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 2013B 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 2013B 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."

$210,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM
TAX AND REVENUE ANTICIPATION NOTES
SERIES 2013B

Dated: Date of Delivery **Maturity Date: June 27, 2014**

The proceeds of the Series 2013B 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, 2014, and (ii) pay the costs of issuing the Series 2013B Notes.

The Series 2013B 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 2013B Notes. Beneficial Ownership Interests in the Series 2013B 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 2013B 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 2013B Notes, at the rate per annum specified below, is payable on the maturity date of the Series 2013B Notes specified above. The Series 2013B Notes are *not* subject to redemption prior to maturity.

Principal Amount	Interest Rate	Price	Reoffering Yield	CUSIP No.[*]
$210,000,000	2.00%	100.897%	0.11%	19672M BK3

The Series 2013B 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 2013B Notes will be payable from amounts deposited by the State Treasurer upon issuance of the Series 2013B Notes in the Series 2013-14 Notes Repayment Account; and the principal of the Series 2013B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2014, as payment of their Program Loans and, if necessary, from certain State funds, all as described herein. The Series 2013B Notes are secured on parity with the previously issued State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A, which are currently outstanding in the aggregate principal amount of $130,000,000. The Series 2013B 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 2013B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2013B Notes.

An investment in the Series 2013B 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 2013B 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 Peck, Shaffer & Williams LLP, Denver, Colorado, as special counsel to the State. The Series 2013B Notes are expected to be delivered through the facilities of DTC on or about January 6, 2014.

Dated: December 19, 2013

[*] 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 2013B Notes and only as of the issuance of the Series 2013B 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 2013B 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 2013B 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 2013B Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2013B 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 SEPTEMBER 2013 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.

TABLE OF CONTENTS

* * *

OFFICIAL STATEMENT

Relating to

$210,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM TAX AND REVENUE ANTICIPATION NOTES
SERIES 2013B

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 $210,000,000 State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2013B (the "Series 2013B Notes").

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 2013B Notes to potential investors is made only by means of the entire Official Statement.

This Official Statement contains information that was either not available or differs from that contained in the Preliminary Official Statement dated December 16, 2013, including, without limitation, the interest rate, price, reoffering yield and CUSIP number of the Series 2013B Notes, as well as the original purchaser of and purchase price paid by such original purchaser for the Series 2013B Notes. Accordingly, prospective investors should read this Official Statement in its entirety.

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 2013B Notes are being issued for the purpose of funding the Loan Program for the State's fiscal year ending June 30, 2014 ("Fiscal Year 2013-14"), and paying the costs of issuing the Series 2013B Notes, and are the first series of Notes being issued for funding the Loan Program for Fiscal Year 2013-14. The first installment of the Loan Program was funded on July 9, 2013, by the issuance of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A (the "Series 2013A Notes"), in the aggregate principal amount of $130,000,000, the net proceeds of which have been borrowed by 17 Participating Districts. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2013B NOTES PROCEEDS."

The net proceeds of the sale of the Series 2013B Notes will be deposited in the Series 2013B Education Loan Program Tax and Revenue Anticipation Notes Proceeds Account (the "Series 2013B 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 2013-14. 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 2014 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 2013B NOTES PROCEEDS – Program Loans – The Participating Districts," "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2013B Notes

Authorization. The Series 2013B 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 2013B NOTES – Authorization."

General Provisions. The Series 2013B Notes will be dated the date of issuance and delivery to the original purchasers thereof (the "Closing Date") and will mature on June 27, 2014 (the "Series 2013B Notes Maturity Date"). The Series 2013B Notes are not subject to redemption prior to the Series 2013B Notes Maturity Date. Interest on the Series 2013B 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 2013B Notes Maturity Date. See "THE SERIES 2013B NOTES – General Provisions."

Book-Entry Only System. The Series 2013B 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 2013B Notes. Ownership interests in the Series 2013B 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 2013B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2013B 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 2013B 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 2013B 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 2013B Notes:

- amounts received by the State Treasurer from the Participating Districts on or before June 25, 2014, as repayment of their Program Loans;
- amounts deposited to the "Series 2013-14 Education Loan Program Tax and Revenue Anticipation Notes Repayment Account" of the General Fund (the "Series 2013-14 Notes Repayment Account") as discussed in "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 Notes Repayment Account*"; and
- any unexpended proceeds of the Series 2013A Notes, the Series 2013B 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 2013B 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 2013B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2013B NOTES PROCEEDS – The Series 2013B Notes Proceeds Account."

Interest on the Series 2013B 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 2013-14 Notes Repayment Account in an amount equal to the interest to accrue on the Series 2013B Notes from the Closing Date to the Series 2013B 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 2013-14 that is (i) subject to appropriation for Fiscal Year 2013-14 and (ii) not yet credited to the General Fund as of the Closing Date, but not including the proceeds of the Series 2013A Notes, the Series 2013B Notes, any Parity Lien Notes or of any other borrowing of the State.

Principal of the Series 2013B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2014, 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 2013-14 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 2013-14, including, without limitation, the State of Colorado General Fund Tax and Revenue Anticipation Notes, Series 2013A (the "State Series 2013A General Fund Notes"), issued by the State Treasurer on July 10, 2013, in the principal amount of $500 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2013-14.

The Series 2013-14 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes. The Owners of the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2013-14 Notes Repayment Account and the moneys credited thereto.

The Series 2013B 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 2013B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2013B Notes.

See generally "THE SERIES 2013B 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 SEPTEMBER 2013 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 2013B 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 Peck, Shaffer & Williams 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 2013B 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 2013B 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 2013B Notes because the Series 2013B 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 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 Notes Repayment Account* – Covenants of the State" and "CONTINUING DISCLOSURE."

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 2013B 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"), One Tabor Center, 1200 17th Street, Suite 2150, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222.

Investment Considerations

An investment in the Series 2013B 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 2013B Notes.

THE LOAN PROGRAM; APPLICATION OF SERIES 2013B 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 2013B Notes are being issued pursuant to this authorization. See also "THE SERIES 2013B NOTES – Authorization."

Application of Series 2013B Notes Proceeds

The proceeds of the Series 2013B Notes, net of amounts used to pay costs and expenses relating to the issuance and sale of the Series 2013B Notes, will be deposited in the Series 2013B 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 2013-14, 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 2013B Notes Proceeds Account

The State Resolution previously directed the State Controller to establish within the State's General Fund the Series 2013B Notes Proceeds Account, which is to be segregated from all other accounts in the General Fund. Moneys deposited in the Series 2013B 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 2013B Notes. The original purchasers of the Series 2013B 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 2013B Notes.

Moneys held in the Series 2013B 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 2013B 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 2013B Notes Proceeds Account; and investment earnings on moneys credited to the Series 2013B 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, 2014, on which date any remaining moneys credited to such Account are to be transferred to the Interest Subaccount of the Series 2013-14 Notes Repayment Account, after which the Series 2013B 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 2013-14. 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 2013B 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, Boulder Valley School District RE-2 and Cherry Creek School District No. 5 are expected to borrow the largest percentages of available proceeds of the Series 2013A Notes and the Series 2013B Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts."

THE SERIES 2013B NOTES

The following is a summary of certain provisions of the Series 2013B Notes during such time as the Series 2013B 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 2013B Notes, including provisions applicable upon discontinuance of participation in the DTC book-entry system.

Authorization

The Series 2013B 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 2013B NOTES PROCEEDS." The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes in Fiscal Year 2013-14. See "Parity Lien Notes" under this caption.

General Provisions

The Series 2013B 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 2013B Notes. Beneficial Ownership Interests in the Series 2013B 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 2013B 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 2013B Notes mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

The Series 2013B Notes will be dated as of the Closing Date, mature on the Series 2013B Notes Maturity Date and bear interest at the rate 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 2013B Notes will accrue from the Closing Date and will be payable on the Series 2013B Notes Maturity Date. The principal of and interest on the Series 2013B Notes will be payable by the State Treasurer, as paying agent for the Series 2013B Notes (the "Paying Agent"), to Cede & Co., as the Owner of the Series 2013B Notes, for subsequent credit to the accounts of the Beneficial Owners. See "APPENDIX F – DTC BOOK-ENTRY SYSTEM." Interest on the Series 2013B Notes will cease to accrue on the Series 2013B 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 2013B 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 2013B 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 2013B Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of Series 2013B Notes or (v) any other related matter.

No Redemption Prior to Maturity

The Series 2013B Notes are not subject to redemption prior to the Series 2013B Notes Maturity Date.

Security and Sources of Payment

The Series 2013B Notes are special, limited obligations of the State payable solely from the Pledged Revenues, on parity with the Series 2013A Notes and any additional Parity Lien Notes. The Series 2013B 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 2013B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2013B 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, 2014, in repayment of their Program Loans; (ii) amounts deposited to the Series 2013-14 Notes Repayment Account as provided below; and (iii) any unexpended proceeds of the Series 2013A Notes, the Series 2013B Notes and any 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 2013B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2013B NOTES PROCEEDS – The Series 2013B Notes Proceeds Account."

The Series 2013-14 Notes Repayment Account. The State Resolution directs the State Controller to establish within the General Fund the Series 2013-14 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 2013-14 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2013A

Notes, the Series 2013B Notes and any Parity Lien Notes. The Owners of the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2013-14 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 2013-14 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2013B Notes from the Closing Date to the Series 2013B Notes Maturity Date.

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2013-14 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2014, in repayment of their Program Loans. However, if on June 26, 2014, the amount credited to the Principal Subaccount is less than the principal amount of the Series 2013A Notes, the Series 2013B Notes and any 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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 2013-14 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 2013-14 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 2013B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2014. 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 2013-14 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, 2014, 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 2013B 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 2013-14 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 2013B 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 2013-14 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 2013A Notes and the Series 2013B Notes; however, the State Treasurer reserves the right to issue additional 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 2013B 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 2013B Notes is not made on the Series 2013B 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 2013B 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 2013B Notes.

Upon the occurrence of any Event of Default, any Owner of the Series 2013B Notes may: (i) bring any suit, action or proceeding, at law or in equity, to collect sums due and owing on the Series 2013B Notes or to enforce and protect such Owner's rights under the State Resolution and the Series

2013B 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 2013B 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 2013B Notes may be accelerated as a consequence of any Event of Default.

If on the Maturity Date the moneys in the Series 2013-14 Notes Repayment Account are insufficient to pay the principal of and interest on the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes, the State Treasurer is to ratably apply the moneys in the Series 2013-14 Notes Repayment Account to the payment of the principal and interest then due and unpaid upon the Series 2013A Notes, the Series 2013B Notes and any Parity Lien Notes, without preference or priority of principal over interest or of interest over principal, or of any Series 2013A Note, Series 2013B Note or Parity Lien Note over any other Series 2013A Note, Series 2013B Note or 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 2013B Notes that, subject to further investment limitations established pursuant to the terms of the State Resolution, moneys in the Series 2013B Notes Proceeds Account and the Series 2013-14 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 2013B Notes, the proceeds thereof or other funds of the State if such action or omission: (i) would cause the interest on the Series 2013B 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 "Code"); (ii) would cause interest on the Series 2013B Notes to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the 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 Code in calculating corporate alternative minimum taxable income; or (iii) would cause interest on the Series 2013B 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 2013B Notes until the date on which all obligations of the State Treasurer in fulfilling such covenant under the Code and State law have been met. See also "TAX MATTERS."

INVESTMENT CONSIDERATIONS

An investment in the Series 2013B 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 2013B Notes.

Limited Obligations

The Series 2013B 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 2013B Notes. The Series

2013B 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 2013B 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 2013B Notes. See "THE SERIES 2013B NOTES – Security and Sources of Payment – Defaults and Remedies."

Insufficient Taxes

The District Notes are payable solely from the Taxes of the respective Participating Districts received during the period of March through June 2014. Property taxes received by a Participating District either prior or subsequent to such period will not be available for repayment of its District Note. In the event that a Participating District's Taxes are insufficient to timely repay its District Note, the State Treasurer is required by the State Resolution to fund the amount of the deficiency, and pay the principal amount of the Series 2013B 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 to and intends to recover those moneys from such Participating District under the default provisions of the Loan Program Statutes and the District Resolutions. See "DISTRICT RESOLUTIONS AND DISTRICT NOTES – Defaults and Remedies." The obligation of a Participating District to make payments in respect of its District Note 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. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts" for information regarding the historical average property tax collection rates for the Participating Districts. The amount of Taxes received by Participating Districts may be affected by the economy and the housing market. Based on information included in the Colorado Assessed Values Manual for 2012 published by the Colorado Department of Local Affairs, Division of Property Taxation, statewide taxable assessed values decreased from $97.78 billion in 2009 to $92.65 billion in 2010 and $87.80 billion in 2011, constituting decreases of approximately 5.3% and 5.2%, respectively, but increased in 2012 by 1.8% to $89.39 billion. It is not possible for the State to predict whether current economic conditions will continue or worsen or to predict how future conditions will affect the housing market, assessed values, and the amount of Taxes received by each Participating District. Current national and regional economic conditions may increase the rate of nonpayment of property taxes and delays in collection of property taxes in the future, and significant numbers of foreclosures (if they occur in the future) may decrease or delay the payment and collection of property taxes. Further, there is no assurance that the Participating Districts will collect sufficient Taxes from March through June of 2014 to repay the Program Loans in full.

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

As discussed in "Insufficient Taxes" under this caption and in "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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 2013-14 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 2013-14 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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 2013-14 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 2013-14 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 2013B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2014. 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 20, 2013 (the "OSPB September 2013 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 SEPTEMBER 2013 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 2013-14, it may adversely affect the State's ability to fund, if necessary, any deficiency in the

Principal Subaccount of the Series 2013-14 Notes Repayment Account on June 26, 2014. 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 SEPTEMBER 2013 REVENUE FORECAST."

The OSPB September 2013 Revenue Forecast projects that General Fund revenues in Fiscal Year 2013-14 will increase by 1.0%, or $87.9 million, over Fiscal Year 2012-13. The OSPB also projects that the State will end Fiscal Year 2013-14 with reserves equal to $162.9 million above the 5.0% Unappropriated Reserve requirement, $30 million of which is to be transferred to the Colorado Water Conservation Board ("CWCB") Fund and 75% of the remaining surplus, or $99.7 million, is to be transferred to the State Education Fund pursuant to Senate Bill ("SB") 13-260. Both of these transfers will occur in FY 2014-15.

The next OSPB revenue forecast will be released in December of 2013. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2013 Revenue Forecast. If a revenue shortfall is projected for Fiscal Year 2013-14 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 2013-14 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2013-14 Notes Repayment Account on June 26, 2014. 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 SEPTEMBER 2013 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 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 2013A Notes and the Series 2013B Notes. Therefore, the issuance of Parity Lien Notes could materially diminish the level of repayment coverage provided by the Taxes and other funds as security for the Series 2013B 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 2013A Notes and the Series 2013B Notes; however, the State Treasurer reserves the right to issue such additional 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 2013B NOTES – Authorization – Parity Lien Notes."

Loss of Tax Exemption

As discussed in "TAX MATTERS," the interest on the Series 2013B 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 2013B Notes. See also "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Current Litigation" for a discussion of certain pending litigation the outcome of which could materially affect the State's funding of public education and potentially have a material adverse impact on the operations and finances of the State in general.

DISTRICT RESOLUTIONS AND DISTRICT NOTES

The Board of Education of each Participating District that has requested the State Treasurer to issue the Series 2013B 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 2013B 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 2013-14, 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 2013-14. The District Note matures on June 25, 2014 (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 2013A Notes, the Series 2013B Notes and any 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 2013B 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 2014 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 2013A Notes, the Series 2013B Notes and any 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 2013B 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 2013B NOTES – Defaults and Remedies."

Other Covenants and Representations

The Participating District further covenants and agrees in the District Resolution as follows:

- 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 five 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 2013-14; (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 2014 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 was challenged in a lawsuit (*Lobato v. State of Colorado*) filed in Denver District Court against the State by several school districts, students and parents. On May 28, 2013, the Colorado Supreme Court ruled that the Colorado 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 "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Current Litigation" and "INVESTMENT CONSIDERATIONS – Future Changes in Laws."

During the 2013 legislative session the General Assembly passed 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 2013B 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 ($5,954.28 for Fiscal Year 2013-14), 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 is expected to fluctuate 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 2013-14 after application of the Negative Factor was established by House Bill ("HB") 13-260 at an amount of not less than $5,505,332,024. The Statewide Total Program funding amount for Fiscal Year 2013-14, after application of the Negative Factor, currently is $5,505,332,024, or a Negative Factor of 15.49%.

The Public School Finance Act provides for a minimum level of Total Program funding for Fiscal Year 2013-14 of $6,311.11 ($7,467.68 before application of the Negative Factor) per traditional pupil, plus $6,067.98 ($7,180.00 before application of the Negative Factor) per on-line pupil, but limits a school district's Total Program per pupil funding to not more than 125% of its prior year's Total Program per pupil funding (not including override revenues discussed below). In addition, 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.

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 – Insufficient Taxes."

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 are currently 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, for 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). A school district's override revenues are generally limited to the greater of $200,000 or 20% of its Total Program for the budget year in which the election at which the 20% limitation was reached, plus 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. In addition, pursuant to SB 09-256, for any school district that obtains voter approval in 2009 and thereafter to raise and spend additional or "override" property tax revenues the foregoing limitation was changed to the greater of $200,000 or 25% of the school district's Total Program plus 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 derived entirely from increased property taxes, and do not affect the amount of State funding that the school district is otherwise eligible to receive under the 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 2005 through 2011:

Levy Years	Collection Years	Value Calculated as of July 1	Based on the Market Period
2005 and 2006	2006 and 2007	2004	Jan. 1, 2003 to June 30, 2004
2007 and 2008	2008 and 2009	2006	Jan. 1, 2005 to June 30, 2006
2009 and 2010	2010 and 2011	2008	Jan. 1, 2007 to June 30, 2008
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

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 is restored for 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 2013 will be collected in 2014. 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 State 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 2013A Notes and the Series 2013B Notes are Denver School District No. 1, Boulder Valley School District RE-2 and Cherry Creek School District No. 5. See "Largest Borrowers" hereafter.

Participating District Financial Information

(Totals may not add due to rounding)

	Amount of Program Loans[1]						Actual and Estimated Fiscal Year 2013-14 Tax Information				Fiscal Year 2012-13 Loan Program Information	
Participating District	Series 2013A Notes	% of Total	Series 2013B Notes	% of Total	Total Amount Borrowed	% of Total	2013 Assessed Valuation (000's)	Estimated Tax Collections[2]	Ratio of Amount Borrowed to Estimated 2014 Tax Collections	3 Year Average[3]	Amount Borrowed[4]	Repayment Date (2013)
Aurora (Adams-Arapahoe 28J)	$ 4,021,668	3.06%	$ --	-- %	$ 4,021,668	1.31%	$ 1,778,962	$ 76,933,728	5.23%	98.83%	$ 1,730,819	March 12
Boulder Valley RE-2	44,258,751	33.68	48,085,519	26.89	92,344,270	29.97	4,903,071	173,901,334	53.10	99.43	96,260,945	May 13
Cherry Creek 5	16,905,280	12.87	47,269,640	26.43	64,174,920	20.83	4,421,534	185,909,281	34.52	97.11	38,122,119	March 12
Colorado Springs 11	14,072,874	10.71	12,285,981	6.87	26,358,855	8.55	2,303,640	76,972,459	34.24	99.80	17,429,276	March 12
Commerce City (Adams 14)	--	--	2,098,877	1.17	2,098,877	0.68	614,550	17,480,702	12.01	100.00	--	--
Cripple Creek-Victor RE-1	151,327	0.12	842,355	0.47	993,682	0.32	305,215	3,080,371	32.26	100.00	1,526,612	May 13
Custer County C-1	399,707	0.30	467,244	0.26	866,951	0.28	97,068	1,739,978	49.83	99.67	915,168	May 13
Denver County 1	43,414,801	33.04	43,215,061	24.17	86,629,862	28.11	10,454,481	329,031,551	26.33	98.56	105,961,000	March 12
Durango	--	--	2,131,732	1.19	2,131,732	0.69	1,283,819	14,955,732	14.25	98.30	--	--
Eagle County RE 50	4,277,709	3.26	6,708,307	3.75	10,986,016	3.57	2,414,795	32,079,803	34.25	99.49	8,664,918	March 12
Estes Park (Park R-3)	219,423	0.17	1,090,261	0.61	1,309,684	0.43	339,070	7,428,081	17.63	98.70	748,000	March 12
Gilcrest (Weld RE-1)	656,985	0.50	1,870,526	1.05	2,527,511	0.82	1,096,631	7,517,857	33.62	98.33	2,703,957	May 13
Gunnison Watershed Re-1J	398,613	0.30	--	--	398,613	0.13	462,098	6,854,637	5.82	99.85	1,003,966	March 12
Hayden RE-1	332,573	0.25	1,333,686	0.75	1,666,259	0.54	105,556	2,806,527	59.37	98.27	1,380,538	May 28
Montezuma - Cortez RE-1	231,577	0.18	3,272,988	1.83	3,504,565	1.14	561,626	9,617,189	36.44	99.80	3,064,469	May 13
Platte Valley RE-7	--	--	1,468,838	0.82	1,468,838	0.48	951,004	7,161,033	20.51	99.90	3,000,000	June 7
Pueblo 70	1,266,803	0.96	1,363,154	0.76	2,629,957	0.85	637,795	15,025,507	17.50	99.46	--	--
Sierra Grande R-30	110,832	0.08	318,633	0.18	429,465	0.14	63,356	1,433,868	29.95	94.67	263,333	March 12
South Routt RE-3	676,107	0.51	1,268,358	0.71	1,944,465	0.63	105,103	2,920,119	66.59	94.67	2,245,928	May 28
Summit RE-1	9,617	0.01	2,203,067	1.23	2,212,684	0.72	1,536,205	20,170,421	10.97	99.60	--	--
Windsor RE-4	--	--	1,527,969	0.85	1,527,969	0.50	480,496	14,156,131	10.79	99.87	2,197,150	March 12
	$131,404,647	100.00%	$178,822,196	100.00%	$308,127,966	100.00%						

[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 2013A Notes and the Series 2013B 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 2013B NOTES PROCEEDS." The Owners of the Series 2013B 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 2013B 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 2013B NOTES – Parity Lien Notes."

[2] This amount was calculated for each Participating District by multiplying the 2013 assessed value of the Participating District by the Participating District's estimated 2013 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 2014. Mill levies for 2014 tax collections are not required to be certified by the Participating Districts until December 15, 2013. The estimated mill levies used to calculate the estimated Taxes collected during Fiscal Year 2013-14 are based upon information provided by the Participating Districts and are subject to change; however, because Colorado school district taxes are determined pursuant to the Public School Finance Act, such changes, if any, are not expected to be material. See "State Equalization Funding of School Districts – Allocation of Total Program Funding" above and "INVESTMENT CONSIDERATIONS – Insufficient Taxes."

[3] Based on each Participating District's actual collection data for Fiscal Years 2010-11, 2011-12 and 2012-13.

[4] Participating District's actual borrowing amounts and repayment dates for Fiscal Year 2012-13. These amounts were funded with the proceeds of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2012B and Series 2012C.

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 2013A Notes and the Series 2013B Notes. DPS expects to borrow approximately 33.0% of the net proceeds of the Series 2013A Notes and approximately 24.2% of the net proceeds of the Series 2013B Notes, or approximately 28.1% of the combined amount of the Series 2013A Notes and the Series 2013B Notes.

DPS is the only school district serving the City and County of Denver, the boundaries of which are coterminous with those of the District, encompassing approximately 155 square miles with an estimated population of approximately 620,000. For the 2013-14 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 77,251.5. The October 1 pupil counts for the 2012-13, 2011-12 and 2010-11 school years were 74,486.5, 72,270.5 and 70,061.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

The 2012 certified assessed valuation of DPS (for ad valorem property tax collections in 2013), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $10,007,268,892. The District's total tax levy for the 2012 levy year (2013 tax collection year) is 50.488 mills, of which 25.541 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.714 mills is for voter-approved override revenues, 10.913 mills is for debt service on general obligation bonds and 1.320 mills is to recover lost revenue due to prior year tax abatements and credits. The 2013 certified assessed valuation of DPS (for ad valorem property tax collections in 2014), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $10,454,481,178.

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 2013A Notes and the Series 2013B Notes. BVSD expects to borrow approximately 33.7% of the net proceeds of the Series 2013A Notes and approximately 26.9% of the net proceeds of the Series 2013B Notes, or approximately 30.0% of the combined amount of the Series 2013A Notes and the Series 2013B 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 293,000. For the 2013-14 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 28,538.4. The October 1 pupil counts for the 2012-13, 2011-12 and 2010-11 school years were 28,080.0, 27,865.5 and 27,742.0, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

The 2012 certified assessed valuation of BVSD (for ad valorem property tax collections in 2013), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,732,098,623. The District's total tax levy for the 2012 levy year (2013 tax collection year) was 45.547 mills, of which 25.023 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.620 mills is for voter-approved override revenues, 1.543 mills is to fund excess transportation costs, 6.007 mills is for debt service on general obligation bonds and 0.354 mills is to recover lost revenue due to prior year tax abatements and credits. The 2013 certified assessed valuation of BVSD (for ad valorem property tax collections in 2014), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,903,070,971.

Cherry Creek School District No. 5. Cherry Creek School District No. 5 ("CCSD") is expected to be the third largest borrower of proceeds of the Series 2013A Notes and the Series 2013B Notes. CCSD expects to borrow approximately 12.9% of the net proceeds of the Series 2013A Notes and approximately 26.4% of the net proceeds of the Series 2013B Notes, or approximately 20.8% of the combined amount of the Series 2013A Notes and the Series 2013B Notes.

CCSD encompasses approximately 108 square miles in western Arapahoe County in the southeast Denver metropolitan area and includes within its boundaries the cities of Cherry Hills Village and Glendale, the Town of Foxfield, portions of the cities of Aurora, Centennial, Greenwood Village and Englewood and certain unincorporated areas of Arapahoe County. The District serves a population of over 267,000. For the 2013-14 school year, the District's full time equivalent pupil count (October 1 pupil count), including charters but excluding on-line, is 50,435.3. The October 1 pupil counts for the 2012-13, 2011-12 and 2010-11 school years were 49,957.0, 49,312.5 and 48,927.0, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

The 2012 certified assessed valuation of CCSD (for ad valorem property tax collections in 2013), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,288,389,810. The District's total tax levy for the 2012 levy year (2013 tax collection year) was 58.037 mills, of which 25.712 mills is for the District's local share of Total Program funding pursuant to the Public School Finance Act, 1.595 mills for hold harmless override revenues, 18.133 mills is for voter-approved override revenues, 11.260 mills is for debt service on general obligation bonds and 1.337 mills is to recover lost revenue due to prior year tax abatements and credits. The 2013 certified assessed valuation of CCSD (for ad valorem property tax collections in 2014), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is $4,421,534,304.

Major Taxpayers

Taxes consist of only those revenues that are received by the Participating Districts during the period of March through June 2014. 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, 2012, AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013" 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 2011 and will expire on the second Tuesday in January of 2015, following a general election to be held in November of 2014. 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 SEPTEMBER 2013 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 2013-14 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2013B Notes from the Closing Date to the Series 2013B Notes Maturity Date. The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2013-14 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2014, 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, 2014, together with investment earnings thereon, is insufficient to pay the principal of the Series 2013B Notes when due, the principal of the Series 2013B 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 2013B Notes are not general obligations of the State. See also "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 Notes Repayment Account*" and "INVESTMENT CONSIDERATIONS – Insufficient Taxes – 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 2012-13 and 2013-14 have been estimated by the General Assembly in the related Long Bills to be approximately $298 million and $329.6 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 and 2011-12 by $0.771 billion and $1.473 billion, respectively, although no refunds were required because such revenues were below the applicable ESRC. The OSPB September 2013 Revenue Forecast projects that TABOR revenues in Fiscal Years 2012-13 and 2013-14 will exceed the TABOR limit by $1.088 billion and $162.9 million, respectively, which in each case is below the applicable projected ESRC.

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 ("CDOT") Strategic Transportation Project Investment Program.

Effect of TABOR on the Series 2013B Notes. Voter approval under TABOR is not required for the issuance of the Series 2013B 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 2013B Notes and any 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 2013B 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 2013A General Fund Notes. See "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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 SEPTEMBER 2013 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 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 2013-14 was adopted by the General Assembly on April 12, 2013.

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 2013-14 was approved and signed by the Governor on April 29, 2013.

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. The Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated level of 4.0% to 2.0% of the amount appropriated for expenditure from the General Fund in each such Fiscal Year. The Unappropriated Reserve for Fiscal Years 2010-11 and 2011-12 was 2.3% and 4.0%, respectively, of the amount appropriated for expenditure from the General Fund in such Fiscal Years. The Unappropriated Reserve for each of Fiscal Years 2012-13 and 2013-14 is 5.0% of the amount appropriated for expenditure from the General Fund in such Fiscal Years. However, if annual growth in Statewide personal income exceeds 5.0%, the Unappropriated Reserve is required to be increased by 0.5% each year thereafter, starting in the third Fiscal Year after the personal income trigger occurs, until it reaches 6.5%. The OSPB September 2013 Revenue Forecast projects that this increase will not be required through Fiscal Year 2014-15.

The State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement shows that the State ended such Fiscal Year with $1,088.6 million in General Fund Surplus, which is in excess of the required 5.0% Unappropriated Reserve level. The OSPB September 2013 Revenue Forecast projects that the State will end Fiscal Year 2013-14 with reserves equal to $162.9 million above the required 5.0% Unappropriated Reserve requirement. All of the Fiscal Year 2012-13 surplus is to be transferred to the State Education Fund, while most of the Fiscal Year 2013-14 surplus is to be apportioned among the State Education Fund and the CWCB Fund as described in "INVESTMENT CONSIDERATIONS – Budgets and Revenue Forecasts" above and in "APPENDIX A – THE STATE GENERAL FUND – General Fund Overview." These figures are based on revenue and budget information available when the OSPB September 2013 Revenue Forecast was complete. The figures are subject to change in the OSPB December 2013 Revenue Forecast based on new information on revenue and expenditures.

See also “APPENDIX A – THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation; OSPB Revenue and Economic Forecasts” and “APPENDIX B – OSPB SEPTEMBER 2013 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 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 is full authority for the State Treasurer to pay the warrant 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 for payment of claims against the State. The State Controller prepares a comprehensive annual financial report ("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 Comprehensive Annual Financial Report for Fiscal Year 2011-12 (the "Fiscal Year 2011-12 CAFR") is appended to this Official Statement. The State's Comprehensive Annual Financial Report for Fiscal Year 2012-13 is expected to be released to the public by the State and be available on or about December 31, 2013.

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 2011-12 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 2011-12 CAFR, including the State Auditor's Opinion thereon, and the State's Fiscal Year 2012-13 Unaudited BFS are is appended to this Official Statement. The State's Comprehensive Annual Financial Report for Fiscal Year 2012-13 is expected to be released to the public by the State and be available on or about December 31, 2013. 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 2011-12 CAFR or on the Fiscal Year 2012-13 Unaudited BFS, 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 both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS 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 2013-14 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2013B Notes from the Closing Date to the Series 2013B 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 2013-14 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2014, in repayment of their Program Loans. However, if on June 26, 2014, the amount credited to the Principal Subaccount of the Series 2013-14 Notes Repayment Account is less than the principal amount of the Series 2013B 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 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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 2013-14 Notes Repayment Account on June 26, 2014, 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 2013-14 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 2013B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2014. 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 2013-14 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 2013-14 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 2008-09 through 2012-13. The amount shown at June 30, 2011, 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.

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
2009	$293.2
2010	152.3
2011	147.8
2012	140.6
2013	192.9

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 2008-09 through 2012-13.

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
2009	$1,197.0
2010	1,148.3
2011	1,118.3
2012	1,130.9
2013	1,116.2

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 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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 actual and estimated Borrowable Resources for Fiscal Year 2012-13 and estimated Borrowable Resources for Fiscal Year 2013-14. The estimates in the table 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.

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State of Colorado
Actual Borrowable Resources
Fiscal Year 2012-13 [1,2]
(Amounts expressed in millions; totals may not add due to rounding)

	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	June 2013
Aviation Fund	$ 37.2	$ 35.7	$ 36.0	$ 34.5	$ 31.4	$ 28.1	$ 26.5	$ 26.7	$ 25.5	$ 20.8	$ 19.4	$ 20.8
Capital Construction Fund	89.7	87.5	82.8	78.5	78.0	75.0	63.3	45.2	44.5	42.9	39.6	38.1
College Scholarship Fund	162.2	161.6	110.5	43.7	43.8	162.9	159.8	110.2	46.5	46.5	44.9	30.2
Colorado Student Obligation Bond Authority – Administration	29.7	30.0	30.1	29.1	29.1	30.6	30.6	30.9	31.0	31.0	31.8	31.6
Hazardous Substance Fund	14.4	15.0	14.3	14.8	14.7	14.5	14.8	14.6	14.8	14.5	15.0	13.7
Higher Education Funds [3]	1,145.2	1,308.0	1,388.8	1,399.5	1,320.3	1,266.4	1,423.7	1,448.7	1,437.0	1,334.6	1,265.2	1,318.6
Hospital Provider Fee	41.7	55.4	45.2	60.6	77.3	63.0	77.5	90.4	73.4	86.1	99.3	54.7
Limited Gaming Fund	42.5	1.7	4.4	7.8	11.2	14.9	19.0	23.2	27.2	32.3	37.2	42.8
Lottery Fund	35.6	24.4	34.9	42.6	25.0	43.7	53.8	66.2	41.0	47.2	38.6	44.6
Mineral Impact Fund	91.0	101.8	57.0	67.6	76.0	67.2	71.5	77.3	72.1	84.4	92.3	80.7
School Capital Construction Assistance	145.8	165.8	157.1	159.6	161.3	162.4	166.9	170.9	161.3	160.9	168.2	170.3
State and Local Severance Tax Funds	223.0	214.1	191.7	200.6	191.5	201.7	198.5	201.4	219.9	247.8	262.3	236.2
State Public School Fund	516.3	255.2	861.9	585.7	309.2	683.2	408.0	135.0	497.0	213.1	287.3	7.2
Tobacco Tax Funds	16.8	14.8	19.2	26.2	36.8	28.2	33.8	39.8	31.1	33.4	38.0	18.0
Water Conservation Construction Fund	133.1	123.1	128.1	129.1	153.7	157.7	155.1	155.1	156.3	134.1	139.2	137.6
Workers' Compensation Fund	17.3	25.7	21.5	19.5	14.1	13.8	10.5	4.9	2.4	0.0	0.0	0.0
Other Borrowable Resources	1,396.4	1,483.2	1,490.2	1,467.8	1,510.1	1,452.9	1,462.4	1,424.1	1,376.4	1,429.3	1,568.3	1,174.4
Total Borrowable Resources	4,137.9	4,103.0	4,673.7	4,367.2	4,083.5	4,466.2	4,375.7	4,064.6	4,257.4	3,958.9	4,146.6	3,419.5
Total General Fund	413.7	501.4	58.1	294.3	413.7	20.0	567.8	572.5	210.3	1,165.4	1,190.7	1,161.2
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	$4,051.6	$4,104.4	$4,231.8	$4,161.5	$3,997.2	$3,986.2	$4,443.5	$4,137.1	$3,967.7	$4,624.3	$4,837.3	$4,580.7

[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] 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
Actual and Estimated Borrowable Resources
Fiscal Year 2013-14 [1,2]

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

	Actual				Estimated[3]							
	July 2013	**Aug 2013**	**Sept 2013**	**Oct 2013**	**Nov 2013**	**Dec 2013**	**Jan 2014**	**Feb 2014**	**Mar 2014**	**Apr 2014**	**May 2014**	**June 2014**
Aviation Fund	$ 21.6	$ 18.3	$ 17.1	$ 18.2	$ 16.6	$ 14.8	$ 14.0	$ 14.1	$ 13.5	$ 11.0	$ 10.2	$ 11.0
Capital Construction Fund	227.1	207.4	195.7	179.5	178.4	171.5	144.7	103.4	101.8	98.1	90.6	87.1
College Scholarship Fund	164.1	163.8	115.6	50.5	50.6	188.2	184.7	127.3	53.7	53.7	51.9	34.9
Colorado Student Obligation Bond Authority – Administration	31.4	31.8	31.8	30.9	30.9	32.5	32.5	32.8	32.9	32.9	33.8	33.6
Hazardous Substance Fund	14.8	14.8	14.6	14.7	14.6	14.4	14.7	14.5	14.7	14.4	14.9	13.6
Higher Education Funds [4]	1,127.3	1,275.6	1,385.3	1,366.6	1,289.3	1,236.6	1,390.2	1,414.6	1,403.2	1,303.2	1,235.5	1,287.6
Hospital Provider Fee	50.4	63.8	39.2	50.1	63.9	52.1	64.1	74.7	60.7	71.2	82.1	--
Limited Gaming Fund	43.3	1.6	4.3	7.2	10.4	13.8	17.6	21.5	25.3	30.0	34.5	39.7
Lottery Fund	48.9	27.9	36.6	50.0	29.3	51.3	63.1	77.7	48.1	55.4	45.3	52.3
Mineral Impact Fund	102.8	112.9	72.5	85.6	96.2	85.1	90.5	97.9	91.3	106.9	116.9	102.2
School Capital Construction Assistance	169.9	187.6	170.9	176.3	178.2	179.4	184.4	188.8	178.2	177.7	185.8	188.1
State and Local Severance Tax Funds	106.6	114.9	96.4	100.5	95.9	101.1	99.4	100.9	110.2	124.1	131.4	118.3
State Public School Fund	447.2	151.2	914.3	621.2	327.9	724.6	432.7	143.2	527.1	226.0	304.7	7.6
Tobacco Tax Funds	34.3	37.0	25.3	29.3	41.2	31.5	37.8	44.5	34.8	37.4	42.5	20.1
Water Conservation Construction Fund	136.0	133.9	137.2	153.3	182.5	187.3	184.2	184.2	185.6	159.2	165.3	163.4
Workers' Compensation Fund	--	1.1	8.4	7.0	5.1	5.0	3.8	1.8	0.9	--	--	--
Other Borrowable Resources	1,774.2	1,899.9	1,936.8	1,919.8	1,975.1	1,900.3	1,912.7	1,862.6	1,800.3	1,869.4	2,051.2	1,596.3
Total Borrowable Resources	4,499.9	4,443.5	5,202.0	4,860.7	4,586.1	4,989.5	4,871.2	4,504.5	4,682.1	4,370.7	4,596.5	3,756.0
Total General Fund	824.8	864.3	229.9	550.8	711.8	(97.1)	498.7	511.0	(90.8)	626.9	887.4	1,014.3
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	$4,824.7	$4,807.8	$4,931.9	$4,911.5	$4,797.9	$4,392.4	$4,869.9	$4,515.5	$4,091.3	$4,497.6	$4,983.9	$4,770.3

[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 these columns 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 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 2011-12 CAFR as the General Purpose Revenue Fund.

