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 2014B 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 2014B 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."

$245,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM
TAX AND REVENUE ANTICIPATION NOTES
SERIES 2014B

Dated: Date of Delivery **Maturity Date: June 29, 2015**

The proceeds of the Series 2014B 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, 2015, and (ii) pay the costs of issuing the Series 2014B Notes.

The Series 2014B 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 2014B Notes. Beneficial Ownership Interests in the Series 2014B 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 2014B 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 2014B Notes, at the rate per annum specified below, is payable on the maturity date of the Series 2014B Notes specified above. The Series 2014B Notes are *not* subject to redemption prior to maturity.

Principal Amount	Interest Rate	Price	Reoffering Yield	CUSIP No.*
$245,000,000	1.750%	100.798%	0.097%	19672M BM9

The Series 2014B 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 2014B Notes will be payable from amounts deposited by the State Treasurer upon issuance of the Series 2014B Notes in the Series 2014-15 Notes Repayment Account; and the principal of the Series 2014B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2015, as payment of their Program Loans and, if necessary, from certain State funds, all as described herein. The Series 2014B Notes are secured on parity with the previously issued State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2014A, which are currently outstanding in the aggregate principal amount of $165,000,000. The Series 2014B 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 2014B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2014B Notes.

An investment in the Series 2014B 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 2014B Notes are offered when, as and if issued by the State, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Certain legal matters will be passed upon for the State by the Attorney General of the State, and by Dinsmore & Shohl LLP, Denver, Colorado, as special counsel to the State. The Series 2014B Notes are expected to be delivered through the facilities of DTC on or about January 5, 2015.

Dated: December 22, 2014

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* 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 2014B Notes and only as of the issuance of the Series 2014B 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 2014B 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 2014B 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 2014B Notes and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2014B 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 2014 REVENUE FORECAST" and "APPENDIX E – STATE PENSION SYSTEM," contains statements relating to future results that are "forward looking statements." When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward looking statements. The achievement of certain results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. The State Treasurer does not plan to issue any updates or revisions to those forward looking statements if or when its expectations or events, conditions or circumstances on which these statements are based occur.

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* * *

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OFFICIAL STATEMENT

Relating to

$245,000,000
STATE OF COLORADO
EDUCATION LOAN PROGRAM TAX AND REVENUE ANTICIPATION NOTES
SERIES 2014B

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 $245,000,000 State of Colorado Education Loan Program Tax and Revenue Anticipation Notes, Series 2014B (the "Series 2014B 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 2014B 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 for the Series 2014B Notes dated December 16, 2014, including, without limitation, the interest rate, price, reoffering yield, CUSIP number and ratings of the Series 2014B Notes, as well as the original purchaser and the amount paid for the purchase of the Series 2014B 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 2014B Notes are being issued for the purpose of funding the Loan Program for the State's fiscal year ending June 30, 2015 ("Fiscal Year 2014-15"), and paying the costs of issuing the Series 2014B Notes, and are the first series of Notes being issued for funding the Loan Program for Fiscal Year 2014-15. The first installment of the Loan Program was funded on July 15, 2014, by the issuance of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2014A (the "Series 2014A Notes"), in the aggregate principal amount of $165,000,000, the net proceeds of which have been borrowed by 22 Participating Districts. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2014B NOTES PROCEEDS."

The net proceeds of the sale of the Series 2014B Notes will be deposited in the Series 2014B Education Loan Program Tax and Revenue Anticipation Notes Proceeds Account (the "Series 2014B Notes Proceeds Account") of the State's General Fund (the "General Fund") and used to make Program Loans to approximately 24 Participating Districts in order to alleviate actual temporary general fund cash flow deficits currently forecast by each Participating District during Fiscal Year 2014-15. 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 2015 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 2014B NOTES PROCEEDS – Program Loans – The Participating Districts," "DISTRICT RESOLUTIONS AND DISTRICT NOTES" and "SOURCE OF PAYMENT OF PROGRAM LOANS."

The Series 2014B Notes

Authorization. The Series 2014B 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 2014B NOTES – Authorization."

General Provisions. The Series 2014B Notes will be dated the date of issuance and delivery to the original purchasers thereof (the "Closing Date") and will mature on June 29, 2015 (the "Series 2014B Notes Maturity Date"). The Series 2014B Notes are not subject to redemption prior to the Series 2014B Notes Maturity Date. Interest on the Series 2014B 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 2014B Notes Maturity Date. See "THE SERIES 2014B NOTES – General Provisions."

Book-Entry Only System. The Series 2014B 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 2014B Notes. Ownership interests in the Series 2014B 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 2014B Notes by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2014B 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 2014B 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 2014B 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 2014B Notes:

- amounts received by the State Treasurer from the Participating Districts on or before June 25, 2015, as repayment of their Program Loans;
- amounts deposited to the "Series 2014-15 Education Loan Program Tax and Revenue Anticipation Notes Repayment Account" of the General Fund (the "Series 2014-15 Notes Repayment Account") as discussed in "THE SERIES 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 Notes Repayment Account*"; and
- any unexpended proceeds of the Series 2014A Notes, the Series 2014B 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 2014B 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 2014B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2014B NOTES PROCEEDS – The Series 2014B Notes Proceeds Account."

Interest on the Series 2014B 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 2014-15 Notes Repayment Account in an amount equal to the interest to accrue on the Series 2014B Notes from the Closing Date to the Series 2014B 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 2014-15 that is (i) subject to appropriation for Fiscal Year 2014-15 and (ii) not yet credited to the General Fund as of the Closing Date, but not including the proceeds of the Series 2014A Notes, the Series 2014B Notes, any Parity Lien Notes or of any other borrowing of the State.

Principal of the Series 2014B Notes will be payable from amounts received by the State Treasurer from the Participating Districts on or before June 25, 2015, 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 2014-15 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 2014-15, including, without limitation, the State of Colorado General Fund Tax and Revenue Anticipation Notes, Series 2014B (the "State Series 2014A General Fund Notes"), issued by the State Treasurer on July 15, 2014, in the principal amount of $500 million in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2014-15.

The Series 2014-15 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes. The Owners of the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2014-15 Notes Repayment Account and the moneys credited thereto.

The Series 2014B 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 2014B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2014B Notes.

See generally "THE SERIES 2014B 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 2014 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 2014B Notes and will deliver its opinion substantially in the form included in this Official Statement as "APPENDIX G – FORM OF OPINION OF BOND COUNSEL." Certain

legal matters will be passed upon for the State by the Attorney General of the State and by Dinsmore & Shohl LLP, Denver, Colorado, as special counsel to the State.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2014B 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 2014B 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 2014B Notes because the Series 2014B 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 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 Notes Repayment Account* – Covenants of the State" and "CONTINUING DISCLOSURE."

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

State Economic and Demographic Information

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

Additional Information

Brief descriptions of the Series 2014B Notes, the State Resolution, the Loan Program Statutes, the District Resolutions, the District Notes, the Participating Districts, the State and certain other statutes, reports, documents and instruments are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument. During the offering period, copies of the State Resolution and certain other documents referred to herein may be obtained from RBC Capital Markets, LLC (the "Financial Advisor"), 1801 California Street, Suite 3850, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222.

Investment Considerations

An investment in the Series 2014B 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 2014B Notes.

THE LOAN PROGRAM; APPLICATION OF SERIES 2014B 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 2014B Notes are being issued pursuant to this authorization. See also "THE SERIES 2014B NOTES – Authorization."

Application of Series 2014B Notes Proceeds

The proceeds of the Series 2014B Notes, net of amounts used to pay costs and expenses relating to the issuance and sale of the Series 2014B Notes, will be deposited in the Series 2014B 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 2014-15, 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 2014B Notes Proceeds Account

The State Resolution previously directed the State Controller to establish within the State's General Fund the Series 2014B Notes Proceeds Account, which is to be segregated from all other accounts in the General Fund. Moneys deposited in the Series 2014B 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 2014B Notes. The original purchasers of the Series 2014B 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 2014B Notes.

Moneys held in the Series 2014B 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 2014B 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 2014B Notes Proceeds Account; and investment earnings on moneys credited to the Series 2014B 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, 2015, on which date any remaining moneys credited to such Account are to be transferred to the Interest Subaccount of the Series 2014-15 Notes Repayment Account, after which the Series 2014B 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 2014-15. 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 2014B 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 2014A Notes and the Series 2014B Notes. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Summary Financial Information Regarding the Participating Districts."

THE SERIES 2014B NOTES

The following is a summary of certain provisions of the Series 2014B Notes during such time as the Series 2014B 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 2014B Notes, including provisions applicable upon discontinuance of participation in the DTC book-entry system.

Authorization

The Series 2014B 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 2014B NOTES PROCEEDS." The State Treasurer currently does not foresee the need to issue additional Parity Lien Notes in Fiscal Year 2014-15. See "Parity Lien Notes" under this caption.

General Provisions

The Series 2014B 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 2014B Notes. Beneficial Ownership Interests in the Series 2014B 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 2014B 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 2014B Notes mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

The Series 2014B Notes will be dated as of the Closing Date, mature on the Series 2014B 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 2014B Notes will accrue from the Closing Date and will be payable on the Series 2014B Notes Maturity Date. The principal of and interest on the Series 2014B Notes will be payable by the State Treasurer, as paying agent for the Series 2014B Notes (the "Paying Agent"), to Cede & Co., as the Owner of the Series 2014B Notes, for subsequent credit to the accounts of the Beneficial Owners. See "APPENDIX F – DTC

BOOK-ENTRY SYSTEM." Interest on the Series 2014B Notes will cease to accrue on the Series 2014B 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 2014B 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 2014B 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 2014B Notes, (iv) any consent given or other action taken by DTC or its nominee as the Owner of Series 2014B Notes or (v) any other related matter.

No Redemption Prior to Maturity

The Series 2014B Notes are not subject to redemption prior to the Series 2014B Notes Maturity Date.

Security and Sources of Payment

The Series 2014B Notes are special, limited obligations of the State payable solely from the Pledged Revenues, on parity with the Series 2014A Notes and any additional Parity Lien Notes. The Series 2014B 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 2014B Notes may not look to any source other than the Pledged Revenues for payment of the Series 2014B 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, 2015, in repayment of their Program Loans; (ii) amounts deposited to the Series 2014-15 Notes Repayment Account as provided below; and (iii) any unexpended proceeds of the Series 2014A Notes, the Series 2014B 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 2014B Notes Proceeds Account on the Closing Date. See "THE LOAN PROGRAM; APPLICATION OF SERIES 2014B NOTES PROCEEDS – The Series 2014B Notes Proceeds Account."

The Series 2014-15 Notes Repayment Account. The State Resolution directs the State Controller to establish within the General Fund the Series 2014-15 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 2014-15 Notes Repayment Account and the Pledged Revenues are irrevocably pledged to the payment when due of the principal of and interest on the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes. The Owners of the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes will be equally and ratably secured by a first lien on the Series 2014-15 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 2014-15 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2014B Notes from the Closing Date to the Series 2014B Notes Maturity Date.

The State Resolution also requires the State Treasurer to credit to the Principal Subaccount of the Series 2014-15 Notes Repayment Account all amounts received from the Participating Districts on or before

June 25, 2015, in repayment of their Program Loans. However, if on June 26, 2015, the amount credited to the Principal Subaccount is less than the principal amount of the Series 2014A Notes, the Series 2014B 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 2014-15 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 2014-15, including, without limitation, the State Series 2014A 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 2014-15 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 2014-15 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 2014B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2015. 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 2014-15 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, 2015, 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 2014B 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 2014-15 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 2014B 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 2014-15 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 2014A Notes and the Series 2014B 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 2014B 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 2014B Notes is not made on the Series 2014B 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 2014B 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 2014B Notes.

Upon the occurrence of any Event of Default, any Owner of the Series 2014B Notes may: (i) bring any suit, action or proceeding, at law or in equity, to collect sums due and owing on the Series 2014B Notes or to enforce and protect such Owner's rights under the State Resolution and the Series 2014B 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 2014B 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 2014B Notes may be accelerated as a consequence of any Event of Default.

If on the Maturity Date the moneys in the Series 2014-15 Notes Repayment Account are insufficient to pay the principal of and interest on the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes, the State Treasurer is to ratably apply the moneys in the Series 2014-15 Notes Repayment Account to the payment of the principal and interest then due and unpaid upon the Series 2014A Notes, the Series 2014B Notes and any Parity Lien Notes, without preference or priority of principal over interest or of interest over principal, or of any Series 2014A Note, Series 2014B Note or

Parity Lien Note over any other Series 2014A Note, Series 2014B 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 2014B Notes that, subject to further investment limitations established pursuant to the terms of the State Resolution, moneys in the Series 2014B Notes Proceeds Account and the Series 2014-15 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 2014B Notes, the proceeds thereof or other funds of the State if such action or omission: (i) would cause the interest on the Series 2014B 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 2014B 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 2014B 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 2014B 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 2014B 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 2014B Notes.

Limited Obligations

The Series 2014B 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 2014B Notes. The Series 2014B 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 2014B 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 2014B Notes. See "THE SERIES 2014B 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 2015. 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 2014B 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 2013 published by the Colorado Department of Local Affairs, Division of Property Taxation, statewide taxable assessed values decreased 5.3% between 2009 and 2010, from $97.8 billion to $92.7 billion, and decreased an additional 5.2% in 2011, to $87.8 billion. In 2012, statewide taxable assessed values increased by 1.8%, to $89.4 billion, followed by a decrease of 0.9% in 2013, to $88.6 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 2015 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 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2014-15 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 2014-15 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 2014-15 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 2014-15, including, without limitation, the State Series 2014A General Fund Notes issued by the State Treasurer on July 15, 2014. 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 2014-15 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 2014-15 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 2014B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2015. 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 22, 2014 (the "OSPB September 2014 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 2014 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 2014-15, it may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2014-15 Notes Repayment Account on June 25, 2015. 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 2014 REVENUE FORECAST."

The OSPB September 2014 Revenue Forecast projects that General Fund revenues in Fiscal Year 2014-15 will increase by $666.2 million, or 7.4%, over Fiscal Year 2013-14, and that General Fund revenues in Fiscal Year 2015-16 will increase by $616.3 million, or 6.4%, over Fiscal Year 2014-15. The OSPB further projects that (i) the State will end Fiscal Year 2014-15 with reserves of $232.6 million in excess of the Unappropriated Reserve requirement, all of which surplus under current law is to become part of the beginning reserve and funds available in Fiscal Year 2015-16, and (ii) the State will end Fiscal Year 2015-16 with no reserves in excess of the Unappropriated Reserve requirement. These figures are

based on revenue and budget information available when the OSPB September 2014 Revenue Forecast was completed and are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

The next OSPB revenue forecast will be released in December of 2014. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB September 2014 Revenue Forecast. If a revenue shortfall is projected for Fiscal Year 2014-15 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 2014-15 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2014-15 Notes Repayment Account on June 25, 2015. 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 2014 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 2014A Notes and the Series 2014B 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 2014B 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 2014A Notes and the Series 2014B 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 2014B NOTES – Authorization – Parity Lien Notes."

Loss of Tax Exemption

As discussed in "TAX MATTERS," the interest on the Series 2014B 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 2014B Notes.

DISTRICT RESOLUTIONS AND DISTRICT NOTES

The Board of Education of each Participating District that has requested the State Treasurer to issue the Series 2014B 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 2014B 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 2014-15, 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 2014-15. The District Note matures on June 25, 2015 (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 2014A Notes, the Series 2014B 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 2014B 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 2015 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 2014A Notes, the Series 2014B 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 2014B 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 2014B 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 2014-15; (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 2015 that are required to be credited to the Participating District's general fund. These in turn are comprised of the ad valorem property taxes that the Participating District is authorized to impose in accordance with the Public School Finance Act, plus certain permitted "override revenues," both of which are discussed in this section.

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

State Equalization Funding of School Districts

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

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

The constitutionality of the existing public school finance system has been subject to challenge on occasion, the most recent being a lawsuit (*Lobato v. State of Colorado*) brought in Denver District Court

against the State by several school districts, students and parents. In May of 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. A lawsuit was filed against the State in June of 2014 asserting generally that the General Assembly has failed to adequately fund the State's public school system as required by Amendment 23 to the State constitution (see "*Amendment 23*" hereafter). The potential impact on State finances if the suit is ultimately resolved against the State are not yet known. However, the State intends to vigorously defend the case. See also "INVESTMENT CONSIDERATIONS – Future Changes in Laws" and "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Current Litigation."

During the 2013 legislative session the General Assembly passed Senate Bill ("SB") 13-213, which creates a new public school finance act that substantially changes the current public school finance system. However, implementation of the new funding program is conditional upon passage by no later than November 2017 of a citizen-initiated Statewide ballot measure to increase State revenues for funding public education. Such an initiative was submitted to the State's voters at the State's general election held on November 5, 2013, but was defeated. Should a subsequent funding initiative be successful, various administrative provisions of the new program would take effect during the first budget year commencing after the election and the new funding formula and the distribution of State moneys under the provisions of the new program would take effect in the second budget year commencing after the election. The new funding program, if eventually implemented, will have no impact on the State's ability to pay the Series 2014B Notes.

Total Program Funding Formula. Funding to school districts is based on a per-pupil formula that calculates the Total Program. For each pupil funded in the October 1 pupil count, the formula provides a base per pupil amount of money, increased each year to account for inflation ($6,121.00 for Fiscal Year 2014-15), 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, and revised by HB 14-1251, at an amount of not less than $5,524,046,767. The final Statewide Total Program funding amount for Fiscal Year 2013-14, after application of the Negative Factor, was $5,526,933,750, constituting a Negative Factor of 15.42%.

The Statewide Total Program funding amount for Fiscal Year 2014-15, after application of the Negative Factor, was established by HB 14-1298 at an amount of not less than $5,929,709,852. The Statewide Total Program funding amount for Fiscal Year 2014-15, after application of the Negative Factor, currently is $5,933,444,389, constituting a Negative Factor of 13.15%.

