**	**$3,067.4**	**3.0%**	**$3,237.6**	**5.5%**	**$3,383.5**	**4.5%**
Income Taxes:								
Net Individual Income	$6,350.1	11.5%	$6,477.5	2.0%	$6,973.9	7.7%	$7,377.0	5.8%
Net Corporate Income	$692.9	-3.9%	$665.6	-3.9%	$696.0	4.6%	$754.1	8.4%
Total Income	**$7,043.0**	9.8%	**$7,143.1**	**1.4%**	**$7,669.9**	**7.4%**	**$8,131.2**	**6.0%**
Less: State Education Fund Diversion	*$519.8*	*8.6%*	*$525.7*	*1.1%*	*$567.6*	*8.0%*	*609.8*	*7.4%*
Total Income to General Fund	**$6,523.1**	**9.9%**	**$6,617.3**	**1.4%**	**$7,102.3**	**7.3%**	**$7,521.3**	**5.9%**
Other Revenue:								
Insurance	$256.7	7.4%	$283.4	10.4%	$301.0	6.2%	$303.4	0.8%
Interest Income	$8.1	-47.0%	$14.4	77.9%	$15.1	5.4%	$16.1	6.4%
Pari-Mutuel	$0.6	0.2%	$0.6	-3.0%	$0.6	-3.0%	$0.6	-2.0%
Court Receipts	$2.6	0.3%	$2.5	-4.2%	$2.4	-1.0%	$2.3	-4.1%
Other Income	$34.0	59.1%	$23.2	-31.8%	$24.7	6.7%	$26.4	6.8%
Total Other	**$301.9**	**8.1%**	**$324.0**	**7.3%**	**$343.9**	**6.1%**	**$348.8**	**1.4%**
GROSS GENERAL FUND	**$9,801.7**	**9.2%**	**$10,008.8**	**2.1%**	**$10,683.8**	**6.7%**	**$11,253.6**	**5.3%**

Table 4. General Fund Overview under the Governor's November 2015 Budget Request /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2014-15	December 2015 Estimate by Fiscal Year FY 2015-16	FY 2016-17	FY 2017-18
Revenue					
1	**Beginning Reserve**	**$435.9**	**$688.6**	**$455.9**	**$682.9**
2	**Gross General Fund Revenue**	**$9,801.7**	**$10,008.8**	**$10,683.8**	**$11,253.6**
3	*Transfers to the General Fund*	*$65.9*	*$16.3*	*$16.9*	*$17.1*
4	*Proposed Policy Changes Affecting Revenue*	*NA*	*$3.8*	*$0.5*	*NA*
5	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$10,303.6**	**$10,717.4**	**$11,157.0**	**$11,953.6**
Expenditures					
6	**Appropriation Subject to Limit**	**$8,869.0**	**$9,458.0**	**$9,830.1**	**$10,501.3**
7	*Dollar Change (from prior year)*	*$650.3*	$589.0	$372.1	$671.2
8	*Percent Change (from prior year)*	7.9%	6.6%	3.9%	6.8%
9	**Spending Outside Limit**	**$791.0**	**$803.6**	**$644.0**	**$772.9**
10	*TABOR Refund under Art. X, Section 20, (7) (d)*	*$156.5*	*$0.0*	*$112.0*	*$340.9*
11	*Set Aside for Potential TABOR Refund under Art. X, Section 20, (3) (c)*	*$58.0*	*-$58.0*	*$0.0*	*$0.0*
12	*Rebates and Expenditures*	*$258.1*	$264.3	$284.5	$296.8
13	*Transfers for Capital Construction*	*$248.5*	$271.4	$58.7	$68.3
14	*Transfers to Highway Users Tax Fund*	$0.0	$200.2	$106.8	$0.0
15	*Transfers to State Education Fund under SB 13-234*	$25.3	$25.3	$25.3	$25.3
16	*Transfers to Other Funds*	$44.0	$100.4	$56.7	$41.6
17	*Other Expenditures Exempt from General Fund Appropriations Limit*	$0.5	$0.0	$0.0	$0.0
18	**TOTAL GENERAL FUND OBLIGATIONS**	**$9,660.0**	**$10,261.6**	**$10,474.1**	**$11,274.2**
19	*Percent Change (from prior year)*	10.2%	6.2%	2.1%	7.6%
20	Reversions and Accounting Adjustments	*-$45.0*	$0.0	$0.0	$0.0
Reserves					
21	**Year-End General Fund Balance**	**$688.6**	**$455.9**	**$682.9**	**$679.4**
22	*Year-End General Fund as a % of Appropriations*	*7.8%*	4.8%	6.9%	6.5%
23	*General Fund Statutory Reserve*	$576.5	$612.4	$635.8	$679.4
24	*Above (Below) Statutory Reserve*	$112.1	-$156.5	$47.1	$0.0

/A See the section discussing the General Fund and State Education Fund budget starting on page 40 for information on the figures in this table.

Table 5. General Fund and State Education Fund Overview under the Governor's November 2015 Budget Request /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2014-15	December 2015 Estimate by Fiscal Year FY 2015-16	FY 2016-17	FY 2017-18
Revenue					
1	**Beginning Reserves**	**$1,484.9**	**$1,370.6**	**$797.5**	**$780.5**
2	*State Education Fund*	$1,048.9	$682.0	$341.7	$97.6
3	*General Fund*	$435.9	$688.6	$455.9	$682.9
4	**Gross State Education Fund Revenue**	**$594.4**	**$556.6**	**$598.8**	**$641.5**
5	**Gross General Fund Revenue /B**	**$9,867.6**	**$10,028.8**	**$10,701.1**	**$11,270.7**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$11,946.9**	**$11,956.0**	**$12,097.5**	**$12,692.7**
Expenditures					
7	General Fund Expenditures /C	$9,660.0	$10,261.6	$10,474.1	$11,274.2
8	State Education Fund Expenditures	*$969.2*	*$896.9*	*$842.9*	*$645.7*
9	**TOTAL OBLIGATIONS**	**$10,629.2**	**$11,158.5**	**$11,317.0**	**$11,919.9**
10	*Percent Change (from prior year)*	11.8%	5.0%	1.4%	5.3%
11	*Reversions and Accounting Adjustments*	*($52.9)*	*$0.0*	*$0.0*	*$0.0*
Reserves					
12	**Year-End Balance**	**$1,370.6**	**$797.5**	**$780.5**	**$772.8**
13	State Education Fund	$682.0	$341.7	$97.6	$93.4
14	General Fund	$688.6	$455.9	$682.9	$679.4

/A See the section discussing the General Fund and State Education Fund budget starting on page 40 for information on the figures in this table.

/B This amount includes transfers to the General Fund and proposed revenue changes shown in lines 3 and 4 in Table 4.

/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 6 in Table 4 as well as all spending outside the limit shown in line 9 in Table 4.

Table 6. Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amounts in Millions)

Category	Preliminary FY 2014-15	December 2015 Estimate by Fiscal Year FY 2015-16	FY 2016-17	FY 2017-2018
Transportation-Related /A	**$1,164.6**	**$1,180.7**	**$1,195.1**	**$1,212.9**
Change	2.5%	1.4%	1.2%	1.5%
Limited Gaming Fund /B	**$99.3**	**$102.4**	**$104.9**	**$106.6**
Change	1.1%	3.1%	2.4%	1.6%
Capital Construction - Interest	**$4.7**	**$4.5**	**$4.7**	**$3.6**
Change	94.0%	-2.7%	3.6%	-23.8%
Regulatory Agencies	**$64.7**	**$67.0**	**$69.3**	**$70.9**
Change	-5.5%	3.5%	3.4%	2.4%
Insurance-Related	**$21.5**	**$13.7**	**$13.8**	**$14.0**
Change	4.1%	-36.4%	0.7%	1.4%
Severance Tax /C	**$280.2**	**$77.6**	**$133.8**	**$184.2**
Change	4.3%	-72.3%	72.5%	37.6%
Hospital Provider Fee /D	**$528.8**	**$805.0**	**$756.3**	**$798.8**
Change	-6.7%	52.2%	-6.0%	5.6%
Other Miscellaneous Cash Funds	**$585.1**	**$601.6**	**$607.9**	**$618.5**
Change	2.9%	2.8%	1.0%	1.7%
TOTAL CASH FUND REVENUE	***$2,748.8***	***$2,852.5***	***$2,885.7***	***$3,009.5***
Change	0.7%	3.8%	1.2%	4.3%

/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 FY 2014-15 figure includes the impact of SB 15-255 which credits severance tax collections between May 1st and June 30th, 2015, up to $20 million, into the General Fund. Actual collections were equal to $16.2 million.