It is presently anticipated that a deficiency in the Principal Subaccount of the Series 2013-14 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 2013-14, including, without limitation, the State Series 2013A 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. Accordingly, the State currently has, and upon issuance of the Series 2013B Notes will have, no outstanding general obligation debt.

The State has entered into lease-purchase agreements, including some providing security for outstanding certificates of participation, in order to finance various public projects. The obligations of the State to make lease payments beyond any current Fiscal Year are contingent upon appropriations by the General Assembly. At June 30, 2013, the minimum lease payments due under lease-purchase agreements entered into by the State were estimated to be $120.83 million in Fiscal Year 2013-14. On July 24, 2013, $111.78 million in aggregate principal amount of State of Colorado, Acting By and Through the Department of Corrections, Refunding Certificates of Participation (Colorado State Penitentiary II Project) were executed and delivered. See Notes 24 and 42 to the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement for a discussion of the State's notes and bonds payable and material subsequent events that occurred after June 30, 2013, but before publication of the Fiscal Year 2012-13 Unaudited BFS.

The State entered into a lease-purchase agreement securing $89.510 million of Building Excellent Schools Today Certificates of Participation, Series 2013I, on December 9, 2013. Payment of the rent on such lease-purchase agreement will be subject to annual appropriation by the General Assembly.

Separate from lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment. All of the lease/rental agreements for buildings and/or equipment contain a stipulation that continuation of the lease is subject to funding by the General

Assembly. Historically, these leases have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. At June 30, 2013, the minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2013-14 are estimated to be approximately $101.78 million. See Note 22 to the Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement.

For the purpose of financing certain qualified federal aid transportation projects in the State, CDOT issues Transportation Revenue Anticipation Notes. At June 30, 2013, CDOT had outstanding $574.15 million in aggregate principal amount of such notes. These 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.

In addition to the obligations described above, State departments and agencies, including State institutions of higher education, 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, whose regents are elected, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. For the outstanding aggregate principal amount of such bonds as of June 30, 2013, see Notes 24 and 42 to the financial statements included in the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement.

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 "Plan"), a defined contribution plan and 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 category of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. Most State employees participate in the Plan. The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program. For a general description of the Plan and PERA, see "APPENDIX E – STATE PENSION SYSTEM," which is based on PERA's Comprehensive Annual Financial Report for calendar year 2012 (the "PERA 2012 CAFR"). For a detailed discussion of the Plan, the defined contribution plan and PERA, see Notes 18, 19 and 20 to the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement, as well as the PERA 2012 CAFR. The information in the State's Fiscal Year 2011-12 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2011. However, the information under this caption and in "APPENDIX E – STATE PENSION SYSTEM," as well as the information in the State's Fiscal Year 2012-13 Unaudited BFS, is based on the PERA 2012 CAFR.

The Plan is funded with payments made by the State and by each participating State employee, the amounts of which are determined and established by statute. See "APPENDIX E – STATE PENSION SYSTEM – Funding and Contributions." Although the State has made all statutorily required contributions ("SRC") to the Plan, as of December 31, 2012, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were $12.5 billion and $21.2 billion, respectively, resulting in an unfunded actuarial accrued liability ("UAAL") of $8.6 billion and a funded ratio of 59.2%, assuming an investment rate of return of 8%. The UAAL at December 31, 2012, would amortize over a 53-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the

SRC)*. See "APPENDIX E – STATE PENSION SYSTEM – Funding and Contributions" and Table 1 therein for details on the State's SRC and ARC, and supplemental contributions made by the State to address funding shortfalls.

The actuarial value of assets for the 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 Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 59.2%. The funded ratio of the Plan at December 31, 2012, based on the market value of assets, was 60.2%, representing an unfunded accrued liability of $8.4 billion. See "APPENDIX E – STATE PENSION SYSTEM – Plan Assets, Liabilities and Funding Levels" for historical information regarding the Plan's assets, liabilities and funding levels. See also "Management's Discussion and Analysis" in the State's Fiscal Year 2011-12 CAFR appended to this Official Statement and under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions," and Notes 18, 19 and 20 to both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement. Calculation of the UAAL and the ARC is based on numerous assumptions, including future retiree participation and contribution rates, discount rates, investment rates and life expectancy rates. No assurance can be given that the AAL and UAAL of the Plan will not materially increase or that the actuarial or market values of the Plan assets will not materially decrease.

Because the State's annual contributions with respect to the 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 funding ratio of the Plan.

The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance is provided under the PERA Health Care Trust Fund in which members from all divisions of PERA may participate. It 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, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.4 billion, a funded ratio of 16.5% and a 42-year amortization period. Because the Health Care Trust Fund is a cost-sharing, multiple employer plan, the actuary has not determined the portion of the UAAL that applies to each division participant. However, the State Division, which is itself a cost-sharing, multiple employer participant in the Health Care Trust Fund, represented approximately 34% of the covered payroll reported for the Health Care Trust Fund at December 31, 2012. Although at December 31, 2012, the funded ratio of the Health Care Trust fund was 16.5%, the benefit 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 10 and 11 to the PERA 2012 CAFR for additional information regarding the Health Care Trust Fund.

Effect of Pension Liability on the Series 2013B Notes. The Series 2013B Notes are short-term obligations maturing on June 27, 2014, 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, 2014, as repayment of their Program Loans and a portion of the proceeds of the Series 2013B Notes deposited to the Series 2013-14 Notes Repayment Account as discussed in "THE SERIES 2013B

* For purposes of calculating the actuarial Annual Required Contribution ("ARC") under the Plan for accounting purposes, GAAP requires that the UAAL be amortized over a maximum period of 30 years. As a result, the ARC is higher than the SRC because it results in a 30-year amortization of the UAAL instead of a 53-year amortization of the UAAL at December 31, 2012.

NOTES – Security and Sources of Payment." Therefore, the State's current pension liability or any change in the State's pension liability is not expected to adversely affect the State's ability to fully pay the Series 2013B Notes. However, no assurance can be given that the assumptions underlying the State's current plan to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement. For a discussion of the State's current pension liability, see "Management's Discussion and Analysis" in the Financial Section of the State's Fiscal Year 2011-12 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions."

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. 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).

Prior to July 1, 2001, the Colorado Housing and Finance Authority ("CHFA") was permitted by statute to establish capital reserve funds for the purpose of paying debt service, and is required to request additional funding from the Governor and General Assembly if such reserve funds are depleted, although the General Assembly is not required to make an appropriation for such reserve funds. No request for additional funding to establish or replenish such reserve funds has ever been made by CHFA. Under generally accepted accounting principles for governments, CHFA is not a component unit of the State and therefore it is not included in the State's financial statements.

Note Issues of the State

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 2013A 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 2013A Notes and the Series 2013B 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 42 to the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement for a discussion of all currently outstanding revenue anticipation notes issued by the State.

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

No Litigation Affecting the Series 2013B 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 2013B Notes or questioning or affecting the validity of the Series 2013B 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 2013B 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, 41 and General Fund Components (in Supplementary Information) in both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement. 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 41 to the financial statements in both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement. One case referenced in Note 41 is the case of *Lobato* *v. State of Colorado*, which challenged the State's school finance system. On May 28, 2013, the Colorado Supreme Court ruled that the Colorado 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 "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts – *Public School Finance Act of 1994*."

There can be no assurance regarding the ultimate outcome of the other actions described in Note 41, and except as provided in such Note, no provision has been made in the financial statements related to the actions discussed in such Note.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's, a division of McGraw-Hill Financial, Inc., have assigned to the Series 2013B 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 2013B 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 2013B Notes. The State has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

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, which exemption applies to offerings of municipal securities having a stated maturity of 18 months or less, such as the Series 2013B 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 2013B Notes, that during such time as any of the Series 2013B Notes are outstanding, the State Treasurer will provide to the MSRB 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 2013B Notes, including, without limitation: (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 2013B Notes; (iv) modifications to rights of owners of the Series 2013B Notes, if material; and (v) rating changes.

The obligations of the State Treasurer pursuant to the undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2013B 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 2013B Notes in the event of a breach of such continuing disclosure undertaking.

Except as discussed below, during the previous five years the State Treasurer has complied, in all material respects, with the continuing disclosure undertakings entered into by the State Treasurer pursuant to the requirements of Rule 15c2-12. 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 (the "Series 2010A General Fund Notes"), 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 the Series 2010A General Fund Notes included an affirmative covenant by the State Treasurer to do so. From 2009 through 2012, the State Treasurer failed to file with the MSRB both the "Annual Information" and "Audited Financial Information" required by and defined in the continuing disclosure undertakings entered into pursuant to Rule 15c2-12 relating to certain State issuances. The State Treasurer filed all such information with the MSRB in early 2013. The General Assembly enacted legislation in 2012 to provide the State Treasurer with statutory authority over debt issuance and post-issuance compliance for certain financial obligations of the State, including the Series 2013B Notes. The State has centralized the responsibility for post-issuance compliance and anticipates compliance with its continuing disclosure undertakings in the future. The State Treasure believes that it has implemented appropriate procedures to ensure future compliance with its continuing disclosure undertakings entered into pursuant to Rule 15c2-12.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2013B Notes, as well as the treatment of interest on the Series 2013B 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 Peck, Shaffer & Williams 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 2013B 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 2013B 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 2013B Notes. Failure to comply with such covenants could cause interest on the Series 2013B Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013B 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 2013B Notes. Notwithstanding Bond Counsel's opinion that interest on the Series 2013B 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 2013B 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 2013B Notes may otherwise affect the federal income tax liability of the owners of the Series 2013B 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 2013B 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 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 2013B Notes.

The amount treated as interest on the Series 2013B 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 2013B 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 2013B Notes and the aggregate amount to be paid at maturity of the Series 2013B Notes (the "original issue discount"). For this purpose, the issue price of the Series 2013B Notes is the first price at which a substantial amount of the Series 2013B 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 2013B Notes if the taxpayer elects original issue discount treatment.

Tax Treatment of Original Issue Premium

The following disclosure relates to purchasers of the Series 2013B Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Series 2013B 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 2013B Note over its stated redemption price at maturity constitutes original issue premium on such Series 2013B Note. An initial purchaser of a Series 2013B Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Code. Purchasers of a Series 2013B 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 2013B 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 2013B 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 2013B 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 2013B Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2013B 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 2013B 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 2013B 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 Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2013B 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 2013B Notes will be purchased from the State by Morgan Stanley & Co. LLC (the "Underwriter"), pursuant to a competitive sale conducted by the State, for a purchase price of $211,873,200, being the principal amount of the Series 2013B Notes plus an original issue premium of $1,883,700 and less an underwriting discount of $10,500.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., the underwriter of the Series 2013B 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 2013B 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 2013B 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 2013B 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 2013B Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2013B Notes is contingent upon the issuance and delivery of the Series 2013B Notes.

MISCELLANEOUS

The cover page, inside cover page, 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 2013B 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, One Tabor Center, 1200 17th Street, Suite 2150, 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/ Walker R. Stapleton
Treasurer of the State of Colorado

APPENDIX A

THE STATE GENERAL FUND

The State Resolution requires that if on June 26, 2014, the amount credited to the Principal Subaccount of the Series 2013-14 Notes Repayment Account is less than the principal amount of the Series 2013A Notes, the Series 2013B Notes and any 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 2013-14 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 2013-14, including, without limitation, the State Series 2013A General Fund Notes. See "THE SERIES 2013B NOTES – Security and Sources of Payment – *The Series 2013-14 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 2013-14. See also "APPENDIX B – OSPB SEPTEMBER 2013 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 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 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS 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 2013-14 and 2014-15. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Revenue Sources

(Accrual basis; dollar amounts expressed in millions)

Revenue Source	Actual										OSPB September 2013 Revenue Forecast			
	Fiscal Year 2008-09		Fiscal Year 2009-10		Fiscal Year 2010-11		Fiscal Year 2011-12		Preliminary Fiscal Year 2012-13		Fiscal Year 2013-14		Fiscal Year 2014-15	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Excise Taxes:														
Sales Tax	$1,931.1	(9.2)%	$1,825.0	(5.5)%	$2,043.5	12.0%	$2,093.2	2.4%	$2,211.7	5.7%	$2,316.3	4.7%	$2,449.4	5.7%
Use Tax	176.7	(7.6)	155.7	(11.9)	190.1	22.0	200.6	5.6	242.7	21.0	238.3	(1.8)	254.3	6.7
	2,107.8	(9.1)	1,980.7	(6.0)	2,233.6	12.8	2,293.8	2.7	2,454.4	7.0	2,554.6	4.1	2,703.7	5.8
Cigarette Tax	43.5	(3.9)	40.8	(6.0)	39.3	(3.8)	39.5	0.5	38.3	(3.1)	37.4	(2.4)	35.6	(4.7)
Tobacco Products[1]	13.2	(5.9)	16.1	22.4	13.8	(14.2)	16.0	16.1	15.6	(2.9)	17.0	8.8	17.0	0.2
Liquor Tax	35.0	(2.0)	35.4	1.3	36.4	2.8	38.4	5.3	39.2	2.2	40.8	4.0	40.4	(1.0)
	91.7	(1.7)	92.3	0.7	89.5	(3.0)	93.9	4.9	93.1	(0.9)	95.2	2.2	93.0	(2.2)
Total Excise Taxes	2,199.4	(8.8)	2,073.1	(5.7)	2,323.1	12.1	2,387.7	2.8	2,547.5	6.7	2,649.7	4.0	2,796.8	5.5
Income Taxes:														
Net Individual Income Tax	4,333.3	(12.9)	4,083.8	(5.8)	4,496.1	10.1	5,011.6	11.5	5,596.3	11.7	5,529.9	(1.2)	5,957.4	7.7
Net Corporate Income Tax	292.5	(42.4)	372.1	27.2	393.9	5.9	486.5	23.5	636.3	30.8	663.3	4.2	721.0	8.7
Total Income Taxes	4,625.8	(15.6)	4,455.9	(3.7)	4,890.0	9.7	5,498.1	12.4	6,232.6	13.4	6,193.2	(0.6)	6,678.4	7.8
Less State Education Fund Diversion[2]	(339.9)	(16.7)	(329.0)	(3.2)	(370.5)	12.6	(407.5)	10.0	(486.3)	19.3	(470.7)	(3.2)	(500.9)	6.4
Total Income Taxes to the General Fund	4,285.9	(15.5)	4,126.9	(3.7)	4,519.5	9.5	5,090.6	12.6	5,746.2	12.9	5,722.5	(0.4)	6,177.5	8.0
Other Revenues:														
Estate	0.0	--	0.2	--	(0.1)	--	0.3	--	(0.1)	--	--	--	--	--
Insurance	192.4	(2.2)	186.9	(2.9)	189.7	1.5	197.2	4.0	210.4	6.7	214.4	1.9	221.1	3.1
Interest Income	9.4	(47.8)	10.1	7.7	7.9	(21.6)	13.6	71.5	17.4	28.6	19.8	13.3	23.1	16.8
Pari-Mutuel	0.5	(83.1)	0.5	17.0	0.5	(0.6)	0.6	14.4	0.7	10.3	0.6	(12.9)	0.5	(10.0)
Court Receipts	24.1	(18.6)	17.8	(26.1)	3.6	(80.0)	2.6	(27.6)	2.3	(9.0)	2.4	1.0	2.3	(5.0)
Gaming	2.8	N/A	16.2	476.3	20.4	25.9	20.3	(0.5)	12.1	(40.4)	14.0	15.7	15.1	7.9
Other Income	28.3	46.2	26.2	(7.4)	21.2	(18.8)	23.1	8.8	18.1	(21.6)	19.4	7.4	23.5	20.7
Total Other	257.4	(0.2)	257.7	0.1	243.2	(5.6)	257.6	5.9	261.1	1.3	270.5	3.6	285.5	5.5
Gross General Fund	**$6,742.7**	**(12.9)%**	**$6,457.7**	**(4.2)%**	**$7,085.8**	**9.7%**	**$7,736.0**	**9.2%**	**$8,554.8**	**10.6%**	**$8,642.7**	**1.0%**	**$9,259.8**	**7.1%**

1 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 7 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 2008-09 through Fiscal Year 2012-13 (preliminary) and the forecasts for Fiscal Years 2013-14 and 2014-15 from the OSPB September 2013 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB September 2013 Revenue Forecast for Fiscal Year 2013-14. The Governor's budget request for Fiscal Year 2014-15 was submitted on November 1, 2013. The State has sufficient resources to respond to the flooding that occurred in the State in September of 2013. In the current Fiscal Year, General Fund revenue is expected to exceed current General Fund budgeted expenditures. It is expected that part of this excess will be allocated to flood-related expenses. The ability to handle further expenses is supported by the large balance in the State Education Fund and a 5.0% reserve in the General Fund. Additionally, some of the State's flooding-related expenditures will be reimbursed from the federal government.

Any new budget information will be incorporated in the OSPB December 2013 Revenue Forecast. 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 SEPTEMBER 2013 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2008-09 through 2014-15

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

	Actual (Unaudited) [1]					OSPB Forecast	
	Fiscal Year 2008-09	**Fiscal Year 2009-10**	**Fiscal Year 2010-11**	**Fiscal Year 2011-12**	**Preliminary Fiscal Year 2012-13**	**Fiscal Year 2013-14**	**Fiscal Year 2014-15**
REVENUE:							
Beginning Reserve	$ 326.9	$ 443.8	$ 137.4	$ 156.6	$ 795.8	$ 373.0	$ 431.6
Gross General Fund Revenue	6,742.7	6,457.7	7,085.8	7,736.0	8,554.8	8,642.7	9,259.8
Transfers to the General Fund	813.8	418.5	158.1	142.1	0.3	2.4	2.4
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,883.4	7,320.0	7,381.2	8,034.7	9,351.0	9,018.0	9,693.8
EXPENDITURES:							
Appropriation Subject to Limit [2]	7,410.7	6,631.6	6,811.1	7,027.8	7,459.2	7,967.4	8,918.8
Dollar Change From Prior Year	322.9	(779.1)	179.5	216.7	431.5	508.2	951.4
Percent Change From Prior Year	4.2%	(10.2)%	2.7%	3.2%	6.1%	6.8%	11.9%
Spending Outside Limit:	54.4	601.5	151.5	189.0	452.2	489.4	329.0
TABOR Refund	--	--	--	--	--	--	--
Rebates and Expenditures [3]	221.6	143.2	127.6	134.8	380.8	236.3	233.6
Transfer to Capital Construction [4]	39.4	0.2	12.0	49.3	61.4	186.7	68.2
Transfers to Highway Users Tax Fund [4]	29.0	N/A	N/A	N/A	N/A	--	--
Transfers to State Education Fund per SB 13-234	N/A	N/A	N/A	N/A	N/A	45.3	25.3
Transfers to Other Funds	2.3	458.1	--	5.0	4.6	21.1	1.9
Other Expenditures Exempt from General Fund Appropriations Limit [5]	(237.9)	--	12.0	--	5.4	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,465.1	7,233.1	6,962.6	7,216.8	7,911.5	8,456.8	9,247.8
Percent Change from Prior Year	(6.2)%	(3.1)%	(3.7)%	3.7%	9.6%	6.9%	9.4%
Reversions and Accounting Adjustments	25.4	50.5	26.9	36.9	22.0	--	--
RESERVES							
Year-End General Fund Balance	443.8	137.4	445.5	854.8	1,461.5	561.2	445.9
Year-End General Fund as a % of Appropriations	6.0%	2.1%	6.5%	12.2%	19.6%	7.0%	5.0%
General Fund Statutory Reserve [6]	148.2	132.6	156.6	281.1	373.0	398.4	445.9
Amount Above (Below) Statutory Reserve [7]	295.6	4.8	288.9	573.7	1,088.6	162.9	--
Transfer of Excess Reserve to State Education Fund/Other Funds	--	--	--	--	(1,088.6)	(129.6)	--
Balance After Any Funds Above Statutory Reserve are Allocated	443.8	137.4	156.6	795.8	--	33.2	--

[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] Per SB 09-228, for Fiscal Year 2009-10 and subsequent Fiscal Years, 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 2013-14 reflects current law. The Fiscal Year 2014-15 amount represents the level of spending that can be supported by projected revenue while maintaining the required reserve amount, and thus will change based on future budgeting decisions and updates to the revenue forecast.

[3] This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit, Homestead Exemption and Fire and Police Pensions. The senior homestead exemption property tax credit was suspended for Fiscal Years 2009-10 through 2011-12. The homestead exemption for qualified disabled veterans was not affected by this suspension. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Ad Valorem Property Taxation Procedure – *Homestead Exemption*."

[4] Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0%. This is projected to occur in 2014, which will trigger the transfers in Fiscal Year 2015-16. Expected and budgeted transfers to capital construction are occurring each Fiscal Year regardless of the requirement.

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

[Notes continued on next page]

6 Current law requires the reserve to increase in the third fiscal year after the calendar year personal income increases by more than 5 percent, starting with calendar year 2012. This is projected to occur in 2014, which will trigger a reserve increase of 0.5 percentage points in Fiscal Year 2017-18. The reserve is required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations, which would occur in Fiscal Year 2019-20 under this forecast.

7 In recent years, some or all of the amount above the statutory reserve was required by law to be credited to other funds, mostly the State Education Fund. For example, per HB 12-1338, all of the Fiscal Year 2012-13 excess is to be transferred to the State Education Fund. Pursuant to SB 13-236, $30 million of the excess reserves in Fiscal Year 2013-14 is to be transferred to the CWCB Construction Fund, while, pursuant to SB 13-260, 75% of the remaining excess is to be transferred to the State Education Fund. Both of these transfers will occur in Fiscal Year 2014-15.

Source: Office of State Planning and Budgeting

Discussion of Recent General Fund Revenues and Reserves

The following is a discussion of the General Fund revenues for the past five Fiscal Years. The amount of General Fund revenues received in prior years is not necessarily indicative of the amount of revenues to be expected for any future Fiscal Years. All figures are approximate unless otherwise stated. See also "General Fund Revenue Sources" above. The following also discusses revenue to the State Education Fund, which after the General Fund is the second largest funding source for State spending for preschool through 12th grade education.

Fiscal Year 2012-13 (Preliminary). General Fund revenues increased by 10.6% in Fiscal Year 2012-13 compared to an increase of 9.2% in Fiscal Year 2011-12. In Fiscal Year 2012-13, sales and use tax revenues increased by 7.0% compared to an increase of 2.7% in Fiscal Year 2011-12. Other excise tax revenues decreased 0.9% compared to an increase of 4.9% in Fiscal Year 2011-12. Corporate and individual income tax collections increased 13.4% compared to an increase of 12.4% in Fiscal Year 2011-12. Other revenues increased by 1.3% in Fiscal Year 2012-13 compared to an increase of 5.9% in Fiscal Year 2011-12. Total available funds for Fiscal Year 2012-13 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and any amounts transferred into or out of the General Fund) were $9,351.0 million and total obligations were $7,911.50 million. The required reserve was $373.0 million, or 5.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $1.1 billion. In accordance with Amendment 23 and other State laws, $548.5 million was credited to the State Education Fund.

Fiscal Year 2011-12. General Fund revenues increased by 9.2% in Fiscal year 2011-12 compared to an increase of 9.7% in Fiscal Year 2010-11. In Fiscal Year 2011-12, sales and use tax revenues increased by 2.7% compared to an increase of 12.8% in Fiscal Year 2010-11. Corporate and individual income tax collections increased 12.4% compared to an increase of 9.7% in Fiscal Year 2010-11. Other excise tax revenues increased 4.9% compared to a decrease of 3.1% in Fiscal Year 2010-11. Other revenues increased 5.9% in Fiscal Year 2011-12 compared to a decrease of 5.6% in Fiscal Year 2010-11. Total funds available for expenditure in Fiscal Year 2011-12 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were $8,034.7 million and total obligations were $7,216.8 million. The required reserve was $281.1 million, or 4.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $573.7 million. In accordance with Amendment 23 and other State laws, $644.4 million was credited to the State Education Fund.

Fiscal Year 2010-11. General Fund revenues increased by 9.7% in Fiscal Year 2010-11 compared to a decline of 4.2% in Fiscal Year 2009-10. In Fiscal Year 2010-11, sales and use tax revenues increased by 12.8% compared to a decrease of 6.0% in Fiscal Year 2009-10. Other excise tax revenues decreased 3.0% compared to an increase of 0.7% in Fiscal Year 2009-10. Corporate and individual income tax collections increased 9.7% compared to a decrease of 3.7% in Fiscal Year 2009-10. Other revenues declined 5.6% in Fiscal Year 2010-11 compared to an increase of 0.1% in Fiscal Year 2009-10. Total funds available for expenditure in Fiscal Year 2010-11 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and amounts transferred into the General Fund) were $7,381.3 million and total obligations were $6,962.6 million. The required reserve was $156.6

million, or 2.3% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $288.9 million. In accordance with Amendment 23 and other State laws, $376.8 million was credited to the State Education Fund.

Fiscal Year 2009-10. General Fund revenues declined by 4.2% in Fiscal Year 2009-10 compared to a decline of 12.9% in Fiscal Year 2008-09. In Fiscal Year 2009-10, sales and use tax revenues decreased by 6.0% compared to a decrease of 9.1% in Fiscal Year 2008-09. Other excise tax revenues increased 0.9% compared to a decline of 1.7% in Fiscal Year 2008-09. Corporate and individual income tax collections decreased 3.7% compared to a decrease of 15.6% in Fiscal Year 2008-09. Other revenues increased 0.1% in Fiscal Year 2009-10 compared to a decline of 0.2% in Fiscal Year 2008-09. Total funds available for expenditure in Fiscal Year 2009-10 (which excludes the amount deposited into the State Education Fund and includes beginning General Fund Surplus and any amounts transferred into the General Fund) were $7,320.0 million and total obligations were $7,233.1 million. The required reserve was $132.6 million, or 2.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $4.8 million. In accordance with Amendment 23 and other State laws, $339.5 million was credited to the State Education Fund.

Fiscal Year 2008-09. General Fund revenues decreased by 12.9% in Fiscal Year 2008-09 compared to an increase of 2.7% in Fiscal Year 2007-08. In Fiscal Year 2008-09, sales and use tax revenue decreased by 9.1% compared to an increase of 4.9% in Fiscal Year 2007-08. Other excise tax revenue declined 1.7% compared to a decline of 0.9% in Fiscal Year 2007-08. Corporate and individual income tax collections decreased 15.6% in Fiscal Year 2008-09 compared to an increase of 2.1% in Fiscal Year 2007-08. Other revenues declined 0.2% in Fiscal Year 2008-09 compared to a decline of 1.7% in Fiscal Year 2007-08. Total funds available for expenditure in Fiscal Year 2008-09 (which excludes the amount deposited into the State Education Fund and other State funds, and includes beginning General Fund Surplus and any amounts transferred into the General Fund) were $7,883.4 million and total obligations were $7,465.1 million. The required reserve was $148.2 million, or 2.0% of Fiscal Year appropriations. The amount of General Fund above the required reserve was $295.6 million. In accordance with Amendment 23, $475.7 million was credited to the State Education Fund.

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 September 20, 2013, and is included in this Official Statement as “APPENDIX B – OSPB SEPTEMBER 2013 REVENUE FORECAST.” The OSPB September 2013 Revenue Forecast projects revenues for Fiscal Years 2013-14 through 2015-16. The amounts forecast for Fiscal Years 2014-15 and 2014-15 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 September 2013 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 December of 2013. General Fund revenue projections in the new forecast may be materially different from the OSPB September 2013 Revenue Forecast if economic conditions change markedly. Due to the volatility in the State and national economies, OSPB's forecasts of General Fund revenues over the last several years have fluctuated from forecast to forecast. Such volatility may be reflected in the December 2013 forecast. If a revenue shortfall is projected for Fiscal Year 2013-14 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 2013-14 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2013-14 Notes Repayment Account on June 26, 2014. 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 2012-13 and 2013-14 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 2012-13 and 2013-14 for which information is available.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2012-13
(Amounts expressed in millions)[1]

	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	April 2013	May 2013	June 2013
Agency CMOs	$ 94.0	$ 90.0	$ 85.0	$ 76.8	$ 71.9	$ 67.4	$ 62.6	$ 59.1	$ 55.9	$ 49.0	$ 42.4	$ 36.4
Commercial Paper	50.0	50.0	0.0	50.0	40.0	100.0	100.0	60.0	0.0	100.0	127.0	75.0
U.S. Treasury Notes	703.9	718.9	674.0	713.9	713.9	773.9	794.0	784.0	799.0	769.2	809.2	824.0
Federal Agencies	4,631.2	4,450.3	4,493.7	4,128.0	3,824.6	3,886.1	4,275.0	3,800.5	3,889.5	4,526.5	4,160.8	3,798.5
Asset-Backed Securities	366.4	439.1	533.7	701.8	764.3	764.2	853.6	977.1	991.1	1,066.6	1,125.4	1,131.4
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	0.0	0.0
Corporates	1,042.5	1,106.2	1,123.2	1,135.2	1,170.1	1,235.0	1,265.0	1,292.1	1,336.0	1,341.0	1,378.9	1,375.9
Certificates of Deposit	1.3	0.9	0.9	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.0
Totals	$6,889.3	$6,855.4	$6,910.5	$6,806.6	$6,585.3	$6,827.1	$7,350.7	$6,973.3	$7,097.0	$7,852.8	$7,644.2	$7,243.2

[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

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2013-14
(Amounts expressed in millions)[1]

	July 2013	Aug 2013	Sept 2013	Oct 2013
Agency CMOs	$ 31.6	$ 29.9	$ 28.4	$ 31.6
Commercial Paper	250.0	173.0	170.0	250.0
U.S. Treasury Notes	823.9	824.0	848.5	823.9
Federal Agencies	3,853.1	3,818.7	3,818.9	3,853.1
Asset-Backed Securities	1,180.4	1,209.2	1,248.3	1,180.4
Money Market	0.0	0.0	0.0	0.0
Corporates	1,395.9	1,433.6	1,438.6	1,395.9
Certificates of Deposit	2.0	2.0	4.0	2.0
Totals	$7,536.9	$7,490.4	$7,556.7	$7,536.9

[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 actual cash flows of the General Fund for Fiscal Year 2012-13, and the actual and estimated cash flows for the General Fund for Fiscal Year 2013-14, 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.

Monthly cash flow projections for Fiscal Years 2012-13 and 2013-14 are based upon (i) the General Fund appropriations for Fiscal Years 2012-13 and 2013-14 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 September 2013 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 inside cover of this Official Statement regarding forward-looking statements.