The Public School Finance Act provides for a minimum level of Total Program funding for Fiscal Year 2014-15 of $6,660.79 ($7,669.31 before application of the Negative Factor) per traditional pupil, plus $6,410.40 ($7,381.00 before application of the Negative Factor) per on-line pupil. 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 was restored beginning with property tax bills payable in 2013.

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

The Board of County Commissioners is required to certify to the County Assessor the levy for all taxing entities within the county by December 22nd of each year. If such certification is not made, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the County Treasurer.

Property Tax Collections. Property taxes levied in one year are collected in the succeeding year. Thus, taxes levied in 2014 will be collected in 2015. Taxes are due on January 1st in the year of

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

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

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

Taxpayer's Bill of Rights

Article X, Section 20 of the State Constitution limits the ability of the State and its local governments, such as school districts, to increase revenues, debt and spending and restricts property, income and other taxes. Generally, TABOR limits most percentage increases in spending and property tax revenues to the prior year's amounts, adjusted for inflation, local growth and voter approved changes. Local growth for school districts is defined as the percentage change in student enrollment. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year unless voters approve a revenue change as an offset. TABOR also requires that school districts obtain voter approval for certain tax or tax rate increases and to create any "multiple fiscal year direct or indirect ... debt or other financial obligation," except for refinancing debt at a lower interest rate or adding new employees to existing pension plans. Voter approval under TABOR is not required for the issuance of the District Notes as they are both issued and payable within the same

Fiscal Year and as such do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR. TABOR also requires school districts to establish and maintain an emergency reserve equal to 3% of fiscal year spending (as defined in TABOR) excluding bonded debt service.

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

Budgets

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

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

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

Financial Statements

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

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

Summary Financial Information Regarding the Participating Districts

The following table sets forth certain financial information concerning the Participating Districts. The Participating Districts expected to borrow the largest percentages of available proceeds of the Series 2014A Notes and the Series 2014B 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)

Participating District	Amount of Program Loans[1]						Actual and Estimated Fiscal Year 2014-15 Tax Information				Fiscal Year 2013-14 Loan Program Information	
	Series 2014A Notes	% of Total	Series 2014B Notes	% of Total	Total Amount Borrowed	% of Total	2014 Assessed Valuation (000's)[2]	Estimated Tax Collections[3]	Ratio of Amount Borrowed to Estimated 2015 Tax Collections	3 Year Average[4]	Amount Borrowed[5]	Repayment Date (2014)
Aurora (Adams-Arapahoe 28J)	$ 7,528,878	4.5%	$ --	-- %	$ 7,528,878	2.2%	$ 1,788,788	$ 77,828,849	9.7%	98.9%	$ 4,087,554	March 11
Boulder Valley RE-2	53,292,120	31.8	56,488,786	31.1	109,780,906	31.4	4,927,018	178,985,172	61.3	99.4	107,721,919	May 13
Briggsdale (Weld RE-10)	488,909	0.3	620,699	0.3	1,109,608	0.3	177,612	2,412,749	46.0	99.9	709,971	May 13
Cherry Creek 5	8,901,288	5.3	32,655,025	18.0	41,556,313	11.9	4,421,490	189,019,819	22.0	97.5	41,244,448	March 11
Colorado Springs 11	8,761,581	5.2	--	--	8,761,581	2.5	2,323,985	76,577,628	11.4	100.0	8,060,220	March 11
Commerce City (Adams 14)	1,460,535	0.9	969,033	0.5	2,429,568	0.7	612,220	17,458,585	13.9	98.8	2,395,618	March 11
Cripple Creek-Victor RE-1	55,842	0.0	373,949	0.2	429,791	0.1	292,028	3,228,264	13.3	100.0	1,126,812	May 13
Custer County C-1	302,249	0.2	276,456	0.2	578,705	0.2	$97,560	1,733,913	33.4	100.3	511,674	May 13
Denver 1	71,710,189	42.8	43,930,949	24.2	115,641,138	33.1	10,517,387	332,990,864	34.7	98.6	125,797,000	May 13
Douglas RE-1	--	--	12,424,251	6.8	12,424,251	3.6	4,805,044	144,403,865	8.6	97.7	--	--
Durango 9-R	1,930,225	1.2	4,711,948	2.6	6,642,173	1.9	1,357,490	15,486,761	42.9	98.6	1,299,803	March 11
Eagle County RE-50	3,526,995	2.1	4,790,379	2.6	8,317,374	2.4	2,400,081	31,491,041	26.4	98.9	9,693,809	March 11
Estes Park (Park R-3)	134,545	0.1	885,955	0.5	1,020,500	0.3	328,059	7,276,915	14.0	99.1	1,142,500	March 11
Gilcrest (Weld RE-1)	594,618	0.4	2,224,639	1.2	2,819,257	0.8	1,371,573	8,884,669	31.7	98.9	3,039,197	May 13
Hayden RE-1	281,348	0.2	1,145,151	0.6	1,426,499	0.4	103,505	2,810,543	50.8	98.1	1,315,798	May 21
Keenesburg (Weld RE-3J)	--	--	3,731,160	2.1	3,731,160	1.1	1,301,057	14,922,297	25.0	100.0	--	--
Leadville (Lake R-1)	520,526	0.3	1,345,050	0.7	1,865,576	0.5	227,052	5,372,838	34.7	103.3	1,807,000	May 13
Mapleton (Adams 1)	778,683	0.5	1,645,700	0.9	2,424,383	0.7	461,017	8,893,282	27.3	97.3	--	--
Montezuma-Cortez RE-1	2,394,343	1.4	3,562,481	2.0	5,956,824	1.7	599,450	10,748,740	55.4	103.5	3,318,144	May 13
Platte Valley (Weld RE-7)	1,507,527	0.9	2,007,182	1.1	3,514,709	1.0	1,429,741	7,323,227	48.0	99.9	2,950,000	May 13
Pueblo 70	1,810,597	1.1	3,993,184	2.2	5,803,781	1.7	641,808	15,077,597	38.5	99.3	8,385,903	May 13
Sierra Grande R-30	219,672	0.1	321,696	0.2	541,368	0.2	63,452	1,421,394	38.1	97.3	745,173	May 13
South Routt RE-3	707,677	0.4	823,114	0.5	1,530,791	0.4	100,478	2,760,683	55.4	99.0	1,753,551	May 21
Summit RE-1	788,394	0.5	1,024,760	0.6	1,813,154	0.5	1,552,656	20,168,222	9.0	99.8	1,366,000	March 11
Wiggins (Morgan RE-50J)	--	--	801,196	0.4	801,196	0.2	128,673	3,035,049	26.4	95.6	--	--
Windsor RE-4	--	--	1,061,027	0.6	1,061,027	0.3	523,147	15,613,657	6.8	100.3	750,695	March 11
	$167,696,741	100.0%	$181,813,770	100.0%	$349,510,511	100.0%						

[1] These are estimates based upon information furnished by the Participating Districts regarding the amounts that they will borrow from the proceeds of the Series 2014A Notes and the Series 2014B 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 2014B NOTES PROCEEDS." The Owners of the Series 2014A Notes and the Series 2014B 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 2014B 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 2014B NOTES – Parity Lien Notes."

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

[3] This amount was calculated for each Participating District by multiplying the 2014 assessed value of the Participating District by the Participating District's estimated 2014 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 2015. Mill levies for 2015 tax collections were required to be certified by the Participating Districts by December 15, 2014. See "State Equalization Funding of School Districts – Allocation of Total Program Funding" above and "INVESTMENT CONSIDERATIONS – Insufficient Taxes."

[4] Based on each Participating District's actual collection data for Fiscal Years 2011-12, 2012-13 and 2013-14.

[5] Participating District's actual borrowing amounts and repayment dates for Fiscal Year 2013-14. These amounts were funded with the proceeds of the State's Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A and Series 2013B.

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 2014A Notes and the Series 2014B Notes. DPS expects to borrow approximately 42.8% of the net proceeds of the Series 2014A Notes and approximately 24.2% of the net proceeds of the Series 2014B Notes, or approximately 33.1% of the combined amount of the Series 2014A Notes and the Series 2014B Notes.

DPS is the only school district serving the City and County of Denver, the boundaries of which are coterminous with those of the City, encompassing approximately 155 square miles with an estimated population of approximately 635,000. For the 2014-15 school year, the District's full time equivalent pupil count (October 1 pupil count), including charter schools but excluding on-line and ASCENT pupils, is 83,301.5. The equivalent October 1 pupil counts for the 2013-14, 2012-13 and 2011-12 school years were 79,787.0, 772,516.5 and 74,323.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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 approximately $10.454 billion. The District's total tax levy for the 2013 levy year (2014 tax collection year) was 49.299 mills, including 25.541 mills for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.431 mills for voter-approved override revenues, 10.446 mills for debt service on general obligation bonds and 0.881 mills to recover lost revenue due to prior year tax abatements and credits. The 2014 certified assessed valuation of DPS (for ad valorem property tax collections in 2015), net of the assessed valuation attributable to tax increment financing districts from which the district derives no property tax revenue, is approximately $10.517 billion.

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 2014A Notes and the Series 2014B Notes. BVSD expects to borrow approximately 31.8% of the net proceeds of the Series 2014A Notes and approximately 31.1% of the net proceeds of the Series 2014B Notes, or approximately 31.4% of the combined amount of the Series 2014A Notes and the Series 2014B Notes

BVSD encompasses approximately 500 square miles in Boulder and Gilpin Counties and the City and County of Broomfield approximately 20 miles northwest of Denver, including the cities of Boulder, Lafayette, Louisville and Superior, a large portion of the City and County of Broomfield, the towns of Gold Hill, Jamestown, Nederland and Ward, a portion of the town of Erie and certain unincorporated areas within the counties. The District serves an estimated population of 211,000. For the 2014-15 school year, the District's full time equivalent pupil count (October 1 pupil count), including charter schools but excluding on-line and ASCENT pupils, is 29,118.5. The equivalent October 1 pupil counts for the 2013-14, 2012-13 and 2011-12 school years were 28,677.0, 27,913.0 and 28,032.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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 approximately $4.903 billion. The District's total tax levy for the 2013 levy year (2014 tax collection year) was 45.372 mills, including 25.023 mills for the District's local share of Total Program funding pursuant to the Public School Finance Act, 12.576 mills for voter-approved override revenues, 1.489 mills to fund excess transportation costs, 5.792 mills for debt service on general obligation bonds and 0.492 mills to recover lost revenue due to prior year tax abatements and credits. The 2014 certified assessed valuation of BVSD (for ad valorem property tax

collections in 2015), net of the assessed valuation attributable to tax increment financing districts from which the District derives no property tax revenue, is approximately $4.927 billion.

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 2014A Notes and the Series 2014B Notes. CCSD expects to borrow approximately 5.3% of the net proceeds of the Series 2014A Notes and approximately 18.0% of the net proceeds of the Series 2014B Notes, or approximately 11.9% of the combined amount of the Series 2014A Notes and the Series 2014B 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 301,000. For the 2014-15 school year, the District's full time equivalent pupil count (October 1 pupil count), including charter schools but excluding on-line and ASCENT pupils, is 51,136.5. The equivalent October 1 pupil counts for the 2013-14, 2012-13 and 2011-12 school years were 50,893.0, 49,777.0 and 49,489.5, respectively. See "State Equalization Funding of School Districts – *Total Program Funding Formula*" above in this section.

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 approximately $4.422 billion. The District's total tax levy for the 2013 levy year (2014 tax collection year) was 57.492 mills, including 25,712 mills for the District's local share of Total Program funding pursuant to the Public School Finance Act, 1.548 mills for hold harmless override revenues, 17.587 mills for voter-approved override revenues, 11.451 mills for debt service on general obligation bonds and 1.194 mills to recover lost revenue due to prior year tax abatements and credits. The 2014 certified assessed valuation of CCSD (for ad valorem property tax collections in 2015), net of the assessed valuation attributable to tax increment financing districts from which the District derives no property tax revenue, is approximately $4.421 billion.

Major Taxpayers

Taxes consist of only those revenues that are received by the Participating Districts during the period of March through June 2015. 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, 2013, AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014" and "APPENDIX D – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State Constitution empowers the General Assembly to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four year terms. The current term of such officials commenced in January of 2011 and will expire on the second Tuesday in January of 2015, following the November 2014 general election, at which both the current Governor and Treasurer were re-elected. 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 2014 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 2014-15 Notes Repayment Account, from Current General Fund Revenues then available, an amount equal to the interest to accrue on the Series 2014B Notes from the Closing Date to the Series 2014B Notes Maturity Date. The State Resolution also

requires the State Treasurer to credit to the Principal Subaccount of the Series 2014-15 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2015, 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, 2015, together with investment earnings thereon, is insufficient to pay the principal of the Series 2014B Notes when due, the principal of the Series 2014B 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 2014B Notes are not general obligations of the State. See also "THE SERIES 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2013-14 and 2014-15 have been estimated by the General Assembly in the related Long Bills to be approximately $329.6 million and $361.5 million, respectively.

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

The maximum annual percentage change in State fiscal year spending is limited by TABOR to inflation (determined as the percentage change in U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index) plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991, being the base year for calculating fiscal year spending. TABOR provides for an automatic decrease in the State fiscal year spending limit when State TABOR revenues decline without a corresponding automatic increase in State fiscal year spending limit when State TABOR revenues increase. This can result in what is commonly referred to as the "ratchet down effect" whenever there is a decline in TABOR revenues. The ratchet down effect occurs because each year's TABOR limit is calculated based on the lesser of the prior year's TABOR revenues or the prior year's TABOR limit. In a year in which the State's TABOR revenues are below the existing TABOR limit, the lesser amount is required to be used to calculate the following year's TABOR limit. Unlike this automatic reduction, the only means of increasing the TABOR limit is with the approval of State voters. The State experienced the ratchet down effect when TABOR revenues declined by 13.1% between Fiscal Years 2000-01 and 2002-03, followed by an increase of 8.0% in Fiscal Year 2003-04.

Several measures were passed by the General Assembly during the 2005 legislative session in an effort to relieve State budget challenges, including statutory changes designed to mitigate the ratchet down effect of TABOR on the State's finances. One of two measures that were referred by the General Assembly to a statewide vote in November of 2005, designated "Referendum C," was approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. The immediate impact of Referendum C was to preclude any ratchet down effect on the State beginning in Fiscal Years 2005-06. It also authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. For Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State Revenues Cap, or "ESRC," as a voter-approved revenue change under TABOR that now serves as the limit on the State's fiscal year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, being the revenues received in Fiscal Year 2007-08, is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law. As a result of Referendum C, the State was able to retain the following amounts in excess of the previously applicable TABOR limit: $1.116 billion in Fiscal Year 2005-06, $1.308 billion in Fiscal Year 2006-07 and

$1.169 billion in Fiscal Year 2007-08. TABOR revenues did not exceed the TABOR limit in either of Fiscal Years 2008-09 or 2009-10. TABOR revenues exceeded the TABOR limit in Fiscal Years 2010-11, 2011-12 and 2012-13 by $0.771 billion, $1.473 billion and $1.860 billion, respectively, although no refunds were required because such revenues were below the applicable ESRC. The OSPB September 2014 Revenue Forecast projects that TABOR revenues in Fiscal Years 2014-15 and 2015-16 will exceed the TABOR limit by $2.334 billion and $2.617 billion, respectively, and that the State will be $48.0 million below the applicable projected ESRC in Fiscal Year 2014-15 and $133.1 million above the projected ESRC in Fiscal Year 2015-16, meaning that a TABOR refund of such excess will be required unless State voters allow the State to retain the excess. The Governor's 2015-16 budget proposal provides for a $136 million refund to taxpayers; however, the budget must be debated and approved by the General Assembly during its 2015 session.

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

Effect of TABOR on the Series 2014B Notes. Voter approval under TABOR is not required for the issuance of the Series 2014B 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 2014B 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 2014B 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 2014A General Fund Notes. See "THE SERIES 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2014 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 2014-15 was adopted by the General Assembly in April of 2014.

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 2014-15 was approved and signed by the Governor on April 30, 2014.

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

Revenues and Unappropriated Amounts. For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve (as previously defined, the "Unappropriated Reserve"), which may be used for possible deficiencies in General Fund revenues. Unrestricted General Fund revenues that exceed the required Unappropriated Reserve, based upon revenue estimates, are then available for appropriation, unless they are obligated by statute for another purpose. In response to economic conditions and their effect on estimated General Fund revenues, the General Assembly periodically modifies the required amount of the Unappropriated Reserve. Set forth in the following table are the Unappropriated Reserve requirements for Fiscal Years 2008-09 and thereafter. See also "APPENDIX A – THE STATE GENERAL FUND – General Fund Overview."

State of Colorado
Unappropriated Reserve Requirement

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

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

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

The State's unaudited Basic Financial Statements for Fiscal Year 2013-14 appended to this Official Statement shows that the State ended Fiscal Year 2013-14 with $410.9 million in General Fund Surplus (before transfers), which is in excess of the required 5.0% Unappropriated Reserve level. The OSPB September 2014 Revenue Forecast projects that the State will end Fiscal Year 2014-15 with reserves of $232.6 million in excess of the Unappropriated Reserve requirement, all of which surplus under current law is to become part of the beginning reserve and funds available in Fiscal Year 2015-16 as discussed in "INVESTMENT CONSIDERATIONS – Budgets and Revenue Forecasts" above and in "APPENDIX A – THE STATE GENERAL FUND – General Fund Overview." The OSPB September 2014 Revenue Forecast also projects that the State will end Fiscal Year 2015-16 with no reserves in excess of the Unappropriated Reserve requirement. These figures are based on revenue and budget information available when the OSPB September 2014 Revenue Forecast was completed and are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

See also "APPENDIX A – THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB SEPTEMBER 2014 REVENUE FORECAST."