/D 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.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2014-15	December 2015 Estimate by Fiscal Year FY 2015-16	FY 2016-17	FY 2017-18
	TABOR Revenues:				
1	General Fund /A	$9,755.4	$9,961.1	$10,630.9	$11,208.1
	Percent Change from Prior Year	8.8%	2.1%	6.7%	5.4%
2	Cash Funds /A	$2,751.1	$2,852.5	$2,885.7	$3,009.5
	Percent Change from Prior Year	0.8%	3.7%	1.2%	4.3%
3	**Total TABOR Revenues**	**$12,506.6**	**$12,813.6**	**$13,516.6**	**$14,217.6**
	Percent Change from Prior Year	7.0%	2.5%	5.5%	5.2%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.5%	1.6%	1.8%	1.8%
5	Previous calendar year inflation	2.8%	2.8%	1.5%	2.5%
6	**Allowable TABOR Growth Rate**	4.3%	4.4%	3.3%	4.3%
7	TABOR Limit	$9,969.6	$10,390.6	$10,733.5	$11,195.0
8	General Fund Exempt Revenue Under Ref. C /B	$2,384.1	$2,423.0	$2,571.1	$2,681.7
9	**Revenue Cap Under Ref. C /C**	**$12,353.7**	**$12,879.6**	**$13,304.6**	**$13,876.7**
10	**Amount Above/(Below) Cap /E**	**$152.9**	**-$66.0**	**$212.0**	**$340.9**
11	TABOR Reserve Requirement	$370.6	$384.4	$399.1	$416.3

/A Amounts differ from the General Fund and Cash Fund revenues reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/B The TABOR limit and Referendum C Cap is adjusted to account for changes in the enterprise status of various State entities.

/C 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.

/D 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.

/E The amount for FY 2016-17 does not incorporate the $100 million reduction in Hospital Provider Fee revenue under the Governor's November budget request for FY 2016-17. This will reduce TABOR revenue and the amount above the cap by $100 million in FY 2016-17.

APPENDIX C

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Pagination reflects the original printed document)

APPENDIX D

CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in Colorado as of the dates indicated. See also "INTRODUCTION – State Economic and Demographic Information." The statistics have been obtained from the referenced sources and represent the most current information available as of June 2015 from the sources indicated; however, since certain information is released with a significant time lag, the information in some cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State or any officer or employee of or advisor to the State*. See also "APPENDIX A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB JUNE 2015 REVENUE FORECAST."

Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State's capital, is the economic center of the State and the Rocky Mountain region. About 56% of the State's population and 62% of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, financial activities and professional and business services. The aerospace, bioscience and energy industries are also key contributors to economic growth in the Denver/Boulder metropolitan area and the State as a whole.

The State's economic performance depends heavily on economic performance at the national level. See also "APPENDIX A – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB JUNE 2015 REVENUE FORECAST."

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Population and Age Distribution

The following table provides population figures for Colorado and the United States for the past 10 years.

Population Estimates (as of July 1)

	Colorado		United States	
	Population (millions)	% Change	Population (millions)	% Change
2004	4.6	1.2%	292.8	0.9%
2005	4.7	1.2%	295.5	0.9%
2006	4.7	1.8%	298.4	1.0%
2007	4.8	1.6%	301.2	1.0%
2008	4.9	1.7%	304.1	1.0%
2009	5.0	1.5%	306.8	0.9%
2010	5.0	1.5%	309.3	0.8%
2011	5.1	1.3%	311.6	0.7%
2012	5.2	1.4%	313.9	0.7%
2013	5.3	1.5%	316.1	0.7%
2014	5.4	1.6%	318.7	0.8%

Note: Figures for 2004 through 2013 are estimates. The U.S. 2014 count is an estimate, and the 2014 count for Colorado is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

The following table provides the age distribution for the most recent year available for the State's population and the population nationwide.

Age Distribution, July 1

	Colorado, 2014		United States, 2013	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.26	23.6%	73.59	23.3%
18 to 24	0.52	9.8%	31.46	10.0%
25 to 44	1.48	27.7%	83.30	26.3%
45 to 64	1.40	26.2%	83.08	26.3%
65+	0.68	12.8%	44.70	14.1%
Total	5.35	100.0%	316.13	100.0%
Median Age	36.9		37.6	

Note: Totals may not add due to rounding. The U.S. 2013 count is an estimate, and the Colorado 2014 count is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region, and the United States.

Per Capita Personal Income in Current Dollars[1]

	Colorado		Rocky Mountain Region[2]		United States	
	Income	% Change	Income	% Change	Income	% Change
2010	$41,689		$37,503		$40,144	
2011	$44,183	6.0%	$39,758	6.0%	$42,332	5.5%
2012	$46,315	4.8%	$41,748	5.0%	$44,200	4.4%
2013	$46,897	1.3%	$42,391	1.5%	$44,765	1.3%
2014	$48,730	3.9%	$43,935	3.6%	$46,129	3.0%

[1]Per capita personal income is total personal income divided by the July 1 population estimate.
[2]The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.
Source: U.S. Bureau of Economic Analysis.

Employment

The following table provides labor force, total employment, and unemployment statistics for the State.

Civilian Labor Force, Total Employment, and Unemployment Rates, Not Seasonally Adjusted

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate: Colorado	Annual Average Unemployment Rate: United States
2010	2,724.4		2,486.4		8.7%	9.6%
2011	2,734.4	0.4%	2,507.8	0.9%	8.3%	8.9%
2012	2,757.1	0.8%	2,542.5	1.4%	7.8%	8.1%
2013	2,779.6	0.8%	2,590.6	1.9%	6.8%	7.4%
2014	2,817.3	1.4%	2,675.9	3.3%	5.0%	6.2%
Year-to-date averages through March:						
2014	2,792.7		2,617.0		6.3%	6.9%
2015	2,816.9	0.9%	2,686.3	2.6%	4.6%	5.8%

[1]Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.
Sources: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Statistics from the Current Population Survey.

The following table shows Colorado employment by industry for the past five years. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