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State of Colorado
Actual General Fund Cash Flow
Fiscal Year 2012-13
Current Law

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

	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	June 2013	Total
Beginning Cash and Investments Balance	$ 575.4												$ 575.4
Revenues:													
General Fund Revenue:													
Sales and Use Tax	201.1	$ 206.5	$ 209.7	$ 207.0	$ 195.8	$ 191.4	$ 235.2	$ 183.8	$ 168.6	$ 210.3	$ 197.0	$ 210.3	2,416.7
Individual Income Tax	315.6	348.5	438.5	380.4	344.7	439.4	667.8	168.1	249.3	990.7	341.6	396.6	5,081.2
Corporate Income Tax	33.4	8.2	108.2	20.4	1.7	98.8	27.9	(19.6)	70.6	140.0	9.8	114.1	613.5
Other	48.8	31.0	(1.5)	49.1	18.0	9.1	14.7	53.2	34.3	44.5	26.5	12.4	340.1
Total General Fund Revenue	598.9	594.2	754.9	656.9	560.2	738.7	945.6	385.5	522.8	1,385.5	574.9	733.4	8,451.5
Federal Revenue	316.1	534.1	537.8	508.0	537.6	609.5	468.1	542.3	633.9	550.9	552.4	695.2	6,485.9
Total Revenues	915.0	1,128.3	1,292.7	1,164.9	1,097.8	1,348.2	1,413.7	927.8	1,156.7	1,936.4	1,127.3	1,428.6	14,937.4
Expenditures:													
Payroll	100.9	159.4	119.4	117.4	119.0	117.1	120.5	119.2	119.2	120.1	123.7	121.5	1,457.4
Medical Assistance	410.5	452.7	357.5	433.5	407.0	440.6	402.3	438.0	412.2	477.0	431.2	432.5	5,095.0
Public School Distribution	738.0	40.7	981.7	36.2	67.3	675.9	41.6	78.7	687.8	48.2	49.3	81.8	3,527.2
Higher Education Distribution	2.0	41.8	2.5	3.9	3.9	39.0	1.6	0.3	0.3	0.3	0.6	5.4	101.6
Grants and Contracts	41.5	214.3	218.9	185.2	193.3	242.1	185.8	178.2	248.8	291.6	337.3	(535.0)	1,802.0
Other	296.3	118.7	84.8	160.1	104.3	202.4	101.1	87.0	98.6	96.5	123.8	917.9	2,391.5
Total Expenditures:	(1,528.2)	(1,027.6)	(1,764.8)	(936.3)	(894.8)	(1,717.1)	(852.9)	(901.4)	(1,566.9)	(935.2)	(1,065.9)	(1,024.1)	(14,215.2)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(37.8)	100.7	(472.1)	228.6	203.0	(368.9)	560.8	26.4	(410.2)	1,001.2	61.4	404.5	1,297.6
Revenue Accrual Adjustment	(81.9)	(5.5)	(20.1)	31.5	(36.3)	(29.2)	22.8	(65.0)	96.0	12.3	39.5	(79.3)	(115.2)
Expenditure Accrual Adjustment	94.4	(7.5)	48.9	(23.9)	(47.3)	4.4	(35.8)	43.3	(48.0)	40.1	(75.6)	146.1	139.1
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(98.5)	--	--	(98.5)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(500.8)	(0.8)
Capital Construction Transfer	(61.0)	--	--	--	--	--	--	--	--	--	--	--	(61.0)
Actual/Projected Monthly Cash Change	413.7	87.7	(443.3)	236.2	119.4	(393.7)	547.8	4.7	(362.2)	955.1	25.3	(29.5)	1,161.2
General Fund Cash Balance End of Month	**$ 413.7**	**$ 501.4**	**$ 58.1**	**$ 294.3**	**$ 413.7**	**$ 20.0**	**$ 567.8**	**$ 572.5**	**$ 210.3**	**$ 1,165.4**	**$ 1,190.7**	**$ 1,161.2**	

Source: State Treasurer's Office

State of Colorado
Actual and Estimated General Fund Cash Flow
Fiscal Year 2013-14
Current Law

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

	Actual				Estimated[1]								
	July 2013	**Aug 2013**	**Sept 2013**	**Oct 2013**	**Nov 2013**	**Dec 2013**	**Jan 2014**	**Feb 2014**	**Mar 2014**	**Apr 2014**	**May 2014**	**June 2014**	**Total**
Beginning Cash and Investments Balance	$1,161.2												
Revenues:													
General Fund Revenue:[2]													
Sales and Use Tax	209.4	$ 220.0	$ 223.0	$ 211.9	$ 205.7	$ 208.5	$ 250.0	$ 189.3	$ 192.1	$ 214.5	$ 207.5	$ 222.8	$ 2,554.6
Individual Income Tax	361.4	344.4	478.1	415.8	408.7	433.9	573.8	156.6	223.0	637.8	441.4	584.3	5,059.2
Corporate Income Tax	12.7	79.0	118.3	41.4	(38.2)	54.1	45.6	7.2	74.5	120.2	24.5	124.0	663.3
Other	50.5	24.1	10.0	55.6	(4.3)	(51.7)	2.1	57.6	24.5	175.5	(37.1)	137.8	444.6
Total General Fund Revenue	634.0	588.5	829.4	724.7	571.8	644.8	871.5	410.7	514.1	1,148.1	636.3	1,068.9	8,642.7
Federal Revenue	364.0	560.8	530.7	527.6	473.4	547.2	456.4	469.9	564.2	403.0	476.1	994.3	6,367.6
Total Revenues	998.0	1,149.3	1,360.1	1,252.3	1,045.2	1,192.0	1,327.8	880.5	1,078.3	1,551.1	1,112.4	2,063.3	15,010.3
Expenditures:													
Payroll	128.2	123.4	133.2	125.3	126.6	120.2	124.0	119.7	121.3	117.5	119.1	127.7	1,486.2
Medical Assistance	454.2	499.8	444.7	418.6	264.9	224.4	151.5	243.2	192.7	322.6	321.3	215.1	3,753.0
Public School Distribution	752.6	30.1	1,120.5	102.1	1.2	555.2	2.0	0.2	555.5	0.2	0.1	1.4	3,121.3
Higher Education Distribution	2.1	45.1	2.1	4.1	1.6	14.8	--	--	--	--	--	(0.8)	69.0
Grants and Contracts	32.5	225.8	213.7	204.1	250.6	309.4	263.8	253.4	287.1	250.6	257.6	290.2	2,838.8
Other	450.8	142.0	153.2	116.5	248.1	768.8	228.0	228.8	539.2	139.5	73.7	401.2	3,489.7
Total Expenditures:	(1,633.7)	(1,066.2)	(2,067.4)	(970.7)	(893.1)	(1,992.8)	(769.4)	(845.2)	(1,695.8)	(830.4)	(771.8)	(1,034.7)	(14,571.3)
Total Revenues and Beginning Cash and Investments													
Minus Total Expenditures	525.5	83.1	(707.3)	281.6	152.1	(800.8)	558.4	35.3	(617.5)	720.6	340.6	1,028.6	1,600.2
Revenue Accrual Adjustment	130.6	(61.9)	39.7	79.8	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	100.5
Expenditure Accrual Adjustment	(144.6)	18.3	33.2	(40.5)	41.0	(12.6)	35.3	(22.7)	17.6	92.0	(27.6)	(383.2)	(393.7)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(105.2)	--	--	(105.2)
State Series 2013A General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(500.8)	(0.8)
Capital Construction Transfer	(186.7)	--	--	--	--	--	--	--	--	--	--	--	(186.7)
Actual/Projected Monthly Cash Change	824.8	39.5	(634.4)	320.9	161.0	(808.9)	595.7	12.4	(601.9)	717.7	260.5	127.0	1,014.3
General Fund Cash Balance End of Month	**$ 824.8**	**$ 864.3**	**$ 229.9**	**$ 550.8**	**$ 711.8**	**$ (97.1)**	**$ 498.7**	**$ 511.0**	**$ (90.8)**	**$ 626.9**	**$ 887.4**	**$ 1,014.3**	

[1] Amounts in these columns 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 inside cover of this Official Statement regarding forward-looking statements.

[2] General Fund revenues are derived from the OSPB September 2013 Revenue Forecast.

Source: State Treasurer's Office

APPENDIX B

OSPB SEPTEMBER 2013 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 2013-14 through 2015-16. 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 September 20, 2013, 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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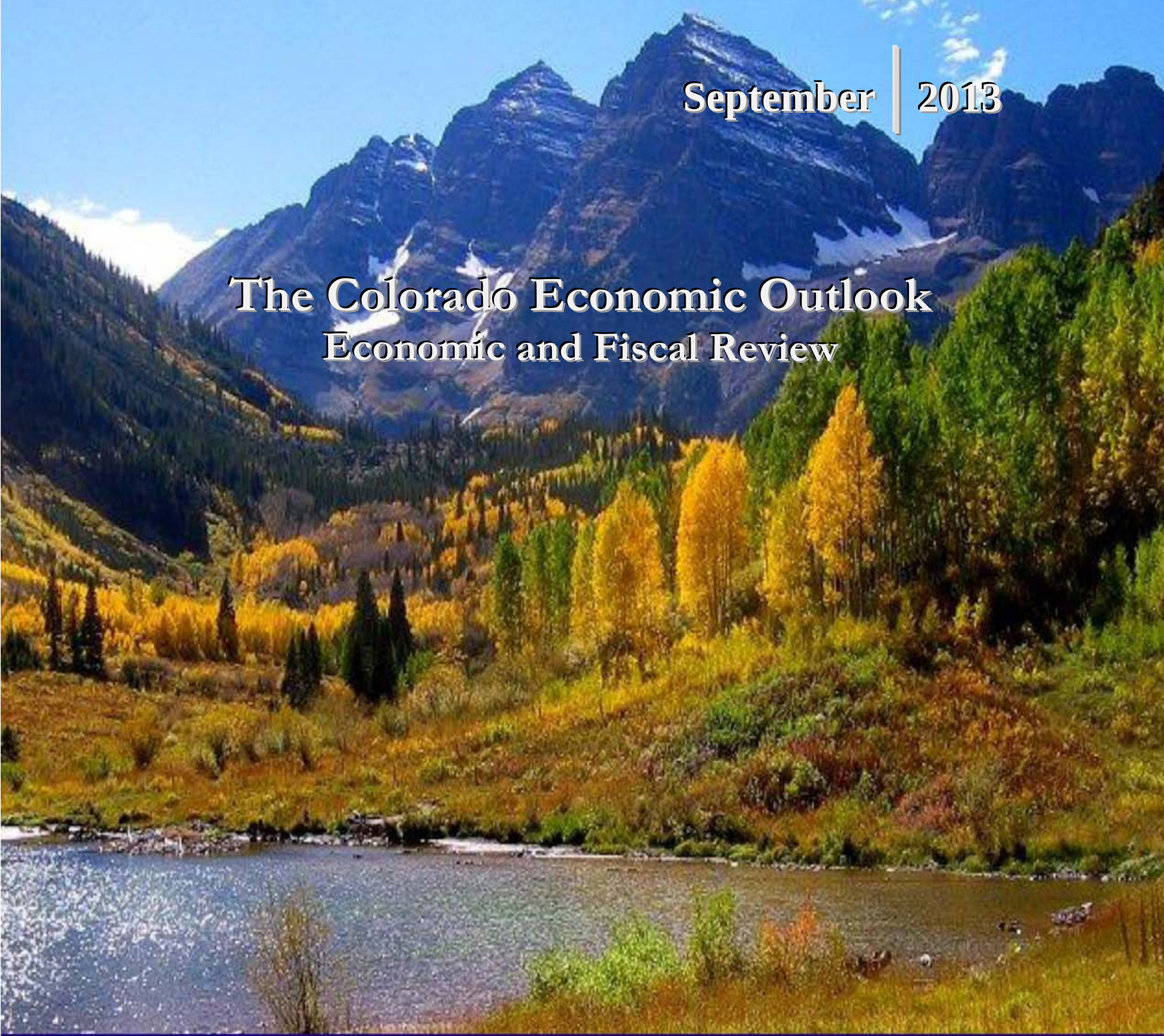
September | 2013

The Colorado Economic Outlook
Economic and Fiscal Review



Governor's Office of State Planning and Budgeting

Table of Contents

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Summary

- The General Fund revenue forecast for the current budget year (FY 2013-14) as well as for FY 2014-15 is essentially unchanged from the June forecast as expectations for jobs, income, business activity, and spending in Colorado have not changed appreciably. After posting a robust increase of 10.6 percent in FY 2012-13, revenue growth will slow to 1.0 percent in FY 2013-14 in large part due to an expected moderation in corporate income tax revenue and a drop in capital gains income. However, capital gains income is volatile and can be difficult to predict. A large enough difference from this forecast's projection will result in noticeably higher or lower revenue. The factors slowing General Fund revenue growth in this fiscal year will diminish for FY 2014-15 when continued economic growth is expected to generate a revenue increase of 7.1 percent.

- The strong growth in FY 2012-13 revenue resulted in a General Fund surplus (the amount of money above the required statutory reserve) of $1.1 billion. All of this money is transferred to the State Education Fund. Despite the modest revenue growth expected in this fiscal year, General Fund revenue will still be $162.9 million above the required reserve with the current level of authorized spending. As a result of 2013 legislation, $30 million of this excess General Fund reserve amount is transferred to the Colorado Water Conservation Board Construction Fund and 75 percent of the remainder, or a projected $99.6 million, is transferred to the State Education Fund. The remaining amount after these transfers, a projected $33.2 million, becomes part of the beginning reserve and funds available in FY 2014-15.

- The amount of revenue to the State is determined fundamentally by the performance of the economy. With its diverse industries and high levels of human capital, Colorado's economy continues to have a solid foundation for growth. Many state economic indicators are outperforming national averages and unemployment continues to decline from its high level. Colorado's economic momentum, however, does not insulate it from potential adverse shocks to economic activity that could cause State revenue collections to come in below forecast. On the other hand, the state's economy could grow faster than forecast and cause revenue to outperform expectations. As of the time of publication, it is too early to know the scale of the economic and budgetary impacts of the recent tragic flooding in the state.

- Cash fund revenue subject to TABOR will grow 3.6 percent to $2.63 billion in FY 2013-14, led by an $80 million increase in severance tax revenue resulting from higher natural gas prices and continued growth in oil and gas production. While hospital provider fee revenue will decline, most other main categories of cash funds will increase, reflecting continued economic growth in the state. Cash fund revenue will decrease modestly in FY 2014-15 to $2.61 billion. Continued growth in most of the larger cash fund sources will be offset by a decline of $53.5 million in hospital provider fee revenue.

- This forecast does not expect that the State will reach its TABOR revenue cap through FY 2015-16. The State, however, is within 5.1 percent of reaching the cap in FY 2013-14 and within 4.0 percent of the cap in FY 2014-15 and FY 2015-16. If revenue exceeds the limit due to higher-than-expected revenue growth, the State would need to refund the excess revenue or ask voters to retain it.

General Fund Budget

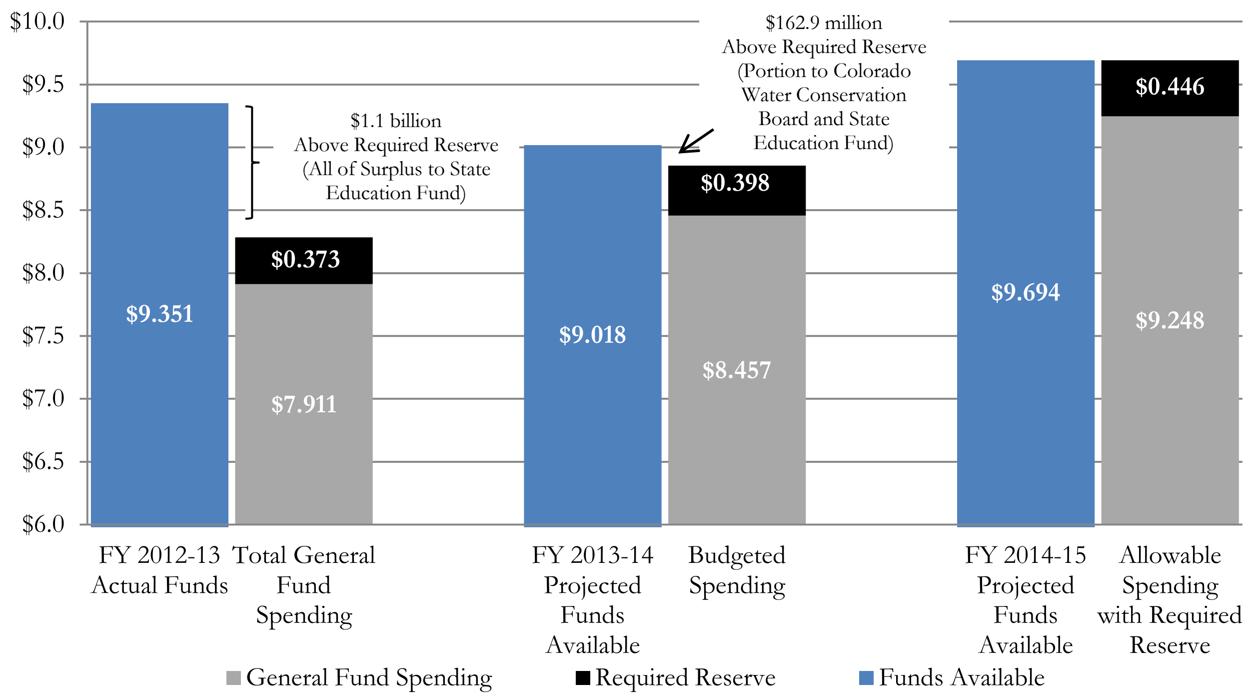
GENERAL FUND OVERVIEW, STATE EDUCATION FUND OVERVIEW, AND BUDGET IMPLICATIONS OF THE FORECAST

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

Table 1 presents the General Fund Overview for the September 2013 OSPB revenue forecast. It is located at the end of this section following page 11. We are also introducing an additional presentation of the General Fund in Table 1a, which presents the same General Fund overview but incorporates information about the State Education Fund. Because of the State Education Fund's importance in funding preschool through 12th grade education and because it receives money primarily from the General Fund, Table 1a provides a comprehensive summary of the General Fund's obligations and resources. Further discussion about Table 1a starts on page 7. The amounts in both tables primarily reflect current law and important assumptions are noted accordingly.

Summary of General Fund Overview – Figure 1 below shows total projected General Fund revenue available, total spending, and reserve levels from FY 2012-13 through FY 2014-15 based on the September forecast and current law. It also shows how much General Fund revenue is projected above the State's required reserve level. The spending amounts for FY 2012-13 and FY 2013-14 are the budgeted amounts under current law. The amount for FY 2014-15 represents the level of spending that could be supported by projected revenue while maintaining the required five percent reserve amount. The information in the figure is discussed below and is shown in further detail in Table 1 and Table 1a following page 11.

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



Funds available – The top portion of Table 1 shows the amount of General Fund money available for spending. The forecast for General Fund revenue is discussed in further detail in the *General Fund Revenue Forecast* section starting on page 14. In addition to General Fund revenue, the amount of funds available includes the beginning fund balance and any money transferred into the General Fund from various State cash funds. The table below summarizes the amount of General Fund available by fiscal year. The decline in total General Fund available for FY 2013-14 is attributable to projected modest revenue growth and a smaller beginning fund balance. In contrast with FY 2012-13's beginning balance, the end-of-year excess reserves in FY 2012-13 will not be carried forward and become part of the beginning FY 2013-14 balance, but instead will be transferred to the State Education Fund. Higher revenue growth in FY 2014-15 and FY 2015-16 will result in an increase in funds available.

GF Funds Available under Current Law ($ in Millions)			
	FY 2013-14	**FY 2014-15**	**FY 2015-16**
Beginning Balance	$373.0	$431.6	$445.9
General Fund Revenue	$8,642.7	$9,259.8	$9,715.6
Transfers to the General Fund	$2.4	$2.4	$2.4
Total General Funds Available	**$9,018.0**	**$9,693.8**	**$10,164.0**
Dollar Change from Prior Year	-$332.9	$675.8	$470.2
Percent Change from Prior Year	-3.6%	7.5%	4.9%

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

The General Fund appropriations amount for FY 2013-14 in Table 1, and shown below, reflects current law and is subject to change based on future budget decisions. The FY 2014-15 and FY 2015-16 amounts in Table 1 reflect the level of spending that can be supported by forecasted revenue while maintaining the required reserve level.

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

Spending not subject to the appropriations limit – Lines 8 through 15 in Table 1 summarize spending that is outside the General Fund appropriations limit. The largest portion of this spending is "Rebates and Expenditures" (Line 10 in Table 1). The programs in this line with the most expenditures are: (1) the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; (2) the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (3) the Property Tax, Heat, and Rent Credit, which provides property tax, rent, or heating bill assistance to qualifying low income disabled or elderly individuals; and (4) the Homestead Property Tax Exemption, which reduces property tax liabilities for qualifying seniors and disabled veterans.

General Fund money transferred for State capital construction and facility maintenance, as well as transportation projects, are also not subject to the limit (Lines 11 and 12 in Table 1). Transfers for these purposes can be made at the discretion of the General Assembly and Governor through legislation. The FY 2013-14 budget includes a total transfer of $186.7 million for capital construction projects. The capital construction amounts in subsequent years mostly reflect needed funding levels for specific "certificate of participation" (COP) financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects. Transfers to capital construction and transportation *are required* if growth in statewide personal income exceeds five percent. This forecast projects that personal income growth will exceed 5 percent in 2014, which will trigger an expected transfer of $194.3 million for transportation in FY 2015-16. The amount needed for capital construction in FY 2015-16 shown in Table 1 for COP payments and priority facility maintenance projects exceeds the amount of the required transfer.

SB 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19 (Line 13 in Table 1). The FY 2013-14 transfer is $45.3 million, while the amount in FY 2014-15 and FY 2015-16 is $25.3 million. In addition, state law requires a relatively small amount of transfers of General Fund money to various State cash funds (Line 14 in Table 1). In some years, certain programs need to exceed their appropriated funding near the end of the fiscal year in order to meet services demands. These amounts are shown under "Other Expenditures Exempt from the General Fund Appropriations Limit" (Line 15 in Table 1). Any "overexpended" amounts must receive an appropriation in the subsequent year to authorize the spending. Spending by the Medicaid program, or "Medicaid overexpenditures," is usually the largest amount for this line. The entire FY 2012-13 amount in Table 1 is Medicaid-related overexpenditures.

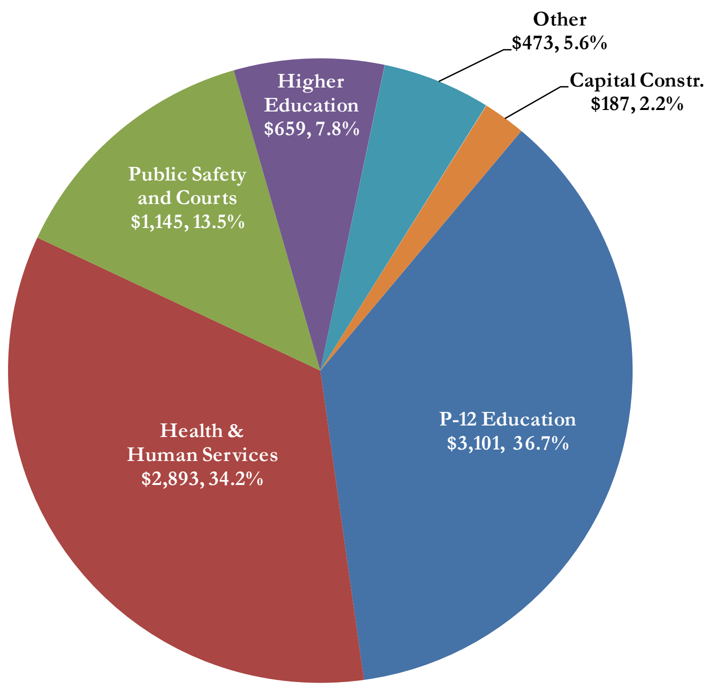
Finally, spending not subject to the limit includes any TABOR refunds (Line 9 in Table 1), which occur when State revenue exceeds its cap. TABOR refunds are not expected to occur during the forecast period as revenue will be between approximately $500 million and $600 million below the cap through FY 2015-16. Page 31 and Table 4 provide further detail on TABOR revenue.

All of the expenditures discussed above are summarized in the following table.

GF Spending Not Subject to the Appropriations Limit under Current Law ($ in Millions)			
	FY 2013-14	**FY 2014-15**	**FY 2015-16**
TABOR Refund	$0.0	$0.0	$0.0
Cigarette Rebate	*$9.5*	*$9.0*	*$8.7*
Old-Age Pension Fund/Older Coloradans Fund	*$105.4*	*$94.3*	*$90.1*
Aged Property Tax & Heating Credit	*$6.9*	*$6.9*	*$6.9*
Homestead Exemption	*$108.6*	*$117.0*	*$123.7*
Interest Payments for School Loans	*$0.8*	*$1.3*	*$1.5*
Fire/Police Pensions	*$4.3*	*$4.3*	*$4.3*
Amendment 35 General Fund Expenditure	*$0.8*	*$0.8*	*$0.8*
Total Rebates and Expenditures	**$236.3**	**$233.6**	**$236.0**
Transfers to Capital Construction	$186.7	$68.2	$64.8
Transfers to Highway Users Tax Fund	$0.0	$0.0	$194.3
Transfers to State Education Fund per SB 13-234	$45.3	$25.3	$25.3
Transfers to Other Funds	$21.1	$1.9	$1.9
Other	$0.0	$0.0	$0.0
Total	**$489.4**	**$329.0**	**$522.4**
Dollar Change from Prior Year	$37.2	-$160.4	$193.4
Percent Change from Prior Year	8.2%	-32.8%	58.8%

Composition of General Fund Budget – The following graph, Figure 2, shows the composition of the General Fund budget for FY 2013-14 by major department or program area. Under the budget, total General Fund spending amounts to $8,456.8 million, a 6.9 percent, or $545.3 million, increase compared with FY 2012-13.

Figure 2. Composition of FY 2013-14 General Fund Budget, $ in Millions



Reserves – The final section of the General Fund Overview table ("Reserves") shows General Fund remaining at the end of each fiscal year. The "Year-End General Fund Balance," in the overview table (Line 19) reflects the difference between total funds available (Line 4) and total outlays (Line 16). Line 21 shows the statutorily determined reserve requirement and the following line indicates any variance from the requirement ("Above (Below) Statutory Reserve"). For FY 2012-13, the reserve was $1.1 billion above the 5.0 percent of appropriations requirement. By statute, the entire FY 2012-13 excess is transferred to the State Education Fund.

For FY 2013-14, under this forecast, the reserve is projected to be $162.9 million above the required amount. Of this excess amount, $30 million goes to the Colorado Water Conservation Board (CWCB) Fund and 75 percent of the remainder goes to the State Education Fund – a projected $99.6 million under this forecast. These transfers, shown in line 23, will occur in FY 2014-15. The remaining amount of the excess – a projected $33.2 million under this forecast – becomes part of the beginning reserve and funds available in FY 2014-15.

Current law requires the reserve to increase in the third fiscal year after personal income increases by more than 5 percent. This is projected to occur in 2014, which will trigger a reserve increase of 0.5

percentage points in FY 2017-18. The reserve is required to increase by 0.5 percentage points each year thereafter until it reaches 6.5 percent of appropriations, which would occur in FY 2019-20 under this forecast. The dollar amounts for the required reserve and ending fund balance from Table 1 are summarized in the table on the next page. The transfers of excess reserves to the State Education Fund and CWCB Fund are also shown.

GF Reserves under Current Law ($ in Millions)			
	FY 2013-14	FY 2014-15	FY 2015-16
Year-End General Fund Balance	$561.2	$445.9	$459.1
Balance as a % of Appropriations	7.0%	5.0%	5.0%
General Fund Required Reserve	**$398.4**	**$445.9**	**$459.1**
Money Above/Below Req. Reserve	**$162.9**	**$0.0**	**$0.0**
Excess Reserve to State Education Fund	**$99.6**	**N/A**	**N/A**
Excess Reserve to CWCB Fund	**$30.0**	**N/A**	**N/A**

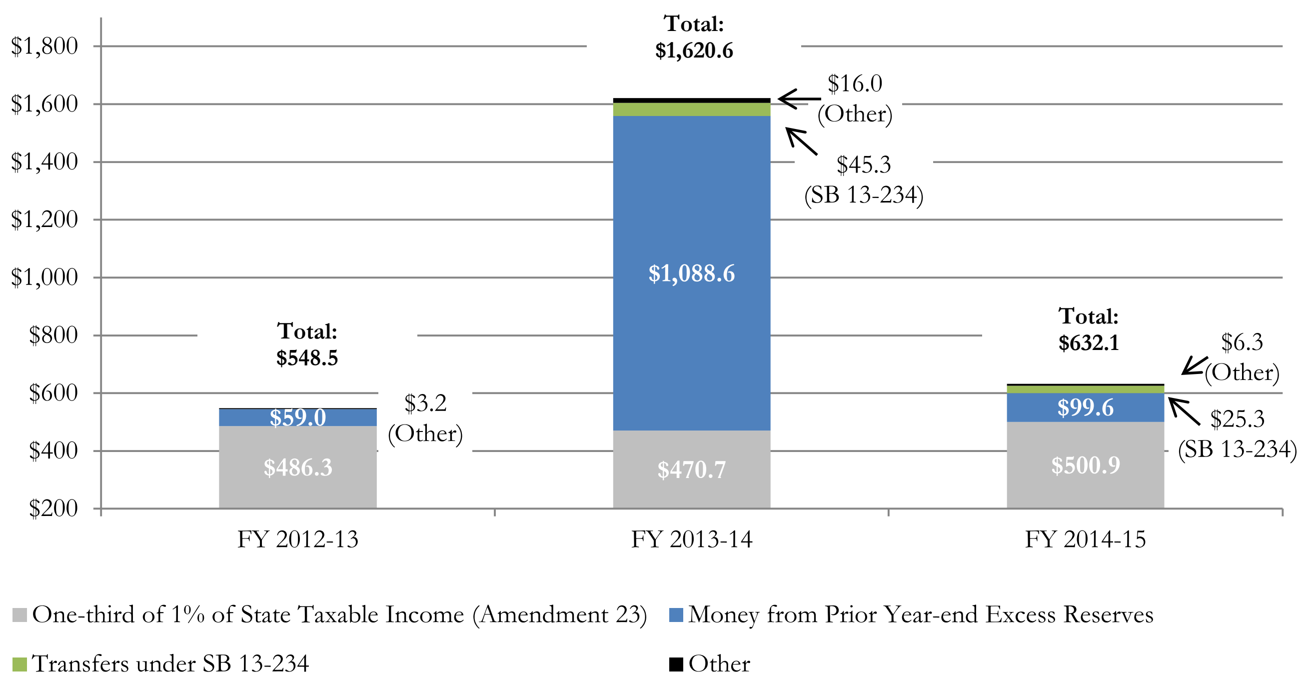
Summary of General Fund with the State Education Fund Overview – Table 1a following Table 1 incorporates all of the same information from the General Fund overview in Table 1 that is discussed above, but also includes spending, revenue, and fund balance information for the State Education Fund.

Funds available – Line 4 of Table 1a shows the amount of money credited to the State Education Fund each year. Under the State constitutional provisions of Amendment 23, the State annually diverts an amount equal to one-third of one percent of State taxable income to the Fund. This diversion is projected to be $470.7 million in FY 2013-14. In recent years, the fund has also received all or a portion of the State's excess reserves as a result of legislation passed by the General Assembly and signed by the Governor. In FY 2012-13, the fund received $59 million of the FY 2011-12 excess reserves. For FY 2013-14, it receives all of the FY 2012-13 excess reserves, or $1.1 billion. Also in FY 2013-14, the fund will receive a General Fund transfer of $45.3 million pursuant to SB 13-234, as discussed in the "Spending not subject to the appropriations limit" section. Thus, in FY 2013-14, the State Education Fund is projected to receive $1.6 billion.

In FY 2014-15, the State Education Fund is projected to receive $632.1 million. As discussed in the "Reserves" section above, in FY 2014-15 the State Education Fund receives a projected $99.6 million of the FY 2013-14 excess reserves. This estimate will change based on updates to the revenue forecast and future budget actions. In addition to the portion of the excess reserves, the State Education Fund will receive its annual Amendment 23 diversion, as well as a General Fund transfer of $25.3 million pursuant to SB 13-234.

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

Figure 3. State Education Fund Revenue from All Sources, Actual and Forecast, FY 2012-13 to FY 2014-15, $s in millions



Appropriations and Fund Balance – In addition to income to the State Education Fund, Table 1a includes information on State Education Fund spending, or appropriations (line 9). The amount for FY 2013-14 reflects current law and is subject to change based on future budget decisions. The FY 2014-15 and FY 2015-16 amounts reflect the amount of revenue the State Education Fund is expected to receive each year. However, the actual appropriations from the State Education Fund will be adopted in future budget legislation. Thus, these fund balance projections are illustrative only.

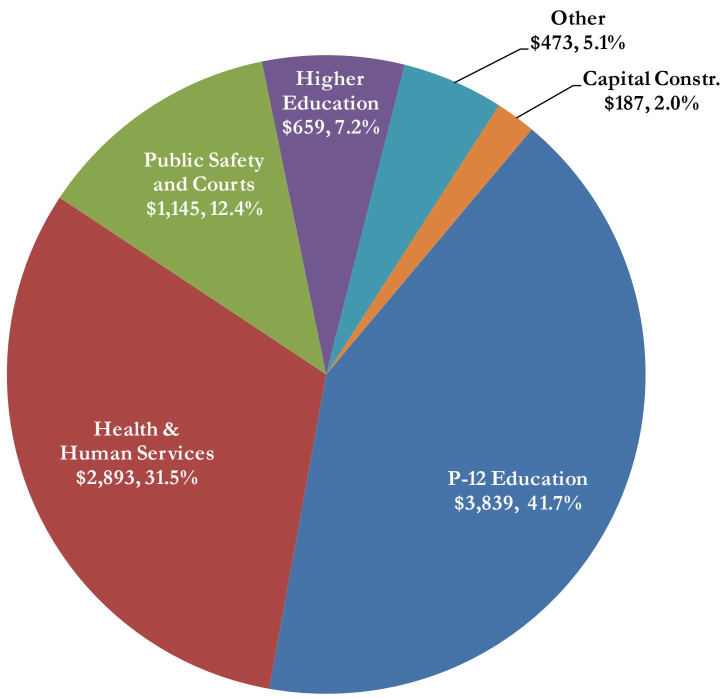
It is important to consider the implications of the level of State Education Fund appropriations for the General Fund budget. Higher or lower appropriations generally mean that General Fund appropriations for school funding can be lower or higher to support the targeted level of funding for schools.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

The table on the following page summarizes the amounts discussed above on State Education Fund annual revenue and spending, and includes each year's actual and projected beginning and ending fund balance. Transfers of excess reserves in recent years, especially the excess from FY 2012-13, have caused the State Education Fund to increase its fund balance significantly.

State Education Fund under Current Law ($ in Millions)			
	FY 2013-14	FY 2014-15	FY 2015-16
Beginning Balance	*$183.4*	*$1,065.8*	*$1,065.8*
One-third of 1% of State Taxable Income	*$470.7*	*$500.9*	*$527.4*
Money from Prior Year-end Excess Reserves	*$1,088.6*	*$99.6*	*$0.0*
Transfers under SB 13-234	*$45.3*	*$25.3*	*$25.3*
Other	*$16.0*	*$6.3*	*$5.5*
Total Funds to State Education Fund	**$1,620.6**	**$632.1**	**$558.2**
Appropriations from State Education Fund	**$738.1**	**$632.1**	**$558.2**
Year-end Balance	**$1,065.8**	**$1,065.8**	**$1,065.8**

Composition of General Fund and State Education Budget – The following graph, Figure 4, shows the composition of the General Fund budget, incorporating spending on education from the State Education Fund, for FY 2013-14 by major department or program area ($ in millions). Under the budget, total General Fund and State Education spending amounts to $9,194.9 million, a 9.2 percent, or $772.5 million, increase compared with FY 2012-13.

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



Risks to the Budget Outlook

The performance of the economy is the fundamental factor determining revenue to the General Fund and State Education Fund. Economic conditions that differ appreciably from expectations can generate relatively large swings in the amount of General Fund and State Education Fund money available. Differing economic conditions can also cause changes in the use of many State services, such as Medicaid, the court system, and higher education.

Importantly, even smaller changes in projected revenue growth rates can noticeably change the budget outlook. For example, if revenue growth were to increase or decrease by just three percentage points in FY 2013-14 from the current projected growth rate, General Fund revenue would be approximately $260 million higher or lower this fiscal year, and $275 million higher or lower in FY 2014-15. As discussed in the *General Fund Revenue Forecast* section starting on page 14, a drop in capital gains income from equity and other asset sales is expected to dampen General Fund revenue growth this fiscal year. However, capital gains income is volatile and can be difficult to predict. A large enough difference from this forecast's projection will result in higher or lower General Fund and State Education Fund revenue.

Colorado's economy is among the best performing in the nation. Its momentum, however, does not insulate it from potential adverse shocks to economic activity that would cause State revenue collections to come in below forecast, perhaps by a large amount. Volatility in financial markets and interest rates, potentially resulting from unintended consequences of monetary policy, is a risk. Further, federal fiscal policy issues surrounding debt and budget levels could result in larger-than-expected negative economic consequences. Also, tensions in the Middle East could begin to have more widely-spread economic impacts. Additionally, although its economic conditions have improved marginally, Europe's structural economic and financial issues have not been resolved. Conditions there could worsen again and strain the global financial system and economy. Finally, it is too early to know the scale of the economic and budgetary impacts of the recent tragic flooding in the state.

On the other hand, the state's economic momentum continues to surprise amidst only modest economic growth at the national and global level. Colorado's economy could grow faster than forecast and cause revenue to outperform expectations. Additionally, higher job and income growth could cause personal income to grow more than 5.0 percent in 2013, triggering transfers to transportation and capital construction in FY 2014-15, one year earlier than forecast. Moreover, the State is within 5.1 percent of reaching its TABOR revenue cap in FY 2013-14 and within 4.0 percent in FY 2014-15 and FY 2015-16. If revenue exceeds the limit, the State would need to refund the excess revenue or ask voters to retain it.