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

Excluded from this appropriations limit are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election.

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

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

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

Fiscal Controls and Financial Reporting

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

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants or checks for payment of claims against the State. The State Controller prepares a comprehensive annual financial report ("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 2012-13 (the "Fiscal Year 2012-13 CAFR") is appended to this Official Statement. The State's Comprehensive Annual Financial Report for Fiscal Year 2013-14 is expected to be released to the public by the State and be available on or about December 31, 2014.

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 2012-13 CAFR appended to this Official Statement.

Basis of Presentation of Financial Results and Estimates

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

revenues and expenditures for certain special cash receipts that are related to fees, permits and other charges rather than to the general taxing power of the State.

Financial Audits

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

The State's Fiscal Year 2012-13 CAFR, including the State Auditor's Opinion thereon, and the State's unaudited Basic Financial Statements for Fiscal Year 2013-14 (the "Fiscal Year 2013-14 Unaudited BFS") are appended to this Official Statement. The Office of the State Auditor, being the State's independent auditor, has not been engaged to perform and has not performed since the date of the State Auditor's report included herein, any procedures on the financial statements presented in the Fiscal Year 2012-13 CAFR or in the Fiscal Year 2013-14 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 2012-13 CAFR and Fiscal Year 2013-14 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 2014-15 Notes Repayment Account, from Current General Fund Revenues then available, an

amount equal to the interest to accrue on the Series 2014B Notes from the Closing Date to the Series 2014B 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 2014-15 Notes Repayment Account all amounts received from the Participating Districts on or before June 25, 2015, in repayment of their Program Loans. However, if on June 26, 2015, the amount credited to the Principal Subaccount of the Series 2014-15 Notes Repayment Account is less than the principal amount of the Series 2014B 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 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2014-15 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 2014-15, including, without limitation, the State Series 2014A 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 2014-15 Notes Repayment Account on June 25, 2015, 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 2014-15 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 2014B Notes will have no right or claim to any amounts received by the State under the District Notes after June 25, 2015. 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 2014-15 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 2014-15 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 2009-10 through 2013-14.

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
2010	$ 152.3
2011 [1]	147.8
2012	140.6
2013 [2]	192.9
2014	1,012.2

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

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

Source: State Treasurer's Office

The State Highway Fund. The State Highway Fund is established by Section 43-1-219, C.R.S. All receipts from the following sources are to be credited to the State Highway Fund: (i) such appropriations as may, from time to time, be made by law to the Fund from excise tax revenues; (ii) all revenues accruing to the Fund by law, by way of excise taxation from the imposition of any license, registration fee or other charge with respect to the operation of any motor vehicle upon any public highways in the State, and the proceeds from the imposition of any excise tax on gasoline or other liquid motor fuel; and (iii) certain receipts from the Limited Gaming Fund. Moneys in the State Highway Fund are to be expended for, among other things, the construction, reconstruction, repair, improvement, planning, supervision and maintenance of the State highway system and other public highways, including any county and municipal roads and highways, together with the acquisition of rights-of-way and access

rights for the same; provided, however, that receipts from the Limited Gaming Fund are to be used solely for public roads and highways leading to and within a 50-mile radius of any limited gaming community (currently Black Hawk, Central City, Cripple Creek and any Indian lands where limited gaming is authorized). Moneys in the State Highway Fund may not be transferred to the General Fund, and consequently the State Highway Fund is not a Borrowable Resource.

The following information has been provided by the State Treasurer's office to show the actual cash balances in the State Highway Fund at June 30 of Fiscal Years 2009-10 through 2013-14.

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
2010	$1,148.3
2011	1,118.3
2012	1,130.9
2013	1,116.2
2014	1,019.2

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 2014-15 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 2014-15, including, without limitation, the State Series 2014A 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 Borrowable Resources for Fiscal Year 2013-14 and estimated Borrowable Resources for Fiscal Year 2014-15. 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 2013-14 [1,2]

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

	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	$ 16.2	$ 15.8	$ 16.8	$ 15.5	$ 13.6	$ 13.5	$ 13.4	$ 13.4
Capital Construction Fund	227.1	207.4	195.7	179.5	175.7	171.8	167.1	199.9	154.4	144.6	145.5	133.0
College Scholarship Fund	164.1	163.8	115.6	50.5	44.7	165.1	164.3	119.4	55.6	49.9	49.7	30.4
Colorado Student Obligation Bond Authority – Administration	31.4	31.8	31.8	30.9	31.5	30.6	31.6	31.7	31.8	31.9	32.0	31.6
Hazardous Substance Fund	14.8	14.8	14.6	14.7	14.8	14.3	14.4	14.4	14.2	14.3	13.9	14.0
Higher Education Funds [3]	1,127.3	1,275.6	1,385.3	1,366.6	1,279.1	1,351.4	1,521.4	1,561.6	1,518.6	1,410.4	1,304.2	1,141.6
Hospital Provider Fee	50.4	63.8	39.2	50.1	65.8	34.5	50.7	66.9	70.8	63.6	53.0	23.3
Limited Gaming Fund	43.3	1.6	4.3	7.2	10.7	14.6	18.4	22.2	26.5	31.9	36.7	42.4
Lottery Fund	48.9	27.9	36.6	50.0	27.0	38.0	49.9	30.1	40.5	49.4	34.1	40.1
Mineral Impact Fund	102.8	112.9	72.5	85.6	98.0	82.9	94.9	104.1	94.3	107.7	122.0	107.9
School Capital Construction Assistance	169.9	187.6	170.9	176.3	181.7	183.7	197.6	203.5	187.3	190.3	197.5	195.1
State and Local Severance Tax Funds	106.6	114.9	96.4	100.5	105.3	116.9	125.7	133.6	144.6	164.9	176.0	186.6
State Public School Fund	447.2	151.2	914.3	621.2	327.7	913.0	622.8	326.5	358.5	638.7	340.5	17.2
Tobacco Tax Funds	34.3	37.0	25.3	29.3	35.4	25.5	29.0	35.7	25.5	28.0	32.7	20.4
Water Conservation Construction Fund	136.0	133.9	137.2	153.3	151.1	152.5	161.2	159.6	165.0	167.7	171.7	177.8
Workers' Compensation Fund	0.0	1.1	8.4	7.0	4.3	2.1	11.9	6.5	3.4	0.9	0.0	0.0
Other Borrowable Resources	1,774.2	1,899.9	1,936.8	1,919.8	1,958.2	1,916.0	1,963.0	2,003.0	2,109.4	2,119.7	2,213.7	2,006.5
Total Borrowable Resources	4,499.9	4,443.5	5,202.0	4,860.7	4,527.2	5,228.7	5,240.7	5,034.2	5,014.0	5,227.4	4,936.6	4,181.3
Total General Fund	824.8	864.3	229.9	550.8	698.2	(992.0)	(542.2)	(482.5)	(630.9)	218.1	361.4	342.5
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	$4,725.4	$3,736.7	$4,198.5	$4,051.7	$3,883.1	$4,945.5	$4,798.0	$4,523.8

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

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

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015
Aviation Fund	$ 22.0	$ 22.5	$ 22.8	$ 21.9	$ 23.1	$ 22.9	$ 22.2	$ 23.5	$ 24.5	$ 23.5	$ 23.2	$ 23.7
Capital Construction Fund	223.0	235.0	230.8	218.5	202.9	192.4	167.2	133.6	116.8	142.6	90.3	91.8
College Scholarship Fund	158.7	158.7	19.2	19.2	48.4	191.0	188.1	126.8	47.8	51.4	50.4	34.8
Colorado Student Obligation Bond Authority – Administration	31.2	31.7	39.2	38.1	36.5	30.1	32.0	31.3	31.5	31.2	31.6	40.5
Hazardous Substance Fund	14.8	14.7	15.1	15.1	15.0	14.7	15.0	14.8	14.7	14.9	15.0	15.5
Higher Education Funds [4]	1,120.8	1,379.3	1,521.2	1,473.2	1,414.4	1,352.0	1,503.0	1,561.7	1,561.8	1,497.3	1,401.3	1,480.7
Hospital Provider Fee	49.6	14.7	15.6	21.0	25.8	30.4	38.3	47.5	46.7	53.5	60.0	0.0
Limited Gaming Fund	43.3	2.7	4.4	7.6	11.3	14.8	18.7	22.8	26.7	31.5	36.3	41.6
Lottery Fund	46.1	50.9	34.7	43.7	51.4	41.7	49.3	52.7	35.1	44.4	54.1	37.5
Mineral Impact Fund	103.0	113.7	70.2	84.9	96.5	82.2	91.7	102.4	93.5	108.4	120.9	92.9
School Capital Construction Assistance	166.5	191.6	186.7	183.7	192.2	198.0	203.3	231.6	215.4	216.7	232.2	235.0
State and Local Severance Tax Funds	106.3	105.9	99.6	103.3	96.5	102.6	104.3	106.3	110.3	116.5	120.7	119.7
State Public School Fund	398.1	211.7	488.8	269.3	56.2	278.5	90.4	10.4	340.0	167.9	106.9	34.7
Tobacco Tax Funds	34.0	36.6	30.9	35.6	37.4	33.2	37.1	38.5	33.3	36.6	37.7	2.4
Water Conservation Construction Fund	136.0	138.9	159.8	157.3	153.8	162.2	158.2	152.9	159.8	170.7	174.9	180.2
Workers' Compensation Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Borrowable Resources	1,856.3	1,845.9	2,094.4	1,796.2	1,977.0	2,359.2	2,257.3	2,265.8	2,229.3	2,133.8	2,358.6	2,245.5
Total Borrowable Resources	4,509.7	4,554.4	5,033.6	4,488.7	4,438.5	5,106.0	4,976.2	4,922.3	5,087.1	4,840.8	4,914.1	4,676.5
Total General Fund	(77.0)	(177.1)	(557.3)	(242.4)	(55.2)	(1,163.9)	(486.9)	(447.0)	(1,118.8)	(321.2)	9.2	412.9
Less: Notes Issued and Outstanding	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	(500.0)	--
Net Borrowable Resources	$3,932.7	$3,877.3	$3,976.2	$3,746.3	$3,883.3	$3,442.2	$3,989.2	$3,975.3	$3,468.2	$4,019.6	$4,423.4	$5,089.4

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

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

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

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

Source: State Treasurer's Office

The State General Fund

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs includes a large number of statutorily created special funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2012-13 CAFR as the General Purpose Revenue Fund.

It is presently anticipated that a deficiency in the Principal Subaccount of the Series 2014-15 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 2014-15, including, without limitation, the State Series 2014A General Fund Notes. See "APPENDIX A – THE STATE GENERAL FUND" for a discussion of the General Fund.

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

The State, State Departments and Agencies

The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years' general revenues. The State currently has, and upon issuance of the Series 2014B Notes will have, no outstanding general obligation debt.

The State is authorized to and has entered into lease-purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease-purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. See Notes 24 and 25 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement for a discussion of the outstanding lease-purchase agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum lease payments due under such lease-purchase agreements entered into by the State for Fiscal Years 2014-15 and thereafter. The State also entered into a lease-purchase agreement on July 9, 2014, for a laboratory facility for the Colorado Bureau of Investigation, the acquisition and renovation of which was funded by the sale of $11 million in principal amount of certificates of participation in such lease-purchase agreement. In addition, on November 6, 2014, $110.485 million of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2014A, evidencing undivided interests in the rights to receive certain revenues payable by the State, acting by and through the Treasurer, as lessee, pursuant to an annually renewable lease purchase agreement were executed and delivered for the purpose of advance refunding and defeasing certain other certificates of participation previously executed and delivered pursuant to the Colorado Higher Education Capital Construction Lease Purchase Financing Program.

In addition to lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes.

In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered. See Notes 22 and 25 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum payment obligations under such agreements in Fiscal Years 2014-15 and thereafter.

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

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

State Tax and Revenue Anticipation Notes

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes, such as the State Series 2014A 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 2014A Notes and the Series 2014B 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, 25 and 45 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement for a discussion of all currently outstanding revenue anticipation notes.

State Authorities

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

Pension and Post-Employment Benefits

General. The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in "APPENDIX E – STATE PENSION SYSTEM," the "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." 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 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement, as well as PERA's Comprehensive Annual Financial Report for calendar year 2013 (the "PERA 2013 CAFR"), which is the most current PERA CAFR available. The information in the State's Fiscal Year 2012-13 CAFR is derived from PERA's Comprehensive Annual Financial Report for calendar year 2012. However, the information under this caption, in "APPENDIX E – STATE PENSION SYSTEM" and in the State's Fiscal Year 2013-14 Unaudited BFS is derived from the PERA 2013 CAFR. See also "*Future Accounting Standards*" hereafter.

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, 2013, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were $13.1 billion and $22.8 billion, respectively, resulting in an unfunded actuarial accrued liability ("UAAL") of $9.7 billion and a funded ratio of 57.5%, assuming an investment rate of return of 7.5%. The UAAL at December 31, 2013, would amortize over a 60-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 57.5%. The funded ratio of the Plan at December 31, 2013, based on the market value of assets, was 61.0%, representing an unfunded accrued liability of $8.9 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 2012-13 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 2012-13 CAFR and the State's Fiscal Year 2013-14 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.

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[*] 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 60-year amortization of the UAAL at December 31, 2013.

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, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.3 billion, a funded ratio of 18.8% and a 40-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 35% of the covered payroll reported for the Health Care Trust Fund at December 31, 2013. Although at December 31, 2013, the funded ratio of the Health Care Trust fund was 18.8%, 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 2013 CAFR for additional information regarding the Health Care Trust Fund.

Future Accounting Standards. Effective for Fiscal Year 2014-15, GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had an unfunded accrued actuarial liability of approximately $9.7 billion as of December 31, 2013. However, both at June 30, 2013 and June 30, 2014, the State was unable to estimate the magnitude of its share of the unfunded pension liability. See the introduction to Notes 1-7 to both the State's Fiscal Year 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement and "APPENDIX E – STATE PENSION SYSTEM."

Effect of Pension Liability on the Series 2014B Notes. The Series 2014B Notes are short-term obligations maturing on June 29, 2015, 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, 2015, as repayment of their Program Loans and a portion of the proceeds of the Series 2014B Notes deposited to the Series 2014-15 Notes Repayment Account as discussed in "THE SERIES 2014B 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 pay the Series 2014B 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 2012-13 CAFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions."

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

No Litigation Affecting the Series 2014B 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 2014B Notes or questioning or affecting the validity of the Series 2014B 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 2014B Notes in the manner provided in the State Resolution and the Loan Program Statutes.

Governmental Immunity

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

HB 12-1361 amended the Immunity Act by waiving sovereign immunity of the State in an action for injuries resulting from a prescribed fire started or maintained by the State or any of its employees on or after January 1, 2012. A prescribed fire is defined as the application of fire in accordance with a written prescription for vegetative fuels, but excluding a controlled burn used in farming industry to clear land of existing crop residue, kill weeds and weed seeds or to reduce fuel build-up and decrease the likelihood of a future fire.

Self-Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 6H, 21 and 41 in the State's Fiscal Year 2012-13 CAFR appended to this Official Statement and Notes 6H, 21 and 44 in the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement, as well as General Fund Components in the Supplementary Information in both such documents. 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 State's Fiscal Year 2012-13 CAFR and Note 44 to the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement. A lawsuit was filed against the State in June of 2014 asserting generally that the General Assembly has failed to adequately fund the State's public school system as required by Amendment 23 to the State constitution (see "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts – *Public School Finance Act of 1994*"). The potential impact on State finances if the suit is ultimately resolved against the State are not yet known. However, the State intends to vigorously defend such lawsuit. The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in Note 41 to the State's Fiscal Year 2012-13 CAFR and Note 44 to the State's Fiscal Year 2013-14 Unaudited BFS, but the ultimate outcome cannot presently be determined. Except as provided in such Notes, no provision has been made in the financial statements related to the actions discussed in such Notes.

RATINGS

Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's, a division of McGraw-Hill Financial, Inc., have assigned to the Series 2014B 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 2014B 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 2014B Notes. The State has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

CONTINUING DISCLOSURE

Series 2014B Notes

In accordance with the exemption set forth in paragraph (d)(3) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, which exemption applies to offerings of municipal securities having a stated maturity of 18 months or less, such as the Series 2014B 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 2014B Notes, that during such time as any of the Series 2014B Notes are outstanding, the State Treasurer will provide to the Municipal Securities Rulemaking Board (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 2014B 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 2014B Notes; (iv) modifications to rights of owners of the Series 2014B 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 2014B 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 2014B Notes in the event of a breach of such continuing disclosure undertaking.

Compliance With Other Continuing Disclosure Undertakings

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, which were issued on December 14, 2010, and paid in full at maturity. Although such filings were not required by Rule 15c2-12, the authorizing resolution for such notes included an affirmative covenant by the State Treasurer to do so.

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

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

In early 2013, the State Treasurer retained Digital Assurance Certification, LLC ("DAC Bond"), as its disclosure dissemination agent for the purpose of assisting it with auditing past compliance, making remedial filings and ensuring ongoing compliance with its continuing disclosure filing requirements with

the MSRB of all information required in the continuing disclosure undertakings entered into by the Included Entities, and plans to implement other procedures intended to ensure future material compliance with such continuing disclosure undertakings.

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

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

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2014B Notes, as well as the treatment of interest on the Series 2014B Notes for purposes of federal and State income taxation, are subject to the approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. The substantially final form of the opinion of Bond Counsel is appended to this Official Statement. Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State and by Dinsmore & Shohl LLP, Denver, Colorado, as special counsel to the State in connection with the preparation of this Official Statement. Payment of legal fees to Bond Counsel and special counsel are contingent upon the sale and delivery of the Series 2014B 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 2014B 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 2014B Notes. Failure to comply with such covenants could cause interest on the Series 2014B Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014B 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 2014B Notes. Notwithstanding Bond Counsel's opinion that interest on the Series 2014B 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 2014B 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 2014B Notes may otherwise affect the federal income tax liability of the owners of the Series 2014B 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 2014B 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 2014B Notes.