Average Annual Number of Employees by Industry

Industry	2010	2011	2012	2013	2014	Most Recent Quarter: 2013Q4	Most Recent Quarter: 2014Q4	Most Recent Quarter: % Change
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	13,670	14,015	14,513	14,348	14,935	14,038	14,600	4.0%
Mining	24,232	27,789	30,225	30,433	33,847	31,479	35,793	13.7%
Utilities	8,266	8,138	8,037	7,832	8,140	7,929	8,177	3.1%
Construction	115,111	112,232	115,753	127,597	142,140	135,361	147,387	8.9%
Manufacturing	125,499	129,165	131,978	132,691	136,216	133,721	138,528	3.6%
Wholesale Trade	90,853	92,192	94,262	96,636	99,825	97,873	101,920	4.1%
Retail Trade	236,726	239,985	243,699	249,235	254,942	257,204	262,906	2.2%
Transportation and Warehousing	57,134	57,863	59,850	62,398	65,180	64,017	67,077	4.8%
Information	71,694	71,950	69,733	69,817	70,001	69,841	69,976	0.2%
Finance and Insurance	98,229	98,056	99,754	103,136	103,623	103,770	104,616	0.8%
Real Estate and Rental and Leasing	41,348	41,194	41,895	42,849	44,497	43,409	45,573	5.0%
Professional and Technical Services	167,505	172,096	178,313	188,984	196,684	191,772	201,097	4.9%
Management of Companies and Enterprises	28,818	29,914	31,761	34,591	35,406	34,832	35,752	2.6%
Administrative and Waste Services	133,522	137,331	145,383	148,745	154,121	152,220	158,222	3.9%
Educational Services	28,979	30,145	31,494	31,997	32,965	32,652	33,352	2.1%
Health Care and Social Assistance	232,262	239,967	246,951	250,654	261,428	255,261	267,586	4.8%
Arts, Entertainment, and Recreation	44,621	45,564	46,704	47,166	48,978	44,330	46,008	3.8%
Accommodation and Food Services	217,976	225,702	232,875	242,100	251,052	240,421	250,578	4.2%
Other Services	65,278	66,134	67,988	69,554	72,443	69,462	73,627	6.0%
Unclassified	434	492	745	1,388	2,783	2,654	1,884	-29.0%
Government	374,911	373,154	374,628	383,637	388,566	388,247	394,195	1.5%
Total*	**2,177,069**	**2,213,075**	**2,266,539**	**2,335,786**	**2,417,769**	**2,370,492**	**2,458,854**	**3.7%**

*Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2015. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	26,330
The Kroger Co. (King Soopers/City Market)	Supermarkets	20,300
University of Colorado Health[2]	Healthcare	15,000
Centura Health	Healthcare	11,980
HealthONE LLC	Healthcare	11,050
Lockheed Martin	Aerospace & Defense Related Systems	8,560
SCL Health System	Healthcare	8,270
Home Depot	Building Materials Retailer	7,500
Target Corporation	General Merchandise	7,200
Kaiser Permanente	Health Maintenance Organization	7,000
CenturyLink	Telecommunications	6,900
Comcast Corporation	Telecommunications	6,500
Vail Resorts	Leisure & Hospitality	6,300
Wells Fargo	Banking/Financial Services	6,170
Children's Hospital Colorado	Healthcare	5,740
United Airlines	Air Transportation	4,900
Banner Health	Healthcare	4,790
University of Denver	Private University	4,230
Oracle Corporation	Software & Network Computer Systems	4,200
IBM Corporation	Computer Systems & Services	4,200
FedEx Corp.	Transportation, E-commerce	4,100
DISH Network LLC	Satellite TV & Equipment	4,000
United Parcel Service	Delivery Services	4,000
Xcel Energy	Utility	3,900
JBS Swift & Company	Beef Processing/Corporate Office	3,900

[1]Includes both full- and part-time employees.
[2]Some workers are also included in the employment count for the University of Colorado System (next table).
Source: Compiled by Development Research Partners from various sources, May 2015.

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The following table shows the largest public sector employers in Colorado based on the most current information available as of May 2015.

Estimated Largest Public Sector Employers in Colorado

Employer	Estimated Employees[1]
State of Colorado	47,610
Federal Government (except USPS)	43,010
University of Colorado System[2]	19,100
Denver Public Schools	15,150
City & County of Denver	11,240
Jefferson County Public Schools	11,100
U.S. Postal Service	9,660
Cherry Creek School District No 5	7,650
Colorado State University	7,200
Douglas County School District RE-1	7,010
Aurora Public Schools	6,090
Denver Health	5,520
Adams 12 Five Star Schools	5,310
Colorado Springs School District 11	4,700
Boulder Valley School District RE-2	4,410
Poudre School District R-1	4,300
City of Aurora	3,960
St. Vrain Valley School District RE-1J	3,400
Academy Schools District No 20	3,300
Mesa County Valley School District 51	3,100
Jefferson County	2,820
Regional Transportation District (RTD)	2,650
Thompson School District R2J	2,600
City of Colorado Springs	2,500
Metropolitan State University of Denver	2,050

[1]Includes both full- and part-time employees.
[2]Some workers are also included in the employment count for University of Colorado Health (previous table).
Source: Compiled by Development Research Partners from various sources, May 2015.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Gross and Retail Sales

	Gross Sales		Retail Sales	
	Amount (billions)	% Change	Amount (billions)	% Change
2009	$184.52		$134.17	
2010	$199.62	8.2%	$144.85	8.0%
2011	$213.62	7.0%	$155.05	7.0%
2012	$225.12	5.4%	$164.57	6.1%
2013	$234.06	4.0%	$171.36	4.1%
Year-to-date totals through June:				
2013	$105.04		$80.37	
2014	$112.03	6.7%	$84.50	5.1%

Source: Colorado Department of Revenue.

The following table provides retail sales totals by industry for the past five years and year-to-date.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year