Table 1. General Fund Overview under Current Law

(Dollar Amounts in Millions)

Line No.		Preliminary FY 2012-13	September 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
Revenue					
1	**Beginning Reserve**	**$795.8**	**$373.0**	**$431.6**	**$445.9**
2	**Gross General Fund Revenue**	**$8,554.8**	**$8,642.7**	**$9,259.8**	**$9,715.6**
3	*Transfers to the General Fund*	*$0.3*	*$2.4*	*$2.4*	$2.4
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$9,351.0**	**$9,018.0**	**$9,693.8**	**$10,164.0**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$7,459.2**	**$7,967.4**	**$8,918.8**	**$9,182.5**
6	*Dollar Change (from prior year)*	*$431.5*	*$508.2*	*$951.4*	$263.6
7	*Percent Change (from prior year)*	6.1%	6.8%	11.9%	3.0%
8	**Spending Outside Limit**	**$452.2**	**$489.4**	**$329.0**	**$522.4**
9	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	$0.0
10	*Rebates and Expenditures /B*	*$380.8*	*$236.3*	*$233.6*	$236.0
11	*Transfers to Capital Construction /C*	*$61.4*	*$186.7*	*$68.2*	$64.8
12	*Transfers to Highway Users Tax Fund /C*	*N/A*	$0.0	$0.0	$194.3
13	*Transfers to State Education Fund under SB 13-234*	*N/A*	$45.3	$25.3	$25.3
14	*Transfers to Other Funds*	*$4.6*	$21.1	$1.9	$1.9
15	*Other Expenditures Exempt from General Fund Appropriations Limit /D*	$5.4	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$7,911.5**	**$8,456.8**	**$9,247.8**	**$9,704.9**
17	*Percent Change (from prior year)*	9.6%	6.9%	9.4%	4.9%
18	Reversions and Accounting Adjustments	*$22.0*	*$0.0*	*$0.0*	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$1,461.5**	**$561.2**	**$445.9**	**$459.1**
20	*Year-End General Fund as a % of Appropriations*	*19.6%*	*7.0%*	*5.0%*	5.0%
21	*General Fund Statutory Reserve /E*	$373.0	$398.4	$445.9	$459.1
22	*Above (Below) Statutory Reserve /F*	$1,088.6	$162.9	$0.0	$0.0
23	*Transfer of Excess Reserve to State Education Fund/Other Funds /F*	-$1,088.6	-$129.6	$0.0	$0.0
24	*Balance After Any Funds Above Statutory Reserve are Allocated*	$0.0	$33.2	$0.0	$0.0

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for FY 2012-13 and FY 2013-14 reflect current law. The FY 2014-15 and FY 2015-16 amounts represent the level of spending that can be supported by projected revenue while maintaining the required reserve amount; thus, these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/B Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, Homestead Exemption, and Fire and Police Pensions Association contributions as outlined in the table on page 5.

/C Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0 percent. This is projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement. The capital construction amounts for FY 2012-13 and FY 2013-14 reflect current law, while the amounts in subsequent years mostly reflect the needed levels to fund specific "certificate of participation" financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects.

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

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

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

Table 1a. General Fund with State Education Fund Overview under Current Law

(Dollar Amounts in Millions)

Line No.		Preliminary FY 2012-13	September 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
Revenue					
1	**Beginning Reserves**	**$929.6**	**$556.3**	**$1,497.5**	**$1,511.8**
2	*State Education Fund*	$133.8	$183.4	$1,065.9	$1,065.9
3	*General Fund*	$795.8	$373.0	$431.6	$445.9
4	**Gross State Education Fund Revenue**	**$548.5**	**$1,620.6**	**$632.1**	**$558.2**
5	**Gross General Fund Revenue**	**$8,554.8**	**$8,642.7**	**$9,259.8**	**$9,715.6**
6	*Transfers to the General Fund*	*$0.3*	*$2.4*	*$2.4*	$2.4
7	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$10,033.2**	**$10,822.0**	**$11,391.8**	**$11,788.1**
Expenditures					
8	General Fund Appropriations Subject to Limit /A	$7,459.2	$7,967.4	$8,918.8	$9,182.5
9	State Education Fund Appropriations /B	*$510.9*	*$738.1*	*$632.1*	*$558.2*
10	**Total Appropriations**	**$7,970.2**	**$8,705.5**	**$9,550.9**	**$9,740.7**
11	*Percent Change (from prior year)*	3.8%	9.2%	9.7%	2.0%
12	**Other Expenditures**	**$452.2**	**$489.4**	**$329.0**	**$522.4**
13	*TABOR Refund*	*$0.0*	*$0.0*	*$0.0*	*$0.0*
14	*Rebates and Expenditures /C*	*$380.8*	*$236.3*	*$233.6*	*$236.0*
15	*Transfers to Capital Construction /D*	*$61.4*	*$186.7*	*$68.2*	$64.8
16	*Transfers to Highway Users Tax Fund /D*	*N/A*	*$0.0*	*$0.0*	*$194.3*
17	*Transfers to State Education Fund under SB 13-234*	*N/A*	*$45.3*	*$25.3*	*$25.3*
18	*Transfers to Other Funds*	*$4.6*	*$21.1*	*$1.9*	*$1.9*
19	*Other Expenditures Exempt from General Fund Appropriations Limit /E*	$5.4	$0.0	$0.0	$0.0
20	**TOTAL OBLIGATIONS**	**$8,422.4**	**$9,194.9**	**$9,879.9**	**$10,263.1**
21	*Percent Change (from prior year)*	7.0%	9.2%	7.5%	3.9%
22	*General Fund Reversions and Accounting Adjustments*	*$22.0*	*$0.0*	*$0.0*	*$0.0*
23	*State Education Fund Reversions and Accounting Adjustments*	*$12.0*	*$0.0*	*$0.0*	*$0.0*
Reserves					
24	**Year-End Balance**	**$1,644.9**	**$1,627.1**	**$1,511.8**	**$1,525.0**
25	State Education Fund /B	$183.4	$1,065.9	$1,065.9	$1,065.9
26	General Fund	$1,461.5	$561.2	$445.9	$459.1
27	*Year-End General Fund as a % of Appropriations*	*19.6%*	*7.0%*	*5.0%*	*5.0%*
28	*General Fund Statutory Reserve /F*	$373.0	$398.4	$445.9	$459.1
29	*Money Above (Below) General Fund Statutory Reserve /G*	$1,088.6	$162.9	$0.0	$0.0
30	*Transfer of Excess General Fund Reserve to State Education Fund/Other Funds /G*	-$1,088.6	-$129.6	$0.0	$0.0
31	*General Fund Excess After Any Funds Above Statutory Reserve are Allocated*	$0.0	$33.2	$0.0	$0.0

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for FY 2012-13 and FY 2013-14 reflect current law. The FY 2014-15 and FY 2015-16 amounts represent the level of spending that can be supported by projected revenue while maintaining the required reserve amount; thus, these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/B State Education Fund appropriations, and consequently, fund balance information, through FY 2013-14 reflect current law. The appropriations amounts for FY 2014-15 and FY 2015-16 reflect the amount of new revenue to the fund. However, the actual appropriations from the State Education Fund will be adopted in future budget legislation. Thus, the appropriations amounts and fund balance projections are illustrative only.

/C Includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat, and Rent Credit, Homestead Exemption, and Fire and Police Pensions Association contributions as outlined in the table on page 5.

/D Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0 percent. This is projected to occur in 2014, which will trigger the transfers in FY 2015-16. Expected and budgeted transfers to capital construction are occurring each fiscal year regardless of the requirement. The capital construction amounts for FY 2012-13 and FY 2013-14 reflect current law, while the amounts in subsequent years reflect the needed levels to fund specific "certificate of participation" financing agreements used for capital projects, as well as priority, or "Level I," building maintenance projects.

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

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

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

General Fund Revenue Forecast

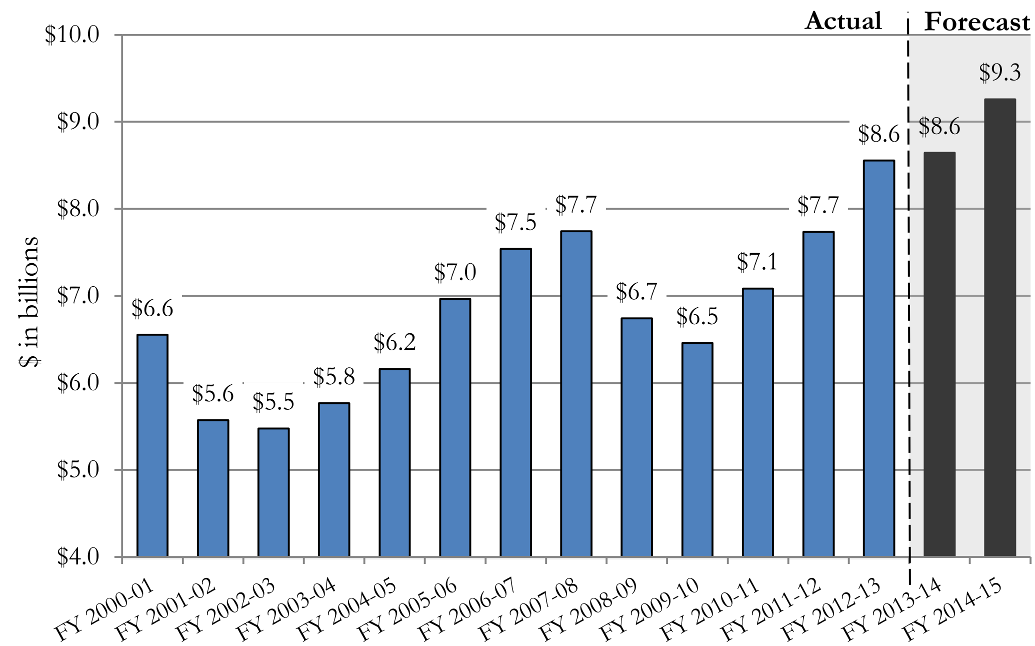
General Fund Revenue – OSPB expects General Fund revenue growth of only 1.0 percent in FY 2013-14. This modest growth is not due to a slowdown in overall economic activity, but largely from an expected drop in capital gains income after surging over the past few years. Most notably, it is presumed that taxpayers realized gains sooner in anticipation of federal tax increases in 2013. Thus, a portion of income tax revenue is assumed to have been pulled into FY 2012-13 from FY 2013-14. However, capital gains are volatile and difficult to predict; thus, OSPB will continue to monitor this issue and make revisions to the forecast if necessary. The trends in tax revenue from investor income are discussed further in the individual income tax revenue section below.

In addition to the expected decline in investor income, corporate profit growth, and thus corporate income tax revenue, is expected to moderate this fiscal year. After helping boost tax collections to the General Fund since the end of the recession, this moderation will also contribute to the modest revenue growth this year. Finally, as discussed in further detail in the forecast discussion of the main General Fund revenue sources, tax policy changes at both the state and federal level will lower income tax revenue collected from individuals and corporations in FY 2013-14.

The factors slowing General Fund revenue growth this fiscal year will diminish in FY 2014-15, when continued expected economic growth will generate a General Fund revenue increase of 7.1 percent.

Figure 5 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2014-15. The figure illustrates the boost in General Fund revenue in FY 2012-13 and subsequent slower growth in FY 2013-14. A more detailed forecast of General Fund revenue by source is provided in Table 2 following page 20.

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



Forecast Discussion of Major General Fund Revenue Sources

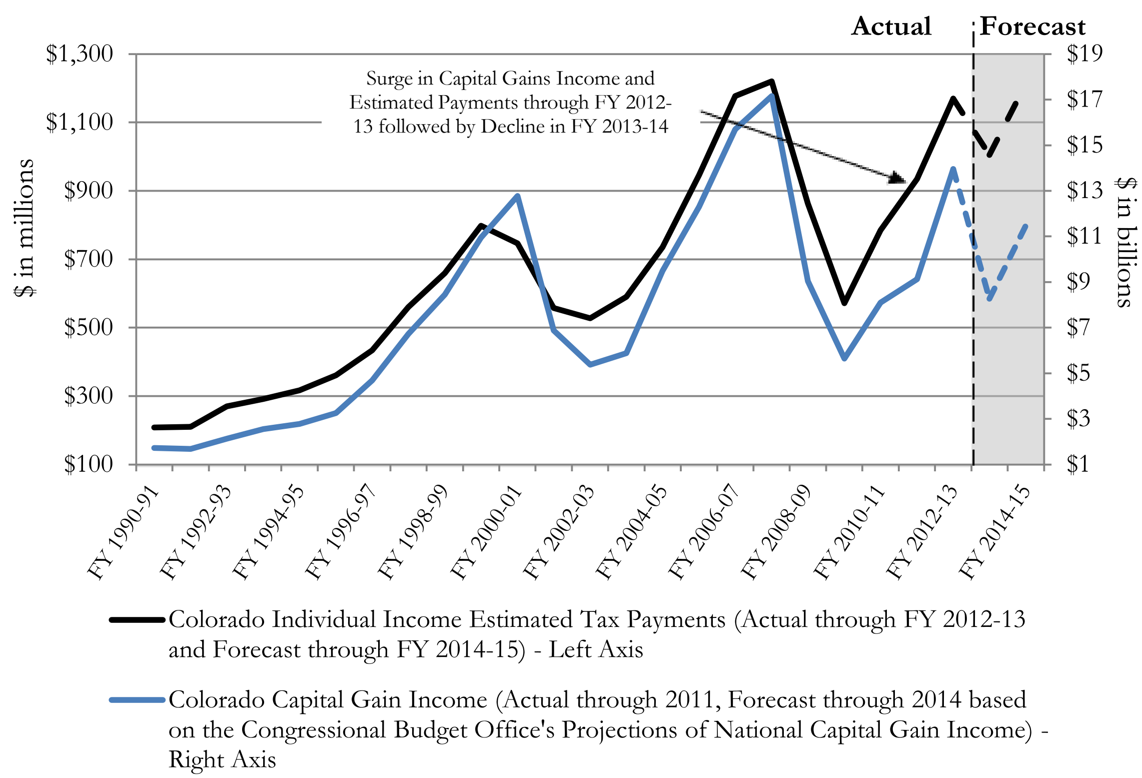
The following section discusses the forecasts for the three major General Fund revenue sources – individual income taxes, corporate income taxes, and sales and use taxes. These sources represent 95 percent of total General Fund revenue. General Fund revenue from the remaining group of miscellaneous sources,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

Individual income tax – Individual income tax collections have exhibited robust growth during the current economic expansion. From FY 2009-10 through FY 2012-13, this revenue source grew by $1.5 billion, or 37.0 percent. Growth in income to workers and businesses from a relatively strong Colorado economy – discussed in further detail in *The Economy: Current Conditions and Forecast* section starting on page 33 – is a main factor in the rebound. The growth is also attributable to strong gains in investor income from rising equity and other asset values. In addition, the increase is due to higher royalties paid to mineral rights owners from the growth in oil and gas production in the state. Because individual income taxes are the largest source of General Fund revenue, comprising roughly 60 percent of the total, its strong growth has bolstered total General Fund revenue overall.

After the sustained brisk increases over the past few fiscal years, individual income tax collections will post a slight decline of 1.2 percent in FY 2013-14. This decline is mostly due to a drop in investor income from capital gains as taxpayers appear to have shifted some of their investment income into 2012 before the 2013 increase in federal tax rates so their income would be subject to lower tax rates. OSPB estimates that around $120 million in tax revenue from capital gains received by Colorado taxpayers was shifted into FY 2012-13 that would have otherwise been collected in FY 2013-14. This estimate is based on projections of national capital gains income from the Congressional Budget Office (CBO). It is also assumed that some of the gains from strong equity growth since 2009 have been realized already and received as income. This will also lead to a pause in the growth in investor income this fiscal year. The CBO projects that income from capital gain realizations will decline roughly 40 percent in 2013. However, this decline is expected to be one time in nature. Capital gains income is expected to rebound for FY 2014-15 as long as equities and other assets continue to gain value.

Investors with high amounts of income pay their tax liabilities through estimated payments periodically throughout the year. The historical and projected trends in estimated tax payments and capital gain income to Coloradans are shown in Figure 6 below. Estimated payments grew 25.2 percent in FY 2012-13, and have doubled since their nadir during the recession in FY 2009-10. They will fall 14.1 percent in FY 2013-14 due to the decline in capital gains income.

Figure 6. Capital Gain Income to Coloradans and State Individual Income Estimated Tax Payments, Actual and Forecast, FY 2000-01 to FY 2014-15



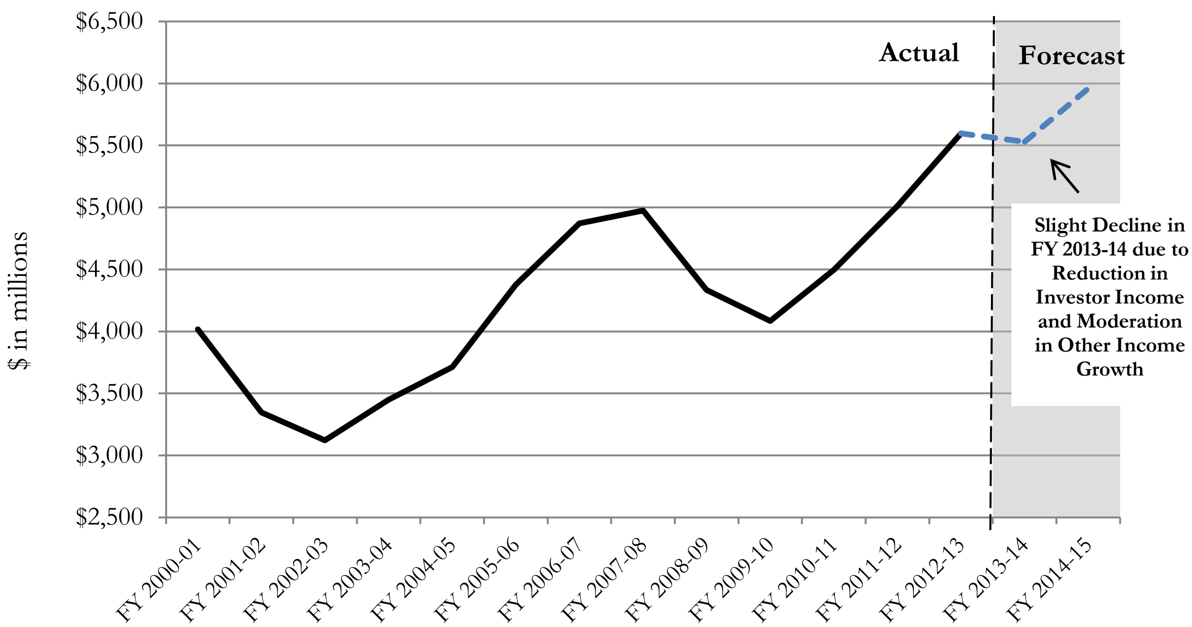
Source: Internal Revenue Service, Colorado Department of Revenue, and Congressional Budget Office. OSPB Calculations.

Tax policy changes, both at the state and federal level, will affect individual income tax revenue over the forecast period. Because taxable income for State individual income tax purposes is based on federal taxable income, certain federal tax policy changes that affect deductions and exemptions can affect Colorado income tax collections.

Tax policy changes will serve, on net, to lower revenue in FY 2013-14, and to a lesser extent in FY 2014-15. The return of the State tax credit for child care contributions is the largest contributor to the net decline. The credits are expected to reduce General Fund revenue by about $25 million to $30 million annually. Further, the business expensing provisions that allow taxpayers to deduct larger investment amounts for tax purposes are another main contributor to the net decline. These provisions were enacted earlier this year in the federal American Taxpayer Relief Act (ATRA). Limitations on federal tax deductions and exemptions in ATRA will increase taxable income for some households and thus offset some of the reduction in revenue from tax policy changes.

The resumption of growth in income from capital gains realizations, along with continued growth in income from wages and business activity, and combined with smaller impacts from tax policy changes, will generate individual income tax revenue growth of 7.7 percent in FY 2014-15. The strong pace of individual income tax revenue growth since the end of the recession, the modest decline in FY 2013-14, and the forecast rebound for FY 2014-15 are depicted in Figure 7.

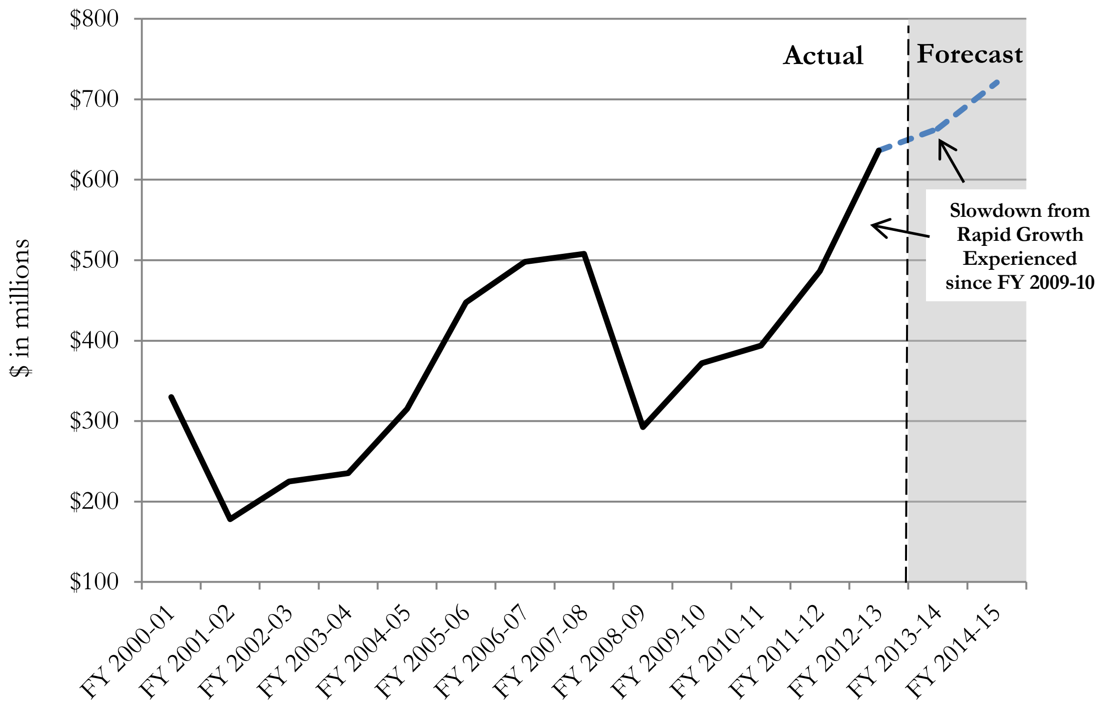
Figure 7. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2014-15



Corporate income tax – Corporate income tax revenue has exhibited the most sustained growth during the current economic expansion, having more than doubled since it fell precipitously during the recession in FY 2008-09. Growth in sales and leaner operations have increased business margins and thus supported the tax revenue growth. Additionally, a 2010 state tax policy change capping the amount of net operating losses that corporations could deduct for tax purposes has also bolstered revenue.

After surging 30.8 percent in FY 2012-13, corporate income tax revenue growth will slow to a 4.2 percent increase in FY 2013-14 as corporate profit growth slows. As with individual income tax revenue, tax policy changes, including the federal business expensing provisions in ATRA, will lower corporate income tax revenue compared with previous years. In addition, certain companies will be able to deduct more losses than in previous years as the cap on net operating losses will expire in 2014, resulting in lower taxable income. A graph of historical and forecasted corporate income tax collections is provided in Figure 8.

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

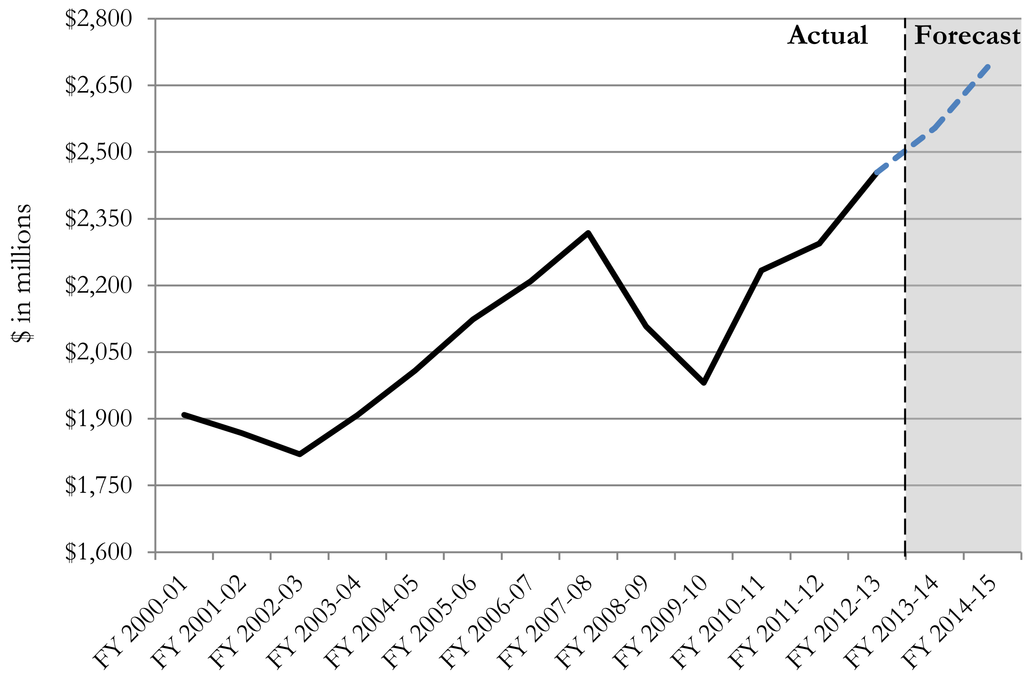


Sales and use tax – Sales tax revenue comprises 25 to 30 percent of General Fund revenue, depending on the year. This category of revenue has experienced more modest growth than income tax revenue collections, having grown 21.2 percent from FY 2009-10 through FY 2012-13. After increasing 5.7 percent in FY 2012-13, sales tax revenue will grow another 4.7 percent in FY 2013-14. Continued income and job growth, along with more activity in the housing market, will continue to support consumer spending. Also, because certain purchases by businesses are taxable, continued growth in overall economic activity will help sales tax revenue continue to increase. Growth in FY 2013-14 sales tax revenue will be slightly lower from the prior year in part because of less robust growth in vehicle sales, which comprise around 12 percent of sales tax collections. After strong growth since mid-2009, vehicle sales will moderate due to higher financing costs and diminishing pent-up demand for new and replacement vehicles.

Use taxes are generally paid on taxable items in which the seller did not collect and remit sales taxes for the State. Many of these transactions occur with out-of-state sellers; thus use taxes are mostly paid by businesses. Business investment, especially in the oil and gas industry, as well as a pickup in construction activity, has bolstered use tax revenue. In FY 2012-13, use tax revenue grew 21.0 percent. OSPB expects use tax revenue growth will pause in FY 2013-14, declining 1.8 percent. However, use tax revenue will resume growth in FY 2014-15, posting an increase of 6.7 percent.

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

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



State Education Fund Revenue – As discussed on page 7 in the *State Education Fund Budget* section, the state constitution requires that one third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. Because this revenue comes from taxable income, it largely follows the trends in individual income and corporate income tax revenue collections discussed above. After a 19.3 percent gain in FY 2012-13, this revenue source will decline 3.2 percent in FY 2013-14 due to the slowdown in corporate income taxes and the decline in investor income. However, the annual constitutional diversion to the State Education Fund will grow again in FY 2014-15 along with overall income tax revenue, posting an increase of 6.4 percent.

Figure 10 shows the diversion of one third of one percent of taxable income to the State Education Fund from FY 2000-01 to FY 2014-15. In addition to this dedicated source of revenue, the State Education Fund also receives income from other sources – some of which are one time in nature – mostly from the General Fund, which is shown in detail on page 8.

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

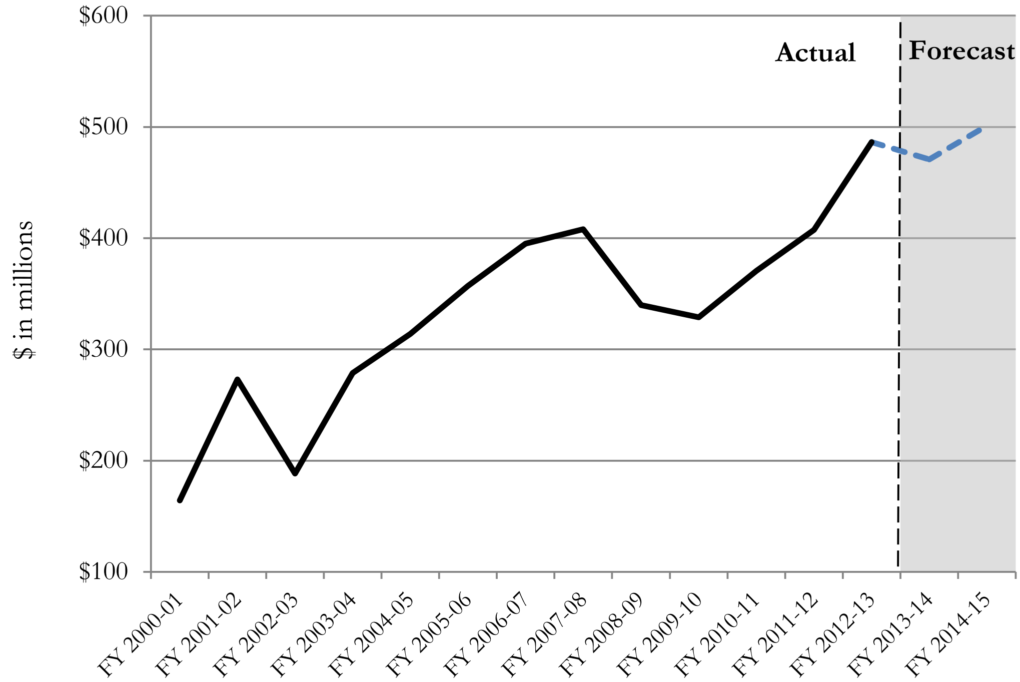


Table 2. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Preliminary FY 2012-13	%Chg	September 2013 Estimate by Fiscal Year FY 2013-14	%Chg	FY 2014-15	%Chg	FY 2015-16	%Chg
	Excise Taxes:								
1	Sales	$2,211.7	5.7%	$2,316.3	4.7%	$2,449.4	5.7%	$2,548.7	4.1%
2	Use	$242.7	21.0%	$238.3	-1.8%	$254.3	6.7%	$272.0	6.9%
3	Cigarette	$38.3	-3.1%	$37.4	-2.4%	$35.6	-4.7%	$34.4	-3.3%
4	Tobacco Products	$15.6	-2.9%	$17.0	8.8%	$17.0	0.2%	$17.5	3.0%
5	Liquor	$39.2	2.2%	$40.8	4.0%	$40.4	-1.0%	$41.2	2.1%
6	**Total Excise**	**$2,547.5**	**6.7%**	**$2,649.7**	**4.0%**	**$2,796.8**	**5.5%**	**$2,913.8**	**4.2%**
	Income Taxes:								
7	Net Individual Income	$5,596.3	11.7%	$5,529.9	-1.2%	$5,957.4	7.7%	$6,260.7	5.1%
8	Net Corporate Income	$636.3	30.8%	$663.3	4.2%	$721.0	8.7%	$770.7	6.9%
9	**Total Income**	**$6,232.6**	13.4%	**$6,193.2**	-0.6%	**$6,678.4**	7.8%	**$7,031.5**	**5.3%**
10	*Less: State Education Fund Diversion*	*$486.3*	*19.3%*	*$470.7*	*-3.2%*	*$500.9*	*6.4%*	*$527.4*	*5.3%*
11	**Total Income to General Fund**	**$5,746.2**	**12.9%**	**$5,722.5**	**-0.4%**	**$6,177.5**	**8.0%**	**$6,504.1**	**5.3%**
	Other Revenue:								
12	Insurance	$210.4	6.7%	$214.4	1.9%	$221.1	3.1%	$226.0	2.2%
13	Interest Income	$17.4	28.6%	$19.8	13.3%	$23.1	16.8%	$26.2	13.4%
14	Pari-Mutuel	$0.7	10.3%	$0.6	-12.9%	$0.5	-10.0%	$0.5	-5.0%
15	Court Receipts	$2.3	-9.0%	$2.4	1.0%	$2.3	-5.0%	$2.1	-5.0%
16	Gaming	$12.1	-40.4%	$14.0	15.7%	$15.1	7.9%	$17.5	15.9%
17	Other Income	$18.1	-21.6%	$19.4	7.4%	$23.5	20.7%	$25.4	8.5%
18	**Total Other**	**$261.1**	**1.3%**	**$270.5**	**3.6%**	**$285.5**	**5.5%**	**$297.7**	**4.3%**
19	**GROSS GENERAL FUND**	**$8,554.8**	**10.6%**	**$8,642.7**	**1.0%**	**$9,259.8**	**7.1%**	**$9,715.6**	**4.9%**

Cash Fund Revenue Forecast

Cash fund revenue subject to TABOR will grow by 3.6 percent to $2.63 billion in FY 2013-14 after a decline of $21 million, or 0.8 percent, in FY 2012-13. Cash fund revenue growth will be led by an $80 million increase in severance tax revenue resulting from higher natural gas prices and continued strong oil production, combined with lower ad valorem tax credits from the prior year. While hospital provider fee revenue will decline in response to higher Medicaid program support from the federal government, most other categories of cash funds will grow, reflecting stronger economic activity within the state in the second half of 2013 and 2014.

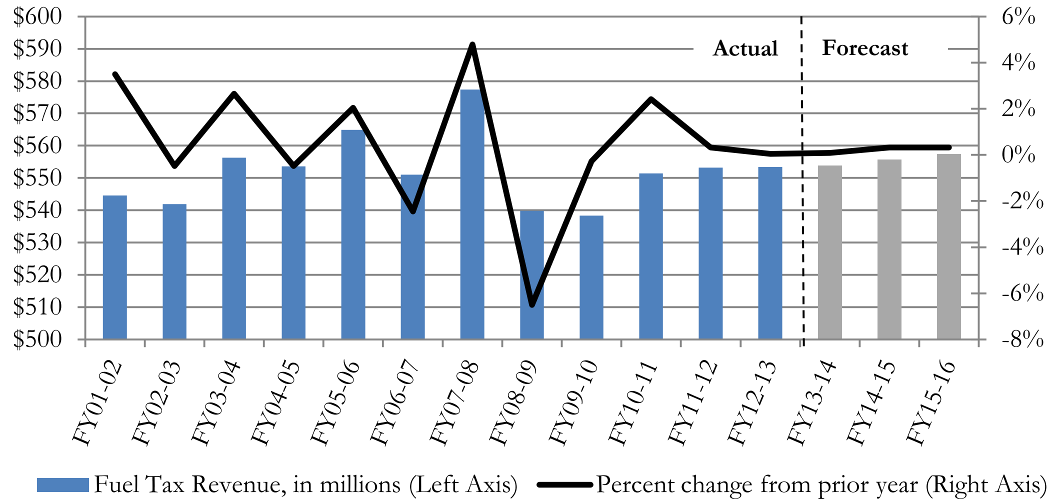
Cash fund revenue will fall by 0.8 percent in FY 2014-15 to $2.61 billion due to a further decline of $53.5 million in hospital provider fee revenue which is discussed in further detail on page 25. OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 3 following page 29. The cash fund forecast focuses on revenue subject to TABOR because the Colorado constitution places a limit on the amount of revenue from certain sources that can be retained by the State each year. Cash Fund revenue that is not subject to TABOR generally includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges. More information on TABOR revenue and the revenue limit can be found on page 31 of this document.

Transportation-Related Cash Funds

Revenue to transportation-related cash funds that is subject to TABOR will grow 1.2 percent to $1.11 billion in FY 2013-14. Transportation-related cash funds include the Highway Users Tax Fund (HUTF), State Highway Fund (SHF), and several smaller cash funds. Funds in this category receive revenue from fuel taxes, vehicle registrations and permits, other fines and fees related to transportation, and interest on fund balances. The HUTF accounts for more than 80 percent of the revenue in this category and over half of HUTF revenue comes from excise taxes on gasoline and diesel fuel. Revenue in the HUTF is distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol.