The amount treated as interest on the Series 2014B 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 2014B 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 2014B Notes and the aggregate amount to be paid at maturity of the Series 2014B Notes (the "original issue discount"). For this purpose, the issue price of the Series 2014B Notes is the first price at which a substantial amount of the Series 2014B 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 2014B Notes if the taxpayer elects original issue discount treatment.

Tax Treatment of Original Issue Premium

The following disclosure relates to purchasers of the Series 2014B Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Series 2014B 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 2014B Note over its stated redemption price at maturity constitutes original issue premium on such Series 2014B Note. An initial purchaser of a Series 2014B Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Code. Purchasers of a Series 2014B 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 2014B 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 2014B 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 2014B 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 2014B Notes or the market value thereof would be impacted thereby. Purchasers of the Series 2014B 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 2014B 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 2014B 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 2014B 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 2014B Notes will be purchased from the State by J.P. Morgan Securities LLC (the "Underwriter"), pursuant to a competitive sale conducted by the State, for a purchase price of $246,952,650, being the principal amount of the Series 2014B Notes plus an original issue premium of $1,955,100 and less an underwriting discount of $2,450.

FINANCIAL ADVISOR

RBC Capital Markets, LLC, Denver, Colorado, is acting as Financial Advisor to the State in connection with the issuance of the Series 2014B 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 2014B 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 2014B Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2014B Notes is contingent upon the issuance and delivery of the Series 2014B 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 2014B Notes, copies of the State Resolution and certain other documents referred to herein may be obtained from the Financial Advisor at RBC Capital Markets, LLC, 1801 California Street, Suite 3850, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

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

By: /s/ Walker R. Stapleton
Treasurer of the State of Colorado

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APPENDIX A

THE STATE GENERAL FUND

The State Resolution requires that if on June 25, 2015, the amount credited to the Principal Subaccount of the Series 2014-15 Notes Repayment Account is less than the principal amount of the Series 2014A Notes, the Series 2014B 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 2014-15 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 2014-15, including, without limitation, the State Series 2014A General Fund Notes. See "THE SERIES 2014B NOTES – Security and Sources of Payment – *The Series 2014-15 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 2014-15. See also "APPENDIX B – OSPB SEPTEMBER 2014 REVENUE FORECAST."

The General Fund

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs includes a large number of statutorily created special funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2012-13 CAFR and the State's Fiscal Year 2013-14 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 2014-15 and 2015-16. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX B – OSPB SEPTEMBER 2014 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Revenue Sources [1]
(Accrual basis; dollar amounts expressed in millions)

	Actual										OSPB September 2014 Revenue Forecast			
	Fiscal Year 2009-10		Fiscal Year 2010-11		Fiscal Year 2011-12		Fiscal Year 2012-13		Preliminary Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16	
Revenue Source	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Excise Taxes:														
Sales Tax [2]	$1,825.0	(5.5)%	$2,043.5	12.0%	$2,093.2	2.4%	$2,211.7	5.7%	$2,424.6	9.6%	$2,581.7	6.5%	$ 2,708.4	4.9%
Use Tax	155.7	(11.9)	190.1	22.0	200.6	5.6	242.7	21.0	241.5	(0.5)	255.6	5.8	271.3	6.2
	1,980.7	(6.0)	2,233.6	12.8	2,293.8	2.7	2,454.4	7.0	2,666.1	8.6	2,837.3	6.4	2,979.7	5.0
Cigarette Tax	40.8	(6.0)	39.3	(3.8)	39.5	0.5	38.3	(3.1)	36.6	(4.5)	36.9	0.9	34.6	(6.2)
Tobacco Products [3]	16.1	22.4	13.8	(14.2)	16.0	16.1	15.6	(2.9)	16.9	8.4	17.2	2.1	17.6	2.0
Liquor Tax	35.4	1.3	36.4	2.8	38.4	5.3	39.2	2.2	40.3	2.9	42.9	6.4	42.8	(0.3)
	92.3	0.7	89.5	(3.0)	93.9	4.9	93.1	(0.9)	93.8	0.8	97.0	3.4	95.0	(2.1)
Total Excise Taxes	2,073.1	(5.7)	2,323.1	12.1	2,387.7	2.8	2,547.5	6.7	2,759.9	8.3	2,934.3	6.3	3,074.8	4.8
Income Taxes:														
Net Individual Income Tax	4,083.8	(5.8)	4,496.1	10.1	5,011.6	11.5	5,596.3	11.7	5,696.1	1.8	6,187.0	8.6	6,626.7	7.1
Net Corporate Income Tax	372.1	27.2	393.9	5.9	486.5	23.5	636.3	30.8	720.7	13.3	757.6	5.1	820.5	8.3
Total Income Taxes	4,455.9	(3.7)	4,890.0	9.7	5,498.1	12.4	6,232.6	13.4	6,416.8	3.0	6,944.6	8.2	7,447.2	7.2
Less State Education Fund Diversion [3]	(329.0)	(3.2)	(370.5)	12.6	(407.5)	10.0	(486.3)	19.3	(478.8)	(1.6)	(520.8)	8.8	(558.5)	7.2
Total Income Taxes to the General Fund	4,126.9	(3.7)	4,519.5	9.5	5,090.6	12.6	5,746.2	12.9	5,938.0	3.3	6,423.8	8.2	6,888.6	7.2
Other Revenues:[1]														
Estate	0.2	--	(0.1)	--	0.3	--	(0.1)	--	--	--	--	--	--	--
Insurance	186.9	(2.9)	189.7	1.5	197.2	4.0	210.4	6.7	239.1	13.6	243.6	1.9	250.5	2.8
Interest Income	10.1	7.7	7.9	(21.6)	13.6	71.5	17.4	28.6	12.9	(26.1)	15.9	23.3	18.9	19.0
Pari-Mutuel	0.5	17.0	0.5	(0.6)	0.6	14.4	0.7	10.3	0.6	(8.8)	0.6	(9.7)	0.5	(5.0)
Court Receipts	17.8	(26.1)	3.6	(80.0)	2.6	(27.6)	2.3	(9.0)	2.6	9.5	2.7	3.9	2.5	(5.0)
Other Income	26.2	(7.4)	21.2	(18.8)	23.1	8.8	18.1	(21.6)	21.3	17.9	20.1	(5.7)	21.4	6.4
Total Other	241.5	(5.2)	222.8	(7.7)	237.3	6.5	249.0	4.9	276.9	11.2	282.9	2.2	293.9	3.9
Gross General Fund	**$6,441.5**	**(4.4)%**	**$7,065.4**	**9.7%**	**$7,715.7**	**9.2%**	**$8,542.7**	**10.7%**	**$8,974.8**	**5.1%**	**$9,641.0**	**7.4%**	**$10,257.3**	**6.4%**

[1] Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The "Other Revenues" in this table for Fiscal Years 2009-10 through 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in "Transfers to the General Fund" in the General Fund overview table hereafter rather than as a General Fund revenue source in this table. This change does not affect the overall amount of "Total General Fund Revenue Available for Expenditure" in the General Fund overview table.

[2] State voters approved Proposition AA in November of 2013, which included the imposition of a sales tax of 10% on retail marijuana effective January of 2014. Under current law, the revenue from this sales tax first goes to the General Fund and is then transferred to a cash fund. A portion of this revenue is also distributed to local governments where retail marijuana sales occur. Also approved by Proposition AA was the imposition by the State of an excise tax of 15% on retail marijuana that does not flow through the General Fund but is mostly credited directly to a cash fund for public school capital construction projects.

[3] All individual and corporate income tax revenues are deposited to the General Fund and then a portion of the amount is diverted by law to the State Education Fund. See "SOURCE OF PAYMENT OF PROGRAM LOANS – State Equalization Funding of School Districts – Amendment 23," "SELECTED STATE FUNDS ELIGIBLE FOR INVESTMENT IN DISTRICT NOTES IN THE EVENT OF A DEFAULT IN THE REPAYMENT OF PROGRAM LOANS – Certain Funds Eligible for Investment in the District Notes – State Education Fund" and Note 11 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 2009-10 through Fiscal Year 2013-14 and the forecasts for Fiscal Years 2014-15 and 2015-16 from the OSPB September 2014 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB September 2014 Revenue Forecast for Fiscal Years 2014-15 and 2015-16, although currently a budget has only been adopted for Fiscal Year 2014-15. The Governor's budget request for Fiscal Year 2015-16 was submitted on November 3, 2014.

Any new budget information will be incorporated in subsequent OSPB revenue forecasts. The format of the following table is used by the State in developing its annual budget, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations." See also

"Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX B – OSPB SEPTEMBER 2014 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2009-10 through 2015-16
(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) [1]					OSPB Forecast	
	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Preliminary Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
REVENUE:							
Beginning Reserve	$ 443.8	$ 137.4	$ 156.6	$ 795.8	$ 373.0	$ 435.9	$ 802.4
Gross General Fund Revenue [2]	6,441.5	7,065.4	7,715.7	8,542.7	8,974.8	9,641.0	10,257.3
Transfers to the General Fund [2]	434.7	178.5	162.4	12.4	14.2	30.2	15.4
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,320.0	7,381.3	8,034.7	9,351.0	9,361.9	10,107.1	11,075.0
EXPENDITURES:							
Appropriation Subject to Limit [3]	6,631.6	6,811.1	7,027.8	7,459.2	8,218.7	8,765.3	9,685.2
Dollar Change From Prior Year	(779.1)	179.5	216.7	431.5	759.5	546.5	919.9
Percent Change From Prior Year	(10.2)%	2.7%	3.2%	6.1%	10.2%	6.6%	10.5%
Spending Outside Limit:	601.5	151.5	189.0	452.3	545.5	539.5	760.3
TABOR Refund [4]	--	--	--	--	--	--	136.7
Rebates and Expenditures [5]	143.2	127.6	134.8	380.9	250.2	254.7	267.6
Transfer to Capital Construction [6]	0.2	12.0	49.3	61.4	186.7	225.5	177.8
Transfers to Highway Users Tax Fund [6]	N/A	N/A	N/A	N/A	--	--	102.6
Transfers to State Education Fund per SB 13-234 [7]	N/A	N/A	N/A	N/A	45.3	25.3	25.3
Transfers to Other Funds [8]	458.1	--	5.0	4.6	30.9	33.9	50.3
Other Expenditures Exempt from General Fund Appropriations Limit [9]	--	12.0	--	5.4	32.4	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,233.1	6,962.6	7,216.8	7,911.5	8,764.3	9,304.7	10,445.5
Percent Change from Prior Year	(3.1)%	(3.7)%	3.7%	9.6%	10.8%	6.2%	12.3%
Reversions and Accounting Adjustments	50.5	26.9	36.9	7.1	(49.0)	--	--
RESERVES							
Year-End General Fund Balance	137.4	445.5	854.8	1,446.5	646.7	802.4	629.5
Year-End General Fund as a % of Appropriations	2.1%	6.5%	12.2%	19.4%	7.9%	9.2%	6.5%
General Fund Statutory Reserve Amount	132.6	156.6	281.1	373.0	410.9	569.7	629.5
Unappropriated Reserve Percentage [10]	2.0%	2.3%	4.0%	5.0%	5.0%	6.5%	6.5%
Amount Above (Below) Statutory Reserve	4.8	288.9	573.7	1,073.5	235.8	232.6	--
Transfer of Excess Reserve to State Education Fund/Other Funds [11]	--	--	--	(1,073.5)	(210.8)	--	--
Balance After Any Funds Above Statutory Reserve are Allocated	137.4	156.6	795.8	--	25.0	232.6	--

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

[2] Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The amounts in these line items for Fiscal Years 2009-10 through 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in this table as a transfer to the General Fund rather than as General Fund revenue. This change does not affect the overall amount of Total General Fund Revenue Available for Expenditure.

[3] Per SB 09-228, commencing with Fiscal Year 2009-10 this appropriation limit was revised from: (a) the lesser of (i) 5% of Colorado Personal Income as reported by the U.S. Bureau of Economic Analysis or (ii) 6% growth applied to appropriated amounts from the General Fund during the prior Fiscal Year; to (b) 5% of Colorado Personal Income.

[4] Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. The refund amount for Fiscal Year 2015-16 includes $133.1 million in revenue above the Referendum C cap, as well as $3.6 million in pending amounts owed related to refunds from prior years. The refund mechanisms projected in Fiscal Year 2015-16 will reduce revenue to the General Fund. The refund mechanisms are not shown as reducing revenue in the OSPB September 2014 Revenue Forecast, but rather as amounts that need to be refunded. The net impact to the General Fund under both scenarios is essentially the same.

[Notes continued on next page]

[5] This generally includes the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. The homestead exemption for qualified seniors was suspended for Fiscal Years 2009-10 through 2011-12. The homestead exemption for qualified disabled veterans was not affected by this suspension. See "SOURCE OF PAYMENT OF PROGRAM LOANS – Ad Valorem Property Taxation Procedure – *Homestead Exemption*."

[6] 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. Because a TABOR refund is projected in Fiscal Year 2015-16, the required transfer for transportation is reduced by 50% in that year.

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

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

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

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

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

Source: Office of State Planning and Budgeting

Revenue Estimation; OSPB Revenue and Economic Forecasts

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

The most recent OSPB Revenue Forecast was issued on September 22, 2014, and is included in this Official Statement as "APPENDIX B – OSPB SEPTEMBER 2014 REVENUE FORECAST." The OSPB September 2014 Revenue Forecast projects revenues for Fiscal Years 2014-15 through 2016-17. The amounts forecast for Fiscal Years 2014-15 and 2015-16 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 2014 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 2014. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB September 2014 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 subsequent revenue forecasts. If a revenue shortfall is projected for Fiscal Year 2014-15 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 2014-15 may adversely affect the State's ability to fund, if necessary, any deficiency in the Principal Subaccount of the Series 2014-15 Notes Repayment Account on June 25, 2015. 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 Year 2013-14 Investments of the State Pool. The following table sets forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Year 2013-14.

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

	July 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	April 2014	May 2014	June 2014
Agency CMOs	$ 31.6	$ 29.9	$ 28.4	$ 27.1	$ 25.7	$ 24.5	$ 23.4	$ 22.4	$ 21.4	$ 20.4	$ 19.4	$ 18.5
Commercial Paper	250.0	173.0	170.0	185.0	80.0	0.0	158.2	636.9	230.0	305.0	150.0	75.0
U.S. Treasury Notes	823.9	824.0	848.5	858.5	858.5	888.2	888.4	908.8	949.1	974.3	1,003.9	959.1
Federal Agencies	3,853.1	3,818.7	3,818.9	3,675.7	3,514.6	3,708.1	4,175.5	3,354.2	3,792.1	4,203.1	4,087.1	3,195.3
Asset-Backed Securities	1,180.4	1,209.2	1,248.3	1,267.6	1,287.3	1,294.5	1,303.1	1,329.4	1,353.9	1,420.9	1,435.0	1,459.9
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporates	1,395.9	1,433.6	1,438.6	1,437.7	1,491.6	1,533.4	1,531.4	1,538.4	1,621.0	1,636.0	1,656.0	1,708.8
Certificates of Deposit	2.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	6.0	6.5	7.0
Totals	$7,536.9	$7,490.4	$7,556.7	$7,455.6	$7,261.7	$7,452.7	$8,084.0	$7,794.1	$7,971.5	$8,565.7	$8,357.9	$7,423.6

[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 2013-14, and the estimated cash flows for the General Fund for Fiscal Year 2014-15, 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 Year 2014-15 are based upon (i) the General Fund appropriations for Fiscal Year 2014-15 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 2014 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 2013-14
Current Law

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

	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												$ 1,161.2
Revenues:													
General Fund Revenue:[1]													
Sales and Use Tax	209.4	$ 220.0	$ 223.0	$ 211.9	$ 212.3	$ 208.4	$ 245.9	$ 197.2	$ 201.1	$ 232.8	$ 215.4	$ 244.8	2,622.2
Individual Income Tax	361.4	344.4	478.1	415.8	349.2	417.2	622.1	215.2	297.4	841.2	402.8	480.2	5,225.0
Corporate Income Tax	12.7	79.0	118.3	41.4	3.6	106.8	15.4	(6.4)	94.9	119.2	10.2	145.0	740.1
Other	50.5	24.1	10.0	55.6	17.0	9.9	16.5	63.7	36.2	45.8	28.6	10.7	368.6
Total General Fund Revenue	634.0	588.5	829.4	724.7	582.1	742.3	899.9	469.7	629.6	1,239.0	657.0	880.7	8,876.9
Federal Revenue	364.0	560.8	530.7	527.6	523.5	661.8	529.0	563.3	779.8	599.5	598.5	857.5	7,096.0
Total Revenues	998.0	1,149.3	1,360.1	1,252.3	1,105.6	1,404.1	1,428.9	1,033.0	1,409.4	1,838.5	1,255.5	1,738.2	15,972.9
Expenditures:													
Payroll	128.2	123.4	133.2	125.3	126.7	125.1	140.3	127.0	125.6	126.1	128.2	127.0	1,536.1
Medical Assistance	454.2	499.8	444.7	418.6	458.4	486.1	456.0	499.5	599.8	500.6	500.8	620.6	5,939.1
Public School Distribution	752.6	30.1	1,120.5	102.1	34.1	916.3	46.7	50.2	360.0	110.8	46.2	80.9	3,650.5
Higher Education Distribution	2.1	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	4.6	106.7
Grants and Contracts	32.5	225.8	213.7	204.1	202.4	220.4	188.1	190.4	237.7	313.0	183.7	(443.8)	1,768.0
Other	450.8	142.0	153.2	116.5	129.1	230.8	127.5	91.9	173.8	112.6	101.7	798.7	2,628.6
Total Expenditures:	(1,633.7)	(1,066.2)	(2,067.4)	(970.7)	(954.9)	(2,021.3)	(958.9)	(959.4)	(1,497.3)	(1,058.3)	(961.0)	(1,188.0)	(15,337.1)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	525.5	83.1	(707.3)	281.6	150.7	(617.2)	470.0	73.6	(87.9)	780.2	294.5	550.2	1,797.0
Revenue Accrual Adjustment	130.6	(61.9)	39.7	79.8	(60.1)	22.9	41.7	(34.6)	(132.9)	61.4	66.5	(229.5)	(76.4)
Expenditure Accrual Adjustment	(144.6)	18.3	33.2	(40.5)	56.8	(2.1)	(61.9)	20.7	72.4	112.6	(217.7)	161.2	8.4
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(105.2)	--	--	(105.2)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(500.8)	(0.8)
Capital Construction Transfer	(186.7)	--	--	--	--	--	--	--	--	--	--	--	(186.7)
State Education Fund Transfer	--	--	--	--	--	(1,093.8)	--	--	--	--	--	--	(1,093.8)
Actual/Projected Monthly Cash Change	824.8	39.5	(634.4)	320.9	147.4	(1,690.2)	449.8	59.7	(148.4)	849.0	143.3	(18.9)	342.5
General Fund Cash Balance End of Month	**$ 824.8**	**$ 864.3**	**$ 229.9**	**$ 550.8**	**$ 698.2**	**$ (992.0)**	**$ (542.2)**	**$ (482.5)**	**$ (630.9)**	**$ 218.1**	**$ 361.4**	**$ 342.5**	