Industry	2009	% Change	2010	% Change	2011	% Change	2012	% Change	2013	% Change	Year-to-date totals through June 2013	2014	% Change
Agriculture/Forestry/Fishing	283.6	-6.7%	336.3	18.6%	411.7	22.4%	406.2	-1.3%	394.4	-2.9%	143.9	169.5	17.8%
Mining	2,226.4	-34.8%	2,531.7	13.7%	3,111.7	22.9%	3,815.6	22.6%	4,605.7	20.7%	2,023.7	2,657.4	31.3%
Utilities	6,706.0	-5.5%	10,370.1	54.6%	7,353.2	-29.1%	7,332.9	-0.3%	7,612.2	3.8%	3,786.3	3,983.3	5.2%
Construction	2,807.3	-25.5%	2,756.3	-1.8%	2,829.3	2.6%	3,396.0	20.0%	3,454.0	1.7%	1,473.7	1,820.1	23.5%
Manufacturing	9,217.6	-21.6%	10,423.9	13.1%	15,909.3	52.6%	18,192.1	14.3%	19,198.7	5.5%	8,553.5	8,806.6	3.0%
Wholesale Trade	11,891.4	-17.9%	12,422.0	4.5%	13,084.9	5.3%	14,012.4	7.1%	15,003.3	7.1%	6,164.2	6,606.3	7.2%
Retail Trade													
Motor Vehicle and Auto Parts	10,255.3	-15.6%	11,293.5	10.1%	12,986.8	15.0%	14,435.4	11.2%	15,649.1	8.4%	7,461.8	8,172.7	9.5%
Furniture and Furnishings	1,893.8	-19.5%	1,900.9	0.4%	2,049.0	7.8%	2,265.5	10.6%	2,451.3	8.2%	1,139.8	1,218.4	6.9%
Electronics and Appliances	1,984.5	-11.6%	2,118.6	6.8%	2,224.2	5.0%	2,077.8	-6.6%	1,989.6	-4.2%	903.0	1,005.2	11.3%
Building Materials/Nurseries	4,200.7	-20.5%	4,388.6	4.5%	4,515.0	2.9%	4,824.6	6.9%	5,291.3	9.7%	2,578.2	2,852.9	10.7%
Food/Beverage Stores	12,557.6	-2.9%	13,363.7	6.4%	14,433.2	8.0%	15,298.5	6.0%	15,713.9	2.7%	7,346.7	7,629.8	3.9%
Health and Personal Care	2,350.2	3.6%	2,529.7	7.6%	2,712.1	7.2%	2,886.9	6.4%	3,097.6	7.3%	1,462.8	1,703.0	16.4%
Gas Stations	4,002.1	-30.6%	4,693.2	17.3%	5,778.1	23.1%	6,011.1	4.0%	5,918.1	-1.5%	2,904.5	2,854.1	-1.7%
Clothing and Accessories	2,892.9	-6.9%	3,118.0	7.8%	3,337.4	7.0%	3,510.2	5.2%	3,556.0	1.3%	1,618.8	1,688.6	4.3%
Sporting/Hobby/Books/Music	2,367.6	-8.2%	2,487.1	5.0%	2,680.6	7.8%	2,674.0	-0.2%	2,757.5	3.1%	1,312.4	1,357.3	3.4%
General Merchandise/Warehous	10,973.6	-3.2%	11,091.0	1.1%	11,722.3	5.7%	12,185.7	4.0%	12,402.4	1.8%	5,779.7	5,871.5	1.6%
Misc Store Retailers	2,204.6	-6.8%	2,448.6	11.1%	2,938.6	20.0%	3,147.8	7.1%	3,626.7	15.2%	1,610.2	1,943.9	20.7%
Non-Store Retailers	2,794.2	-35.0%	2,337.7	-16.3%	1,550.2	-33.7%	1,456.0	-6.1%	1,548.7	6.4%	718.2	805.0	12.1%
Total Retail Trade	**58,477.1**		**61,770.7**	**5.6%**	**66,927.5**	**8.3%**	**70,773.7**	**5.7%**	**74,002.3**	4.6%	**34,836.1**	**37,102.5**	**6.5%**
Transportation/Warehouse	585.7	-22.5%	528.9	-9.7%	593.1	12.1%	710.2	19.7%	822.3	15.8%	379.5	422.3	11.3%
Information	7,044.4	0.9%	6,889.0	-2.2%	6,321.8	-8.2%	6,242.2	-1.3%	5,790.3	-7.2%	2,880.3	2,669.6	-7.3%
Finance/Insurance	2,845.4	-7.8%	3,207.3	12.7%	3,085.9	-3.8%	3,130.7	1.5%	2,335.9	-25.4%	1,618.2	794.5	-50.9%
Real Estate/Rental/Lease	2,903.0	-19.5%	2,916.5	0.5%	3,154.3	8.2%	3,240.7	2.7%	3,533.0	9.0%	1,694.1	2,001.3	18.1%
Professional/Scientific/Technical	6,059.6	-11.7%	6,553.9	8.2%	6,768.8	3.3%	6,818.2	0.7%	7,146.5	4.8%	3,124.9	2,898.0	-7.3%
Admin/Support/Waste/Remediatio	1,794.7	-8.2%	1,823.3	1.6%	1,882.7	3.3%	1,866.1	-0.9%	1,968.8	5.5%	935.5	948.1	1.3%
Education	421.8	-8.6%	480.0	13.8%	487.1	1.5%	490.8	0.8%	463.3	-5.6%	220.8	216.7	-1.8%
Health Care/Social Assistance	5,740.5	8.8%	6,000.4	4.5%	6,222.6	3.7%	6,318.5	1.5%	6,466.4	2.3%	3,345.4	3,520.6	5.2%
Arts/Entertainment/Recreation	903.8	-7.0%	955.8	5.8%	987.2	3.3%	1,036.6	5.0%	1,095.9	5.7%	545.6	575.1	5.4%
Accommodation	2,566.9	-15.4%	2,719.2	5.9%	3,014.9	10.9%	3,199.2	6.1%	3,368.7	5.3%	1,641.1	1,813.2	10.5%
Food/Drinking Services	7,976.5	-3.1%	8,333.8	4.5%	8,876.4	6.5%	9,474.1	6.7%	9,900.9	4.5%	4,866.0	5,232.9	7.5%
Other Services	3,472.6	-9.2%	3,565.9	2.7%	3,763.6	5.5%	3,867.8	2.8%	3,948.5	2.1%	2,016.6	2,136.9	6.0%
Government	242.5	-2.9%	262.4	8.2%	268.2	2.2%	244.5	-8.8%	251.2	2.7%	116.4	121.2	4.1%
Total All Industries	**134,166.8**		**144,847.3**	**8.0%**	**155,054.2**	**7.0%**	**164,568.4**	**6.1%**	**171,362.0**	4.1%	**80,365.7**	**84,496.1**	**5.1%**

Source: Colorado Department of Revenue.

Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas.

Colorado Tourism Statistics

	National Parks Visits[1]		Conventions[2] *Conventions*		*Delegates*		*Spending*		Skier Visits[3]	
	Number (millions)	% Change	Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number (millions)	% Change
2010	5.64		75		267.6		$533.1		11.86	
2011	5.82	3.3%	82	9.3%	283.2	5.8%	$564.2	5.8%	12.28	3.5%
2012	5.81	-0.1%	98	19.5%	266.1	-6.0%	$530.1	-6.0%	11.02	-10.3%
2013	5.39	-7.2%	84	-14.3%	265.7	-0.2%	$529.3	-0.2%	11.45	3.9%
2014	6.03	11.8%	76	-9.5%	289.3	8.9%	$576.3	8.9%	12.60	10.1%

[1]Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.
[2]Includes only those conventions booked by VISIT DENVER and held at the Colorado Convention Center.
[3]Count of skier visits for the season ending in the referenced year.
Sources: National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA; Vail Resorts, Inc.

Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance.

New Privately Owned Housing Units Authorized in Colorado

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2010	8,790	276	136	2,389	11,591	
2011	8,723	266	127	4,386	13,502	16.5%
2012	12,617	304	97	10,283	23,301	72.6%
2013	15,772	408	148	11,189	27,517	18.1%
2014	17,095	532	146	10,913	28,686	4.2%
Year-to-date totals through April:						
2014	5,699	148	43	3,506	9,396	
2015	5,781	186	69	2,966	9,002	
% change	*1.4%*	*25.7%*	*60.5%*	*-15.4%*	*-4.2%*	

Source: U.S. Census Bureau.

Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

Foreclosure Filings and Sales in Colorado

	Foreclosure Filings[1]	% Change	Foreclosure Sales at Auction	% Change
2010	42,692		23,891	
2011	31,975	-25.1%	19,617	-17.9%
2012	28,579	-10.6%	15,903	-18.9%
2013	15,333	-46.3%	9,318	-41.4%
2014	11,234	-26.7%	6,000	-35.6%

[1]Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Source: Colorado Division of Housing.

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APPENDIX E

STATE PENSION SYSTEM

The information included in this Appendix is based on information compiled and presented in the Public Employees' Retirement Association ("PERA") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2014 (the "PERA 2014 CAFR"). The PERA 2014 CAFR was prepared by PERA staff employees and the firm of Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and audited by KPMG, LLP, PERA's independent public accounting firm. The valuations and other assessments of PERA constitute forward looking information as described in the preliminary notices in this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuations and assessments may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2014 CAFR is not incorporated in this Official Statement by reference or otherwise, and the State makes no representations regarding the accuracy of the information in the PERA 2014 CAFR.

The information in the State's Fiscal Year 2013-14 CAFR is derived from PERA's Comprehensive Annual Financial Report for calendar year 2013, both of which were prepared in conformance with generally accepted accounting principles as then applicable to such entities as prescribed by the Governmental Accounting Standards Board ("GASB"). The information in this Official Statement regarding PERA is derived from the PERA 2014 CAFR and reflects the implementation by PERA in 2014 of GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("GASB 67") as discussed in "Implementation by PERA of GASB 67" below.

General Description

Overview. The State of Colorado, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost-sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (for State employees) (the "State Division"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities), the Judicial Division Trust Fund (for judges in the State) and the Denver Public Schools Division (for employees of DPS). The defined benefit plan for the State Division is referred to herein as the "State Division Plan."

As described in more detail under the caption "Funding of the State Division Plan" below, the State Division Plan is funded with payments made by the State and by each employee, the amounts of which are determined and established by statute. Benefits provided through the State Division Plan are paid from the State Division Trust Fund. State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the "State Division DC Plan") which is also administered by PERA. However, the majority of State employees participate in the State Division Plan. The State has no obligation to make contributions or fund benefits in Divisions other than the State Division and Judicial Division of PERA. See Notes 1 and 8 to the financial statements in the PERA 2014 CAFR for a discussion of the membership in the State Division Plan and the State Division DC Plan, respectively. See also Management's Discussion and Analysis and Notes 18, 19 and 20 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a description of the State Division Plan and the State Division DC Plan.