Relatively small growth in transportation-related cash funds is largely explained by subdued growth in fuel tax collections, which account for roughly half of all transportation-related revenue subject to TABOR. The history and forecast of fuel tax revenue subject to TABOR, including excise tax on both gasoline and diesel, is shown in Figure 11 below. Fuel taxes have grown less than one half percent in each of the last two years. This trend, partially driven by growing consumer preferences for greater fuel economy and alternative fuel vehicles, is expected to continue through the forecast period.

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



HB 13-1110 changes taxes and fees for electric and alternative fuel vehicles beginning January 1, 2014, by repealing the decal system for natural gas-powered vehicles and implementing an excise tax based on gasoline-equivalent energy content of natural gas fuel. This bill will increase revenue to three cash funds by an estimated $192 thousand in FY 2013-14 ($86 thousand of which will go to the HUTF) and $505 thousand in FY 2014-15 ($261 thousand of which will go to the HUTF). By collecting fuel taxes from drivers of natural gas-powered vehicles rather than an annual decal fee, the bill aims to collect revenue according to a better approximation of the actual amount of wear that each vehicle places on the road. HB 13-1110 also implements a decal system for electric vehicles beginning January 1, 2014 that will collect revenue from electric vehicles, which do not generate fuel tax revenue, to contribute to roadway maintenance costs. Over time, the revenue generated by these two programs will grow proportionally to the number of alternative fuel vehicles on Colorado's highways, and will partially offset slower growth in fuel taxes. However, the impact of taxes and fees related to natural gas and electric vehicles is not expected to become a significant portion of transportation revenue for several years.

As anticipated in prior OSPB forecasts, vehicle sales have remained quite strong through the first half of 2013. Robust auto sales have likely been supported by strengthening job growth in Colorado as well as low interest rates and increased household wealth due to recovery in the housing and stock markets. Some of the recently robust vehicle sales activity may taper off as consumers work through pent-up demand from the wake of the Great Recession and as interest rates begin to rise.

Limited Gaming

Limited gaming revenue will grow by an estimated $2.7 million, or 2.5 percent, in FY 2013-14 to $109.9 million. This increase will be the highest rate of growth since expanded gaming authorized by Amendment 50 took effect in FY 2009-10. This growth is reflective of the state's stronger labor market and greater household net worth as a result of home price appreciation and stock market performance.

However, limited gaming revenue growth of 2.5 percent is slower than overall employment and income growth. Despite the reversal of the 5 percent gaming tax reduction, limited gaming revenue grew just 2.3 percent to $107.2 million in FY 2012-13. The slowdown in gaming activity signals that there has been a change in households' willingness to spend on gaming, possibly due in part to the experience of the Great Recession. This shift in consumer and household behavior has continued even as the economy continues to recover.

Of the total expected limited gaming revenue for FY 2013-14, $100.7 million will be subject to TABOR. This is the amount reflected in Table 3, "Cash Fund Revenue Subject to TABOR". Of this amount, $97.8 million is classified as "base limited gaming revenue" and the remainder comes from interest earned on the balance of the Limited Gaming Cash Fund throughout the year as well as fines and fees related to gaming. The additional $9.2 million in gaming-related revenue is exempt from TABOR and is called "extended gaming revenue," as defined and permitted by Amendment 50 to the Colorado Constitution.

Distribution of limited gaming revenue is calculated according to a formula in Colorado law. Base limited gaming revenue is shared by the State General Fund, the State Historical Society, cities and counties that are impacted by gaming activity, and certain economic development-related programs. Figure 12 below shows in detail the anticipated distribution of limited gaming revenues.

Figure 12. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY 12-13	Forecast FY 13-14	Forecast FY 14-15	Forecast FY 15-16
A. Total Limited Gaming Revenues	**$107.2**	**$109.9**	**$112.5**	**$115.0**
Annual Percent Change	2.3%	2.5%	2.4%	2.2%
B. Base Limited Gaming Revenues (max 3% growth)	**$95.5**	**$97.8**	**$100.2**	**$102.4**
Annual Percent Change	3.0%	2.5%	2.4%	2.2%
C. Gaming Revenue Subject to TABOR	**$98.1**	**$100.7**	**$103.1**	**$105.3**
Annual Percent Change	2.6%	2.6%	2.4%	2.2%
D. Total Amount to Base Revenue Recipients	**$84.4**	**$88.1**	**$90.2**	**$95.0**
Amount to State Historical Society	*$23.6*	*$24.7*	*$25.3*	*$26.6*
Amount to Counties	*$10.1*	*$10.6*	*$10.8*	*$11.4*
Amount to Cities	*$8.4*	*$8.8*	*$9.0*	*$9.5*
Amount to Distribute to Remaining Programs (State Share)	*$42.1*	*$44.0*	*$45.1*	*$47.5*
Amount to Local Government Impact Fund	*$5.0*	*$5.0*	*$5.0*	*$5.0*
Colorado Tourism Promotion Fund	*$15.0*	*$15.0*	*$15.0*	*$15.0*
Creative Industries Cash Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Film, Television, and Media Operational Account	*$0.5*	*$0.5*	*$0.5*	*$0.5*
Bioscience Discovery Evaluation Fund	*$5.5*	*N/A*	*N/A*	*N/A*
Advanced Industries Acceleration Fund	*N/A*	*$5.5*	*$5.5*	*$5.5*
Innovative Higher Education Research Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Transfer to the General Fund	*$12.1*	*$14.0*	*$15.1*	*$17.5*
E. Total Amount to Amendment 50 Revenue Recipients	**$8.3**	**$8.9**	**$9.1**	**$9.4**
Community Colleges, Mesa and Adams State (78%)	*$6.5*	*$6.9*	*$7.1*	*$7.3*
Counties (12%)	*$1.0*	*$1.1*	*$1.1*	*$1.1*
Cities (10%)	*$0.8*	*$0.9*	*$0.9*	*$0.9*

Hospital Provider Fee

Hospital Provider Fee revenue will decrease an estimated $25 million, or 3.8 percent, in FY 2013-14 following implementation of SB 13-200. This bill implements the State's participation in the expansion of Medicaid under the federal Affordable Care Act (ACA). Under ACA, federal funding will be made available to expand Medicaid coverage to a greater population of households with income up to 133 percent of the Federal Poverty Level (FPL).

Colorado hospitals pay the Hospital Provider Fee (HPF), which is calculated as a percentage of net patient revenue. Revenue generated by the fee is matched by dollars from the federal government to cover certain Medicaid costs and to limit cost-shifting for under-insured patients to the private healthcare market. Because ACA specifies that the federal government will match state HPF funds at a more favorable ratio for payments under the Medicaid program, its implementation causes the need for HPF funds to decrease. As a result, the amount that the State needs to collect in HPF revenue will begin to decrease in FY 2013-14. The State's HPF collections will decline further in FY 2014-15, to an estimated $574.0 million, when the full-year impact of new federal Medicaid financing is implemented.

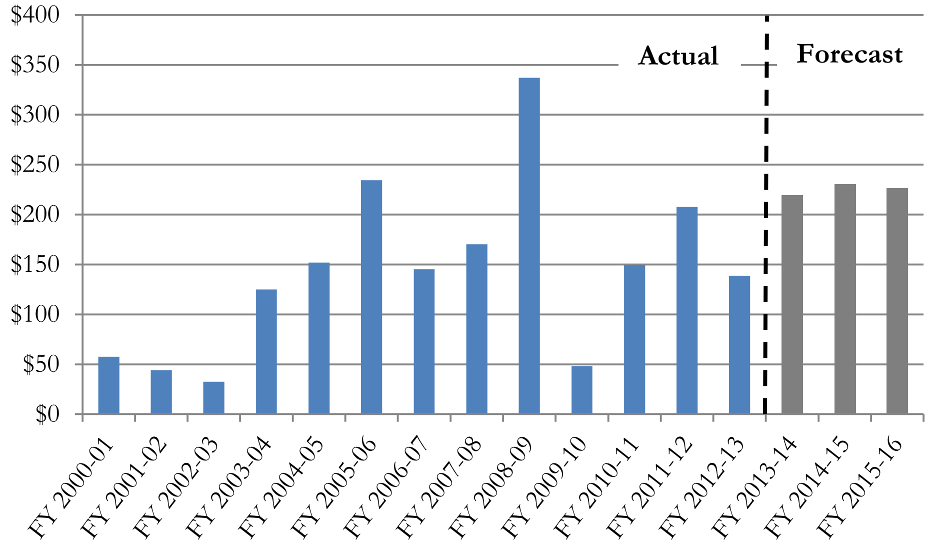
Severance Tax

Severance tax revenue will total $219.0 million in FY 2013-14, an increase of 58.0 percent over FY 2012-13, reflecting higher natural gas prices, continued growth in oil production, and ad valorem tax credits that are smaller than the prior year (explained in further detail below). The higher credits in FY 2012-13, coupled with lower natural gas prices, helped cause a 33.3 percent decline in severance tax revenue last year. Due to gradually increasing prices for oil and natural gas, as well as growing production output, severance tax will grow again in FY 2014-15 by 5.1 percent to $230.1 million.

The State collects severance tax revenue on mineral resources that are extracted (severed) from deposits in Colorado. Oil and natural gas wells account for the vast majority of severance tax revenue in the state, while extraction of coal, molybdenum, and metallic minerals also generate severance tax payments.

Colorado law allows for oil and gas severance taxpayers to deduct 87.5 percent of the local property tax paid on the value of oil and gas production from their severance tax liability to the State. This is called the ad valorem credit. This credit often exacerbates changes in State severance tax revenue because credits claimed from a previous year's property tax liability, reflecting oil and gas prices at different levels, impact the current year's severance tax liability. This dynamic is a primary reason for the level of volatility seen in severance tax revenue, as demonstrated in Figure 13 below.

Figure 13. Severance Tax Revenue, FY 2001 – FY 2016, $s in Millions



Because natural gas is the largest source of severance tax revenue, its price has a large impact on this category of cash funds. Natural gas prices declined significantly in 2012, falling below $2.00 per thousand cubic feet (Mcf) in April, before rising again. The price of Colorado natural gas has since risen to roughly $4.00 per Mcf and is expected to remain near this level for 2013 and 2014. The U.S. Energy Information Administration noted recently that national inventories of gas have fallen from the record highs observed in 2012; they are slightly below their five-year average. Greater use of natural gas is occurring as manufacturers, drivers, and other energy consumers begin using the fuel source in place of petroleum or coal. This will put downward pressure on natural gas inventories, causing prices to rise slightly despite continued robust production of the resource.

The price and production of oil are also determinants of severance tax revenue, though less so than natural gas. The price of oil extracted in Colorado will grow to nearly $94 per barrel in 2013, a roughly $7 per barrel increase from 2012. The higher forecast price of Colorado oil is reflective of many factors, including a global increase in oil prices due to conflict in Syria and Egypt, as well as greater infrastructure to support the transportation and sale of oil from Colorado, which allows the commodity to fetch a higher price. Oil production continues to grow strongly, especially in the northeast region of the state, as operators continue to invest in the deployment of equipment and new extraction technologies in the region.

The majority of recent production increases have occurred in the Niobrara formation and specifically in Weld County, which maintains a much higher mill levy for oil and gas property relative to other counties with significant oil and gas production. As a result, higher ad valorem tax credits have moderated the growth of State severance tax revenue relative to the pace of oil and gas production growth overall. Severance tax revenue growth could potentially accelerate beyond the forecast growth rate if new production opportunities are pursued in other parts of the state. Another upside risk to the forecast is that prices may rise unexpectedly due to growing tensions in major oil-producing parts of the world and/or better-than-expected economic growth at the national level that could drive greater demand.

Severance taxes collected on coal provide a much smaller portion of overall severance tax revenue than oil and gas receipts. Colorado coal production in the first six months of 2013 declined 20 percent from the same period in 2012 as a result of several factors, including wildfire impacts and uncertainties regarding the market for selling extracted coal. Many American power plants and manufacturers have switched to natural gas to satisfy energy needs. Other countries with large manufacturing industries, such as China, still use a significant amount of coal. However, it can be difficult for producers to establish sales in new markets abroad and many American operators, including those that operate mines in Colorado, have slowed extraction efforts in response to falling domestic demand. OSPB estimates that severance tax revenue from coal production will decline by 13 percent to $7.7 million in FY 2013-14 and 3.0 percent to $7.5 million in FY 2014-15.

Federal Mineral Leasing Revenue

Federal mineral leasing (FML) revenue is generated by mineral extraction activities on federal land. The federal government distributes a portion of FML revenue to the State. Like severance tax revenue, FML revenue is largely influenced by the price of resources, especially natural gas, that are produced on federal land and sold in the market place. Price fluctuations are not exacerbated by year-to-year changes in ad valorem tax credits because operators cannot claim ad valorem tax credits for resources extracted from federal lands.

Two factors involving federal government policy will impact Colorado's FML revenue growth in FY 2013-14. First, the US Bureau of Land Management granted a royalty rate reduction for three Colorado coal mines in 2013 which was applied retroactively to royalty payments already made by the operators. This resulted in a reduction of approximately $9.2 million from Colorado's share of FML revenue in FY 2012-13. Since this is not anticipated to occur in FY 2013-14, it will boost Colorado's share of FML revenue compared with last fiscal year.

Secondly, the federal government withheld a portion of States' share of FML revenue in FY 2012-13 due to the implementation of the federal Balanced Budget and Emergency Deficit Control Act often referred to as "sequestration." The US Department of the Interior initially interpreted States' shares of FML royalty payments as federal expenditures subject to sequestration, and thus began withholding a portion of Colorado's share of FML royalties. The Department of the Interior recently announced that a legal review determined that States' shares of FML royalty payments will be disbursed to States in federal fiscal year 2014. The Department also indicated, however, that it will continue to withhold 5.1 percent of Colorado's share of FML royalty payments throughout the remainder of the federal fiscal year 2013 until they are distributed to the State after September 30. No official statement has been made regarding the Department's intention to withhold or not to withhold a portion of FML payments in federal fiscal year 2014.

For this forecast, OSPB has assumed that the Department of the Interior will continue withholding a portion of Colorado's FML payment during federal fiscal year 2013-14, and then, again, disburse the withheld amount in the following federal fiscal year. As a result of these factors, along with a modest increase in energy prices and continued growth in production, OSPB forecasts FML revenue will grow $21.8 million, or 18 percent, to $142.6 million in FY 2013-14. FML revenue will grow by 12.6 percent to $160.6 million in FY 2014-15.

Figure 14. Federal Mineral Leasing (FML) Payments

Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2012-13	$5.07	$115.72	$120.79	-26.8%
FY 2013-14	$3.56	$139.02	$142.59	18.0%
FY 2014-15	$4.01	$156.54	$160.56	12.6%
FY 2015-16	$3.79	$169.99	$173.78	8.2%

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

Other Cash Funds

The Colorado Department of Regulatory Agencies (DORA) is responsible for regulatory oversight of several industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers by regulated entities. The Department oversees a wide variety of entities, including homeowners associations, medical professionals, and land surveyors. Fees paid by regulated entities generate revenue to a number of cash funds that help finance DORA's regulatory activities. OSPB estimates that revenue to DORA-related cash funds subject to TABOR will grow 3.1 percent to $66.8 million in FY 2013-14 as several bills impacting cash funds for regulatory agencies take effect, and as new business activity continues to expand. This category of cash fund revenue is expected to grow again by 2.5 percent to $68.4 million in FY 2014-15.

Insurance-related cash fund revenue includes revenue from a surcharge on workers' compensation insurance policy premiums that is used to fund the Division of Workers' Compensation within the Colorado Department of Labor and Employment. A portion of the surcharge is also used to fund the Major Medical Insurance Fund and Subsequent Injury Fund which were created to absorb costs for certain populations of people injured during a period prior to 1981. Revenue from the surcharge grew 16.6 percent in FY 2012-13, to $26.4 million, reflecting stronger-than-expected hiring by Colorado companies that resulted in a higher level of workers' compensation insurance premiums. Insurance-related cash fund revenue will grow 3.0 percent to $27.2 million in FY 2013-14 and to $28.2 million in FY 2014-15.

Table 3 includes a category called "Other Miscellaneous Cash Funds" which represents a large array of smaller individual cash funds that are not exempt from TABOR. These funds hold revenue collected from various fines and fees as well as interest earnings on the balance of a variety of other State funds. Low interest rates have dampened growth and caused declines among many cash funds. Continued state economic growth is expected to bolster revenue to many miscellaneous cash funds which receive fees paid for public services. Revenue to the miscellaneous cash funds will grow by 3.7 percent to $480.1 million in FY 2013-14 and will grow 3.3 percent to $495.9 million in FY 2014-15.

Two bills passed the Colorado Legislature in 2013 that may create new revenue to cash funds from taxes and fees on the sale of medical and retail marijuana. HB 13-1317 implements many provisions of Amendment 64 which authorized the sale and possession of small amounts of marijuana by adults in Colorado. It is expected that this bill will increase miscellaneous cash fund revenue by $10.9 million in

FY 2013-14. However, it should be noted that the amount of revenue collected may differ substantially from this estimate because of the uncertainty surrounding the volume of future sales of marijuana. HB 13-1318 refers to the voters a special excise tax and sales tax on retail marijuana in Colorado. If voters pass the measure during the November 2013 election, it will increase cash fund revenue by approximately $24.5 million in FY 2013-14. However, the measure specifies that such revenue will be exempt from TABOR and thus it will not be included in Table 3 on the following page.

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

(Dollar amounts in millions)

Category	Preliminary FY 2012-13	September 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16	FY 2012-13 to FY 2015-16 CAAGR *
Transportation-Related /A	**$1,098.6**	**$1,112.0**	**$1,112.7**	**$1,125.1**	
Change	-1.2%	1.2%	0.1%	1.1%	0.8%
Limited Gaming Fund /B	**$98.1**	**$100.7**	**$103.1**	**$105.3**	
Change	2.6%	2.6%	2.4%	2.2%	2.4%
Capital Construction - Interest	**$0.8**	**$0.7**	**$1.4**	**$1.4**	
Change	-29.0%	-13.8%	100.8%	1.8%	20.8%
Regulatory Agencies	**$64.8**	**$66.8**	**$68.4**	**$70.3**	
Change	-0.2%	3.1%	2.5%	2.7%	2.7%
Insurance-Related	**$26.4**	**$27.2**	**$28.2**	**$29.2**	
Change	16.6%	3.0%	3.5%	3.5%	3.4%
Severance Tax	**$138.6**	**$219.0**	**$230.1**	**$226.3**	
Change	-33.3%	58.0%	5.1%	-1.7%	17.8%
Hospital Provider Fees /C /D	**$652.6**	**$627.5**	**$574.0**	**$574.0**	
Change	11.3%	-3.8%	-8.5%	0.0%	-4.2%
Other Miscellaneous Cash Funds	**$462.9**	**$480.1**	**$495.9**	**$502.7**	
Change	-2.1%	3.7%	3.3%	1.4%	2.8%
TOTAL CASH FUND REVENUE	***$2,542.8***	***$2,633.9***	***$2,613.9***	***$2,634.2***	
Change	-0.8%	3.6%	-0.8%	0.8%	1.2%

* CAAGR: Compound Annual Average Growth Rate.

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

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

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

/D Figure for FY2015-16 has not been forecast as of this writing. The forecast of HPF revenue for this year is pending projections of the size of Medicaid expansion populations and other factors that have not yet been published by the Department of Healthcare Policy and Financing.

The Taxpayer's Bill of Rights: Revenue Limit

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

Beginning in FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 4) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 4) for each subsequent year. OSPB does not project that any refunds will occur during the forecast period (line 10 of Table 4) as revenue will be between roughly $500 million and $600 million below the cap through FY 2015-16. Most General Fund revenue and a large portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Cash fund revenue that is not subject to TABOR generally includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges.

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

Table 4. TABOR Revenue & Referendum C Revenue Limit

(Dollar Amounts in Millions)

Line No.		Preliminary FY 2012-13	September 2013 Estimate by Fiscal Year FY 2013-14	FY 2014-15	FY 2015-16
	TABOR Revenues:				
1	General Fund /A	$8,566.7	$8,628.7	$9,244.7	$9,698.1
	Percent Change from Prior Year	11.0%	0.7%	7.1%	4.9%
2	Cash Funds /A	$2,542.8	$2,633.9	$2,613.9	$2,634.2
	Percent Change from Prior Year	-0.5%	3.6%	-0.8%	0.8%
3	**Total TABOR Revenues**	**$11,109.5**	**$11,262.6**	**$11,858.5**	**$12,332.4**
	Percent Change from Prior Year	8.1%	1.4%	5.3%	4.0%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.7%	1.4%	1.6%	1.7%
5	Previous calendar year inflation	3.7%	1.9%	2.6%	2.4%
6	**Allowable TABOR Growth Rate**	5.4%	3.3%	4.3%	4.1%
7	TABOR Limit	$9,247.5	$9,552.6	$9,963.4	$10,371.9
8	General Fund Exempt Revenue Under Ref. C /B	$1,862.1	$1,710.0	$1,895.2	$1,960.5
9	**Revenue Cap Under Ref. C /C**	**$11,460.2**	**$11,838.4**	**$12,347.5**	**$12,853.7**
10	***Amount Above/(Below) Cap***	**-$350.7**	**-$575.8**	**-$488.9**	**-$521.4**
11	TABOR Reserve Requirement	$333.3	$337.9	$355.8	$370.0

/A Amounts differ from the General Fund revenues reported in Table 2 as some double counting exists when cash funds are transferred to the General Fund (for instance, limited gaming revenue), and due to accounting adjustments.

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

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

The Economy: Current Conditions and Forecast

With its diverse industries and high level of human capital, Colorado's economy has continued to show that it has established a solid foundation for growth. The state's growing energy and technology-related sectors continue to provide economic vitality. A rebound in new business formation has also been a key factor. Many state economic indicators are outperforming national averages. As a result, unemployment continues to come down from its high level. Still, further progress is needed so that more individuals and areas outside the Front Range can participate in the expansion.

Though certain economic activity is expanding, stronger sustained economic momentum continues to evade the nation overall. Several factors are hindering better economic performance. Progress has been uneven across regions and sectors in the difficult transition to the increasingly technology- and information-based economy. In some cases, demand for labor has been permanently diminished and increased training is necessary so workers can adapt to changing economic needs. Also, business investment has only modestly begun to rebuild the nation's productive capacity after the Great Recession. Tables 5 and 6 following page 58 provide historical data and projections for key economic indicators for Colorado and the nation.

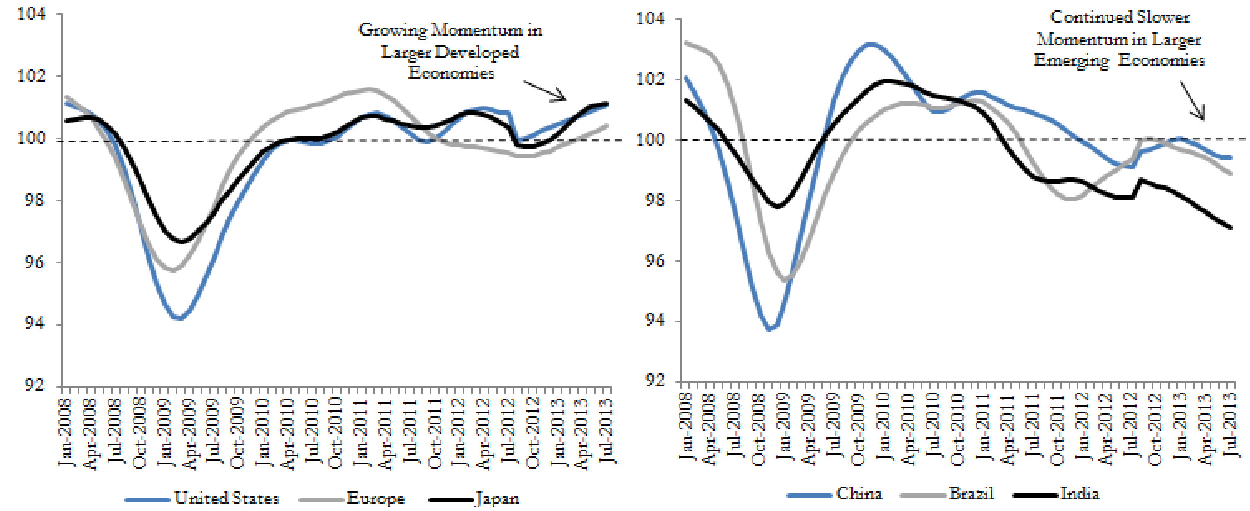
Though the economy is growing, it continues to be vulnerable to adverse economic events. There remain unanswered questions regarding the effects of current monetary policy on financial markets and the broader economy. Any unexpected or appreciable changes in the stance of monetary policy may disrupt financial markets in particular and slow the rebounding housing market and other interest-rate sensitive activities, such as vehicle sales and business investment. Further, turmoil in the Middle East poses a risk through heightened economic uncertainty and additional increases in oil prices. Economic uncertainty may also arise with discussion of federal fiscal and debt issues this fall. Despite Colorado's better economic foundation, it is not insulated from these larger economic issues.

Overall Economic Conditions

On a global level, more advanced economies have shown better economic growth, while emerging economies are slower – The global economy is highly connected, and conditions in other parts of the world impact the nation and state. Thus, the sluggish nature of global growth over the past few years is one factor hampering the U.S. economy's ability to expand. The world's largest advanced economies have recently picked up momentum, most particularly Europe and Japan. However, economic activity in the largest emerging economies, including China, India, and Brazil, continues to be subpar. These trends can be seen in Figure 15, which provides composite leading indicators published by the Organization for Economic Co-Operation and Development (OECD). These indicators were created to anticipate the economic activity of an economy about six months into the future.

On a positive note, the HSBC China Composite Purchasing Managers' Index (PMI) and its emerging markets index both showed marginal improvement in their August reading after weaker signals in prior months. Overall global manufacturing output is also showing renewed signs of strengthening. The JP Morgan Global Manufacturing PMI, though still indicating only moderate activity, was at its highest level in August since June 2011.

Figure 15. OECD Composite of Leading Indicators* for Major Global Economies, 2008 through July 2013



Source: Organization for Economic Cooperation and Development
* The horizontal line at 100 represents the trend of economic activity. A reading that is rising predicts expansion while a falling reading predicts a slowdown.

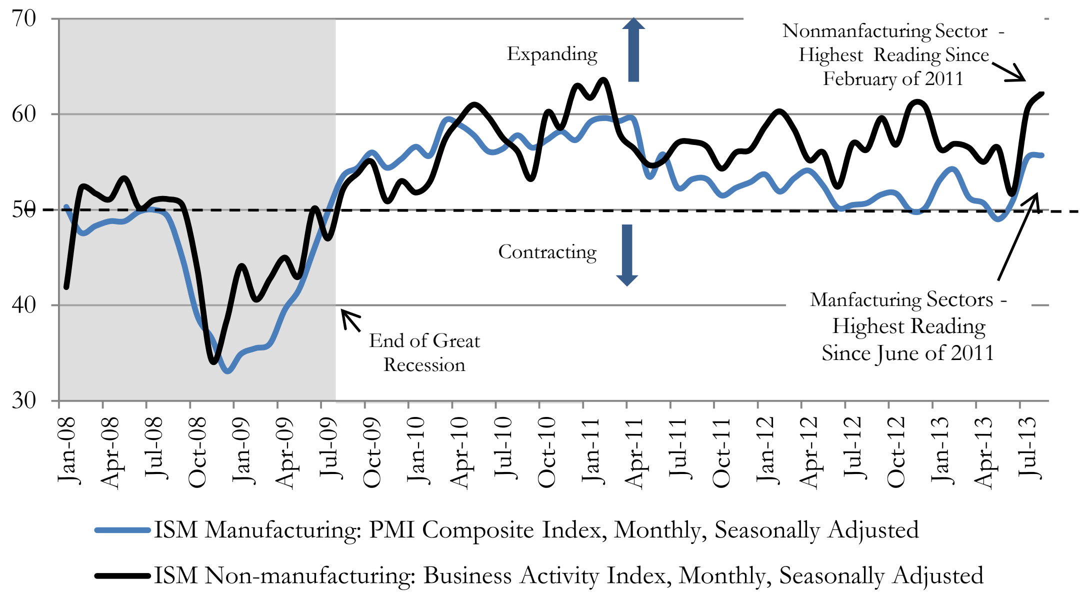
Though there are industries and regions with better performance, the national economy overall has been in a lull. There are some recent signs of increased momentum – The performance of the national economy continues to be uneven. There is momentum in certain geographic regions – especially those with advanced innovative industries and with energy development – and some sectors, such as the housing market and vehicle sales. Also, jobless claims have fallen to their lowest level since before the Great Recession. However, overall output growth has been muted. Further, income and job growth has been only modest and many individuals remain unemployed or "underemployed." Participation in the labor force is at a 40-year low. On a positive note, after slower growth over much of the past year, overall economic activity at the national level has recently shown signs of expansion.

The uneven nature of growth suggests there has not been enough productive risk taking to fuel more sustained growth and to enable more individuals to earn higher incomes. Greater business expansion and formation is needed to create more jobs. Net business investment remains at low levels as a percent of the overall economy; thus the nation's capital stock remains depleted. It is possible that too many businesses are unable or unsure of how to deploy capital to boost productive capacity.

Evidence of the nation's sluggish and unsteady economic performance, as well as the recent pickup in activity, can be found in the Institute for Supply Management's (ISM) business surveys that are used to gauge economic conditions and trends. ISM surveys businesses in manufacturing, which represents about 23 percent of the nation's total private sector output, and in a separate survey, business in all other sectors. Not surprisingly, the indices measuring economic activity developed from ISM surveys closely track trends in the nation's gross domestic product.

Figure 16 shows the ISM manufacturing and nonmanufacturing indices since the beginning of 2008. These indices show the slowdown of economic activity that has occurred through most of 2013. Indeed, the manufacturing sector fell into contraction for part of the year. The nonmanufacturing sectors of the economy, mostly services-based industries, but also mining, construction, and agriculture, have outperformed manufacturing. Both measures of the economy have picked up markedly in recent months, hitting levels not seen since 2011.

Figure 16. Comparison of ISM Manufacturing and Non-manufacturing Indices*



Source: Institute for Supply Management

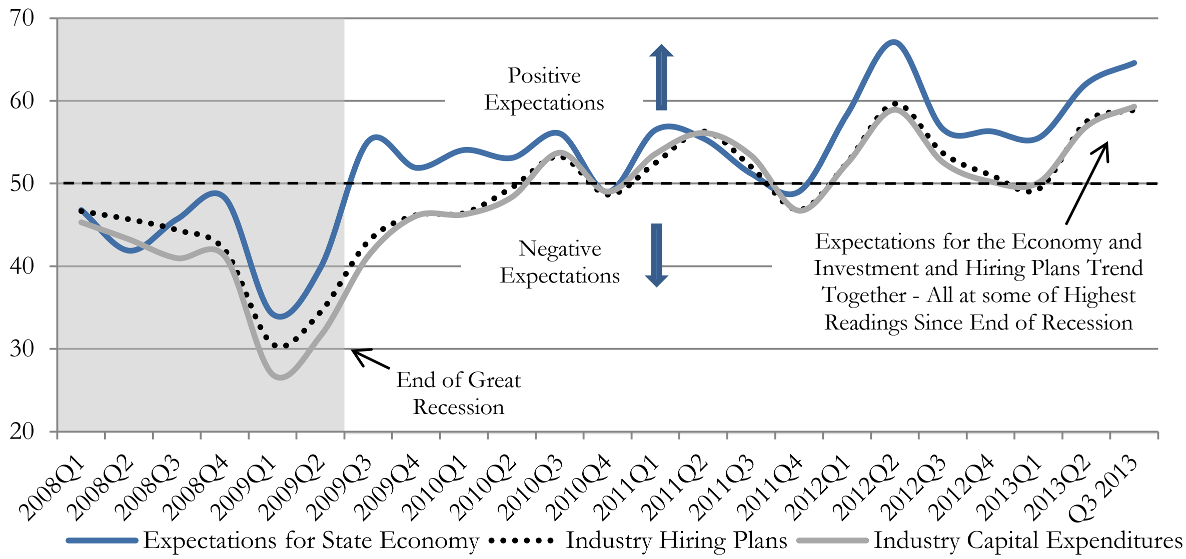
*Index readings calculated from the surveys above 50 indicate that business activity is expanding, while levels below 50 indicate contraction.

Colorado's economic momentum continues due to the state's more favorable attributes – Many of the state's major industries – professional and business services, energy development, finance and insurance, tourism, housing and construction, and certain manufacturing sectors – are growing. Job growth has picked up this year to its fastest pace in more than a decade and the housing market continues to rebound. As a result, unemployment continues to decline, albeit slowly.

High levels of human capital, entrepreneurship, and innovation appear to be key to Colorado's growth. The state has more people with the talent and skills to succeed in our increasingly technology- and information-intensive economy. Another reason for Colorado's performance is that the state's economy is at the center of two of the fastest growing regions in the country – the "inland west" and the "great plains". These regions have high levels of population growth, as well as growth in advanced, innovative industries and energy development. These positive forces continue to outweigh negative factors, such as the slower global economy and federal spending reductions.

Business confidence and expectations for the future continue to grow – Expectations for the future play a large role in the performance of an economy. Businesses and consumers are more likely to invest, spend, and hire if they expect positive outcomes from those decisions. The Leeds Business Confidence Index (LBCI), published by the University of Colorado, Leeds School of Business, measures business assessments about economic and industry conditions for the upcoming quarter. Figure 17 shows business leaders' expectations for the overall state economy as well as for hiring and capital expenditures in the third quarter of 2013. These measures trend closely together over time. Colorado business leaders' expectations going into the third quarter of 2013 were at some of their highest levels during the current economic expansion.

Figure 17. CU Leeds Business Confidence Indices,*
2008 through the Third Quarter of 2013



Source: University of Colorado, Leeds School of Business
* Readings above 50 indicate positive expectations; while below 50 represent negative perceptions.

Stronger economic performance has not reached all areas and populations of the state – Though more communities are beginning to show economic vitality, economic performance is uneven across the state. Rural and agricultural areas are particularly having a more difficult time. Because of the more favorable economic conditions in Colorado, the proportion of the state's population that is in the labor force is higher than the nation's. However, labor force participation has still declined, along with the nation's, to lower levels, and unemployment remains elevated. Income growth is still only modest for many individuals. This suggests there are still many individuals struggling to find ways to fully participate in the economy.

Overall economic activity for Colorado will continue its momentum, with current levels of growth sustained in 2014. Nationally, growth through the remainder of 2013 and in 2014 will pick up from its lower levels over the past year. However, national economic activity will continue to be modest to moderate.