Source: State Treasurer's Office

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

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

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015	Total
Beginning Cash and Investments Balance	$ 342.5												$ 342.5
Revenues:													
General Fund Revenue:[2]													
Sales and Use Tax	209.4	$ 243.5	$ 253.3	$ 244.2	$ 229.6	$ 232.7	$ 279.0	$ 211.3	$ 214.4	$ 239.5	$ 231.6	$ 248.8	2,837.3
Individual Income Tax	361.4	397.1	556.5	508.5	453.2	481.1	640.7	175.8	247.3	707.2	489.5	647.9	5,666.2
Corporate Income Tax	12.7	6.9	164.7	61.8	(47.5)	67.1	56.6	9.0	92.4	149.3	30.4	154.0	757.6
Other	50.5	11.3	(31.2)	(48.7)	11.9	(51.3)	10.0	68.7	27.7	203.4	(31.3)	159.1	380.0
Total General Fund Revenue	634.0	658.9	943.3	765.8	647.2	729.7	986.3	464.8	581.8	1,299.3	720.1	1,209.8	9,641.0
Federal Revenue	434.0	510.5	653.1	415.8	558.4	645.5	538.4	554.3	665.6	475.4	561.7	1,173.0	7,185.7
Total Revenues	1,068.0	1,169.4	1,596.3	1,181.6	1,205.6	1,375.3	1,524.7	1,019.1	1,247.4	1,774.7	1,281.8	2,382.8	16,826.7
Expenditures:													
Payroll	128.2	138.9	139.4	140.3	139.0	130.6	136.2	131.5	133.2	129.1	130.8	141.2	1,618.4
Medical Assistance	433.0	504.0	366.3	361.4	546.4	462.8	312.5	501.6	397.5	665.3	662.7	443.6	5,657.2
Public School Distribution	748.5	(15.3)	977.2	0.3	2.1	971.2	3.5	0.4	971.6	0.4	0.3	2.5	3,662.7
Higher Education Distribution	3.0	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	(0.8)	106.2
Grants and Contracts	41.0	257.3	305.6	204.2	236.3	291.7	248.7	238.9	270.7	236.3	242.9	273.6	2,847.3
Other	433.1	360.0	187.3	135.2	88.5	369.4	174.5	89.4	156.8	(86.2)	(158.5)	317.7	2,067.0
Total Expenditures:	(1,786.8)	(1,289.9)	(1,977.8)	(845.4)	(1,016.6)	(2,268.3)	(875.8)	(962.1)	(1,930.3)	(945.3)	(878.6)	(1,177.8)	(15,954.7)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(376.3)	(120.6)	(381.5)	336.2	189.0	(893.1)	648.9	57.0	(682.9)	829.5	403.3	1,205.0	1,214.5
Revenue Accrual Adjustment	130.6	(20.1)	2.1	6.5	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	31.4
Expenditure Accrual Adjustment	(144.6)	40.6	(0.9)	(27.8)	30.2	(9.3)	26.1	(16.7)	13.0)	67.9	(20.4)	(282.8)	(324.6)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(110.0)	--	--	(110.0)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(501.0)	(1.0)
Capital Construction Transfer	(186.7)	--	--	--	--	--	--	--	--	--	--	--	(186.7)
State Education Fund Transfer	--	--	--	--	--	(210.8)	--	--	--	--	--	--	(210.8)
Actual/Projected Monthly Cash Change	(77.0)	(100.1)	(380.2)	315.0	187.2	(1,108.7)	676.9	40.0	(671.8)	797.6	330.4	403.6	412.9
General Fund Cash Balance End of Month	**$ (77.0)**	**$ (177.1)**	**$ (557.3)**	**$ (242.4)**	**$ (55.2)**	**$(1,163.9)**	**$ (486.9)**	**$ (447.0)**	**$(1,118.8)**	**$ (321.2)**	**$ 9.2**	**$ 412.9**	

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

[2] General Fund revenues in this table are derived from the OSPB September 2014 Revenue Forecast.

Source: State Treasurer's Office

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APPENDIX B

OSPB SEPTEMBER 2014 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 2014-15 through 2016-17. 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 22, 2014, 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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The Colorado Economic Outlook

Economic and Fiscal Review

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Summary

- Projections for General Fund revenue for FY 2014-15 are 0.8 percent, or $80.9 million, higher compared with the June 2014 forecast. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher. Income taxes from wage withholdings and sales tax collections continue to grow at a solid pace due to Colorado's economic expansion. General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16.

- The State's General Fund reserve ended FY 2013-14 with $235.8 million above its required amount based on preliminary information from the State Controller. All but $25 million of this money, which remains in the General Fund, is allocated to various cash funds, including $135.3 million to the Capital Construction Fund. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

- TABOR revenue is forecast to be $48 million, or just 0.4 percent, below the Referendum C cap in the current fiscal year, which is within the normal range of possible forecast adjustments. TABOR revenue is forecast to exceed the cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers is required under this forecast, unless voters allow the State to retain the revenue.

- Though a TABOR refund is projected, the money forecasted to be available in the General Fund in FY 2015-16 would allow for a 10.5 percent increase in appropriations. Meanwhile, under current law, as a result of the TABOR refunds in FY 2015-16 and FY 2016-17, SB 09-228 transfers will be reduced by half.

- Under this forecast, in FY 2015-16, revenue above the Referendum C cap would be refunded through the State Earned Income Tax Credit to qualified taxpayers and the sales tax refund to all taxpayers. In FY 2016-17, revenue above the Referendum C cap would be refunded through a temporary income tax rate reduction and the sales tax refund.

- Colorado's economy continues to expand at a pace that is among the best in the nation. The state's concentration of individuals and businesses focused on products that are in high demand in today's economy continue to feed economic growth. Colorado also benefits from a high degree of business dynamism, as well as a growing culture for innovation and collaboration among individuals and firms. However, not all parts of the state are experiencing the same degree of economic strength.

- Many indicators point to a continued economic expansion. A special set of unique circumstances, however, could result in an economic slowdown. One risk is less accommodative monetary policy. Also, current weaker global economic conditions, as well as continued geo-political tensions, are concerns. Unexpected events surrounding these issues could have negative implications for the economy and result in revenue collections that are substantially different from this forecast. It is also important to note that even relatively small changes in the projected growth rate of revenue can materially impact the budget outlook.

- Cash fund revenue subject to TABOR in FY 2014-15 will be at essentially the same level as collections in FY 2013-14. Cash fund revenue subject to TABOR is forecast to grow close to four percent in FY 2015-16 and FY 2016-17. Growth in FY 2015-16 is due mostly to a 24.8 percent increase in Hospital Provider Fee revenue, which will offset a 21.1 percent decline in severance tax revenue.

THE ECONOMY: ISSUES, TRENDS, AND FORECAST

Each quarter, we assess economic conditions to determine their influence on State tax collections, the demand for certain State services, and the overall prospects for the State's budget condition. The following section discusses overall economic conditions in Colorado and around the world, as well as specific issues affecting economic performance. The analysis focuses on conditions specific to Colorado and provides broader context on national and global conditions because of how they can affect the state's economy. The discussion includes:

- An overview of economic conditions in Colorado (page 4)
- An overview of economic conditions for the nation (page 6)
- International economic conditions and trade (page 10)
- Labor market conditions (page 12)
- Housing and construction market conditions (page 18)

Trends and forecasts for key economic indicators — At the end of this section on page 22 is a summary of key economic indicators with their recent trends and statistics, as well as forecasts. This summary is intended to provide a snapshot of the performance of the broad economy and OSPB's economic projections, which are formed by the following analysis of the economy.

Summary — Colorado's economy continues to expand at a pace that is among the best in the nation. The state's concentration of individuals and businesses focused on products that are in high demand in today's economy continue to feed economic growth. Colorado also benefits from a high degree of business dynamism, as well as a growing culture for innovation and collaboration among individuals and firms. However, not all parts of the state are experiencing the same degree of economic strength. Housing market and employment growth remain more modest in certain regions. We project the statewide unemployment rate to fall below five percent this year — the first time below this level since the middle of 2008.

The national economy's expansion has accelerated in recent months. The labor market is showing more sustained momentum; though the recent report for the nation's job market in August was less strong than in prior months. Economic indicators associated with the business cycle currently point to continued expansion. Business loan demand and investment have picked up and consumer and business confidence have improved. These trends will lower unemployment further and sustain consumer spending and housing market growth. Despite recent improvement, the overall national economy continues to generate uneven growth in the aftermath of the Great Recession. Continued improvement in the labor market is needed to bolster employment levels and overall economic growth.

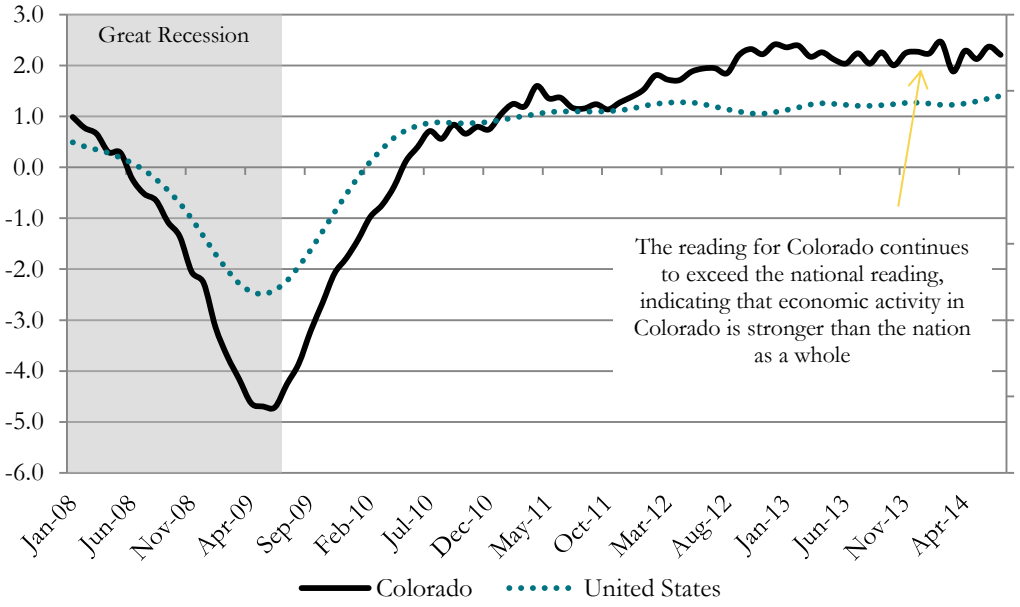
Economic risks — Many indicators point to a continued economic expansion. We find that only a special set of unique circumstances would materially slow, or less likely reverse, the expansion. One risk is less accommodative monetary policy. The economy could respond unfavorably as the Federal Reserve ends its large-scale asset purchases and begins to target increases in the federal funds rate, which currently is expected to occur next year. Additionally, due to the interconnected nature of the global economy and financial system, current economic conditions in Europe and parts of Asia, as well as continued geo-political tensions in the Middle East and Russia, are concerns.

Colorado Economy Overview

Colorado continues to be one of the top performing states in the nation — Colorado's economy remains among the top performing state economies in the country as it continues to experience solid growth in several key sectors. Colorado benefits from having a relatively high concentration of individuals and businesses focused on products that are in high demand in today's economy, such as those involving information, technology, bioscience, engineering, and aerospace. The state also has strong agriculture and energy sectors that continue to feed economic growth in Colorado.

The State Coincident Economic Activity Index published by the Federal Reserve Bank of Philadelphia provides timely information about the overall performance of state economies by combining four state-level economic indicators: employment, average hours worked in manufacturing, the unemployment rate, and inflation-adjusted wage and salary disbursements. This index tends to correlate reliably with states' GDP growth over time and provides good insight into the overall health of a state economy. As shown in Figure 1, Colorado's reading in this index has exceeded the national index throughout most of the economic recovery.

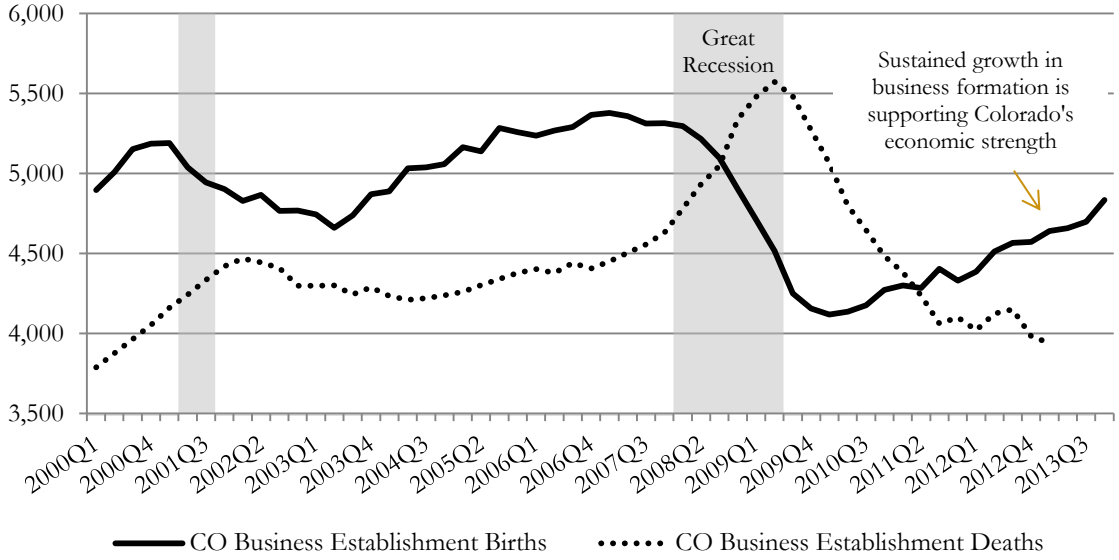
Figure 1. Coincident Economic Activity Index for the United States and Colorado, Seasonally-Adjusted 6-Month Percent Change, 2008 through July 2014



Source: Philadelphia Federal Reserve Branch

Growing new business formation is both a cause and result of Colorado's strong recovery — One factor contributing to Colorado's economic strength is a high degree of business dynamism as characterized by high rates of new business formation, as well as a growing culture for innovation and collaboration among individuals and firms. The state has been recognized as a place that currently has a high incidence of start-up activity, a term that describes the formation of new businesses, often focused on technology-related products. Figure 2 shows new business formation in Colorado since 2000 and illustrates the sustained growth in births of new businesses since the end of the recession. Successful new business formation attracts ideas, people, and investments to Colorado, which in turn creates a more favorable environment for further new business formation.

Figure 2. New and Closing Businesses in Colorado, 2000 to 2013 4th Quarter*



*Data on business closings is only available through the 1st quarter of 2013 as it takes longer to determine whether a business has permanently closed.
Source: Business Employment Dynamics, U.S. Bureau of Labor Statistics

Strength in the labor market and other sectors attracts people to Colorado, contributing to a high rate of in-migration — Colorado's favorable mix of industries and dynamic business climate has supported strong employment growth during the recovery. The unemployment rate declined to 5.1 percent in August, the lowest rate in nearly six years. Further discussion of Colorado's employment market is found in the *Labor Market Conditions* section beginning on page 12.

The growing labor market has helped to attract many people to the state. In recent years, a greater proportion of migrants to Colorado have possessed advanced education degrees, helping to further strengthen the state's pool of workers with skills and abilities that are currently in high demand.

> Colorado's economy is attracting many migrants that have the skills employers need in today's technology-focused economy.

Colorado is benefitting from a strong housing recovery and increased tourism spending as both the state and national economies grow — Colorado's housing market also continues to build momentum, as prices and construction of new homes rise throughout the state. Colorado's housing market is described in further detail in the *Housing and Construction Market Conditions* section on page 18.

As the state and national economy recover, spending on tourism also has increased. This trend, combined with favorable weather conditions for both winter and summer attractions, has helped boost tourism activity in Colorado and contributed to the state's expansion.

Though momentum is strong, some areas of the State are lagging — Although Colorado's economic recovery has been solid in recent months, not all parts of the state are experiencing such a high degree of economic strength. In certain regions, home prices and employment remain weaker, but it is also the case that the drop during the recession was not as precipitous. These conditions are found mostly at larger distances from major metropolitan areas where there is a higher concentration of the workers and businesses that are fueling the majority of new economic activity.