Because the majority of State employees participate in the State Division Plan and not in the State Division DC Plan, and the number of judges employed by the State that participate in the Judicial Division

is relatively small in comparison to the number of other State employees, the disclosure in "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Post-Employment Benefits" in the body of this Official Statement and in this Appendix relates only to the State Division Plan.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

PERA. PERA is a legal entity created by statute in 1931 that is separate from the State as further described in Article 51 of Title 24, C.R.S. (the "PERA Act"). Management of PERA is vested in a 16-member Board of Trustees (the "PERA Board"). PERA has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each Division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its Divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1-800-759-7372 or by visiting http://www.copera.org. *The reference to PERA's website is included herein for informational purposes only, and information available on such website or in PERA's financial statements, or any other information provided by PERA, is not incorporated in this Official Statement by reference or otherwise, nor does the State make any representations regarding the accuracy of any such information.*

Basic Provisions of the State Division Plan

Members of the State Division Plan who meet minimum age and service requirements are eligible to receive a monthly retirement benefit based on their employment and earnings history with the State. Calculation of retirement benefits, and eligibility requirements, differ depending on the employee's original hire date. In response to funding challenges, the General Assembly has enacted changes to State Division Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 18, 19 and 20 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, the PERA 2014 CAFR and the PERA Act for a discussion of eligibility requirements and the various tiers of benefits under the State Division Plan. See also the Statistical Section of the PERA 2014 CAFR for various statistics regarding members, retirees, survivors and benefit payments for the State Division Plan.

Implementation by PERA of GASB 67

In 2012, GASB issued Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("GASB 67"), which establishes new standards for financial reporting and note disclosure by defined benefit pension plans administered through qualified trusts, and note disclosure requirements for defined contribution pension plans administered through qualified trusts. GASB 67 is effective for accounting periods beginning after June 15, 2013, and, accordingly, PERA implemented GASB 67 in the PERA 2014 CAFR.

The objective of GASB 67 as stated therein is to improve financial reporting by state and local governmental pension plans. The requirements of GASB 67 are intended to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information. A related statement, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," applies to governmental employers and will be implemented by the State in its Comprehensive Annual Financial Report for Fiscal Year 2014-15. See "Future Changes in Pension Accounting Standards Applicable to the State – GASB 68" below.

GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. Implementation of GASB 67 requires the preparation of two actuarial valuations, one for funding purposes and one for accounting and financial disclosure purposes. The purpose of the funding valuation is to guide the PERA Board's actions necessary to ensure the long-term sustainability of PERA's trust funds. The funding valuation aids this action by allowing PERA to assess the sufficiency of the current statutory contribution rates and analyze the sufficiency of future contributions to meet current and future benefit obligations. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability across U.S. pension plans complying with this new reporting standard. To accomplish this, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed unfunded actuarial accrued liability[1], or "UAAL." Net pension liability is to be measured as the total pension liability[2] of the plan less the amount of the plan's fiduciary net position[3].

Another major change in the new standard is the rate used to discount projected benefit payments. The new standard states the long-term expected rate of return on the investments of the plan should be applied only to available plan assets that are expected to be invested using a strategy to achieve that return. If there comes a point in the projections when plan fiduciary net position and contributions related to active and inactive employees are no longer projected to be greater than or equal to projected benefit payments related to those employees and administrative expenses (crossover point), then from that point forward the plan will be required to discount the projected benefit payments after the crossover point using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

GASB 67 also enhances the standards for footnote disclosure and required supplementary information for pension plans, including, among other things, disclosing the plan's net pension liability, ratio of fiduciary net position to total pension liability and actuarial methods and assumptions.

Actuarial Valuations

Many of the measures used to determine and evaluate the financial condition and funding status of the State Division Plan are based on actuarial valuations. An actuarial valuation is the determination, as of the actuarial valuation date, of the service cost, total pension liability and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by GASB. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial valuations for each of PERA's defined benefit plans, including the State Division Plan, were prepared by PERA's actuaries as of December 31, 2014, based on a set of actuarial methods and assumptions that by State law are the responsibility of the PERA Board. The valuations for the State Division Plan examine the assets of the Plan compared to actuarial liabilities, compare past and future trends and determine the net pension liability of the Plan. The actuarial valuation for funding purposes

[1] Actuarial accrued liability ("AAL") is the excess of the present value of a pension fund's total of future benefits (payable to the plan participants) and fund administration expenses over the present value of the future normal cost of those benefits. Unfunded actuarial accrued liability is the difference between the AAL and the valuation assets of the fund.

[2] Total pension liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of plan member service in conformity with the requirements of GASB 67. For purposes of application to the requirements of GASB 67, AAL is the equivalent of total pension liability.

[3] Fiduciary net position equals assets plus deferred outflows of resources and less liabilities and deferred inflows of resources at the end of the plan's reporting period.

applies an asset valuation method that recognizes a four-year smoothed market value of assets for purposes of determining the UAAL. The actuarial valuation for accounting and financial reporting purposes applies the fair value of assets (determined in conformity with GASB standards) to determine the net pension liability. See the Actuarial Section of the PERA 2014 CAFR for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2014 CAFR states that the PERA Board studies all economic and demographic actuarial assumptions at least every five years and approves changes to those assumptions. The PERA Board last completed an experience study in 2012. In addition, the PERA Board reviews the economic assumptions on a more frequent basis. The PERA Board determined that changes to the economic and demographic assumptions were not necessary for the December 31, 2014, accounting actuarial assumptions.

No assurance can be given that any of the assumptions underlying the actuarial valuations of the State Division Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of Plan assets, the net pension liability of the Plan and other valuation and performance measures determined on the basis of such actuarial valuations.

Funding of the State Division Plan

Statutorily Required Contributions. The State Division Plan is funded with payments made by the State and by each eligible employee as provided in the PERA Act. The State's contributions to the Plan are based on percentages of employee wages and are set by statute. These contribution percentages are referred to herein as the statutorily required contribution, or "SRC," of the State. The baseline SRC that is made by the State for most State employees is 10.15% of the employee's salary. The State has consistently contributed the full amount of the SRC to the State Division Plan. See Note 18 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a summary of the SRC percentages payable, and percentage amount of the SRC paid, by the State for the last three Fiscal Years, as well as total PERA plan contributions made by the State for each of the past ten Fiscal Years.

As required by statute, State employees contribute 8.0% (except for State Troopers and Colorado Bureau of Investigation officers, who contribute 10%) of their wages to the State Division Plan, although per SB 10-001, for Fiscal Years 2010-11 and 2011-12 the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees offset a 2.5% reduction in the State contribution for those Fiscal Years. The employee contribution rates reverted to pre-Fiscal Year 2010-11 levels effective July 1, 2012, and the State returned to paying the 10.15% SRC.

The General Assembly enacted legislation in 2004, 2006 and 2010 to gradually increase employer contributions to the State Division Plan by authorizing the Amortization Equalization Disbursement, or "AED," and the Supplemental Amortization Equalization Disbursement, or "SAED," in order to shorten the amount of time over which the unfunded liability of the Plan is amortized. Both the AED and the SAED are paid by the State as contributions to the State Division Plan as a percentage of employee wages, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. The AED applicable to the State Division Plan was effective as of January 1, 2006, and was initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The AED rate applicable to the State Division Plan was 3.8% in 2014, is 4.2% in 2015 and will increase to 4.6% in 2016 and 5.0% in 2017. The SAED applicable to the State Division Plan was effective as of January 1, 2008, and was also initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The SAED rate applicable to the State Division Plan was 3.5% in 2014, is 4.0% in 2015 and will increase to 4.5% in 2016 and 5.0% in 2017. When and if the scheduled increases in AED and SAED for the State Division Plan are fully implemented as of January 1, 2017, the total SRC applicable to the State Division Plan will be equal to 20.15% of employee wages. See Note 18 to the

State's Fiscal Year 2013-14 CAFR appended to this Official Statement and Note 4 to the financial statements in the PERA 2014 CAFR for a further discussion of the AED and SAED.