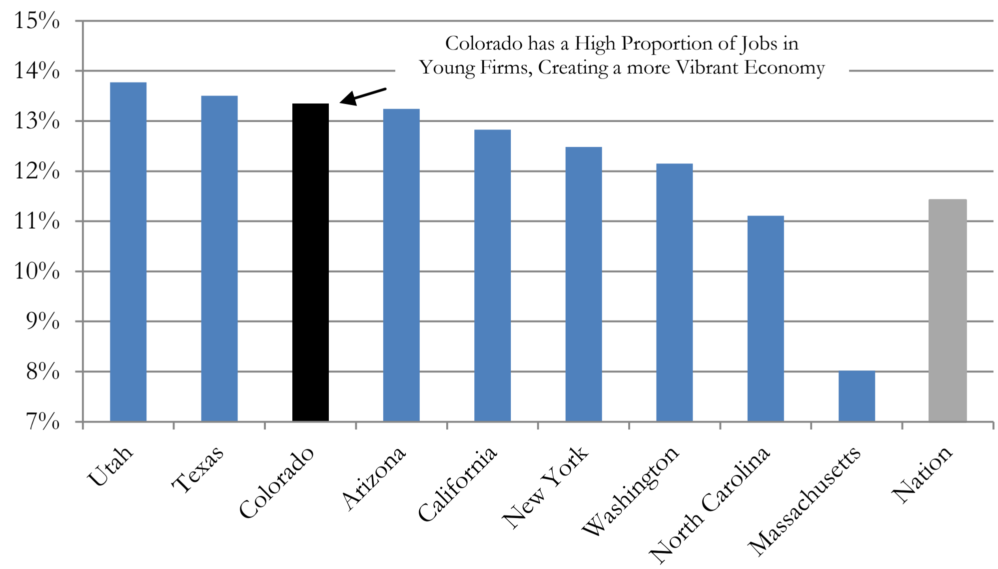
Colorado's Growing Entrepreneurial Economy

Entrepreneurship, as measured by the activity of start-up firms and young businesses, is an integral part of employment growth and is a key to economic vitality. Entrepreneurs and new businesses find ways to profitably produce goods and services as they strive to discover the most valued uses of the economy's scarce resources. In doing so, they also provide opportunities for the unemployed or underemployed while utilizing the economy's idle or underused resources. This activity generates wealth and spurs economic growth.

New and young firms are a leading source of new jobs for the economy. Thus, the proportion of a state's employment in new and young firms correlates highly with a state's overall employment growth, meaning that higher levels of entrepreneurial activity are closely associated with higher levels of employment growth.

Colorado generally outpaces states with comparable business environments for young businesses and the nation as a whole. In 2010 and 2011, using the latest data available, Colorado ranked ninth for the highest percentage of employment in young firms (aged 0 to 5) across the nation, according to OSPB calculations of Business Dynamics Statistics from the U.S. Census Bureau. Young enterprises in 2010 and 2011 comprised 13.3 percent of the state's total employment at firms, whereas businesses in the same age group encompassed 11.4 percent of the nation's employment, as shown in Figure 18.

Figure 18. Percentage of Jobs in Young Firms, Age 0 to 5, 2010 and 2011

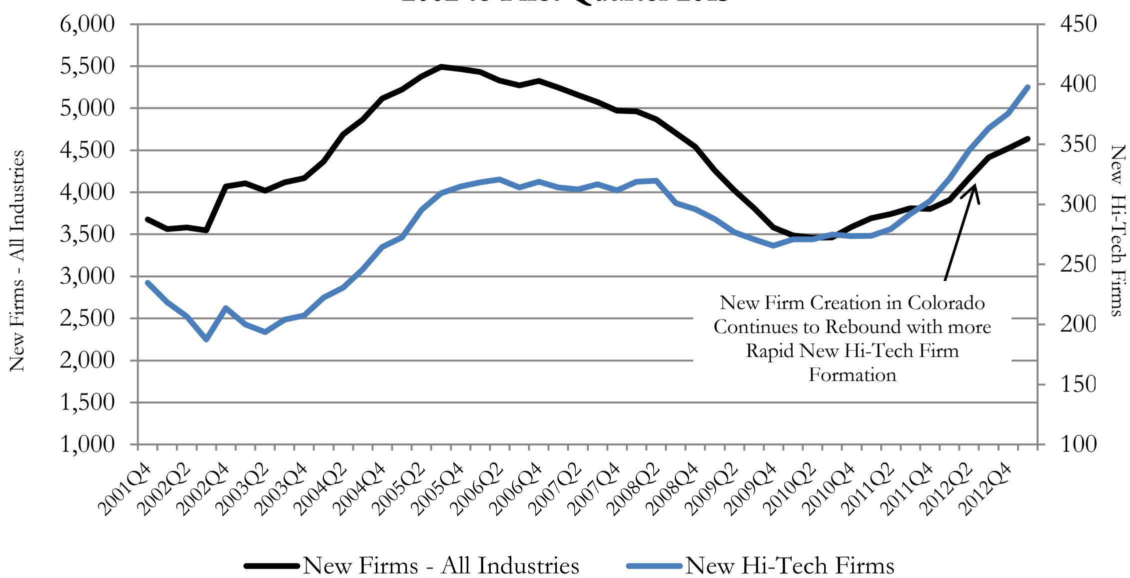


Source: U.S. Census Bureau, OSPB calculations

Colorado has a comparative advantage in hi-tech sectors, spurring higher levels of job growth – The proportion of Colorado's jobs in hi-tech sectors was 7.6 percent in 2012. In that same year, high-tech jobs represented 5.6 percent of jobs nationally. Figure 19 shows the recent high growth in the number of new high-tech firms in Colorado. Due to the importance of overall business creation to job growth and economic dynamism, it also shows new firm formation in all industries.

In the first quarter of 2013, new high-tech firm creation was 76.0 percent higher than the first quarter of 2012. Most of the high-tech firms are involved with computing and software, as well as coding-driven processes. High-tech startups are particularly important to the economy because of their innovative activities and higher paying jobs. As a result, growth in high-tech sectors leads to job growth in other sectors, from doctors and lawyers to services jobs, such as in restaurants and salons. Thus, the increasing high-tech firm creation is an important reason for Colorado's pickup in overall job growth.

Figure 19. New High-Tech Firms and All New Firms in Colorado by Quarter, 2002 to First Quarter 2013



Source: Colorado Department of Labor and Employment,[1] OSPB calculations. Four quarter moving average.

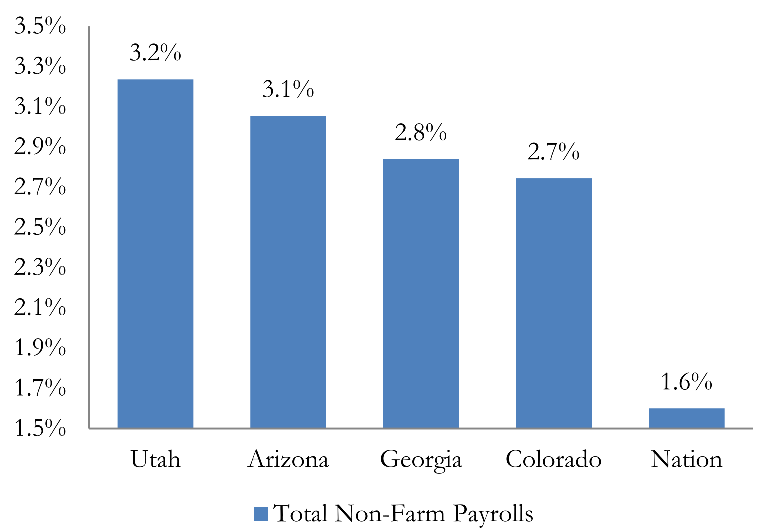
An important economic benefit of the high-tech sector is the propensity of companies to spinoff other enterprises. Studies have found that the most fertile source of entrepreneurial activity is the population of existing companies. Growing activity in a sector helps attract other companies, talent, and investment to a region. This is especially true when the sector has "anchor tenants," or leading companies with prestige and name recognition. The growing presence of existing tech companies and anchor tenants is a key to Colorado's success in becoming a leader in the high-tech sector. Thus, the increasing high-tech firm creation is an important reason for Colorado's pickup in overall job growth.

[1] As with many statistics, these data do not provide a perfect representation of economic activity. Some of the data may not correctly indicate a new firm was created in a given time period. However, for the most part, the data represent new business creation.

Labor Market Conditions and Trends

Job growth continues, with Colorado among the top performing states – Colorado's job growth in 2013 through July ranks fourth fastest in the nation based on data from the U.S. Bureau of Labor Statistics (BLS). Figure 20 shows the change in the level of nonfarm payroll jobs in July 2013 compared to July 2012 levels for the top five fastest growing states and the nation as a whole. During this time period, Colorado added 63,400 nonfarm payroll jobs, a 2.7 percent increase. In contrast, the national economy's job growth was 1.6 percent in August over the same month a year ago. Colorado's growth indicates that many businesses need to expand as their products are in higher demand. Further, it shows that the state's employers are having greater success finding workers to meet their needs. This momentum must be maintained to continue to reduce the unemployment rate.

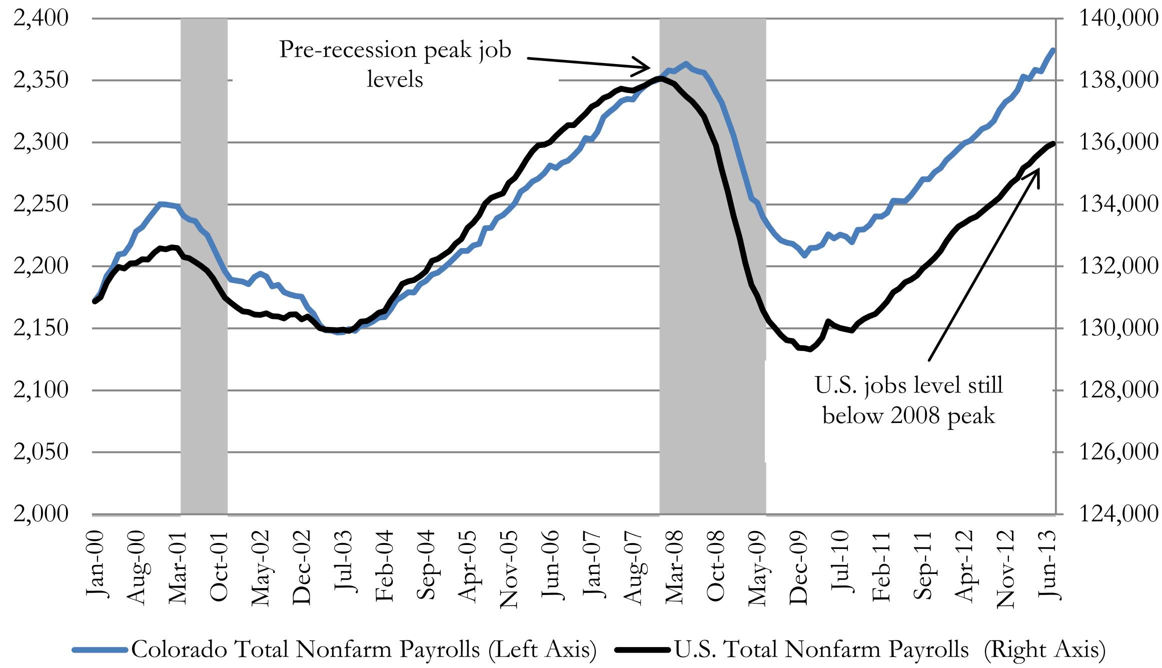
Figure 20. Fastest State Payroll Job Growth Compared to the Nation, Percent Change, July 2013 over July 2012



Source: U.S. Bureau of Labor Statistics

Colorado's level of payroll jobs reached 2.4 million in July. This is above its peak level before the Great Recession in the spring of 2008. In August, the nation's employment level of 136.1 million jobs is 1.4 percent below its 2008 peak level.. Figure 21 shows the trends in the level of nonfarm payroll jobs for both Colorado and the nation from 2000 through July of 2013.

Figure 21. Payroll Jobs Nationally and in Colorado, in Thousands, 2000 through July 2013



Source: U.S. Bureau of Labor Statistics

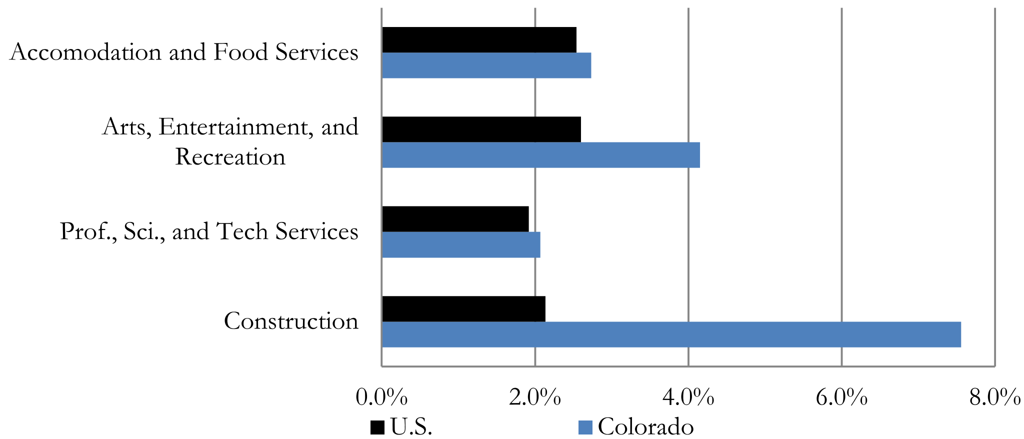
Payroll jobs from Colorado employers will increase 2.6 percent in 2013, and 2.4 percent in 2014. Nationally, job growth will follow a similar pattern but will be slower.

Industry composition of job growth – Colorado's job growth stems in part from its large concentration of high-skilled workers that are in high demand in today's information- and technology-based economy. Growth in sectors that employ these workers, such as engineering, consulting, and technological product development and services, helps generate growth in peripheral sectors, as well as housing-related industries and services-based sectors, such as retail trade and leisure and hospitality.

As illustrated in Figure 22, much of Colorado's job growth in 2013 has occurred in professional, scientific, and technical services, construction, arts and entertainment, and accommodation and food services. Construction employment in Colorado grew 7.6 percent from December 2012 to July 2013, a much faster rate than the nation, an indicator of the state's stronger economic growth. The rebound in construction activity from its depressed level is making it difficult for some construction companies to find workers with certain skills, including welders, equipment operators, carpenters, electricians, laborers, and cement masons. Some of the job growth for the nation and Colorado has been in lower paying sectors such as leisure and hospitality, which also characteristically hire more part-time or temporary workers.

A decline in federal government jobs for both Colorado and the nation is pulling down overall job growth. In July, federal government jobs in Colorado decreased 3.0 percent compared to the same month last year and 2.5 percent in August for the nation as a whole.

Figure 22. Job Growth in Colorado's Fastest Growing Industries, Colorado and the US, Percent Change, 2013 Year to Date



Source: U.S. Bureau of Labor Statistics; seasonally adjusted data; growth is calculated using a three-month moving average to smooth out month-to-month volatility.

It should be noted that an industry can expand without job growth. This occurs in industries that use high levels of equipment and technology, as well as industries that employ workers with increasing levels of productivity. Certain types of manufacturing, as well as oil and natural gas production, are examples of growing industries that may not be seeing commensurate growth in jobs.

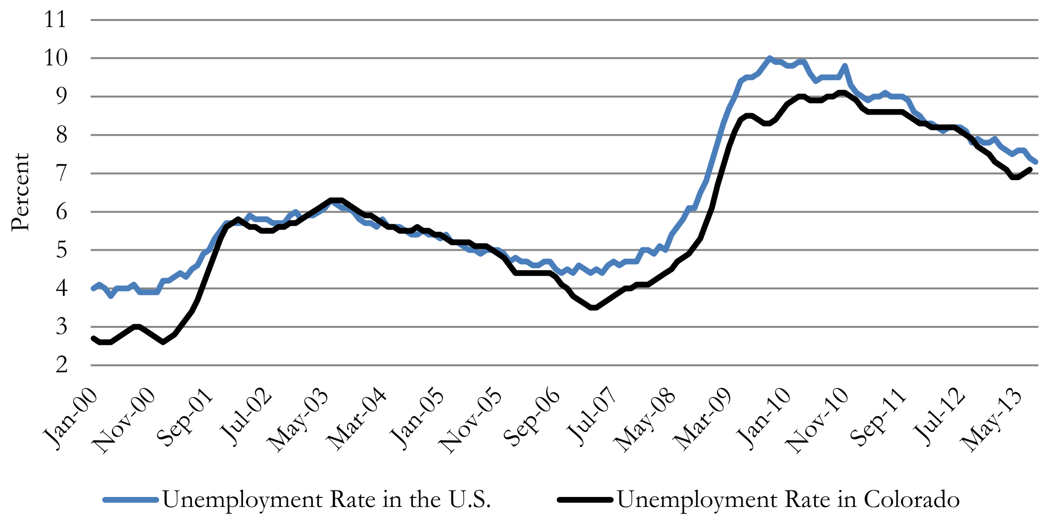
The job market may be performing better than official data suggests – Changes in how individuals earn income likely means that some income earning activities may not be fully shown in the official jobs data, most notably data reporting jobs at traditional companies and from surveys that sample households. Independent and freelance work is a growing trend. MBO Partners, a business services consulting firm, reports that there are 17.7 million individuals nationally that identify themselves as contractors, freelancers, consultants, temporary workers, microbusiness owners, and entrepreneurs who do not work at just one firm. The MBO Partners' *The State of Independence in America* workforce study stated that independent workers generated $1.2 trillion in total income in 2013, a 20 percent increase from 2012.

Unemployment

Unemployment remains a challenge, though it continues to improve gradually – Though job growth continues, it has not been strong enough to fully re-employ the substantial number of individuals who lost their jobs during the recession, as well as increases in the working age population. The BLS reported a national unemployment rate of 7.3 percent in August, down from 8.1 percent the prior year. Colorado's unemployment rate in July was 7.1 percent, down from 8.1 percent the prior year. This rate is also known as "U-3," the most commonly reported measure of unemployment. Figure 23 shows the decline in the unemployment rate for the U.S. and Colorado after surging during the Great Recession.

One possible reason for these high levels of unemployment include the reluctance of businesses to hire employees as future economic conditions still remain relatively uncertain. In addition, there appears to be some mismatch between the skills and salary expectations of jobseekers and the needs of employers. The state's lower unemployment and higher job growth indicates that these issues are less prevalent in Colorado.

Figure 23. Colorado and US Unemployment Rate, Seasonally Adjusted, 2000-2013

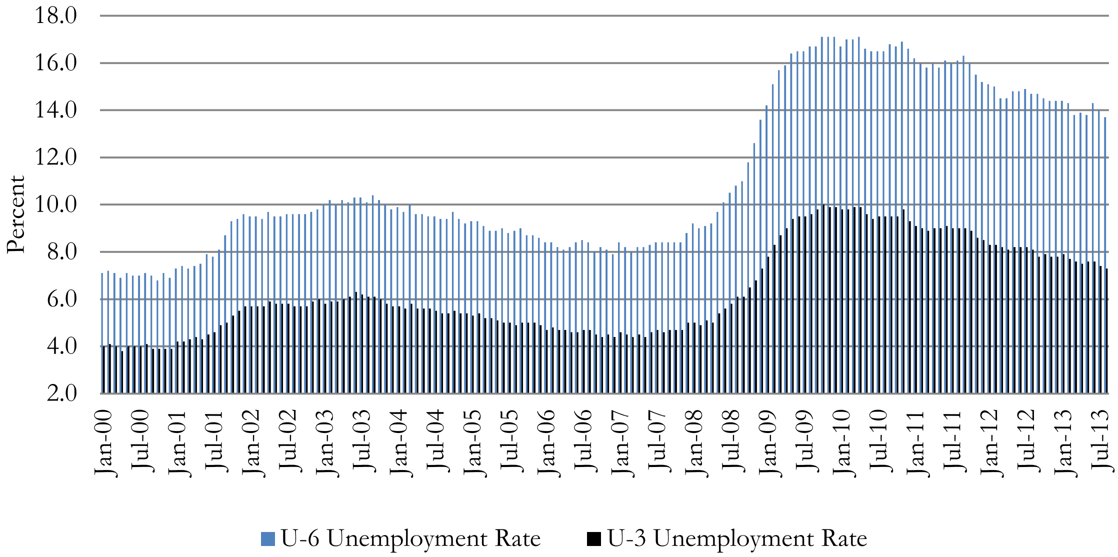


Source: U.S. Bureau of Labor Statistics

Lower levels of participation in the workforce - The labor force participation rate – the labor force as a percent of the population– for both Colorado and the U.S. began to decline around 2000 mostly due to demographic reasons. However, in 2008 the participation rate fell more sharply as the economy shed jobs and there were fewer work opportunities. Currently, the nation's and Colorado's labor force participation rates are 63.2 percent and 68.4 percent, respectively. Colorado's higher participation rate in the labor market provides further evidence of the state's higher level of economic opportunity and activity. The national participation rate is at its lowest level since the late 1970s.

A broader measure of unemployment also remains high – The "U6" rate is another measure of unemployment published by the BLS. This measure captures the number of unemployed counted in the traditional U3 rate, plus individuals who want to be employed but who have not recently looked for work, often because they are discouraged by their job prospects, and individuals who want to work full time but who are only employed part time for economic reasons. At the end of the third quarter of 2012, through the second quarter of 2013, Colorado's U6 rate averaged 13.8 percent, below its peak of 15.7 percent that it averaged in most of 2010 and the beginning of 2011. The national U6 rate was 14.3 percent in August of this year, below its peak of 17.1 percent in 2010. The national U6 and U3 rates are slowly decreasing as shown in Figure 24.

Figure 24. U3 and U6 for the Nation, January 2000 to July 2013



Source: U.S. Bureau of Labor Statistics

Initial claims for unemployment insurance continue to fall – Initial claims for unemployment insurance measure the number of individuals that have filed for unemployment benefits. The continued decline in initial claims may signal that the economic outlook is improving. Unemployment insurance claims in both Colorado and the nation are near their pre-recession levels. At the end of August, claims in Colorado were 6.7 percent lower than a year ago, and 38.9 percent below their levels in 2010 when the state was still struggling to emerge from the recession.

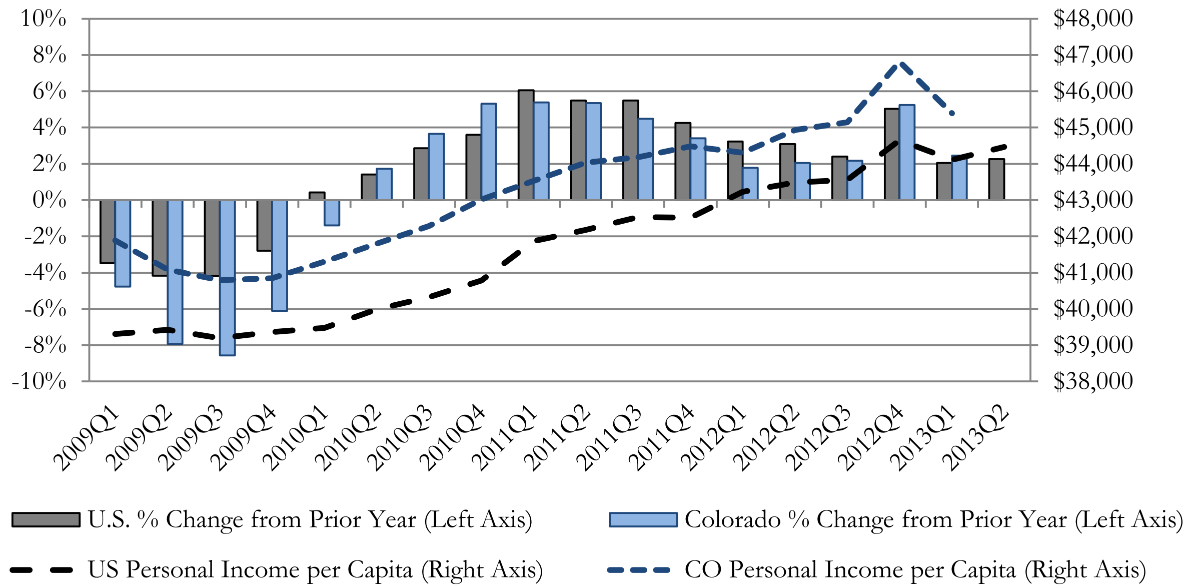
Unemployment rates of 6.9 percent and 6.5 percent are forecast for Colorado in 2013 and 2014, respectively. The national unemployment rate will be higher in those years, at 7.5 percent and 7.0 percent.

Income and Wages

Personal income includes wage and salary income, proprietors' and business income, government transfer receipts – such as Social Security, disability, and unemployment insurance payments – and earnings from interest and dividends. This statistic provides a barometer of economic performance because it indicates the amount of money received by households from economic activities.

Personal income for both Colorado and the nation continues its trend of modest growth – As shown in Figure 25, the level of personal income per capita has steadily grown since the beginning of 2010. However, this growth comes off of a prolonged period of declines. Further, higher rates of growth would be expected during a typical recovery period. One factor preventing stronger income growth is the ongoing weakness observed in the labor market, particularly at the national level. Overall modest growth in the economy also dampens personal income growth because it results in less money being exchanged in transactions of all sorts, including consumer purchases, business acquisitions, and investments, which generate income. Personal income growth in Colorado was slightly higher than the national average over the past two quarters for which Colorado data is available.

Figure 25. Personal Income and Percent Change from Year Ago, United States and Colorado

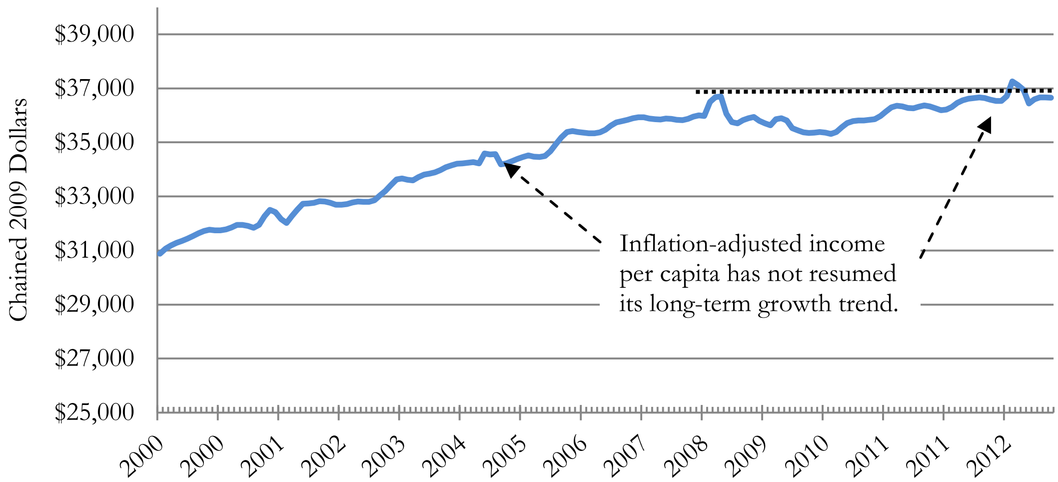


Source: US Bureau of Economic Analysis and US Census Bureau

Income growth in 2013 is constrained by payroll tax increases and the pulling forward of some income into 2012 – Some of the moderation in income growth this year is attributable to the increase in the Federal Insurance Contributions Act (FICA) tax commonly known as the "payroll tax," which effectively reduced personal income to most wage earners by two percent beginning on January 1, 2013. Additionally, anticipated federal income tax increases at the beginning of 2013 resulted in individuals pulling forward dividends, bonuses, and other forms of income into 2012 that they normally would have received in 2013 to avoid having the income taxed at a higher rate. This dynamic is evident in Figure 25, which show an upward spike at the end of 2012 followed by a decline at the beginning of 2013.

Inflation-adjusted personal income for the nation has failed to sustain growth above pre-recession levels – Figure 26 shows the 3-month average of inflation-adjusted disposable personal income per capita for the United States since the beginning of 2000. Adjusted for inflation, per capita income reached a peak of $37,584 in May, 2008 before falling during the Great Recession. Since that time, this measure of per capita income has grown at a slow rate and, as of July 2013, remained below the pre-recession peak at $36,626. This performance perhaps best reflects the overall sluggishness of the national economy. Income growth that exceeds inflation is typically necessary to sustain greater household spending and consumer activity.

Figure 26. United States Inflation-Adjusted Disposable Income per Capita, 2000 through July 2013

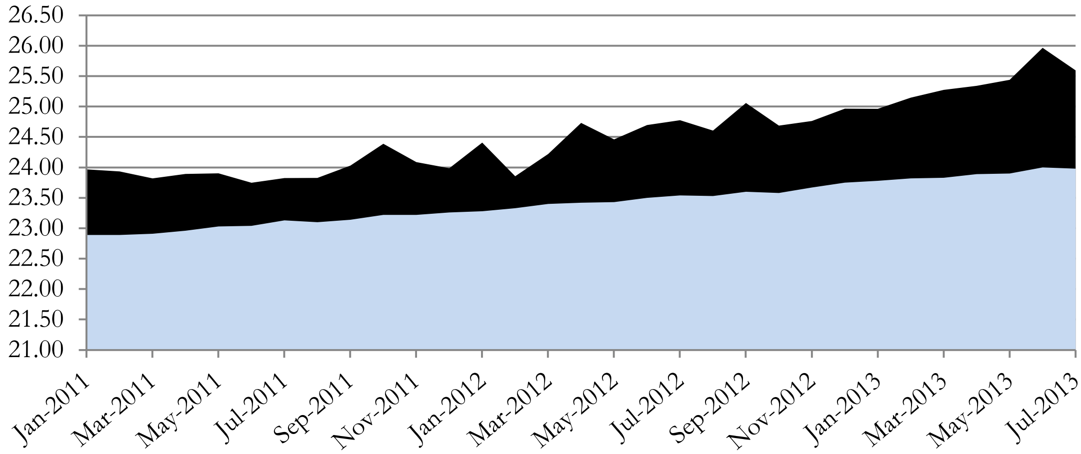


Source: US Bureau of Economic Analysis and US Census Bureau. Data is monthly, seasonally adjusted annual rate, three month trailing average.

Total Colorado personal income received by households will grow 4.3 percent in 2013 and accelerate to 5.4 percent growth in 2014. Personal income will be somewhat weaker for the nation as a whole over this period, growing 3.9 percent in 2013 and 4.8 percent in 2014.

Hourly wages in Colorado are higher and growing more quickly than the national average – Earnings for workers in both Colorado and the United States have grown consistently since January, 2011. Figure 27 shows the seasonally adjusted average hourly wage for workers at the state and national level. Because of Colorado's smaller population of workers, changes from month-to-month cause more volatility in the data. Both show a consistent trend of slow but steady growth since 2011, with the gap between Colorado's hourly earnings and the national average hourly earnings widening since September, 2012. The state also has higher hourly wages overall. These are indicators of Colorado's economic momentum as it shows that the economy is strong enough to support higher wage growth.

Figure 27. Average Hourly Earnings, United States and Colorado Seasonally Adjusted, January 2011 to July 2013



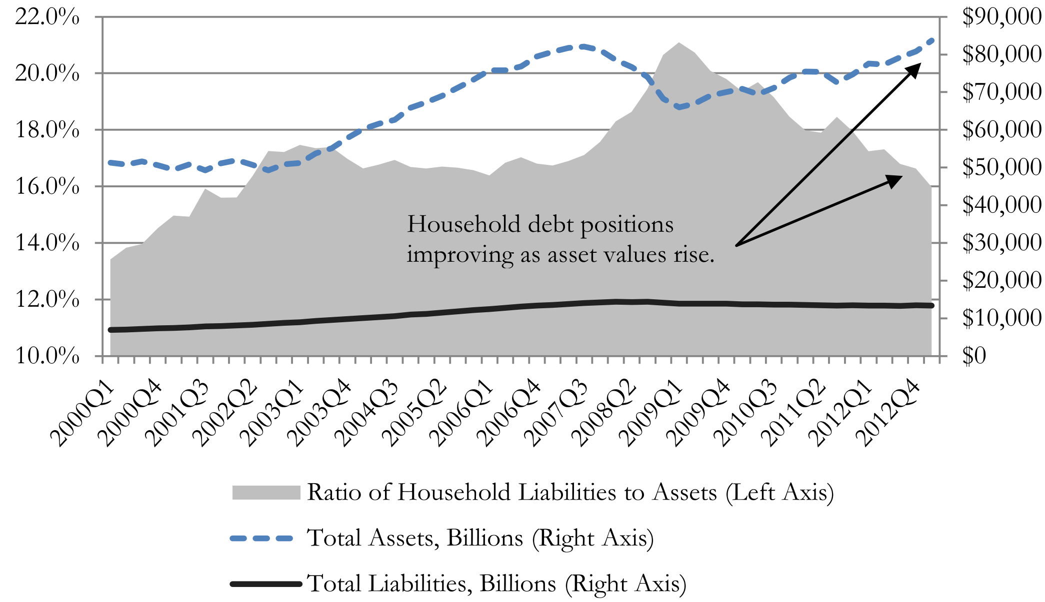
Source: US Bureau of Labor Statistics

Certain industries are experiencing faster hourly wage growth – The average hourly earnings of an industry provide different information than total wages or number of jobs because they show changes in the amount of money that people in the industry earn when working the same amount of hours. Over time, healthy industries tend to see growing hourly wages. Since the end of the Great Recession, average hourly wages for the United States have grown the most in the financial activities (14.7 percent), information (10.4 percent), education and health services (10.4 percent), wholesale trade (9.2 percent), and mining and logging (8.7 percent) industries.

Wages and salaries in Colorado will increase 4.8 percent in 2013 and 5.0 percent in 2014, reflecting continued growth of the state's economy.

Household debt positions have improved as home and stock prices rise alongside a reduction in debt – Due to appreciation in home values, as discussed in the *Housing and Construction* section on page 52, as well as the strong performance of stock markets, the overall value of household assets has increased faster than wage and salary growth. At the same time, total household debt has decreased slightly since the Great Recession due to tighter credit standards and because households have become more averse to carrying high levels of debt. The result has been a steady decline in the ratio of household liabilities to assets and growth in household net worth, as illustrated in Figure 28. These trends reflect the estimated total of all household assets and household liabilities in the United States. The change in net worth varies widely across households. Those with larger portfolios of stocks and other investments have seen greater gains in net worth compared with households with few or no stock holdings.

Figure 28. Household Liabilities and Household Assets
2000 Quarter 1 to 2013 Quarter 1



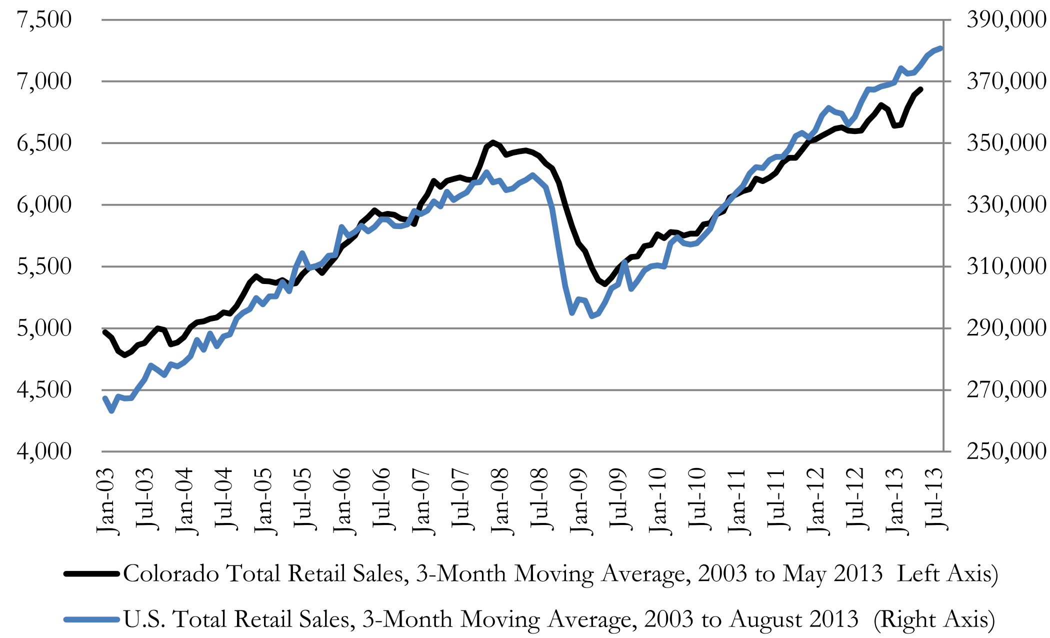
Source: Board of Governors of the Federal Reserve System, OSPB Calculations

Consumer Spending

Consumer spending remains strong through the first half of 2013 – Consumer spending has grown consistently in both Colorado and the nation overall since the middle of 2009. This growth has been surprisingly strong given the elevated levels of unemployment and only modest income growth for many households. Due to the divergence of consumer spending and income levels, consumer spending is likely to moderate, unless income grows at a faster pace than expected. In Colorado, total retail trade was up 6.3 percent year-over-year in May and total retail trade in the United States as a whole in August was 4.8 percent higher than a year ago. Figure 29 shows total retail trade levels in the United States and Colorado since 2002.