Over the past couple of years, much of the state has recovered from drought conditions, though parts of southern Colorado are still experiencing moderately dry to extreme drought conditions as reported by the National Drought Mitigation Center. These conditions are negatively affecting the agricultural economy in these regions.

National Economy Overview

The national economy continues to improve overall, with ingredients for future growth — Information from businesses and other contacts across the economy indicated a continued pickup in activity across most of the nation during the period from mid-July through late-August, according to the Federal Reserve's most recent "Beige Book." Furthermore, businesses in several sectors and regions of the country reported more optimism for the future. Higher business expectations for the future, along with measures of consumer confidence returning to pre-Great Recession levels, will help produce continued economic growth. Further improvement in household finances combined with favorable credit and financial conditions for businesses will also help bolster economic activity going forward.

> The national economy's expansion has picked up in recent months. Higher confidence and improved financial conditions among businesses and consumers will help produce continued economic growth.

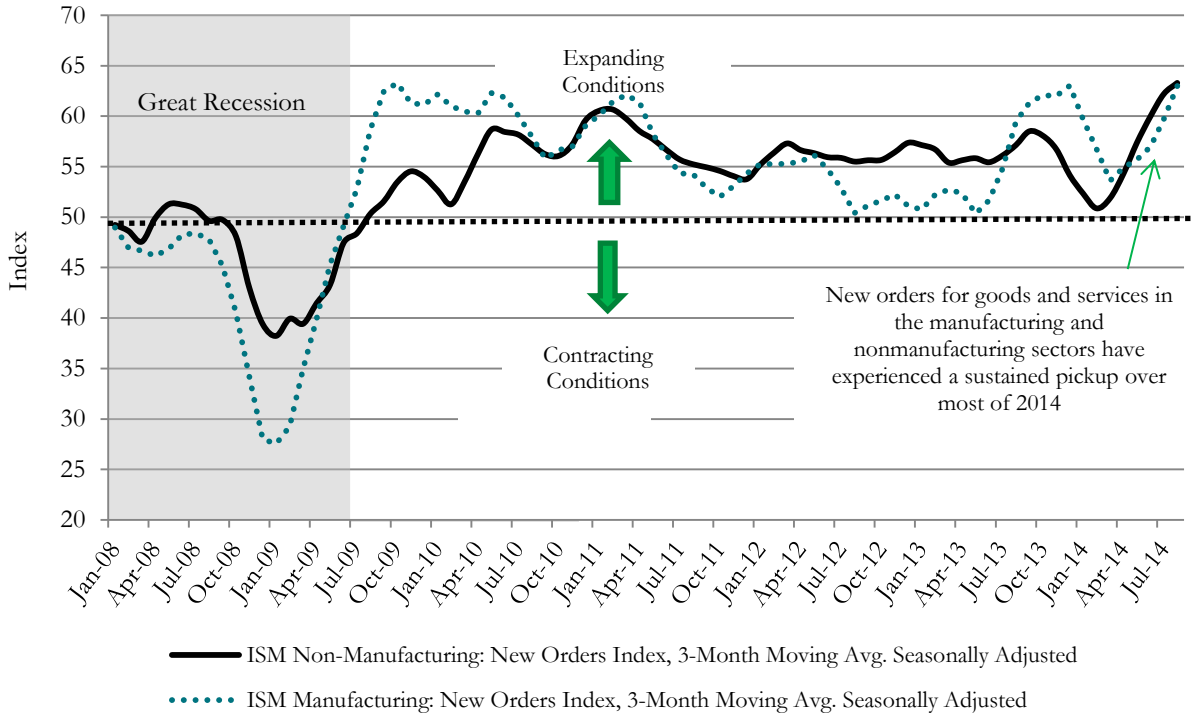
Two indicators reflecting a broad pickup in the economy are new orders activity reported from surveys of supply managers conducted by the Institute for Supply Management (ISM) in both manufacturing and nonmanufacturing businesses. Increasing new orders signals heightened demand for products and services, which indicates continued production and sales in the future.

Representatives from many of the industries in both the manufacturing and nonmanufacturing sectors in the August ISM surveys had positive comments about business activity and the economic outlook. However, some businesses cited slow global economic conditions and geopolitical tensions as concerns.

Figure 3 shows the pickup in new orders activity for both the manufacturing and nonmanufacturing sectors that have occurred this year through August. New orders activity for products and services are experiencing their highest levels of growth in the current economic expansion; the manufacturing sector reported the highest new orders activity in August since 2004.

> New orders activity for products and services are experiencing their highest levels of growth in the current economic expansion.

Figure 3. ISM Manufacturing and Non-Manufacturing New Orders Indices,* January 2008 to August 2014



* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.
Source: Institute for Supply Management

Most sectors of the economy continue to improve **—** Amidst the broad-based improvement in the economy, the labor market is showing more sustained momentum, though the August report on the job market was less strong than in prior months. Although consumer spending growth generally remains modest, auto sales continue to be strong and tourism spending appears to have picked up over the summer. Additionally, the housing sector mostly continues to experience rising construction, sales, and prices across many areas of the country.

Banks are reporting increased loan demand and business spending and investment has picked up, signaling further business expansion. These trends will help economic conditions continue to improve, which will lower unemployment further and sustain consumer spending and the housing market.

> Business loan demand and investment has picked up, which will help economic conditions continue to improve.

Overall the current economic expansion remains modest and uneven **–** Although economic growth has picked up and conditions have improved, the overall national economy continues to generate modest but uneven growth. This is most notably seen in the labor market. Unemployment remains at higher levels than the period preceding the Great Recession and wage growth for some occupations remains flat.

> Despite recent improvement, the overall national economy continues to generate uneven growth in the aftermath of the Great Recession.

The Great Recession resulted in severe economic disruptions from which recovery is difficult. Recoveries from long and deep recessions, especially those associated with housing market contractions and financial crises, have historically tended to be slower than average recessions. Also, heightened levels of uncertainty, lower labor force participation, and less new business formation have contributed to the economy's more modest growth rate since the recession.

Some areas of the nation have more favorable ingredients that are producing stronger growth despite these factors. Areas with clusters of people and institutions engaged in economic activity involving knowledge, ideas, and innovations, as well as centers of energy production, are experiencing faster growth and lower unemployment.

Select economic data associated with the business cycle indicate the economy is expected to continue to expand **—** Changes in certain economic sectors and activities historically have tended to precede broader changes in overall economic conditions. For example, growth in new business formation indicates that entrepreneurs are undertaking more projects that often lead to new jobs and a broader increase in economic activity. Conversely, a slowdown in new business formation can indicate that entrepreneurs see fewer opportunities for profitable projects and less growth will ensue. In addition, information from financial markets reflects investors' and risk managers' assessments of current and future economic conditions. Higher expectations can influence future economic activity through the increased supply of credit and investment money.

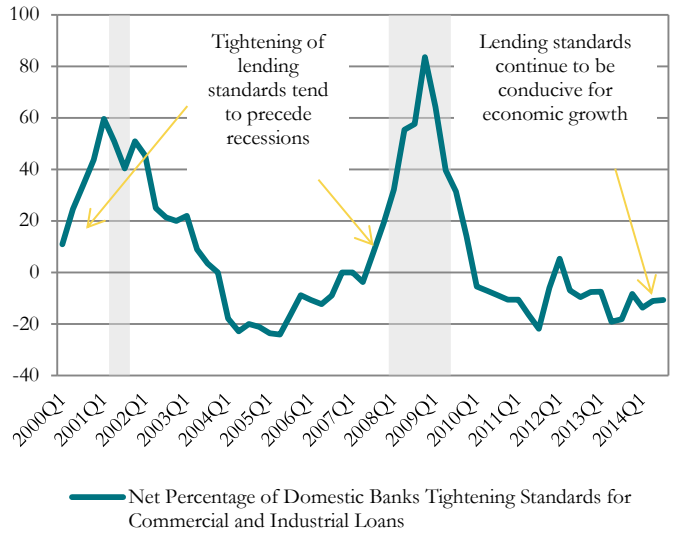
Other economic data also tend to display specific characteristics at various points in the business cycle, such as the beginning of a recovery or the late stages of an expansion. For example, corporate profits tend to rise at the beginning of business cycles when interest rates, labor and other production costs are low. Corporate profits diminish as costs rise and earnings begin to slow while the business cycle matures.

We can use this type of data as a guide to help understand where the economy may be in the business cycle and whether any change in momentum is likely in the near future. Though it is important to note that business cycles are extremely difficult to predict and no information can reliably determine the point in the business cycle in real time.

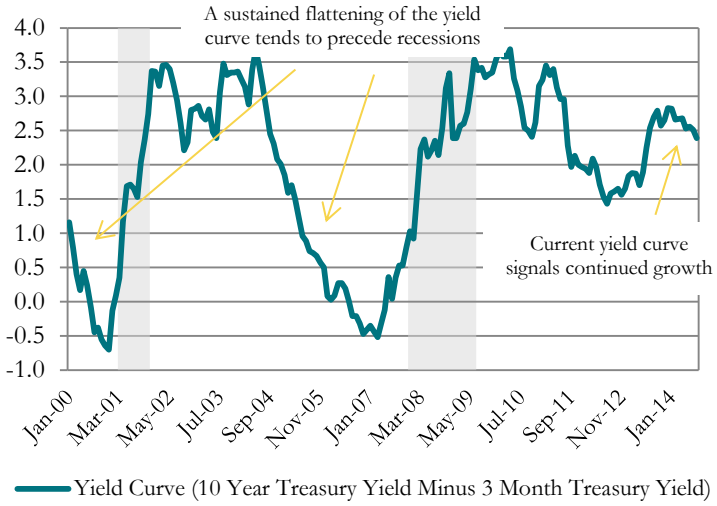
> Economic indicators associated with the business cycle, such as business lending practices and the hiring of temporary workers, currently point to continued expansion.

Indicators associated with the business cycle across sectors of the economy, such as business lending practices and the hiring of temporary workers, currently point to continued expansion. Figure 4 shows graphs depicting the behavior of four such economic indicators that can provide information on future economic conditions.

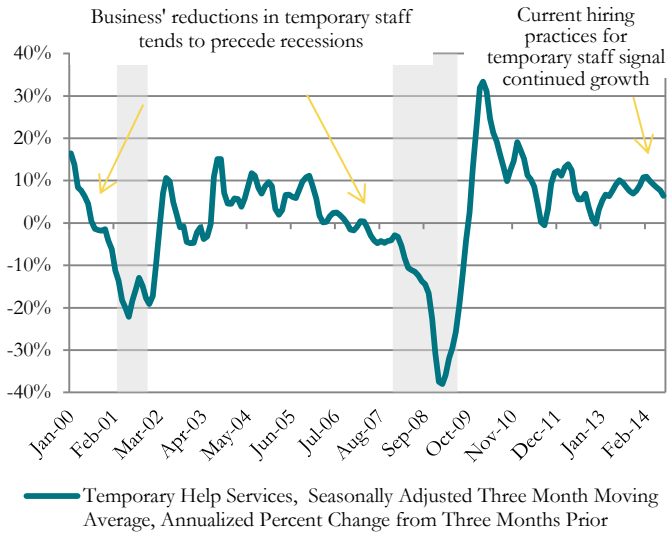
Figure 4. Selected Indicators on Business Cycle, 2000 to Present



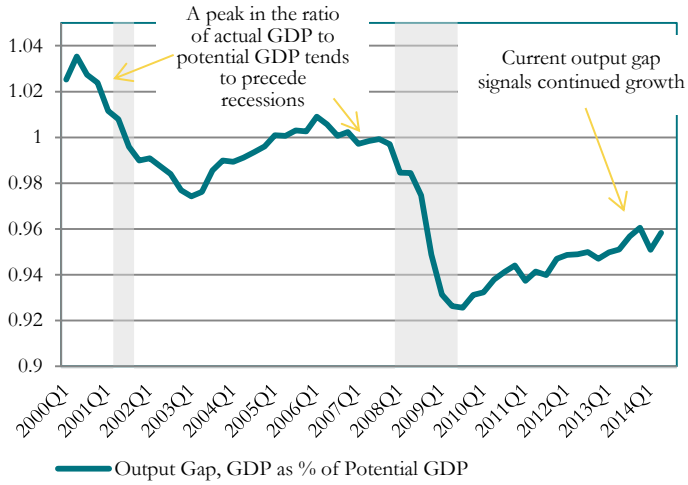
Source: Federal Reserve



Source: Federal Reserve



Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Economic Analysis; Congressional Budget Office

*Shading Indicates Recessionary Periods

The top left graph shows banks continuing to have more accommodative lending standards for commercial and industrial (business) loans. This indicates a rise in the supply of credit to borrowers that helps sustain economic growth. The top right graph shows that the "yield curve" — the difference between the yield on the three-month Treasury bill and the ten-year Treasury bond — indicates continued modest to moderate growth. The yield curve helps gauge risk appetite in financial markets as well as expectations of future inflation. The yield curve statistically has been found to signal the future rate of growth in the economy as well as potential recessions.

The bottom left graph shows businesses continuing to increase their hiring of temporary employees, indicating a continued ramp up of economic activity. Businesses tend first to reduce their temporary workers before permanent staff when they experience slower business activity. The bottom right graph shows the "output gap" — measured by the current level of U.S. gross domestic product (GDP) compared with "potential GDP" as estimated by the Congressional Budget Office. The current gap shows that the national economy has been operating below potential, indicating a low level of the large scale excesses that have tended to precede economic downturns in the past.

There currently appears to be a low level of the large scale excesses in the economy that have tended to precede downturns in the past.

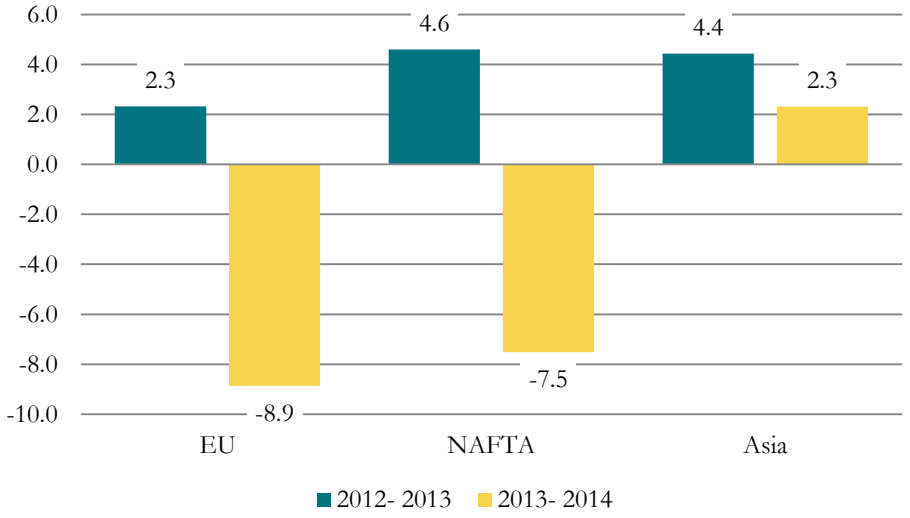
International Economic Conditions and Trade

The world economy continues to struggle to grow — Because the global economy is highly connected, slower conditions in China, Japan, and Europe, increased tension in the Middle East, and conflict in Russia and Ukraine are affecting the state and national economy. According to Eurostat, the statistical office of the European Union, Italy's economy fell into recession for the third time since 2008 in the second quarter of 2014, while Germany posted a decline in GDP.

Italy's economy fell into recession for the third time since 2008 in the second quarter of 2014, while Germany posted a decline in GDP.

International trade is softer due to weaker global conditions — Exports reflect U.S. and Colorado competitiveness in world markets as well as the types of products the state and nation specialize in producing. In July, U.S. goods exports grew 3.1 percent, while Colorado goods exports declined 4.4 percent over the same period the prior year. This data reflects economic weakness across Colorado's major trading partners. Figure 5 shows the trends in Colorado's goods exports to major trading partners over the past couple of years. Colorado's trade with euro zone countries through July decreased 8.9 percent from a year ago. Colorado exports that saw decreases to these trading partners include plastics; industrial and electrical machinery; mineral fuel and oil; and optic, photo and medical instruments.

Figure 5. Colorado Exports to Major Trade Partners, Percent Change, 2013 and 2014 July Year-to-Date over levels the prior year

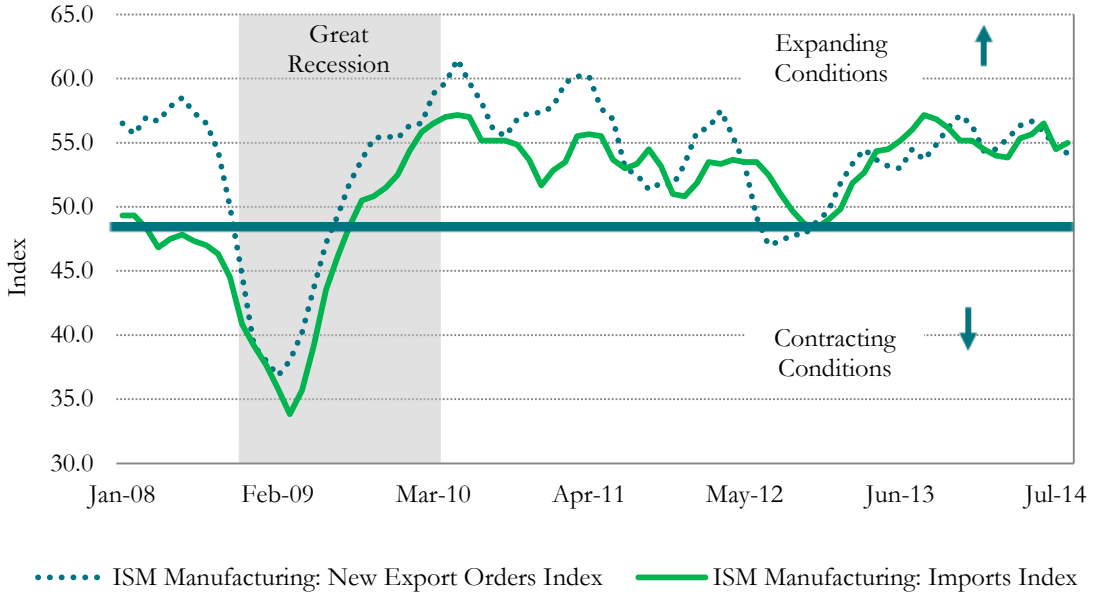


Source: Wiser Trade Data

Despite weaker global conditions, trade continues to grow — The August ISM Manufacturing Index, a survey of businesses in the manufacturing sector, registered 55 for new export orders and 56 for import orders. A reading above 50 indicates expanding activity as shown in Figure 6.