Changes to the statutorily required contributions to the State Division Plan by the State and its employees, or to other provisions of the Plan, could be made by the General Assembly through future legislative action, which changes could impact the SRC, the funding status and/or the financial condition of the Plan as described herein. The State cannot predict if or when any such legislative changes might be enacted or the impact that any such changes, if enacted, might have on the State Division Plan or the State's funding obligations with respect to the Plan.

Because the State's annual contributions with respect to the State Division Plan are set by statute and funded in the State's annual budget, such contributions are not affected in the short term by changes in the actuarial valuation of Plan assets or the funded ratio of the Plan. Any changes in the SRC would require legislative action by the General Assembly. See also "Funding Status of the State Division Plan" below.

While PERA has a pension funding policy as discussed in "*Change in PERA Funding Policy*" hereafter, the State does not have a formal or established policy or procedure for managing its pension liability. PERA annually provides a briefing to State officials and members of the General Assembly as to the status of the State Division Plan and occasionally may pursue legislation pertaining to changes in contribution and/or benefit provisions in furtherance of PERA's funding policy. Legislative proposals to modify the contributions, benefits, eligibility and other provisions of the State Division Plan also are introduced in the General Assembly from time to time independent of a request therefor from PERA.

The SRC is paid from the State General Fund as well as from certain federal and cash funds. Although the rate of the SRC is set by statute, payment of the SRC nevertheless is subject to annual appropriation through the State budgeting process as described in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations" in the body of this Official Statement.

Actuarially Determined Contribution. As a result of the shift in financial disclosure requirements under GASB 67 from a funding-based approach to an accounting-based approach, the historical disclosure and use of the annual required contribution[1], or "ARC," as a funding benchmark by PERA is no longer required. Rather, this philosophical shift necessitates the development and use of a plan-specific actuarially determined contribution ("ADC") benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ADC represents the amount needed to fund benefits over time, and constitutes a target or recommended employer contribution for the reporting period determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted. An ADC deficiency arises when actual employer contributions are less than the ADC, and interest accrues on the ADC deficiency at the plan's expected long-term rate of return. See "*Historical ADC and State Contributions*" below.

Change in PERA Funding Policy. In response to the new GASB 67 standards, the PERA Board adopted a revised pension funding policy in March 2015 with regard to its trust funds to update and replace the prior funding policy dated November 2007. The purpose of the revised funding policy, as stated in the PERA 2014 CAFR, is to: (i) define the overall funding benchmarks of PERA's defined benefit pension trust funds; (ii) assess the adequacy of the contribution rates which are set by the General Assembly by comparing these rates to an ADC rate; and (iii) define the annual actuarial metrics that will assist the PERA Board in assessing the sustainability of the plan. The results of these three items are

[1] Prior to 2014, PERA used the annual required contribution, or ARC, as a funding benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ARC is the actuarially determined amount that would be required if the State were to fund each year's normal cost (*i.e.*, the present value of the benefits that the State Division Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the State Division Plan plus an annual amortization of the UAAL assuming that the UAAL will be fully funded over a maximum 30-year period. The difference between the ARC and the SRC constitutes either a contribution deficiency or excess contributions. For historical information regarding the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013.

intended to guide the PERA Board when considering whether to pursue or support proposed legislation pertaining to changes in plan contribution and/or benefit provisions. See "*Statutorily Required Contributions*" above.

Historical ADC and State Contributions. The following table sets forth for each of the years 2005-2014 (i) the ADC for the State Division Plan, (ii) the annual contribution deficiency and (iii) the actual contribution as a percentage of covered employee payroll. The State annually contributes the full amount of the SRC to the State Division Plan; however, these amounts have been less than the applicable ARC or ADC. During this period the State has not made any contributions to the State Division Plan in excess of the SRC.

The ADC rates, as a percentage of pensionable payroll, used to determine the ADC amounts in Table 1 below are calculated as of December 31 two years prior to the end of the year in which the ADC amounts are reported. The following actuarial methods and assumptions (from the December 31, 2012, actuarial valuation) were used to determine contribution rates reported in the table for the year ended December 31, 2014: (i) the actuarial cost method is based on the entry age of participants; (ii) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (iii) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards; (iv) price inflation is assumed to be 3.50%; (v) real wage growth is assumed to be 0.75%; (vi) salary increases (including assumed wage inflation of 4.25%) are projected to range from 4.25% to 11.20%; (vii) the long-term investment rate of return (net of pension plan investment expense, including price inflation) is assumed to be 8.00%; and (viii) cost of living adjustments for pre-2007 hires are assumed to be 2.00% per year and cost of living adjustments for post-2006 hires are assumed to be financed by the Annual Increase Reserve described in footnote 2 to the table. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 3 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2014 CAFR.

Table 1
Employer Contributions
State Division
(Dollar Amounts in Thousands)

Calendar Year	ADC Rate[1]	Covered Employee Payroll	Annual Increase Reserve Contribution[2]	ADC Contribution[3]	Contributions in Relation to the ADC	Annual Contribution Deficiency	Actual Contribution as a Percentage of Covered Employee Payroll
2014	20.45%	$2,564,670	$9,984	$534,459	$444,372	$ 90,087	17.33%
2013	20.01	2,474,965	--	495,241	393,218	102,023	15.89
2012	16.52	2,384,934	--	393,991	328,055	65,936	13.76
2011	13.63	2,393,791	--	326,274	277,122	49,152	11.58
2010	18.93	2,392,080	--	452,821	282,640	170,181	11.82
2009	17.91	2,384,137	--	426,999	293,234	133,765	12.30
2008	18.45	2,371,639	--	437,567	267,533	170,034	11.28
2007	17.23	2,236,518	--	385,352	231,909	153,443	10.37
2006	19.33	2,099,325	--	405,800	208,795	197,005	9.95
2005	17.31	2,064,764	--	357,411	191,629	165,782	9.28

[1] See the discussion preceding this table regarding the actuarial methods and assumptions used in determining the ADC rates.

[2] The Annual Increase Reserve, or "AIR," was established in 2007 and is used to provide post-retirement benefit increases for members hired on or after January 1, 2007. The AIR is financed by an allocation from employer statutory contributions made on behalf of such members equal to 100% of pensionable payroll and through an allocation of purchase of service dollars. For further information see the PERA 2014 CAFR.

[3] The ADC contribution equals the sum of (i) the ADC rate times the covered employee payroll, plus (ii) the AIR.

Source: PERA 2014 CAFR

The Management's Discussion and Analysis in the PERA 2014 CAFR states that, using GASB standards as a guide and the 2013 actuarial valuation based on a 7.5% investment rate of return and discount rate, the 2015 ADC for the State Division Fund will be 22.35%, and using the funding policy approved by the PERA Board in March 2015 and the 2014 actuarial valuation based on a 7.5% investment rate of return and discount rate, the 2016 ADC for the State Division Fund will be 22.31%.

For historical information regarding employer contributions based on the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013 and Note 18B to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement.

Funding Status of the State Division Plan

The State Division Plan currently is significantly underfunded. As discussed in "Funding of the State Division Plan – *Statutorily Required Contributions*" above, the AED and SAED were implemented in 2006 and 2008, respectively, and other changes were made to the Plan design by SB 10-001, all in an effort to improve the funding status of the State Division Plan. In addition, investment returns on Plan assets have recently increased following the negative effects of the global economic downturn that began in 2008. The actuarial assumptions as to the investment rate of return on Plan assets and the discount rate on actuarially accrued liabilities were lowered by the PERA Board from 8.5% to 8.0% in 2009, and again from 8.0% to 7.5% at the end of 2013, and other economic assumptions, including the amortization period, have been changed over this period as well, to reflect actual results and new estimates about the future. For further information, see Management's Discussion and Analysis in the State's Fiscal Year CAFR appended to this Official Statement, as well as Management's Discussion and Analysis, Note 10 to the financial statements, Note 2 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2014 CAFR.