The continued relative strength in spending growth may be fueled in part by lower debt burdens, the recent decline in the household savings rate, a rebound in home and stock values, and continued consumer credit growth. The rise in spending levels that appears high in relation to job and income growth may also provide more evidence that households are finding new ways to earn income that are not easily captured in official employment and income statistics. This trend is discussed further in the employment section on page 41.

Figure 29. U.S. and Colorado Total Retail Trade, 2002 – Mid 2013
$s in Million



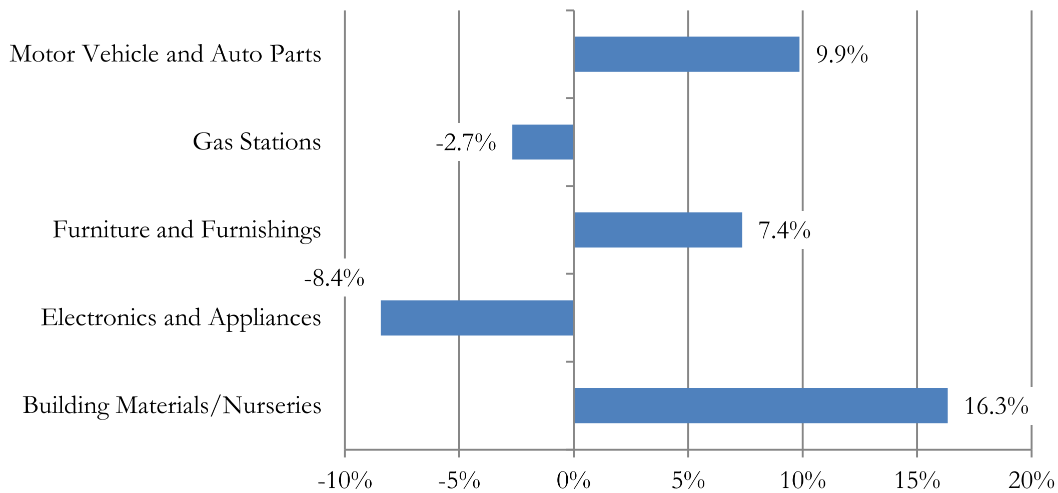
Source: U.S. Census Bureau; Seasonally Adjusted, Three-Month Moving Average

Spending on vehicles, building materials, and furniture have shown robust growth –The increase in retail trade is in large part attributed to a higher purchase volume of various durable goods such as vehicles, building materials, and furniture. Figure 30 shows the change in select categories of retail trade sales in Colorado for the first half of 2013 compared with a year ago.

As the housing market rebounds, more purchases are being made on home-related items. Though spending on electronics and appliances can also be driven by housing activity, Figure 30 reflects a decline in spending on these items. The data for this segment reflect spending only at electronics and appliance-related stores, so increased purchases of such items online may be the reason for the decrease. Since the data reflects the value of purchases, the decline in spending at gas stations is due mostly to lower gas prices this year.

Much of the continued growth in vehicle sales has been driven by low financing costs and the necessity to replace old vehicles. Colorado total vehicle sales as measured by value are up 60 percent from recession lows.

Figure 30. Colorado Retail Trade Spending and Select Retail Categories, Percent Change in First Half of 2013 from the Same Period in 2012



Source: Colorado Department of Revenue

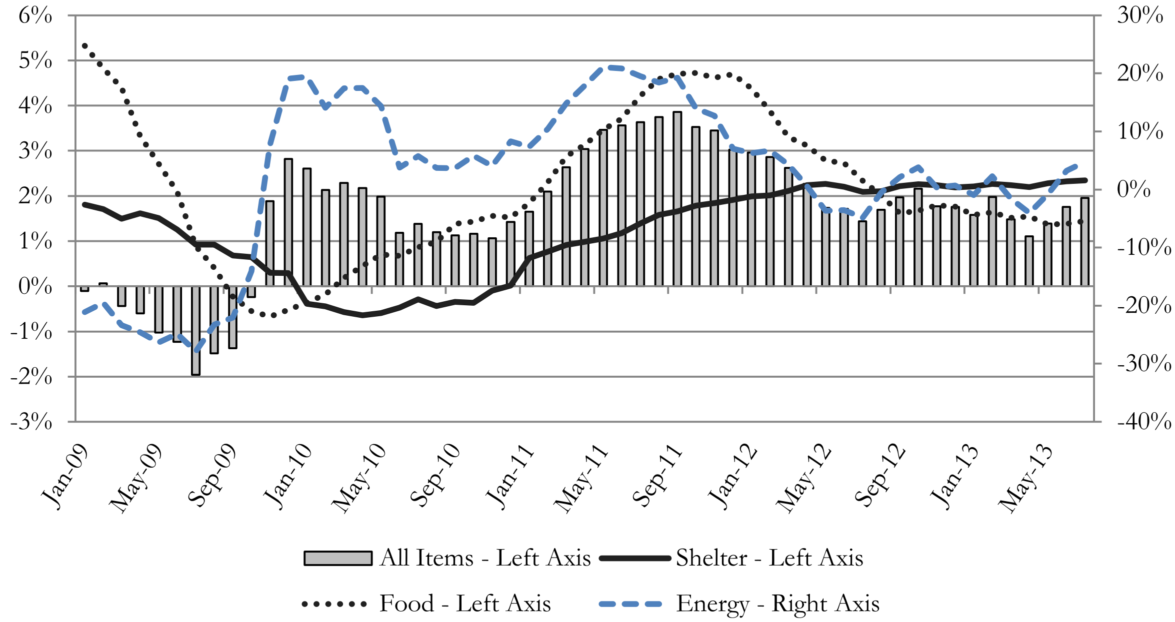
Colorado's retail trade will grow 4.8 percent in 2013 and will accelerate to a 5.4 percent growth rate in 2014. Retail trade for the nation will grow 4.0 percent in 2013 and 4.5 percent in 2014.

Price Levels

Consumer prices remain stable, showing consistently low growth – The consumer price index (CPI) tracks changes in the prices for a market "basket" of household expenditures. Figure 31 shows year-over-year changes in the CPI for the nation as well as some of the main consumer items in the index since January 2009. While fluctuations resulting mostly from changes in the price of energy and food have been observed since 2009, there has not been a year-over-year change in the total index of more than 3.9 percent during this time period, indicating relatively stable price levels. The Denver-Boulder-Greeley CPI, the only measure of consumer prices for Colorado, generally follows the same pattern as the national CPI.

Changes in the national CPI have remained below two percent every month since May 2012, indicating low price growth. This trend reflects generally subdued overall growth in economic activity. Changes in the producer price index, discussed below, depict a similar story.

Figure 31. National Consumer Price Index and Selected Consumer Items in Index, Seasonally Adjusted, Percent Change from Year Ago

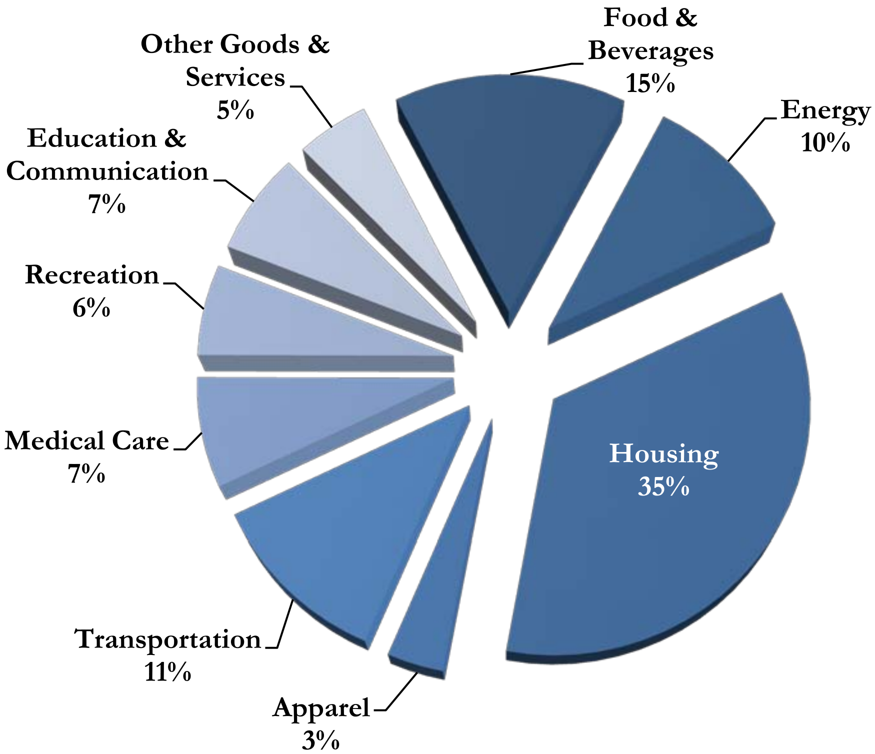


Source: Bureau of Economic Analysis

As the largest share of CPI, housing costs will place mild upward pressure on price measures – Figure 32 shows the proportional size of each major component of the CPI relative to the other components. Recent increases in the cost of housing, mostly from higher rents, which are further discussed in the *Housing and Construction* section on page 52, have put upward pressure on the total CPI value, mostly for Colorado.

In the first half of 2013, the Denver Boulder-Greeley CPI was 2.8 percent higher than its level a year ago. Much of the increase was due to rises in housing-related costs. Increases in food costs, which were previously anticipated due to drought conditions across large parts of the United States, have slowed, as depicted by the dotted line in Figure 31. The US Department of Agriculture now forecasts overall food price increases of just 2.0 to 3.0 percent in 2013 and 2.5 to 3.5 percent in 2014.

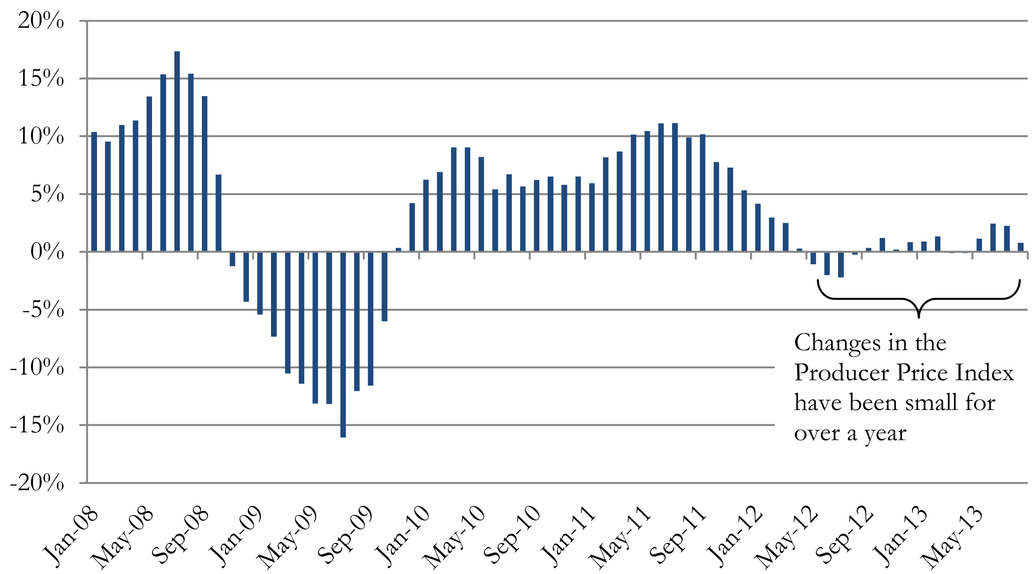
Figure 32. Relative Importance of Major CPI Components



Source: Bureau of Economic Analysis, July 2013 Weights
*Percentages do not add to 100% due to rounding.

Prices paid by businesses are essentially stagnant – While the CPI measures changes in prices paid by consumers for goods and services, the Producer Price Index (PPI) measures changes in prices paid to producers that supply products for business and industry. Because commodity prices set on the global market can fluctuate widely, the PPI is often more volatile than the CPI. Since the beginning of 2012, producer prices have changed minimally, as illustrated by Figure 33. Because business activity has remained at modest levels, especially for the nation, the demand for inputs has also been muted, leading to lower pressure on prices. Producer prices tend to rise before consumer prices, so the stagnation in PPI values is an indication that increases in overall prices paid by consumers will remain muted in the near future.

Figure 33. U.S. Producer Price Index for All Commodities, January 2008 to July 2013, Year-over-Year Change



Source: Bureau of Economic Analysis

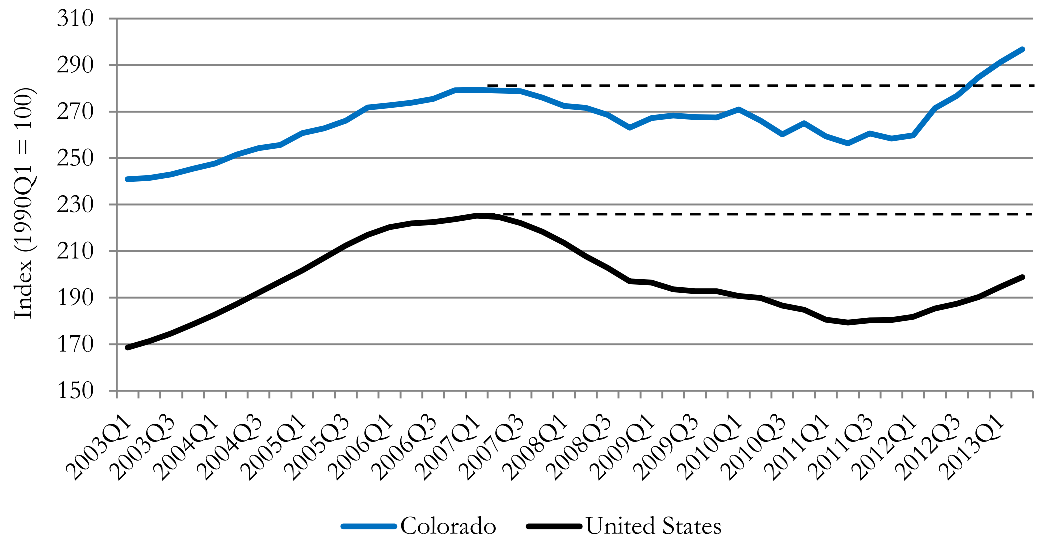
The Denver-Boulder-Greeley Consumer Price Index is forecast to increase 2.6 percent in 2013 and 2.4 percent in 2014. Nationally, the CPI will increase at lower rates of 1.6 percent in 2013 and 2.1 percent in 2014, reflecting the more modest economic growth and less price pressure from housing costs relative to Colorado.

Housing and Construction

Home prices continue to sustain gains, though the pace of appreciation appears to be slowing **–** Home values have sustained their growth that began in 2012, with many markets across Colorado and the nation experiencing rising prices. In recent weeks, the pace of home price appreciation has slowed as mortgage rates ticked upward and the inventory of homes for sale also rose slightly. Figure 34 shows the FHFA House Price index for Colorado and the nation since 2003. While Colorado's overall home values have surpassed their pre-recession peak, the national average of home prices has not. This is partially because the nationwide housing market is subject to factors that do not apply to Colorado. Most markets in the state did not experience rapid price appreciation as some markets did nationally prior to 2005 that resulted in a much larger decline during the recession. Also, Colorado's economy has performed better than the national average, which has helped boost the state's home values.

Home price appreciation has been supported by continued healing in the underlying fundamentals of the housing market, including declining foreclosures and distressed sales, as well as modest growth in employment and income. Low interest rates, supported by monetary policy from the Federal Reserve, remain a key contributor to growth in the housing market. Recent increases in the volatility of housing market indicators, such as mortgage application filings, appear to be related to an increase in interest rates over the past three months. The mildly increased volatility has not had large impacts on the overall housing market, but a slowdown in housing activity may occur if interest rates rise further.

Figure 34. FHFA House Price Index, United States and Colorado Seasonally Adjusted, 2003 through the Second Quarter of 2013



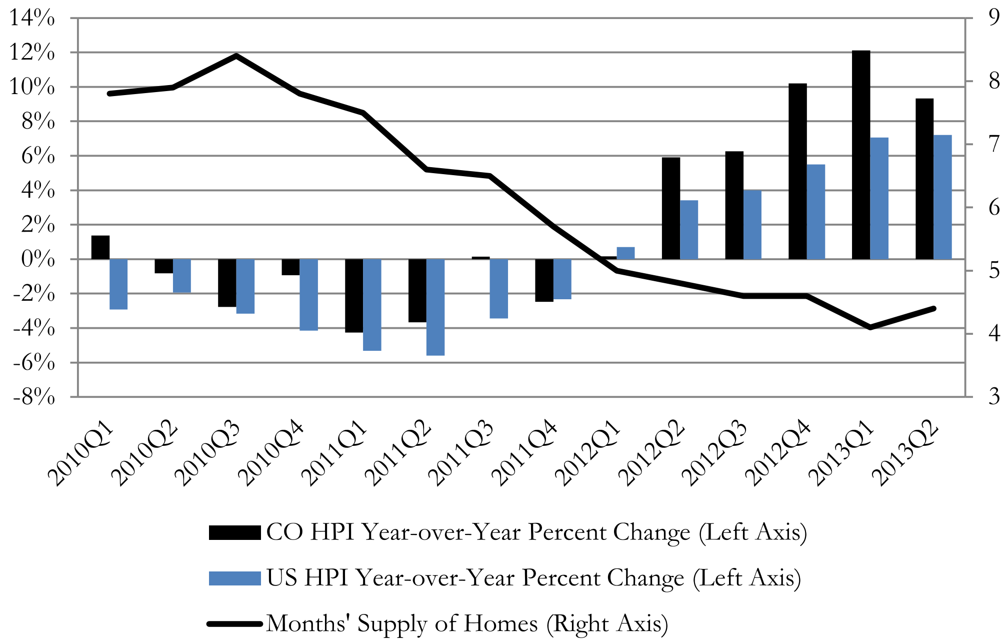
Source: Federal Housing Finance Agency

Rising home values are having substantial positive effects on home equity positions – As prices rise, more homeowners have increasing equity in their properties, while at the same time the proportion of mortgages that are "underwater"– meaning that the property is worth less than the amount owed on the loan – declines. According to real estate data firm CoreLogic, the proportion of mortgage loans that were underwater nationally in the second quarter of 2013 fell to 14.5 percent, down from 19.7 percent in the previous quarter. This means that between the first and second quarters of 2013, roughly 2.5 million homeowners changed from negative equity to positive equity situations in the United States. The proportion of underwater mortgage loans in Colorado was lower than the national average, at 9.5 percent in the second quarter of 2013, down from 14.2 percent in the first quarter. The proportion in the state was as high as 21 percent in 2011.

Home equity is important to the economy because it can be used as collateral for households to finance spending on home improvement projects or other major purchases. Positive equity can also be used as collateral for entrepreneurs to borrow money in order to start or grow a business, leading to higher rates of business formation that support employment and commerce. Increasing equity can also have the effect of making households feel wealthier – a phenomenon called the "wealth effect" – which can cause them to feel more comfortable making larger purchases or taking economic risk.

Home price appreciation moderated slightly in the second quarter of 2013 as inventory ticked upward and interest rates rose – Low inventories of homes on the market since the end of 2010 have played a key role in the appreciation of home values as the demand for homes exceeds supply. Figure 35 shows the number of months' supply of existing homes reported by the US Census Bureau and includes the year-over-year FHFA House Price Index percent change for both Colorado and the nation. After four consecutive quarters of increasing year-over-year percent changes, the FHFA home price index for both Colorado and the nation grew by less in the second quarter of 2013 than the prior quarter. At the same time, the national inventory of homes for sale increased slightly from 4.1 months' supply to 4.4 months, marking the first year-over-year increase in inventory since 2010. In the coming months, an increase in the inventory of homes for sale and slightly rising interest rates should moderate home price increases.

Figure 35. FHFA House Price Index Year-over-Year Change with National Months' Supply of Existing Homes, 2010 through the Second Quarter of 2013

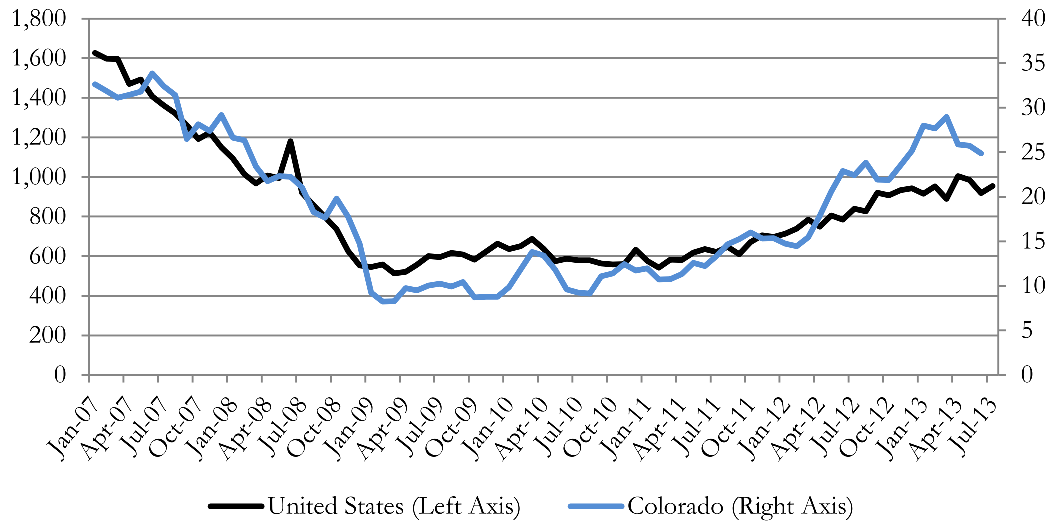


Source: Federal Housing Finance Agency and US Census Bureau

Vacancies in many areas of Colorado remain low, supporting continued rent increases – In recent years, a larger portion of households are choosing to rent rather than purchase a home. This trend is influenced by several factors, including uncertainty in the labor market, tighter credit standards, growing preferences for living in more urban, dense places, and the long period of home price declines beginning in 2007 that made more people averse to homeownership. The greater proportion of renters has caused the vacancy rate of apartments and other rental properties to reach record lows in many areas. This has resulted in high rents in parts of Colorado, especially in urban areas. As discussed in the *Price Levels* section on page 50, the very high average rent rates in Colorado will put upward pressure on renters' cost of living in 2013 and 2014. Meanwhile, as the full impacts of the recent floods become known, localized housing issues may develop; we will report on these in December's Colorado Outlook.

Sustained price and rent increases are driving strength in residential construction – As home prices have grown since the beginning of 2012, homebuilders have increased construction activity. New residential construction permits grew 33 percent for the nation in 2012 and 73 percent for Colorado. While these growth rates are large compared to prior years, they represent growth from historically low levels of construction activity. The overall number of permits remains far below the level of activity seen prior to the housing downturn. Still, growth in residential construction activity is anticipated as rising home prices, low housing inventory, and a more positive outlook spur homebuilding activity. Figure 36 shows the recent increase in building permits in both Colorado and the United States.

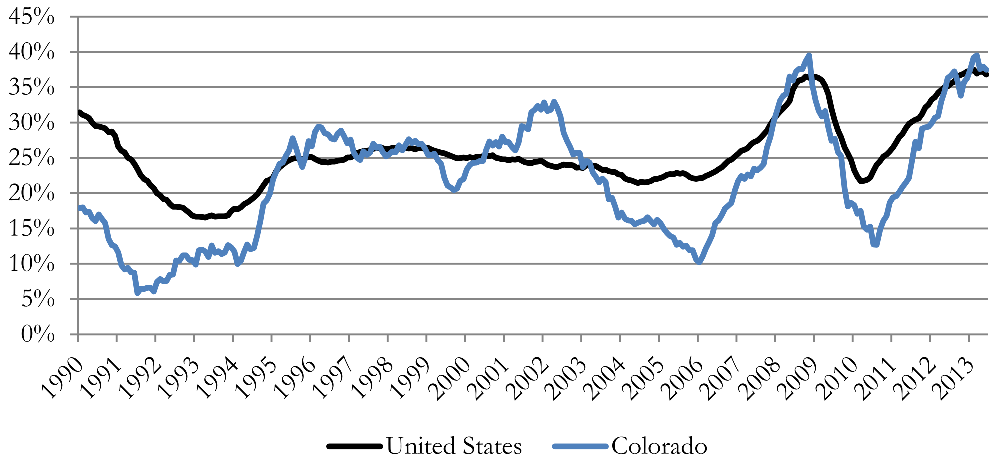
Figure 36. New Residential Construction Permits, 3-Month Moving Average of Seasonally Adjusted Annual Rate January 2007 through June 2013, in Thousands



Source: US Census Bureau

Multi-family construction projects represent a large portion of total residential construction activity – Figure 37 shows the percentage of total permits for new residential construction projects that are for multi-family units. As shown in the chart, the proportion of multi-family construction permits as a share of total permits is higher than the long-term average since 1990. The persistently low inventory of rental housing and the resulting high rent rates have increased the attractiveness of multi-family construction projects for developers and investors.

Figure 37. Multi-family permits as a share of all Residential Permits, 12-month Trailing Average, January 1990 through June 2013

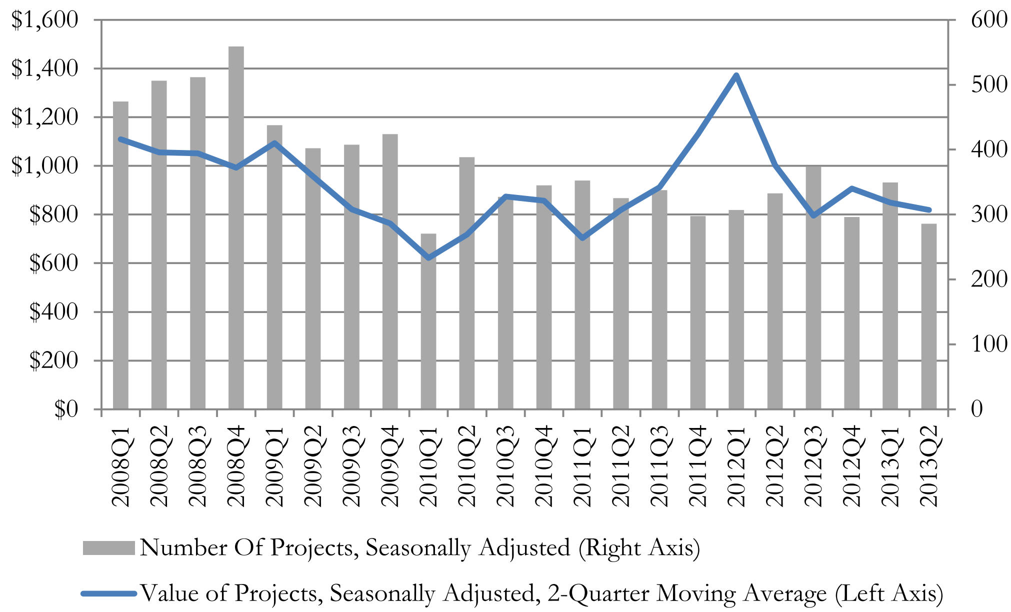


Source: US Census Bureau, OSPB Calculations

New housing permits in Colorado will grow to 29,600 in 2013 and 37,300 in 2014. National residential permits will grow to 1,046,000 in 2013, reaching 1 million new housing permits for the first year since 2007.

Nonresidential construction activity remains at a moderate level – The number and value of non-residential construction starts in Colorado, including offices, retail stores, manufacturing facilities, and other commercial property, have remained relatively flat since the end of the Great Recession, as shown in Figure 38. There remains substantial inventory of unused commercial real estate that rose during the economic downturn as many businesses closed or contracted. At the same time, many new and growing businesses are taking advantage of technology that allows greater flexibility for remote work arrangements, which minimizes the need for physical commercial space. Due to these factors, non-residential construction activity is not expected to exhibit much growth over the forecast period.

Figure 38. New Residential Construction Project Starts in Colorado, 2008 through the Second Quarter of 2013, $s in Millions



Source: McGraw-Hill Construction

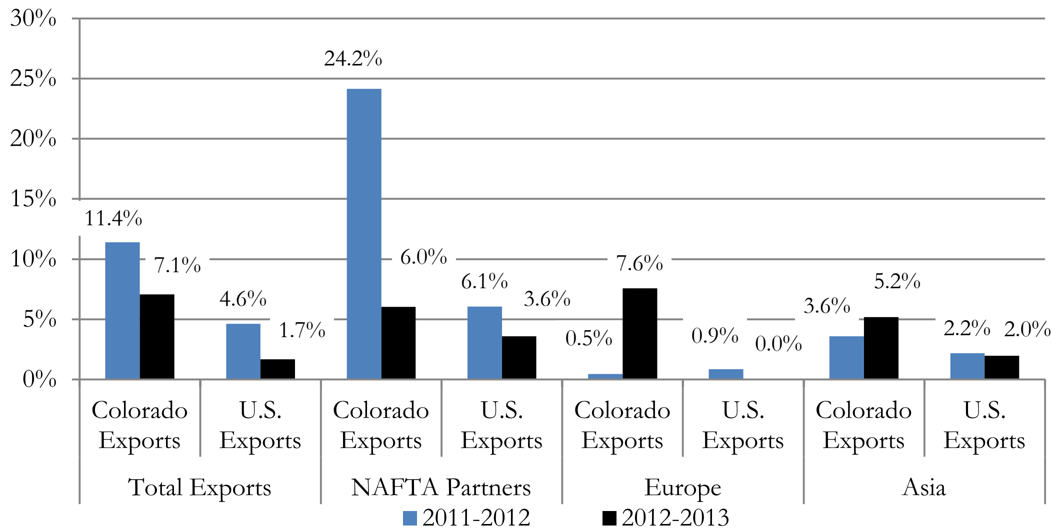
The value of projects in Colorado is expected to fall 2.9 percent in 2013 and then grow 4.0 percent in 2014. The same pattern is expected nationally.

International Trade

U.S. and Colorado exports continue to grow, though modestly due to global economic conditions – International trade data helps assess the level of economic activity in the highly globalized economy. Exports also reflect U.S. and Colorado competitiveness in world markets. Export growth indicates that an economy is producing what other countries want and need, which generates higher levels of income for a region. Colorado's largest exports in terms of total dollar value include health- and medical-related products, meat, aerospace and aviation goods, various machinery and equipment used in production processes, manufactured chemical products, and a wide array of technology-related products.

Exports increased 2.5 percent in the U.S. and 11.9 percent in Colorado through July compared to the same period a year ago. Figure 39 provides information on exports to both Colorado's and the nation's largest trading partners. Colorado trade with Asia and North American Free Trade Agreement (NAFTA) countries has picked up recently. However, exports to Europe have declined. US trade with Europe is expected to remain weak as long as Europe experiences very low levels of economic growth and thus depressed demand for American goods.

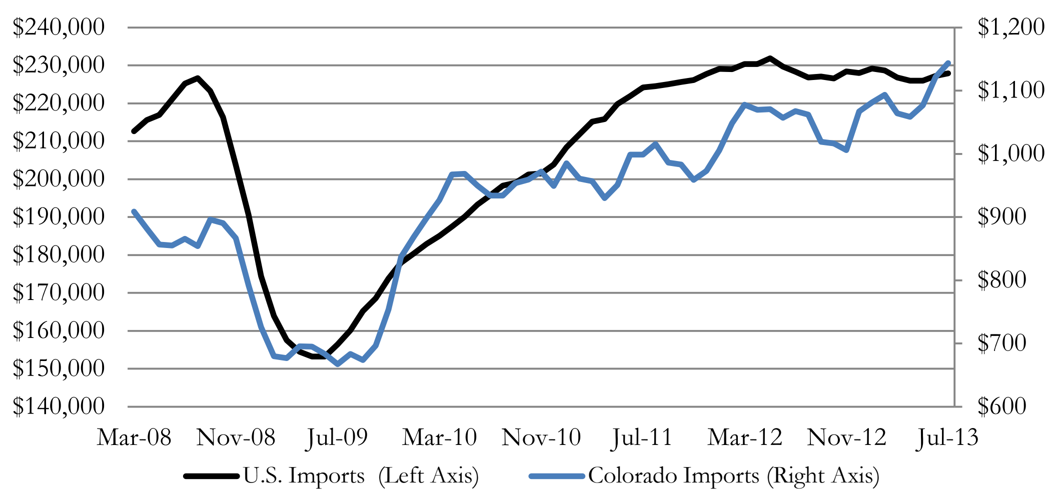
Figure 39. Colorado Export of Goods and Total U.S. Exports to Major Trading Partners Annual Percent Change*



Source: World Institute for Strategic Economic Research (WISERTrade) base on data from the U.S. Census Bureau
*Export data for 2011 and 2012 are total year figures. Data for 2013 is seasonally adjusted annual rate using year-to-date figures through July.

Imports have slowed for the nation but continue to grow in Colorado – As shown in Figure 40, total year-to-date imports to the U.S. were flat through July. In contrast, Colorado's imports of goods increased 7.2 percent over that same period. These trends reflect modest demand and slower economic activity at the national level and the state's higher level of growth as the economy continues to demand foreign goods used for both consumption and business purposes.

Figure 40. U.S. and Colorado Imports of Goods March 2008 through July 2013, $s in Millions



Source: U.S. Census Bureau; Three-Month Moving Average, Seasonally Adjusted

Table 5

History And Forecast For Key Colorado Economic Variables

Calendar Year 2007 - 2015

Line No.		Actual						September 2013 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
	Income									
1	Personal Income (Billions) /A	$205.2	$216.0	$204.6	$212.5	$225.4	$234.9	$245.0	$258.2	$271.8
2	Change	5.6%	5.3%	-5.3%	3.9%	6.1%	4.2%	4.3%	5.4%	5.3%
3	Wage and Salary Income (Billions) /A	$113.0	$117.0	$112.6	$114.2	$119.148	$124.4	$130.4	$137.0	$144.0
4	Change	6.7%	3.6%	-3.8%	1.4%	4.3%	4.4%	4.8%	5.0%	5.1%
5	Per-Capita Income ($/person)	$42,724	$44,180	$41,154	$42,107	$44,053	$45,135	$46,465	$48,140	$49,821
6	Change	3.7%	3.4%	-6.8%	2.3%	4.6%	2.5%	2.9%	3.6%	3.5%
	Population & Employment									
7	Population (Thousands)	4,821.8	4,901.9	4,976.9	5,049.7	5,118.5	5,188.7	5,273.7	5,363.7	5,456.1
8	Change	1.6%	1.7%	1.5%	1.5%	1.4%	1.4%	1.6%	1.7%	1.7%
9	Net Migration (Thousands)	34.8	39.6	36.7	37.2	33.9	37.2	48.3	52.9	55.0
10	Unemployment Rate	3.8%	4.8%	8.1%	9.0%	8.6%	8.0%	6.9%	6.5%	5.9%
11	Total Nonagricultural Employment (Thousands)	2,331.3	2,350.3	2,245.6	2,222.3	2,258.2	2,310.0	2,370.7	2,428.2	2,489.5
12	Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.3%	2.6%	2.4%	2.5%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	30.4	19.1	9.4	11.6	13.5	23.4	29.6	37.3	42.5
14	Change	-20.7%	-37.2%	-51.0%	23.9%	16.5%	73.2%	26.5%	25.9%	14.1%
15	Nonresidential Construction Value (Millions) /B	5,259.5	4,114.0	3,354.5	$3,146.7	$3,923.1	$3,669.7	$3,562.0	$3,703.2	$3,909.3
16	Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-6.5%	-2.9%	4.0%	5.6%
	Prices & Sales Variables									
17	Retail Trade (Billions) /C	$75.3	$74.8	$66.5	$70.5	$75.9	$80.0	$83.8	$88.4	$93.3
18	Change	6.9%	-0.7%	-11.1%	6.0%	7.7%	5.4%	4.8%	5.4%	5.6%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	202.0	209.9	208.5	212.4	220.3	224.6	230.5	236.1	242.3
20	Change	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.6%	2.4%	2.6%

/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. The 2012 personal income and wages and salaries amounts are estimates of forthcoming revisions to the data.