A higher reading of imports suggests that U.S. businesses and consumers are increasing spending with continued growth in the economy, while a lower reading for exports is a result of slower activity in the economies of U.S. trading partners. The data does not appear to suggest a material slowdown in exports. A business owner in the wood products industry noted that "International markets were slower due to euro holidays, political unrest and slowing Chinese markets." Industries that indicated growth in both exports and imports include apparel and leather products; plastics and rubber products; petroleum and coal products; and food, beverage and tobacco products.

Figure 6. ISM Manufacturing New Export Orders and Imports Indices,* 3-month moving average, 2008 through August 2014

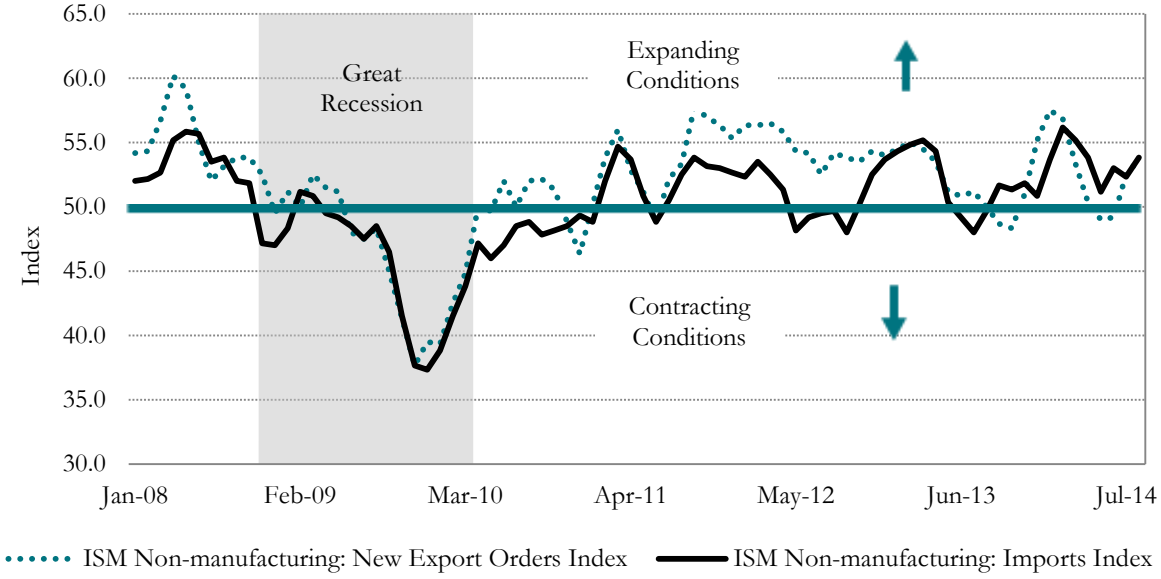


* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.

Source: Institute for Supply Management

The August ISM Non-manufacturing Index, a survey of businesses in the non-manufacturing sector, showed some weakening in new export orders and imports registering 52.5 and 51.0, respectively, as shown in Figure 7. Still, both indices remain above 50, the level that indicates expansion in activity. The non-manufacturing sector includes service industries. Colorado is a regional hub for professional, scientific, and technical services, such as engineering, accounting, legal, and consulting as well as the finance, insurance, and information sectors. A business owner in professional, scientific and technical services noted that "International orders have been slow to match U.S. growth but appear to be increasing slightly as well." Industries that report new orders for export growth include retail and trade; scientific and technical services; and transportation and warehousing.

Figure 7. ISM Non-Manufacturing New Export Orders and Imports Indices,* 3-month moving average, 2008 through August 2014

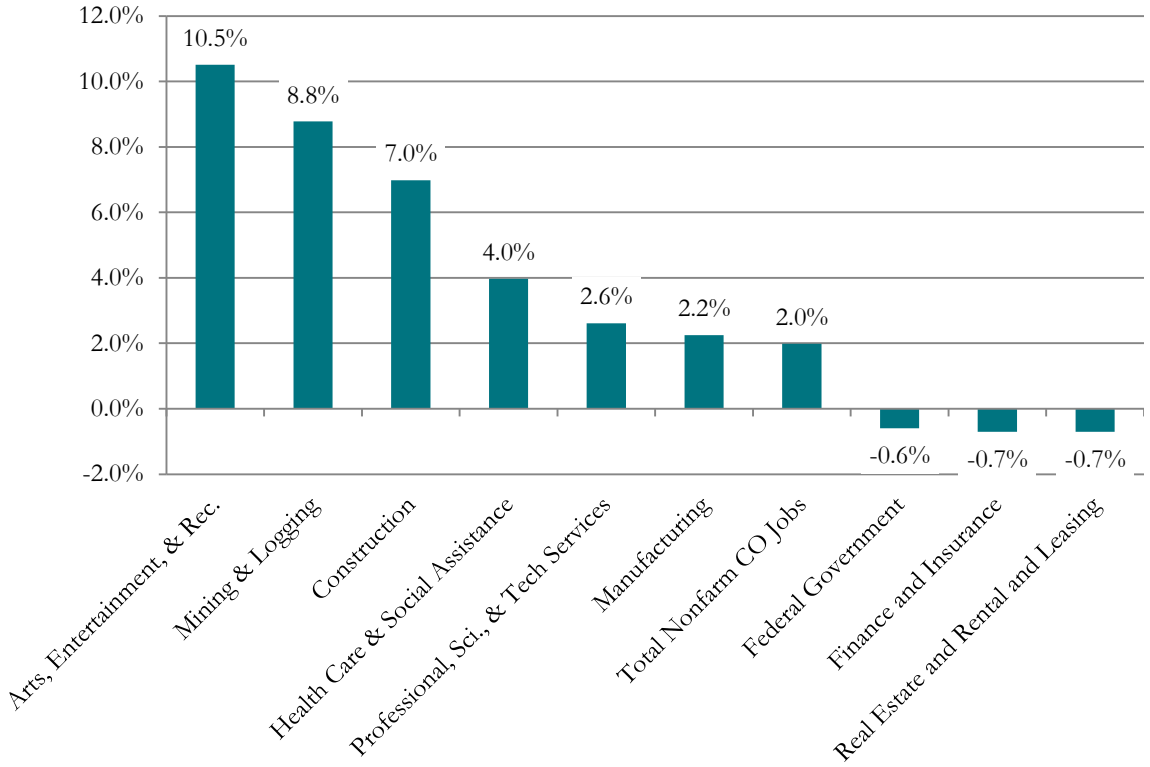


* Readings above 50 indicate activity is generally expanding; below 50 indicate that it is generally declining. The distance from 50 is indicative of the strength of the expansion or decline.
Source: Institute for Supply Management

Labor Market Conditions

Colorado's labor market continues to make progress – In 2014, the state added 47.8 thousand jobs through July, a growth rate of 2.0 percent. Through August, the U.S. has added 1.7 million jobs, growing 1.3 percent. As shown in Figure 8, much of Colorado's job growth has occurred in the following major industries: arts, entertainment and recreation; mining (mostly oil and gas); construction; healthcare and social assistance; professional, scientific, and technical services; and manufacturing. Notable areas with weak growth or job losses include the federal government, finance and insurance and real estate and rental and leasing. It should be noted that an industry can expand faster than job growth may suggest. This generally occurs in industries that use high levels of equipment and technology to boost worker productivity.

Figure 8. Colorado Industry Job Growth in 2014, through July



Source: Colorado Department of Labor, U.S. Bureau of Labor Statistics, and calculations from the Governor's Office of State Planning and Budgeting (OSPB). Includes OSPB's estimates of forthcoming revisions to jobs data using Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than what was estimated based on surveys of employers.

> The level of job growth that is occurring across several industries indicates that Colorado's economy has built a solid foundation since the end of the Great Recession.

The level of job growth that is occurring across several industries indicates that Colorado's economy has built a solid foundation since the end of the recession. Industries such as mining, manufacturing, and professional and technical services, are considered "tradable sectors", or those that sell some portion of their goods and services to visitors or in markets outside the state.

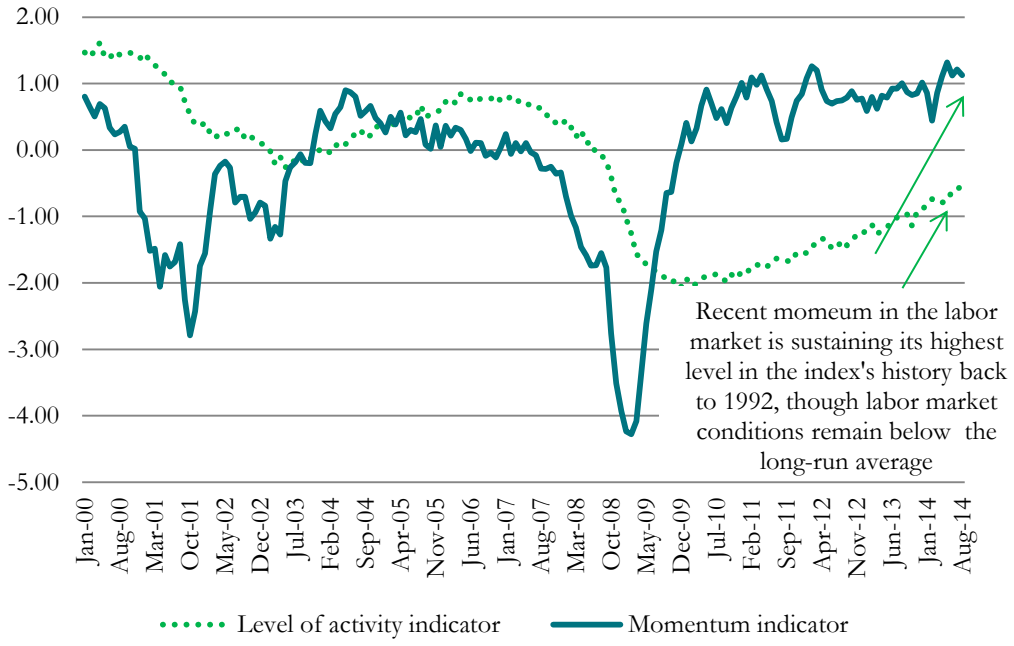
Selling products and services outside Colorado helps generate higher levels of output and brings in new money to the state for hiring, investing, and spending. Businesses in these sectors tend to be more competitive with other businesses as they vie for market share with businesses in other states and countries. This heightened competition drives businesses to innovate and strive for improvement in their products and business practices. Over time, this leads to higher productivity and stronger economic growth.

In addition to growth in these tradable industries, the level of job growth in the construction industry in Colorado is a clear indicator of economic expansion. The housing market continues to grow and an increase

in new and expanding businesses are building or expanding facilities. Public infrastructure projects surrounding the growing economy are also supporting construction industry job growth.

National labor market conditions are showing more momentum – The Kansas City Federal Reserve Bank's Labor Market Conditions Indicators (LMCI) provides monthly tracking of two measures designed to assess overall labor market conditions — labor market activity and labor market momentum. Recent improvement in national labor market activity parallels labor market momentum that is approaching its highest level in the LMCI series history back to 1992. The labor market activity measure in July increased to -0.52 as shown on the graph below. A positive value indicates that labor market conditions are above their long-run average, while a negative value signifies that labor market conditions are below their long-run average. Although national conditions are improving, continued slack in the labor market suggests that more progress is needed.

Figure 9. Kansas City Fed Labor Market Conditions Indicators (LMCI), January 2000 to August 2014



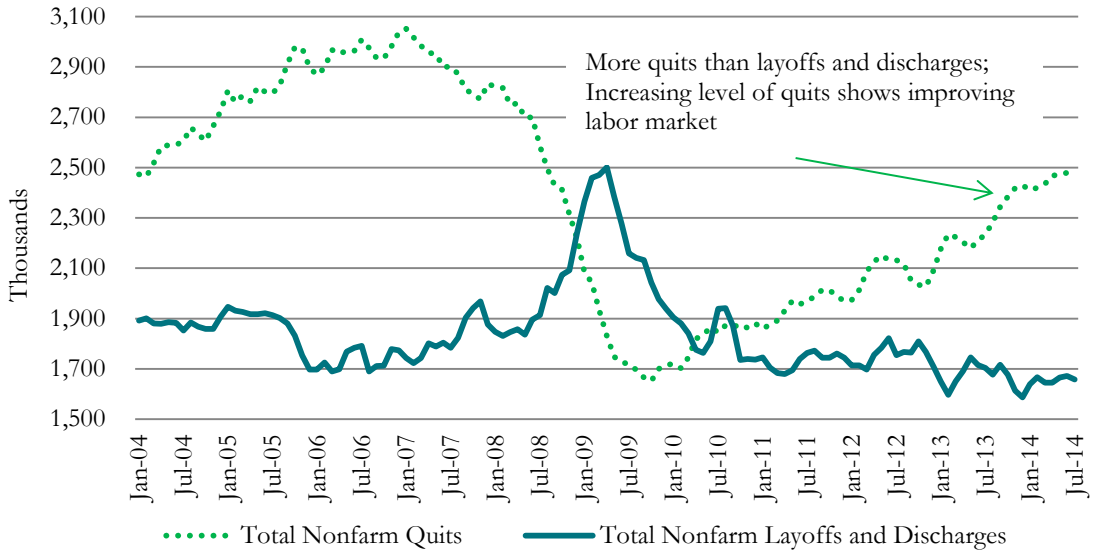
Source: Kansas City Federal Reserve

Over the past six months, the main contributors to overall improvement in the activity indicator include businesses' plans to increase employment, decreases in the unemployment rate, and increases in the quit rate, or voluntary separations initiated by the employee.

The growing rate of quits indicates improvement in the labor market – As workers become more confident in their job prospects, they are more likely to leave their job to pursue other opportunities. The number of quits historically tends to exceed the number of layoffs and discharges, which are involuntary separations initiated by the employer. During the Great Recession, this relationship changed as layoffs and discharges outnumbered quits. There were 2.5 million nonfarm quits in July, increasing 53 percent since the

nadir in August 2009. However, the level of quits remains below the December 2007 pre-recession peak of 2.8 million as shown in Figure 10.

Figure 10. Quits and Layoffs, 3-Month Moving Average, 2004 through July 2014



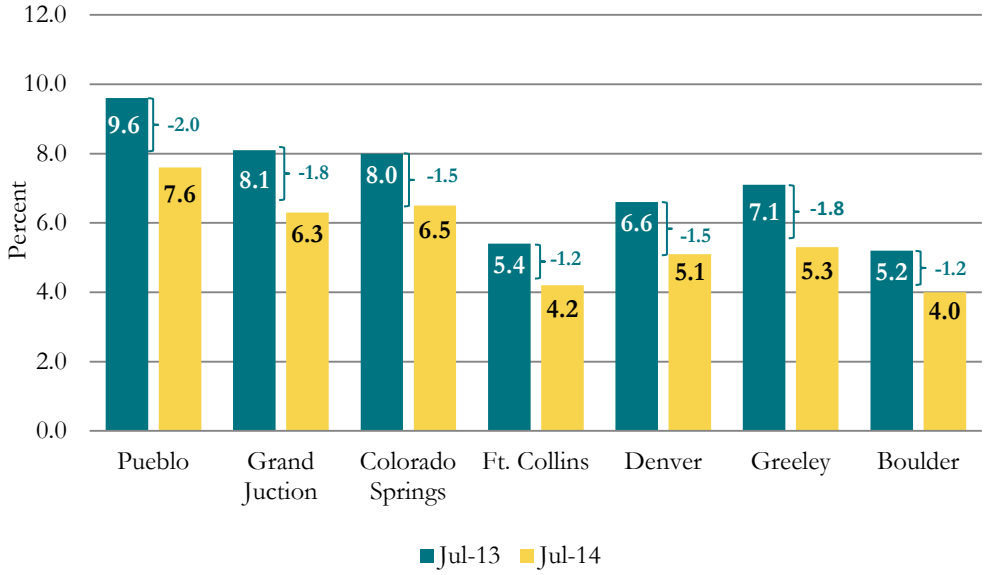
Source: Bureau of Labor and Statistics

The rate of job creation in Colorado has absorbed job seekers and new entrants into the labor force – The stronger job growth in Colorado has absorbed job seekers, while reducing the state's overall unemployment rate, or "U-3" rate. The U-3 rate is the traditionally-reported unemployment rate that represents individuals who are unemployed and are seeking work as a percentage of the civilian labor force.

> The unemployment rate in Colorado decreased to 5.1 percent in August, the lowest level since September 2008, while the U.S. unemployment rate declined to 6.1 percent.

Colorado's unemployment rate decreased to 5.1 percent in August, the lowest level since September 2008, while the U.S. unemployment rate declined to 6.1 percent. Though progress has occurred across Colorado and the nation, certain segments of the labor market still face difficult adjustments from the Great Recession. Figure 11 shows the unemployment rate for various regions of Colorado, depicting the unevenness of the economic performance during the current expansion.