The PERA 2014 CAFR reports that at December 31, 2014, the actuarial value of assets of the State Division Plan was approximately $13.5 billion and the AAL of the Plan was approximately $22.4 billion, resulting in a UAAL of approximately $9.9 billion and a funded ratio (*i.e.*, the actuarial value of Plan assets divided by the AAL) of only 57.8%. This UAAL would amortize over a 45-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC) and future increases in the AED and SAED, as well as an investment rate of return and discount rate for actuarially accrued liabilities of 7.5%.

The actuarial value of assets of the State Division Plan is determined by using an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a four-year period to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in assets of the State Division Plan as a result of economic and market conditions is not reflected in the funded ratio. Based on the market value of assets of the State Division Plan, the PERA 2014 CAFR reports that at December 31, 2014, the UAAL of the Plan was approximately $9.5 billion and the funded ratio was 59.6%.

Table 2 below sets forth for each of the years 2005-2014 the UAAL, the funded ratio and related information for the State Division Plan based on the actuarial value of Plan assets, and Table 3 below sets forth such information based on the market value of Plan assets.

When calculating the AAL of the State Division Plan in Tables 2 and 3 below, the following actuarial methods, assumptions and inputs, among others, were used: (i) price inflation is assumed to be 2.80%; (ii) real wage growth is assumed to be 1.10%; (iii) salary increases (including assumed wage inflation of 3.90%) are projected to range from 3.90% to 9.57%; (iv) the long-term investment rate of return (net of pension plan investment expense, including price inflation) and discount rate are assumed to be 7.50%; and (v) cost of living adjustments for pre-2007 hires are assumed to be 2.00% per year

compounded annually, and cost of living adjustments for post-2006 hires are assumed to be financed by the AIR. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 10 to the financial statements and the Actuarial Section in the PERA 2014 CAFR.

Table 2
Historical Funding Progress of State Division Plan
Actuarial Value of Plan Assets
(Dollar Amounts in Thousands)

Valuation Date (December 31)	Actuarial Value of Plan Assets[1]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as Percentage of Employer Payroll
2014	$13,523,488	$23,408,321	$9,884,834	57.8%	$2,564,670	385.4%
2013	13,129,460	22,843,725	9,714,265	57.5	2,474,965	392.5
2012	12,538,675	21,191,495	8,652,820	59.2	2,384,934	362.8
2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3
2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1
2006	13,327,290	18,246,010	4,918,720	73.0	2,099,325	234.3
2005	12,536,916	17,541,744	5,004,828	71.5	2,064,764	242.4

[1] The actuarial value of Plan assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards.

Source: PERA 2014 CAFR

Table 3
Historical Funding Progress of State Division Plan
Market Value of Plan Assets
(Dollar Amounts in Thousands)

Valuation Date (December 31)	Market Value of Plan Assets[1]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as Percentage of Employer Payroll
2014	$13,956,630	$23,408,321	$ 9,451,691	59.6%	$2,564,670	385.4%
2013	13,935,754	22,843,725	8,907,971	61.0	2,474,965	392.5
2012	12,766,459	21,191,495	8,425,036	60.2	2,384,934	362.8
2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7
2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9
2006	14,041,260	18,264,010	4,222,750	76.9	2,099,325	201.1
2005[2]	31,956,662	43,505,716	11,549,054	73.5	5,305,978	217.7

[1] The market value of Plan assets is the fair value of the assets determined in conformity with GASB standards. See the Investment Section of the PERA 2014 CAFR.

[2] Prior to 2006 the State Division and School Division were combined and administered as a single trust fund, and comparative data for 2005 for only the State Division component of the trust fund was not included in PERA's Comprehensive Annual Financial Report for calendar year 2005 or is otherwise available. The data presented in this table for 2005 is for the combined State and School Division Trust Fund.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005 through 2014

Since contribution rates to the State Division Plan are fixed by statute, unless changes are made to such rates or changes are made to Plan provisions to reduce benefit payments, improvements in the funding status of the State Division Plan are expected to come primarily from increases in investment returns on Plan assets or changes in the actuarial assumptions used to determine the value of Plan assets and the AAL. Changes to contribution rates or other Plan provisions, or the use of alternative Plan funding strategies, would require legislative action by the General Assembly, of which there can be no assurance.

Fiduciary Net Position and Net Pension Liability of the State Division Plan

The Statement of Fiduciary Net Position of the State Division Plan as of December 31, 2014, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2014 CAFR. The following table sets forth for each of the years 2005-2014 the changes in fiduciary net position of the State Division Plan.

Table 4
Changes in Fiduciary Net Position
State Division[1]
(Cash Basis; Dollar Amounts in Thousands)

	For the Year Ended December 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005[1]
ADDITIONS										
Employer contributions	$ 444,372	$ 401,658	$ 335,073	$ 283,222	$ 287,624	$ 297,240	$ 270,353	$ 232,997	$ 208,795	$ 491,031
Member contributions	211,610	202,799	227,058	258,678	223,240	194,168	191,481	179,971	169,965	425,657
Purchased service	22,446	22,241	16,358	11,277	12,496	8,830	13,315	8,259	39,480	212,971
Net investment income (loss)	780,762	1,931,658	1,511,244	232,669	1,553,142	1,742,571	(3,745,843)	1,388,265	1,921,863	2,827,871
Other	3,289	4,869	150	331	1	3	7	4	1	(9)
Total additions	1,462,479	2,563,225	2,089,883	786,177	2,076,503	2,242,812	(3,270,687)	1,809,496	2,340,104	3,957,521
DEDUCTIONS										
Benefit payments	1,352,293	1,295,780	1,231,922	1,174,707	1,122,435	1,071,725	999,279	925,761	849,229	1,872,565
Refunds	61,152	68,735	69,221	70,090	68,844	58,416	56,716	56,578	65,911	114,968
Disability insurance premiums	2,309	2,229	1,570	1,685	1,661	2,004	1,794	1,833	1,772	4,038
Administrative expenses	10,067	9,780	8,568	8,685	8,942	8,729	8,639	6,963	7,889	18,811
Other	3,171	3,593	3,911	(4,546)	(726)	(1,519)	6,613	7,592	3,103	10,373
Total deductions	1,428,992	1,380,117	1,315,192	1,250,621	1,201,156	1,139,355	1,073,041	998,727	927,904	2,020,755
Change in fiduciary net position	33,487	1,183,108	774,691	(464,444)	875,347	1,103,457	(4,343,728)	810,769	1,412,200	1,936,766
Fiduciary net position held at beginning of year	13,980,460	12,797,352	12,022,661	12,487,105	11,611,758	10,508,301	14,852,029	14,041,260	12,629,060	30,019,896
Fiduciary net position held at end of year	$14,013,947	$13,980,460	$12,797,352	$12,022,661	$12,487,105	$11,611,758	$10,508,301	$14,852,029	$14,041,260	$31,956,662

[1] Prior to 2006 the State Division and School Division were combined and administered as a single trust fund, and comparative data for 2005 for only the State Division component of the trust fund was not included in PERA's Comprehensive Annual Financial Report for calendar year 2005 or is otherwise available. The data presented in this table for 2005 is for the combined State and School Division Trust Fund.

Source: PERA 2014 CAFR

As noted above, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed UAAL, and also requires disclosing the plan's net pension liability and ratio of fiduciary net position to total pension liability. The schedule of net pension liability presents multi-year trend information about whether the fiduciary net position is increasing or decreasing over time relative to total pension liability.

The following table sets forth for the years 2013 and 2014 (the only years for which information is available) the net pension liability and related information regarding the State Division Plan. The required supplemental information in the PERA 2014 CAFR includes a schedule showing the sources of the changes in net pension liability for 2014.

Table 5
Net Pension Liability
State Division[1]
(Dollar Amounts in Thousands)

	For the Year Ended December 31,	
	2014	**2013**
Total pension liability[2]	$23,420,461	$22,888,431
Plan fiduciary net position	14,013,947	13,980,460
Net pension liability	$ 9,406,514	$ 8,907,971
Net pension liability as a percentage of total pension liability	59.84%	61.08%
Covered employee payroll	$ 2,564,670	$ 2,474,965
Net pension liability as a percentage of covered employee payroll	366.77%	359.92%

[1] Information for years prior to 2013 is not available.