/B 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).

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

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

Line No.		Actual						September 2013 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,876.8	$14,833.6	$14,417.9	$14,779.4	$15,052.4	$15,470.7	$15,724.4	$16,101.8	$16,520.5
2	Change	1.8%	-0.3%	-2.8%	2.5%	1.8%	2.8%	1.6%	2.4%	2.6%
3	Personal Income (Billions) /B	$11,995.7	$12,430.6	$12,082.1	$12,435.2	$13,191.3	$13,743.8	$14,279.8	$14,965.2	$15,743.4
4	Change	5.3%	3.6%	-2.8%	2.9%	6.1%	4.2%	3.9%	4.8%	5.2%
5	Per-Capita Income ($/person)	$39,761	$40,817	$39,325	$40,143	$42,275	$43,731	$45,126	$46,913	$48,909
6	Change	4.3%	2.7%	-3.7%	2.1%	5.3%	3.4%	3.2%	4.0%	4.3%
	Population & Employment									
7	Population (Millions)	301.2	304.1	306.7	309.3	311.6	313.9	$316.4	$319.0	$321.9
8	Change	1.0%	1.0%	0.9%	0.8%	0.7%	0.7%	0.8%	0.8%	0.9%
9	Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.5%	7.0%	6.5%
10	Total Nonagricultural Employment (Millions)	137.6	136.9	130.9	129.9	131.5	133.7	135.9	138.1	140.6
11	Change	1.1%	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.6%	1.6%	1.8%
	Price Variables									
12	Consumer Price Index (1982-84=100)	207.3	215.3	214.5	218.1	224.9	229.6	233.2	238.2	244.0
13	Change	2.9%	3.8%	-0.4%	1.6%	3.1%	2.1%	1.6%	2.1%	2.5%
14	Producer Price Index - All Commodities (1982=100)	172.6	189.6	172.9	184.7	201.0	202.2	206.0	214.7	224.4
15	Change	4.8%	9.8%	-8.8%	6.8%	8.8%	0.6%	1.9%	4.2%	4.5%
	Other Key Indicators									
18	Corporate Profits (Billions)	1,529.0	1,285.1	1,392.6	1,740.6	$1,877.7	$2,009.5	$2,073.0	$2,186.7	$2,336.7
19	Change	-7.1%	-16.0%	8.4%	25.0%	7.9%	7.0%	3.2%	5.5%	6.9%
20	Housing Permits (Millions)	1.398	0.905	0.583	0.605	0.624	0.829	1.046	1.314	1.658
21	Change	-24.0%	-35.3%	-35.6%	3.7%	3.1%	32.9%	26.2%	25.6%	26.1%
22	Retail Trade (Billions)	$4,443.8	$4,402.5	$4,082.1	$4,307.9	$4,631.1	$4,881.4	$5,077.2	$5,306.1	$5,571.8
23	Change	3.4%	-0.9%	-7.3%	5.5%	7.5%	5.4%	4.0%	4.5%	5.0%

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

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

Governor's Revenue Estimating Advisory Committee

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

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

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

COLORADO
It's our nature.

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APPENDIX C

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

and

STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Pagination reflects the original printed documents)

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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 2013 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 SEPTEMBER 2013 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 61% 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 SEPTEMBER 2013 REVENUE FORECAST."

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Population and Age Distribution

The following table provides population figures for Colorado and the United States since the 2000 census.

Population Estimates (as of July 1)

	Colorado		United States	
	Population (millions)	% Change	Population (millions)	% Change
2000	4.34		282.16	
2001	4.44	2.4%	284.97	1.0%
2002	4.50	1.4%	287.63	0.9%
2003	4.56	1.1%	290.11	0.9%
2004	4.61	1.2%	292.81	0.9%
2005	4.66	1.2%	295.52	0.9%
2006	4.75	1.8%	298.38	1.0%
2007	4.82	1.6%	301.23	1.0%
2008	4.90	1.7%	304.09	1.0%
2009	4.98	1.5%	306.77	0.9%
2010	5.05	1.5%	309.33	0.8%
2011	5.12	1.4%	311.59	0.7%
2012	5.19	1.4%	313.91	0.7%

Note: Figures for 2000 through 2011 are estimates. The U.S. 2012 count is an estimate, and the 2012 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 State's population and the population nationwide.

Age Distribution as of July 1, 2012

	Colorado		United States	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.24	24.0%	73.73	23.5%
18 to 24	0.50	9.6%	31.36	10.0%
25 to 44	1.46	28.2%	82.83	26.4%
45 to 64	1.37	26.4%	82.85	26.4%
65+	0.61	11.8%	43.15	13.7%
Total	5.19	100.0%	313.91	100.0%
Median Age	36.4		37.4	

Note: Totals may not add due to rounding.
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
2008	$44,180		$39,469		$40,947	
2009	$41,154	-6.8%	$36,675	-7.1%	$38,637	-5.6%
2010	$42,107	2.3%	$37,532	2.3%	$39,791	3.0%
2011	$44,053	4.6%	$39,249	4.6%	$41,560	4.4%
2012	$45,135	2.5%	$40,321	2.7%	$42,693	2.7%

[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 total employment, labor force, and unemployment statistics for the State.

Civilian Labor Force, Total Employment, and Unemployment Rates

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate: Colorado	Annual Average Unemployment Rate: United States
2008	2,731.1		2,599.7		4.8%	5.8%
2009	2,732.8	0.1%	2,511.2	-3.4%	8.1%	9.3%
2010	2,720.5	-0.4%	2,475.8	-1.4%	9.0%	9.6%
2011	2,723.1	0.1%	2,490.0	0.6%	8.6%	8.9%
2012	2,743.3	0.7%	2,523.5	1.3%	8.0%	8.1%
Year-to-date averages through May:						
2012	2,725.4		2,496.6		8.4%	8.3%
2013	2,748.6	0.9%	2,550.2	2.1%	7.2%	7.7%

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

The following table shows Colorado employment by industry from 2008 to fourth quarter 2012. 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 Number of Employees by Industry

Industry	2008	2009	2010	2011	2012	Most Recent Quarter: 2011Q4	Most Recent Quarter: 2012Q4	Most Recent Quarter: % Change
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	14,087	13,737	13,670	14,015	14,513	13,808	13,709	-0.7%
Mining	28,335	24,004	24,232	27,789	30,225	29,584	30,017	1.5%
Utilities	8,221	8,404	8,266	8,138	8,037	8,115	7,959	-1.9%
Construction	161,814	131,001	115,111	112,232	115,753	114,826	120,784	5.2%
Manufacturing	144,157	129,635	125,499	129,165	131,978	130,614	133,109	1.9%
Wholesale Trade	100,144	93,275	90,853	92,192	94,262	93,001	95,881	3.1%
Retail Trade	252,691	238,417	236,726	239,985	243,699	246,693	251,499	1.9%
Transportation and Warehousing	63,635	59,072	57,134	57,863	59,850	59,048	62,204	5.3%
Information	76,963	74,679	71,694	71,950	69,733	71,946	69,569	-3.3%
Finance and Insurance	104,926	100,856	98,229	98,056	99,754	98,575	101,331	2.8%
Real Estate and Rental and Leasing	46,874	42,930	41,348	41,194	41,895	41,390	42,399	2.4%
Professional and Technical Services	176,440	169,561	167,505	172,096	178,313	174,700	182,057	4.2%
Management of Companies and Enterprises	28,652	28,550	28,818	29,914	31,761	30,131	32,344	7.3%
Administrative and Waste Services	146,446	132,028	133,522	137,331	145,383	139,404	149,517	7.3%
Educational Services	27,701	28,049	28,979	30,145	31,494	31,278	32,010	2.3%
Health Care and Social Assistance	219,879	225,933	232,262	239,967	246,951	243,420	250,886	3.1%
Arts, Entertainment, and Recreation	45,656	44,555	44,621	45,564	46,704	43,193	44,513	3.1%
Accommodation and Food Services	227,251	217,785	217,976	225,702	232,875	224,452	232,399	3.5%
Other Services	68,503	65,701	65,278	66,134	67,988	65,966	68,352	3.6%
Unclassified	779	761	434	492	745	659	754	14.4%
Government	367,712	372,472	374,911	373,154	374,628	375,935	379,108	0.8%
Total*	**2,310,868**	**2,201,406**	**2,177,069**	**2,213,075**	**2,266,539**	**2,236,737**	**2,300,401**	**2.8%**

*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 as of May 2013. 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 (2013)

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	25,200
The Kroger Co. (King Soopers/City Market)	Supermarkets	20,300
Centura Health	Healthcare	12,500
University of Colorado Health[2]	Healthcare	10,500
HCA - HealthONE LLC	Healthcare	10,300
SCL Health System	Healthcare	9,300
Safeway Inc	Supermarkets	9,100
Lockheed Martin	Aerospace & Defense Related Systems	8,800
Target Coporation	General Merchandise	7,200
CenturyLink	Telecommunications	6,800
Home Depot	Building Materials Retailer	6,800
Wells Fargo	Banking/Financial Services	6,200
Kaiser Permanente	Health Maintenance Organization	6,200
University of Denver	Private University	6,000
Vail Resorts	Leisure & Hospitality	6,000
Comcast Corporation	Telecommunications	5,500
Children's Hospital Colorado	Healthcare	5,000
United Airlines	Air Transportation	4,900
JBS Swift & Company	Beef Processing/Corporate Office	4,500
DISH Network LLC	Satellite TV & Equipment	4,400
Oracle Corporation	Software & Network Computer Systems	4,400
Banner Health	Healthcare	4,300
IBM Corporation	Computer Systems & Services	4,200
Xcel Energy	Utility	3,800
Lowe's	Building Materials Retailer	3,700

[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 2013.

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The following table shows the largest public sector employers in Colorado as of 2012.

Estimated Largest Public Sector Employers in Colorado (2012)

Employer	Estimated Employees[1]
Federal Government (except USPS)	44,100
State of Colorado	38,000
University of Colorado System[2]	16,900
Denver Public Schools	13,100
Jefferson County Public Schools	11,300
City & County of Denver	10,800
U.S. Postal Service	10,500
Cherry Creek School District No 5	7,500
Colorado State University	6,900
Douglas County School District RE-1	6,800
Denver Health	5,700
Adams 12 Five Star Schools	4,900
Colorado Springs School District 11	4,500
Boulder Valley School District RE-2	4,200
Colorado Springs Memorial Hospital	4,100
Aurora Public Schools	4,000
Poudre School District R-1	4,000
St. Vrain Valley School District RE-1J	3,800
City of Aurora	3,300
Academy Schools District No 20	3,300
Mesa County Valley School District 51	3,000
Jefferson County	2,800
City of Colorado Springs	2,500
Regional Transportation District (RTD)	2,500
Thompson School District R2J	2,400

[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 2013.

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
2008	$212.88		$152.81	
2009	$184.56	-13.3%	$134.17	-12.2%
2010	$199.62	8.2%	$144.85	8.0%
2011	$213.62	7.0%	$155.05	7.0%
2012	$222.43	4.1%	$163.07	5.2%
Year-to-date totals through March:				
2012	$48.78		$37.59	
2013	$49.80	2.1%	$38.35	2.0%

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

											Year-to-date totals through March		
Industry	**2008**	**% Change**	**2009**	**% Change**	**2010**	**% Change**	**2011**	**% Change**	**2012**	**% Change**	**2012**	**2013**	**% Change**
Agriculture/Forestry/Fishing	303.8	-10.9%	283.6	-6.7%	336.3	18.6%	411.7	22.4%	394.1	-4.3%	53.8	53.2	-1.1%
Mining	3,414.2	15.5%	2,226.4	-34.8%	2,531.7	13.7%	3,111.7	22.9%	3,748.1	20.5%	875.4	896.0	2.4%
Utilities	7,094.1	12.4%	6,706.0	-5.5%	10,370.1	54.6%	7,353.2	-29.1%	7,386.4	0.5%	2,058.0	2,032.7	-1.2%
Construction	3,770.0	2.3%	2,807.3	-25.5%	2,756.3	-1.8%	2,829.3	2.6%	3,219.2	13.8%	609.7	628.0	3.0%
Manufacturing	11,757.8	3.1%	9,217.6	-21.6%	10,423.9	13.1%	15,909.3	52.6%	17,929.5	12.7%	3,926.3	4,048.6	3.1%
Wholesale Trade	14,491.1	0.0%	11,891.4	-17.9%	12,422.0	4.5%	13,084.9	5.3%	13,859.8	5.9%	2,849.1	2,761.5	-3.1%
Retail Trade													
Motor Vehicle and Auto Parts	12,156.8	-14.3%	10,255.3	-15.6%	11,293.5	10.1%	12,986.8	15.0%	14,393.1	10.8%	3,340.5	3,446.8	3.2%
Furniture and Furnishings	2,353.2	-8.6%	1,893.8	-19.5%	1,900.9	0.4%	2,049.0	7.8%	2,250.5	9.8%	519.0	545.8	5.2%
Electronics and Appliances	2,244.0	-2.6%	1,984.5	-11.6%	2,118.6	6.8%	2,224.2	5.0%	2,105.8	-5.3%	490.5	456.1	-7.0%
Building Materials/Nurseries	5,281.0	-8.4%	4,200.7	-20.5%	4,388.6	4.5%	4,515.0	2.9%	4,789.9	6.1%	944.1	1,020.1	8.0%
Food/Beverage Stores	12,927.4	6.9%	12,557.6	-2.9%	13,363.7	6.4%	14,433.2	8.0%	15,185.7	5.2%	3,466.3	3,591.2	3.6%
Health and Personal Care	2,268.8	6.1%	2,350.2	3.6%	2,529.7	7.6%	2,712.1	7.2%	2,709.3	-0.1%	673.1	693.8	3.1%
Gas Stations	5,764.6	10.2%	4,002.1	-30.6%	4,693.2	17.3%	5,778.1	23.1%	5,962.7	3.2%	1,358.1	1,319.7	-2.8%
Clothing and Accessories	3,108.1	-2.4%	2,892.9	-6.9%	3,118.0	7.8%	3,337.4	7.0%	3,481.2	4.3%	777.5	794.5	2.2%
Sporting/Hobby/Books/Music	2,579.4	-4.2%	2,367.6	-8.2%	2,487.1	5.0%	2,680.6	7.8%	2,668.8	-0.4%	650.8	703.5	8.1%
General Merchandise/Warehous	11,334.9	3.1%	10,973.6	-3.2%	11,091.0	1.1%	11,722.3	5.7%	12,160.3	3.7%	2,736.2	2,790.5	2.0%
Misc Store Retailers	2,364.4	-3.5%	2,204.6	-6.8%	2,448.6	11.1%	2,938.6	20.0%	3,437.9	17.0%	659.6	759.9	15.2%
Non-Store Retailers	4,299.7	15.7%	2,794.2	-35.0%	2,337.7	-16.3%	1,550.2	-33.7%	1,516.5	-2.2%	376.4	371.5	-1.3%
Total Retail Trade	**66,682.2**	**-1.0%**	**58,477.1**	**-12.3%**	**61,770.6**	**5.6%**	**66,927.5**	**8.3%**	**70,661.7**	**5.6%**	**15,992.1**	**16,493.4**	**3.1%**
Transportation/Warehouse	756.2	-8.8%	585.7	-22.5%	528.9	-9.7%	593.1	12.1%	662.3	11.7%	149.4	175.1	17.2%
Information	6,983.6	12.1%	7,044.4	0.9%	6,889.0	-2.2%	6,321.8	-8.2%	6,258.9	-1.0%	1,494.3	1,400.7	-6.3%
Finance/Insurance	3,085.9	34.2%	2,845.4	-7.8%	3,207.3	12.7%	3,085.9	-3.8%	3,252.4	5.4%	776.6	782.2	0.7%
Real Estate/Rental/Lease	3,607.7	-1.1%	2,903.0	-19.5%	2,916.5	0.5%	3,154.3	8.2%	3,207.7	1.7%	831.8	859.7	3.4%
Professional/Scientific/Technical	6,861.0	3.6%	6,059.6	-11.7%	6,553.9	8.2%	6,768.8	3.3%	6,448.5	-4.7%	1,479.5	1,482.8	0.2%
Admin/Support/Waste/Remediatio	1,955.5	12.0%	1,794.7	-8.2%	1,823.3	1.6%	1,882.7	3.3%	1,832.0	-2.7%	400.6	423.9	5.8%
Education	461.6	8.6%	421.8	-8.6%	480.0	13.8%	487.1	1.5%	443.1	-9.0%	121.9	108.9	-10.7%
Health Care/Social Assistance	5,275.3	15.6%	5,740.5	8.8%	6,000.4	4.5%	6,222.6	3.7%	6,265.2	0.7%	1,605.1	1,681.0	4.7%
Arts/Entertainment/Recreation	971.5	2.0%	903.8	-7.0%	955.8	5.8%	987.2	3.3%	1,016.0	2.9%	265.3	279.2	5.2%
Accommodation	3,033.8	4.4%	2,566.9	-15.4%	2,719.2	5.9%	3,014.9	10.9%	3,161.5	4.9%	802.6	863.3	7.6%
Food/Drinking Services	8,229.0	2.3%	7,976.5	-3.1%	8,333.8	4.5%	8,876.4	6.5%	9,327.5	5.1%	2,304.5	2,389.1	3.7%
Other Services	3,825.2	0.0%	3,472.6	-9.2%	3,565.9	2.7%	3,763.6	5.5%	3,750.9	-0.3%	939.6	930.9	-0.9%
Government	249.6	-16.6%	242.5	-2.8%	262.4	8.2%	268.2	2.2%	243.0	-9.4%	55.2	57.3	3.8%
Total All Industries	**152,809.2**	**2.6%**	**134,166.8**	**-12.2%**	**144,847.3**	**8.0%**	**155,054.2**	**7.0%**	**163,067.8**	**5.2%**	**37,590.8**	**38,347.5**	**2.0%**

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]**						**Skier Visits[3]**	
			Conventions		*Delegates*		*Spending*			
	Number (millions)	**% Change**	**Number**	**% Change**	**Number (thousands)**	**% Change**	**Amount (millions)**	**% Change**	**Number (millions)**	**% Change**
2008	5.45		75		293.4		$584.5		12.54	
2009	5.51	1.1%	66	-12.0%	244.7	-16.6%	$487.4	-16.6%	11.86	-5.5%
2010	5.70	3.4%	75	13.6%	267.6	9.4%	$533.1	9.4%	11.86	0.1%
2011	5.89	3.3%	82	9.3%	283.2	5.8%	$564.2	5.8%	12.28	3.5%
2012	5.90	0.3%	98	19.5%	266.1	-6.0%	$530.1	-6.0%	11.02	-10.3%

[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 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
2008	11,147	290	181	7,380	18,998	
2009	7,261	142	93	1,859	9,355	-50.8%
2010	8,790	276	136	2,389	11,591	23.9%
2011	8,723	266	127	4,386	13,502	16.5%
2012	12,617	304	97	10,283	23,301	72.6%
Year-to-date totals through April:						
2012	3,398	78	49	2,477	6,002	
2013	5,011	98	8	3,382	8,499	
% change	*47.5%*	*25.6%*	*-83.7%*	*36.5%*	*41.6%*	

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
2008	39,333		21,306	
2009	46,394	18.0%	20,437	-4.1%
2010	42,692	-8.0%	23,891	16.9%
2011	31,975	-25.1%	19,617	-17.9%
2012	28,579	-10.6%	15,903	-18.9%
Year-to-date totals through first quarter:				
2012	7,785		4,221	
2013	4,571	-41.3%	2,935	-30.5%

[1]Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Note: Various foreclosure moratoria were enacted in late 2008 and early 2009. As a result, filing and sales activity during those periods may appear inconsistent with activity in other periods. Over-the-year percentage changes should be interpreted with caution.
Source: Colorado Division of Housing.

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APPENDIX E

STATE PENSION SYSTEM

The information included in this Appendix relies on information compiled and presented in the Public Employees' Retirement Association ("PERA") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2012 (the "PERA 2012 CAFR"). The PERA CAFR is prepared by PERA staff employees and the firm Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and is audited by KPMG, LLP, PERA's independent public accounting firm. The valuation and other assessments of PERA constitute forward-looking information as described in the inside cover of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuation and assessment 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.

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 "Plan." As described in more detail under the caption "Funding and Contributions" below, the Plan is funded with payments made by the State and by each employee, the amount of which are determined and established by statute. Benefits provided through the Plan are paid from the State Division. State employees hired after 2005 may, in lieu of participating in the Plan, elect to participate in a defined contribution plan (the "DC Plan") which is also administered by PERA. However, the majority of State employees participate in the Plan. See Notes 1 and 8 to the PERA 2012 CAFR for a discussion of the membership in the Plan and in the DC Plan, respectively. The State has no obligation to make contributions or fund benefits in divisions other than the State Division and Judicial Division of PERA. Because the majority of State employees participate in the Plan and not in the 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 Plan. See Note 20 to both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement and Note 8 to the PERA 2012 CAFR for a discussion of the DC Plan. The information in the State's Fiscal Year 2011-12 CAFR is based on PERA's Comprehensive Annual Financial Report for calendar year 2011. However, the information in this Appendix, as well as the information in the State's Fiscal Year 2012-13 Unaudited BFS, is based on the PERA 2012 CAFR.

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 the website of PERA is included herein for informational purposes only, and information available at such website or in PERA's financial statements, or any information provided by PERA, is not incorporated in this Official Statement by reference or otherwise. The State makes no representations regarding the accuracy of the information available at such website.

Plan Provisions

In response to funding challenges, the General Assembly has enacted changes to 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 both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement, the PERA 2012 CAFR and Title 24, Article 51, C.R.S., for a discussion of the various tiers of benefits under the Plan.

Funding and Contributions

Statutorily Required Contribution. The State's contributions to the Plan are based on percentages of employee wages, which percentages are set by statute. Such contribution percentages are referred to herein as the "Statutorily Required Contribution," or the "SRC," of the State. The baseline SRC that is made by the State for most State employees is 10.15% of each employee's salary for Fiscal Years 2009-10 and 2010-11. As discussed under "Annual Required Contribution" below, the SRC is lower than the actuarially computed Annual Required Contribution ("ARC"). The State has paid 100% of the SRC for each of Fiscal Years 2007-08 through 2012-13. See Note 18 to both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement for a summary of the SRC percentages payable by, and percentage amounts paid by, the State for such Fiscal Years. As required by statute, State employees generally contribute 8.0% of their wages to the Plan; however, 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 replaced a 2.5% reduction in the State contribution for such 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 2.5% as part of the SRC. No assurance can be given regarding whether the General Assembly, through legislative action, will or will not further modify the amounts required to be contributed to the Plan by the State and its employees in any given year.

The State enacted legislation in 2004 and 2006 to gradually increase employer contributions to the Plan by authorizing the Amortization Equalization Disbursement (the "AED") and the Supplemental Amortization Equalization Disbursement (the "SAED") to reduce the amount of time over which funding shortfalls in the Plan would remain outstanding. Both the AED and SAED are paid by the State as contributions to the Plan, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. When and if the scheduled increases in AED and SAED are fully implemented at the end of 2017, the total State contribution to the Plan will be equal to 20.15% of employee wages. See Note 18 to both the State's Fiscal Year 2011-12 CAFR and the State's Fiscal Year 2012-13 Unaudited BFS appended to this Official Statement for a discussion of the AED and SAED.

Annual Required Contribution. The Annual Required Contribution, or "ARC," is the amount required if the State were to fund each year's normal cost (*i.e.*, the present value of the benefits that the Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the Plan plus an annual amortization of the unfunded actuarial accrued liability ("UAAL"), assuming that the UAAL will be fully funded over a 30-year period. The ARC is designed to quantify the current liability for future benefit payments associated with a defined benefit plan, and is based on accounting standards which generally allow a maximum period of 30 years to fund shortfalls in the market or actuarial value of the Plan's assets. As a result, the ARC is greater than the SRC because it results in a 30-year amortization period of the UAAL instead of a 53-year amortization period (at December 31, 2012, based on contribution rates as of the date of calculation). The ARC amount varies from year-to-year as the investment market changes and the value of Plan assets changes, and is different from the SRC which, as described above, is set by statute and changed only when the General Assembly determines that the SRC will result in overfunding or underfunding of the Plan over the long term. As shown in Table 1 below, the State consistently makes the SRC, but in recent years it has not contributed the ARC.

Historical State Contributions. The following table shows (i) the ARC and SRC for the Plan over each of the ten years through December 31, 2012, (ii) the State's contributions expressed as a percentage of the ARC and (iii) the difference between the ARC and the State's actual contributions.

Table 1
Employer Contributions
State and School Division 2003 through 2005; State Division 2006 through 2012
(Dollar amounts in thousands)

Plan [1]	Calendar Year	Annual Required Contribution (ARC) [2]	Statutory Required Contribution (SRC) [3]	Actual Employer Contribution	Actual Contribution as a Percent of ARC	Amount Unfunded ARC-Actual Employer Contribution
State Division	2012	$393,991	$335,073 [4]	$335,073	83.00%	$58,918
State Division	2011	326,274	283,222 [5]	283,222	86.81 [6]	43,052
State Division	2010	452,821	287,624 [7]	287,624	63.52	165,197
State Division	2009	426,999	297,240	297,240	69.61	129,759
State Division	2008	437,537	270,353	270,353	61.79	167,184
State Division	2007	385,352	232,997	232,997	60.46	152,355
State Division	2006	405,800	208,795	208,795	51.45	197,005
State and School Division	2005	918,466	491,031	491,031	53.46	427,435
State and School Division	2004	918,025	452,991	452,991	49.34	465,034
State and School Division	2003	571,156	387,920	387,920	67.92	183,236

1 Prior to 2006 the State Division and School Division of PERA were combined and actuarial valuations were not done separately for the State or for schools.

2 In accordance with GAAP, results in amortization of UAAL over 30 years. Based on annual actuarial valuation two years prior to the calendar year shown.

3 The SRC for the State Division is higher for State troopers than for other State employees. However, the number of State troopers employed by the State is small in comparison to the number of other State employees, so the State contribution for these employees is combined with other State Division employees in this table.

4 Results in amortization of UAAL over 53 years as of December 31, 2012, based upon an investment return assumption of 8%. The PERA 2012 CAFR also calculates the ARC and UAAL based upon different assumed interest rates.

5 Results in amortization of UAAL over 56 years as of December 31, 2011.

6 Increase in percentage contributed over 2010 is primarily related to changes required by SB 10-001.

7 Results in amortization of UAAL over 47 years as of December 31, 2010.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010, 2011 and 2012

Plan Assets, Liabilities and Funding Levels

At December 31, 2012, based on PERA's 2012 CAFR, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were approximately $12.5 billion and $21.2 billion, respectively, resulting in a UAAL of approximately $8.6 billion and a funded ratio of 59.2%, assuming an investment rate of return of 8%. The UAAL would amortize over a 53-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC). The actuarial value of assets for the 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 Plan assets as a result of economic and market conditions is not reflected in the funded ratio of 59.2%. At December 31, 2012, the funded ratio of the Plan based on the market value of assets was 60.2%, representing a UAAL of $8.4 billion. Table 2 below sets forth for each of the ten years through December 31, 2012, the UAAL, funded ratio and related information for the Plan based on the actuarial value of Plan assets. Table 3 below sets forth for each of the ten years through December 31, 2012, the UAAL, funded ratio and related information for the Plan based on the market value of Plan assets.

When calculating the funding status of the Plan as summarized in Table 2 below, the PERA 2012 CAFR indicates that the following actuarial assumptions, among others, were used: (1) the actuarial cost method is based on the entry age of participants; (2) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (3) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period; (4) projected salary increases are expected to range from 4.25% to 9.92%; (5) the rate of inflation is assumed to be 3.50% and the rate of productivity increase is 0.75%; however, both are included in the assumed 8.00% rate of investment return and in the projected salary increases; (6) an 8.00% assumed rate of return on investments; and (7) cost of living adjustments are assumed to be 2.00% per year. The PERA 2012 CAFR also calculates the ARC and UAAL based upon different assumed rates of interest. See Notes 10 and 11 to the PERA 2012 CAFR for a discussion of the actuarial methods and assumptions used in calculating the funding status of the Plan. No assurance can be given that any of the assumptions underlying the actuarial valuations of the 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 AAL, the UAAL, the funded ratio or the ARC.

Table 2
Historical Funding Progress
Actuarial Value of Plan Assets
State and School Division 2003 and 2004; State Division 2005 through 2012
(Dollar Amounts in Thousands)

Plan[1]	Date Ending December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
State Division	2012	$12,538,675	$21,191,495	$ 8,652,820	59.2%	$2,384,934	362.8%
State Division	2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3
State Division	2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
State Division	2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
State Division	2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
State Division	2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1
State Division	2006	13,327,290	18,246,010	4,918,720	73.0	2,099,325	234.3
State Division	2005	12,536,916	17,541,744	5,004,828	71.5	2,064,764	242.4
State and School Division	2004	28,594,699	40,783,531	12,188,832	70.1	5,303,439	229.8
State and School Division	2003	28,522,222	37,914,502	9,392,280	75.2	5,140,918	182.7

[1] Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for Schools.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005, 2010, 2011 and 2012

Table 3
Historical Funding Progress
Market Value of Plan Assets
State and School Division 2003 through 2005; State Division 2006 through 2012
(Dollar Amounts in Thousands)

Plan[1]	Valuation Date (December 31)	Market Value of Assets[2]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as a Percentage of Employer Payroll
State Division	2012	$12,766,459	$21,191,495	$ 8,425,036	60.2%	$2,384,934	362.8%
State Division	2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7
State Division	2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
State Division	2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
State Division	2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
State Division	2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9
State Division	2006	14,041,260	18,264,010	4,222,750	76.9	2,099,325	201.1
State and School Division	2005	31,956,662	43,505,716	11,549,054	73.5	5,305,978	217.7
State and School Division	2004	30,019,896	40,783,531	10,763,635	73.6	5,303,439	203.0
State and School Division	2003	27,123,836	37,914,502	10,790,666	71.5	5,140,918	209.9

[1] Prior to 2006 the State and School Divisions of PERA were combined as one division and actuarial valuations were not done separately for the State or for schools.

[2] Market Value of Assets is net of related current liabilities at the financial statement date and equals net assets held in trust for beneficiaries.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2003 through 2012

The following table sets forth PERA's change in net position for Fiscal Years 2003 through 2012.

Table 4
PERA Changes in Net Position[1]
(Dollar Amounts in Thousands)

State and School Division Trust Fund[2]	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
ADDITIONS										
Employer contributions	$ 387,920	$ 452,997	$ 491,031	$ 208,795	$ 232,997	$ 270,353	$ 297,240	$ 287,624	$ 283,222	$ 335,073
Member contributions	405,715	411,376	425,657	169,965	179,971	191,481	194,168	223,240	258,678	227,058
Purchased service	695,516	192,033	212,971	39,480	8,259	13,315	8,830	12,496	11,277	16,358
Investment income (loss)	5,203,073	3,663,632	2,827,871	1,921,863	1,388,265	(3,745,843)	1,742,571	1,553,142	232,669	1,511,244
Other	3	30	(9)	1	4	7	3	1	331	150
Total additions	6,692,227	4,720,068	3,957,521	2,340,104	1,809,496	(3,270,687)	2,242,812	2,076,503	786,177	2,089,883
DEDUCTIONS										
Benefit payments	1,469,343	1,677,417	1,872,565	849,229	925,761	999,279	1,071,725	1,122,435	1,174.707	1,231,922
Refunds	99,039	108,136	114,968	65,911	56,578	56,716	58,416	68,844	70,090	69,221
Disability insurance premiums	3,592	4,186	4,038	1,772	1,833	1,794	2,004	1,661	1,685	1,570
Administrative expenses	19,750	20,949	18,811	7,889	6,963	8,639	8,729	8,942	8,685	8,568
Other	448	13,320	10,373	3,103	7,592	6,613	(1,519)	(726)	(4,546)	3,911
Total deductions	1,592,172	1,824,008	2,020,755	927,904	998,727	1,073,041	1,139,355	1,201,156	1,250,621	1,315,192
Change in net position available	5,100,055	2,896,060	1,936,766	1,412,200	810,769	(4,343,728)	1,103,457	875,347	(464,444)	774,691
Net position at beginning of year	22,023,781	27,123,836	30,019,896	12,629,060	14,041,260	14,852,029	10,508,301	11,611.758	12,487,105	12,022,661
Net position at end of year	$27,123,836	$30,019,896	$31,956,662	$14,041,260	$14,852,029	$10,508,301	$11,611,758	$12,487,105	$12,022,661	$12,797,352

[1] The above table is presented on a cash basis.

[2] The State and School Division Trust Funds merged on July 1, 1997, and separated on January 1, 2006.

Source: PERA Comprehensive Annual Financial Report for calendar year 2012

Investment of 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 and the Investment Section of the PERA 2012 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Current Litigation Affecting the PERA Act

The State, PERA and others are defendants in a class action lawsuit brought 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 "Plan Assets, Liabilities and Funding Levels" above. In June 2010, the District Court granted summary judgment in favor of the defendants and the plaintiffs appealed. In October 2012 the Colorado Court of Appeals reversed the District Court decision finding the plaintiffs have a contractual right to the cost of living adjustment increases, and remanded the case back to the District Court to determine if the reduction was a substantial impairment and whether the reduction was reasonable and necessary to serve a significant and legitimate public purpose. In November 2012 both the plaintiff and defendants filed appeals to the Colorado Supreme Court regarding the decision of the Court of Appeals.

PERA is a defendant in a legal proceeding brought in late 2012 by the Memorial Health System and the City of Colorado Springs concerning the sale of the System and the City's withdrawal liability from PERA. PERA estimates Memorial's share of the unfunded liability is between $200 and $250 million.

See Note 7 to the PERA 2012 CAFR for a discussion of this litigation.

Effect of Pension Liability on the Series 2013B Notes

The Series 2013B Notes are short-term obligations maturing on June 27, 2014, 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, 2014, as repayment of their Program Loans and a portion of the proceeds of the Series 2013B Notes deposited to the Series 2013-14 Notes Repayment Account as discussed in "THE SERIES 2013B NOTES – Security and Sources of Payment." Therefore, the State's current pension liability or any change in the State's pension liability is not expected to adversely affect the State's ability to fully pay the Series 2013B Notes. For a discussion of the State's current pension liability, see "Management's Discussion and Analysis" in the Financial Section of the State's Fiscal Year 2011-12 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions." However, no assurance can be given that the assumptions underlying the State's current plan to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement.

* * *

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 2013B 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 2013B Notes, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2013B Notes or (v) any other related matter.

DTC will act as securities depository for the Series 2013B Notes. The Series 2013B 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 2013B Note certificate will be issued for the Series 2013B Notes, in the aggregate principal amount thereof, and will be 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 2013B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013B 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 2013B 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 2013B Notes except in the event that use of the book-entry system for the Series 2013B Notes is discontinued.

To facilitate subsequent transfers, all Series 2013B 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 2013B 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 2013B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013B 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 2013B Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013B Notes, such as redemptions, defaults and proposed amendments to the Authorizing Resolution. For example, Beneficial Owners of Series 2013B Notes may wish to ascertain that the nominee holding the Series 2013B 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 2013B 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 2013B Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2013B 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 2013B 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 2013B 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 2013B Note certificates are required to be printed and delivered to the appropriate registered owners of the Series 2013B 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 2013B Notes. In that event, Series 2013B 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

Morgan Stanley & Co. LLC

$210,000,000
State of Colorado
Education Loan Program Tax and Revenue Anticipation Notes
Series 2013B

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 2013B," in the aggregate principal amount of $210,000,000 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 December 19, 2013, 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 2013-14 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 2013-14 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,

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