[2] The total pension liability for the State Division was determined by actuarial valuations as of December 31, 2013, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2014. The actuarial valuations as of December 31, 2013, used the key actuarial methods, assumptions or other inputs discussed in "Funding Status of the State Division Plan" above, except that the fair value of assets, rather than a four-year smoothed market value of assets, was used to determine the net pension liability.

Source: PERA 2014 CAFR

Investment of State Division Plan Assets

State law authorizes the investment of PERA's funds by the PERA Board, subject to the following limitations:

- The aggregate amount of investment trust shares, corporate stocks, corporate bonds and convertible debentures cannot exceed 65% of the book value of the fund.
- Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.
- The fund cannot acquire more than 12% of the outstanding stocks or bonds of a single corporation.

See Note 5 to the financial statements and the Investment Section of the PERA 2014 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Certain Litigation Affecting PERA

In 2010 a class action lawsuit was brought against the State, PERA and others in Denver District Court by several PERA retirees challenging the constitutionality of a provision of SB 10-001 which amended the PERA Act to reduce the annual cost of living adjustment increase payable to existing and future PERA retirees in an effort to reach a 100% funded ratio within 30 years. See "Funding Status of the State Division Plan" above. The District Court granted summary judgment in favor of the defendants, and such decision was ultimately upheld by the Colorado Supreme Court.

In 2012 a lawsuit was brought against PERA in Denver District Court by the Memorial Health System ("Memorial") and the City of Colorado Springs to determine whether there was any obligation for the City and Memorial to fund their share of the current unfunded liability in PERA's Local Government Division Trust Fund and Health Care Trust Fund related to Memorial employees when Memorial disaffiliated with PERA following the lease of Memorial by the City to the University of Colorado Health Authority. The lawsuit was settled by the parties in September of 2014 by the payment to PERA of

$190,000, which amount was allocated to the Local Government Division Trust Fund and the Health Care Trust Fund.

See Management's Discussion and Analysis and Note 7 to the financial statements in the PERA 2014 CAFR for a further discussion of these and other lawsuits involving PERA.

Future Changes in Pension Accounting Standards Applicable to the State – GASB 68

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68") is a new GASB pronouncement that is related to GASB 67 and is applicable to governmental entities, such as the State, that provide their employees with pension benefits. GASB 68 is effective for fiscal years beginning after June 15, 2014, and therefore will be implemented by the State in its Comprehensive Annual Financial Report for Fiscal Year 2014-15. GASB 68 revises and establishes new financial reporting requirements for governmental entities, and, among other things, requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had a UAAL of approximately $9.7 billion as of December 31, 2013, and approximately $9.9 billion as of December 31, 2014. However, at June 30, 2014, the State was unable to estimate its proportionate share of such unfunded pension liability. See the introduction to Notes 1-7 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement.

Effect of Pension Liability on the Series 2015B Notes

The Series 2015B Notes are short-term obligations maturing on June 29, 2016, and are payable from Pledged Revenues which are expected to consist primarily of amounts received by the State Treasurer from the Participating Districts on or before June 25, 2016, as repayment of their Program Loans and a portion of the proceeds of the Series 2015B Notes deposited to the Series 2015-16 Notes Repayment Account as discussed in "THE SERIES 2015B NOTES – Security and Sources of Payment." Therefore, the State's current pension liability and the State's current plans to address such liability are not expected to adversely affect the State's ability to pay the Series 2015B Notes. See also Management's Discussion and Analysis in the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, and particularly the section thereof captioned "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions."

* * *

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APPENDIX F

DTC BOOK-ENTRY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the State takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the State, the State Treasurer, the Deputy State Treasurer, the Chief Financial Officer of the Department of the Treasury, the State Controller or the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2015B Notes under the Authorizing Resolution, (iii) the payment by DTC or any DTC Participant of any amounts received under the Authorizing Resolution with respect to the Series 2015B Notes, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2015B Notes or (v) any other related matter.

DTC will act as securities depository for the Series 2015B Notes. The Series 2015B Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015B Note certificate, in the aggregate principal amount of the Series 2015B Notes, will be issued and deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at http://www.dtcc.com and http://www.dtc.org. The State undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other internet sites accessed through the aforementioned websites.

Purchases of Series 2015B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015B Notes on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of

their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015B Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015B Notes except in the event that use of the book-entry system for the Series 2015B Notes is discontinued.

To facilitate subsequent transfers, all Series 2015B Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015B Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015B Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015B Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015B Notes, such as redemptions, defaults and proposed amendments to the Authorizing Resolution. For example, Beneficial Owners of Series 2015B Notes may wish to ascertain that the nominee holding the Series 2015B Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2015B Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015B Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2015B Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the State Treasurer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the paying agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Series 2015B Notes to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the State or the paying agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2015B Notes at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2015B Note certificates are required to be printed and delivered to the appropriate registered owners of the Series 2015B Notes.

The State may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2015B Notes. In that event, Series 2015B Note certificates will be printed and delivered to DTC.

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

KUTAK ROCK LLP
DENVER, COLORADO

[Closing Date]

The Honorable Walker Stapleton
Treasurer of the State of Colorado

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co., LLC
Wells Fargo Bank, National Association

$339,000,000
State of Colorado
Education Loan Program Tax and Revenue Anticipation Notes
Series 2015B

Ladies and Gentlemen:

We have examined the laws of the State of Colorado (the "State"), the laws of the United States of America relevant to the opinions herein, and a certified transcript of the record of the proceedings taken preliminary to and simultaneously with the issuance by the State Treasurer (the "Treasurer") of the "State of Colorado, Education Loan Program Tax and Revenue Anticipation Notes, Series 2015B," in the aggregate principal amount of $339,000,000 dated as of the date of their issuance (the "Notes").

The Notes mature, bear interest, are transferable and payable, as to principal and interest at the times, in the manner, and subject to the conditions and limitations, provided in the resolution of the State Treasurer, adopted and approved on January 6, 2016, authorizing the issuance of the Notes (the "Resolution"). Proceeds of the Notes will be used to, among other things, fund loans to participating State school districts (the "Participating Districts") pursuant to a loan program administered by the State Treasurer.

As to questions of fact material to our opinion, we have relied upon representations of the State and Participating Districts contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination and, for purposes of paragraph 3 below, assuming continuous compliance with the covenants and representations contained in such proceedings and other documents, it is our opinion as Bond Counsel that under existing laws, regulations, rulings and judicial decisions:

1. The State is duly created and validly existing as a body corporate and politic with the corporate power to issue the Notes and perform the agreements on its part contained therein.

2. The Notes have been duly authorized, executed and delivered by the State and are valid and binding obligations of the State, enforceable against the State in accordance with the terms of the Resolution. The "Series 2015-16 Notes Repayment Account", to be established pursuant to the terms of the Resolution, and the Pledged Revenues, as defined in the Resolution, are irrevocably pledged to the payment of the principal of and interest on the Notes when due. The owners of the Notes are equally and

ratably secured by a first lien, but not an exclusive first lien, on the Series 2015-16 Notes Repayment Account and the moneys credited thereto.

3. Interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Notwithstanding Bond Counsel's opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). The opinions expressed in the preceding sentences assume the accuracy of certain representations and compliance by the State and Participating Districts with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Notes. Failure to comply with such requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

4. Interest on the Notes is not included in Colorado taxable income or Colorado alternative minimum taxable income under present Colorado income tax laws.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Note may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise of judicial discretion in appropriate cases in accordance with general principles of equity.

We express no opinion herein as to any matter not specifically set forth above. In particular, but without limitation, we express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Notes.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. Our engagement as Bond Counsel with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason. No one other than the addressees hereof shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

* * *