Figure 11. Unemployment Rate (U-3) by Region of Colorado, July 2013 to July 2014



Source: Bureau of Labor and Statistics

In addition to the U-3 unemployment rate, the Bureau of Labor and Statistics publishes a broader measure of labor-market conditions called "U-6". This rate includes the total number of unemployed workers measured in the U-3, as well as marginally attached workers, defined as individuals who want to be employed but have not recently looked for work, including those discouraged by job prospects. The U-6 rate also includes individuals who want to work full time but are employed part time for economic reasons, or involuntary part-time workers.

In Colorado, the U-6 rate of unemployment averaged 10.9 percent in the third quarter of 2013 through the second quarter of 2014; the most recent data available, while the national U-6 rate was 12.9 percent over that same time period. Colorado's U-6 rate has declined 4.5 percentage points from its 2010 average level. Colorado's lower U-6 rate indicates that the state has proportionally fewer discouraged and involuntary part-time workers making up the labor force compared with the nation overall.

> Colorado's higher participation rate in the labor market provides further evidence of the state's stronger expansion marked with greater economic opportunity and activity.

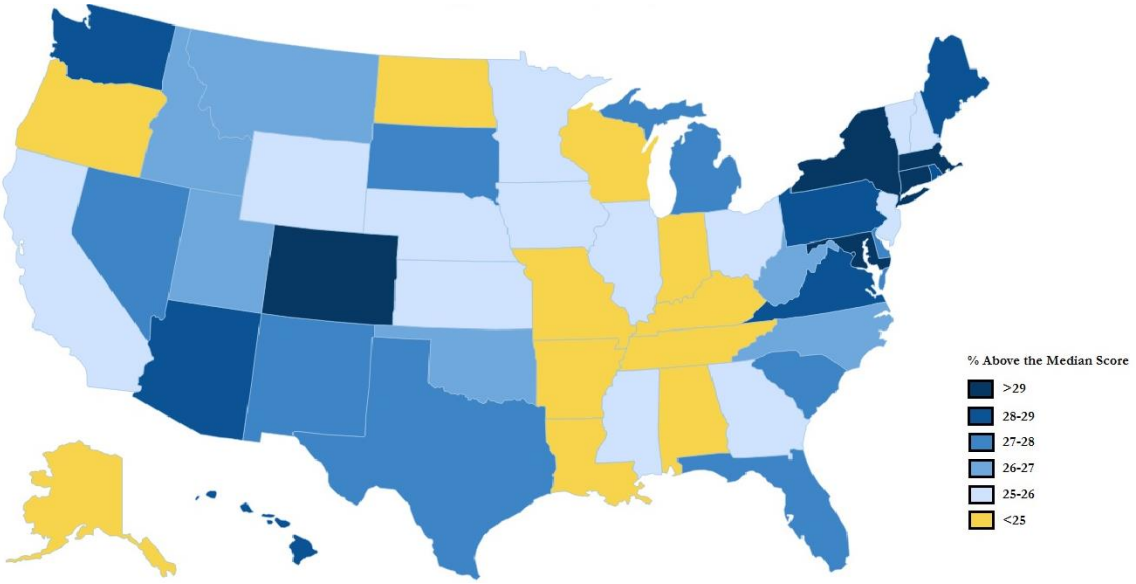
The labor force participation rate – the number of people working or seeking work as a percent of the population – for both Colorado and the nation began to decline around 2000 mostly due to demographic reasons. However, in 2008 the participation rate fell more sharply as the economy shed jobs and work opportunities declined.

Improved labor market conditions have recently begun to halt this trend. The nation's labor force participation rate has remained flat since the beginning of this year and was 62.8 percent in August. Colorado's rate has increased slightly this year and was 68.0 percent in July. Colorado's higher participation rate provides further evidence of the state's stronger expansion marked with greater economic opportunity

and activity. A higher labor force participation rate will sustain stronger economic growth for Colorado in relation to the nation.

Colorado's favorable economic performance is influenced by its workers with skills and abilities that are in higher demand in today's information- and technology-intensive economy – The U.S. economy's demand for specific skills and abilities has changed over time due to technological innovation and globalization. Today's information- and technology-intensive economy requires more "non-routine" analytical and interpersonal skills that are not susceptible to computerization. This includes creativity, social perceptiveness, critical thinking, learning strategies, persuasion and negotiation abilities, and resource management. Workers engaged in work involving innovation, technology, analysis, and human relations use these types of skills and abilities. Better performing economies tend to have a high proportion of these workers. They are also likely to perform better in the future as technology advances.

Figure 12. Proportion of Workers with Skills Most in Demand in Today's Information- and Technology-Intensive Economy, 2013



Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics; Occupational Information Network; Autor, David & Price, Brendan (2013). The Changing Task Composition of the U.S. Labor Market: An Update of Autor, Levy, and Murnane (2003); OSPB Calculations

Figure 12 shows the proportion of individuals in occupations utilizing higher in-demand skills and abilities in today's information and technology-intensive economy described above. To determine the makeup of occupations using these types of skills and abilities, each individual occupation was scored based on the degree to which it utilized non-routine interpersonal and analytical skills compared with routine manual and cognitive tasks that are increasingly being performed by technology. The median occupation score was treated as a benchmark that separates occupations with higher in-demand skills in today's economy from those with lower demand.[1] Occupations that score high typically require high levels of non-routine

[1] Information regarding the level of skills and abilities required for each occupation were acquired from the Occupational Information Network (ONET), while the demand for each type of skill and ability was based on research by academic economists David Autor and Brendan Price.

interpersonal and analytical skills and abilities. Examples of such occupations include certain medical professionals, robotics engineers, and computer and information systems managers.

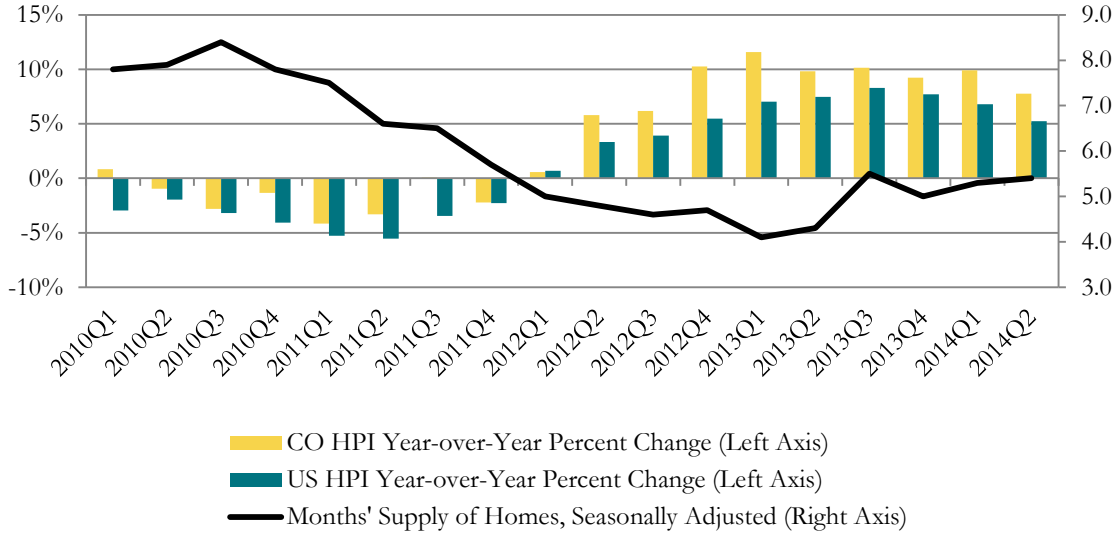
Based on 2013 data, 29 percent of Colorado's workforce utilizes the skills and abilities that are higher in demand in today's economy. This is the 5th highest proportion among states, which helps explain Colorado's better economic performance. The state is positioned favorably in the sectors experiencing the most opportunities for growth. The metropolitan areas of Boulder, Colorado Springs, and Fort Collins-Loveland are among the top 15 metros in the nation with the highest proportions. San Jose-Sunnyvale-Santa Clara, California has the highest proportion among metro areas, at 36 percent, followed by Boulder, at 35 percent. Both of these areas have vibrant tech communities with high innovative activity. The San-Jose-Sunnyvale-Santa Clara, California metro area includes Silicon Valley, which is well-known for its entrepreneurial start-up activity and innovative technology.

Housing and Construction Market Conditions

The housing market continues to grow in most parts of the United States and Colorado, with prices continuing to rise, although at a slowing rate. More positive expectations for the future are encouraging home buyers to enter the market, a phenomenon that supports home values and helps build further market strength. Additionally, improvement in the overall economy supports the housing market as more workers find jobs that allow them to afford housing and qualify for a mortgage loan.

Figure 13 shows the seasonally-adjusted Home Price Index (HPI) published by the Federal Housing Finance Agency (FHFA), as well as the inventory of homes for sale as reported by the US Census Bureau. Prices overall have grown for ten consecutive quarters at both the state and national level, though growth rates have slowed recently at the same time that the inventory of homes for sale has risen.

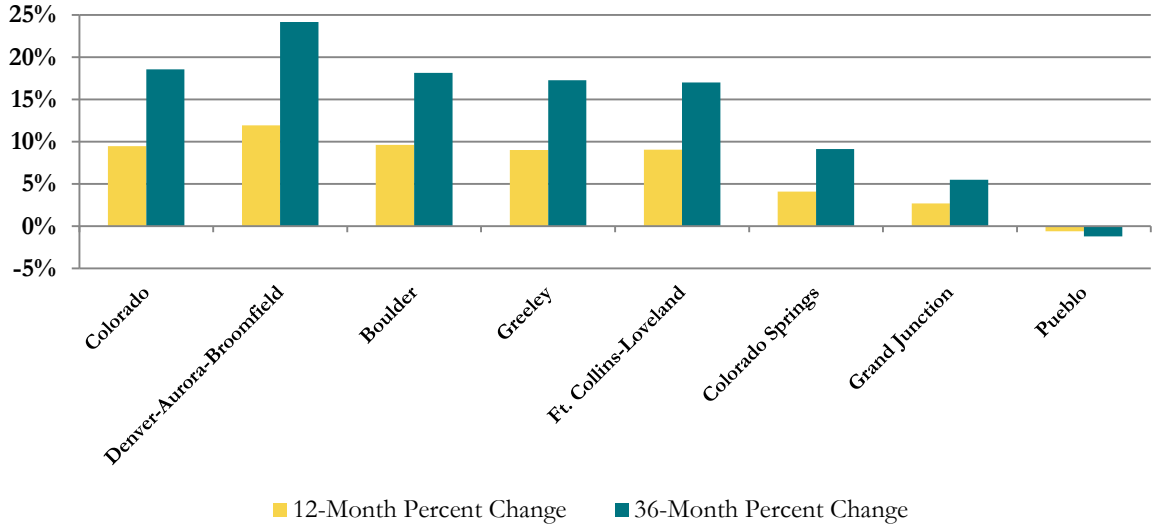
Figure 13. FHFA House Price Index Year-over-Year Change with National Months' Supply of Existing Homes, 2010 through Second Quarter of 2014



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

Home price growth is not even across all regions. Prices in some housing markets in the United States, including the Denver metro area, are growing at a fast pace. Some regions continue to struggle, however. While average housing prices across Colorado surpassed their pre-recession peak around the end of 2012, average home prices at the national level remain lower than the peak reached in early 2007. Figure 14 shows the percentage change in home prices over the last 12 months and the last 36 months in each region of Colorado for which the FHFA publishes its Home Price Index. This figure illustrates the uneven performance of housing markets even within the state.

Figure 14. Changes in FHFA House Price Index for Regions of Colorado, as of the Second Quarter of 2014



Source: Federal Housing Finance Agency

Fewer institutional buyers could restrain price growth going forward – In recent months, the proportion of home sales that occur without a mortgage loan, called "cash sales," has decreased, indicating that fewer properties are being purchased by individuals and institutions as investments. The result is a higher proportion of purchases being made by the individuals and families that actually will occupy the home. These types of buyers generally require a mortgage loan, which could result in slower price growth going forward as individuals are constrained by lending standards that have remain tightened since the Great Recession.

> Recent declines in the number of cash sales indicate that the housing market continues its transition from slump to full recovery. A growing portion of purchases are being made by individuals and households as their primary home.

Additionally, home sales that depend on a mortgage loan are more sensitive to changes in mortgage interest rates, which have been rising slightly as the economy recovers. According to survey data from the Mortgage Bankers Association, the number of new mortgage applications has been inconsistent in recent weeks as interest rates fluctuate in response to various financial and geopolitical influences.

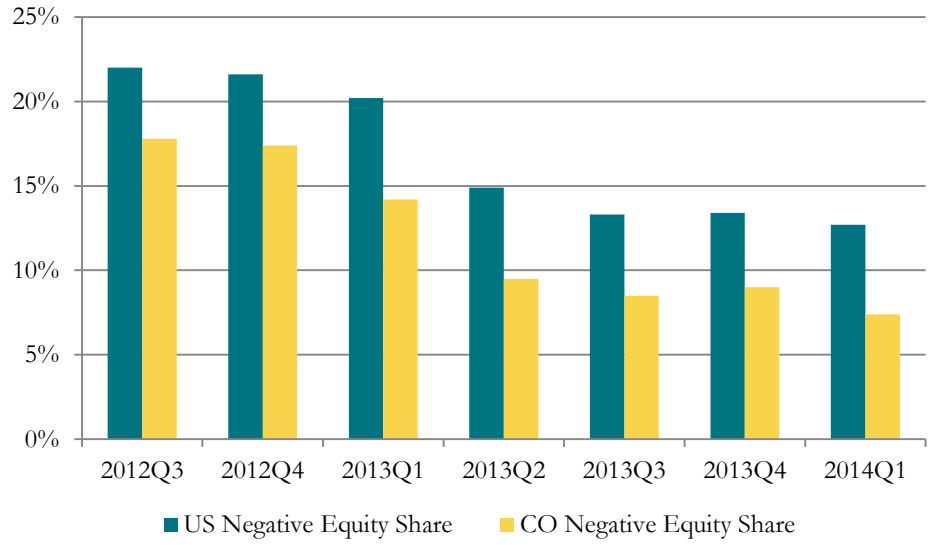
Other factors contributing to health in housing markets include new home construction and declining negative equity – Price appreciation and improved employment have elevated confidence among

homebuilders, supporting continued construction of both single family homes and multi-family projects for sale or rent. The National Association of Home Builders and Wells Fargo publish a Housing Market Index (HMI) based on survey data that gauges builder confidence. A reading of 55 in August 2014 indicates expectations for continued growth and the highest level of confidence in seven months.

> The number of underwater mortgages continues to fall in both Colorado and the United States, allowing more homeowners to list their property for sale or refinance their mortgage. This will support increased economic activity.

Price appreciation has reduced the number of homes that are "underwater," meaning that the home's value is less than the balance owed on the mortgage loan. According to data published by real estate data firm, CoreLogic, Colorado's share of underwater mortgages fell to 7.4 percent in the first quarter of 2014, while the nationwide share fell to 12.7 percent. Fewer underwater mortgages means that more people who want to sell their home will be able to list it on the market. Additionally, declining negative equity indicates that more homeowners are able to refinance their mortgage in order to lower their interest rate or borrow additional money to make purchases, home improvements, or start a business.

Figure 15. Share of Mortgage Loans with Negative Equity, U.S. and Colorado, Third Quarter of 2012 through First Quarter of 2014



Source: Core Logic

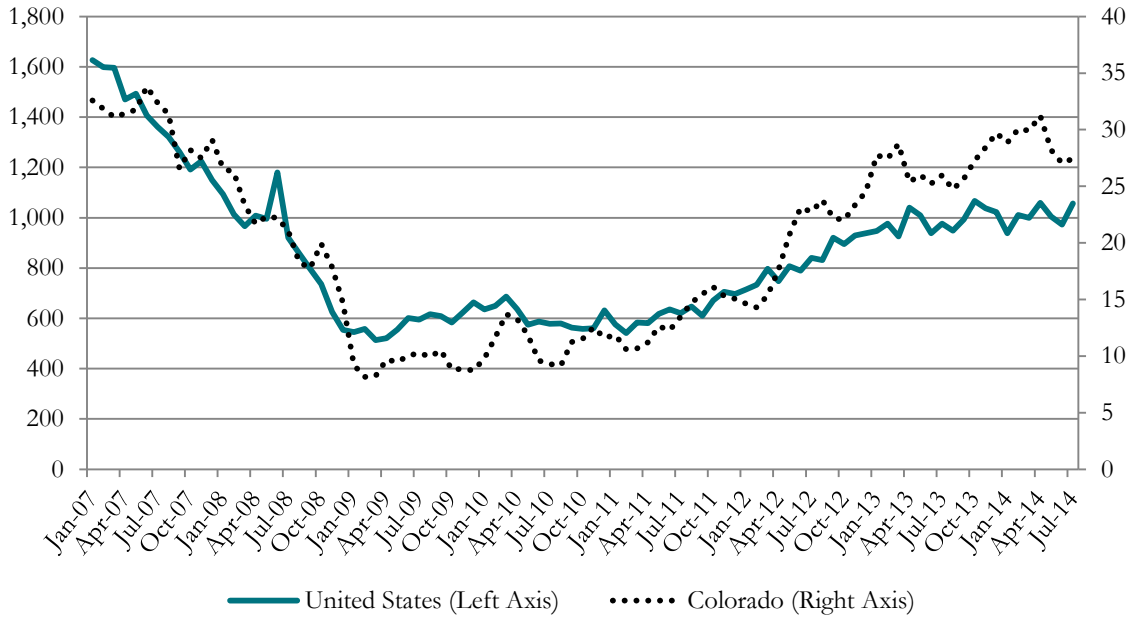
Amid rising prices and rent, housing affordability is declining – Growing home prices have made it difficult for some individuals and families to purchase a home. Combined with tighter lending standards, lower affordability could moderate Colorado's housing recovery as many would-be buyers find it more difficult to enter the market. Additionally, low vacancy rates among rental properties and apartments has driven significant increases in rent for most of the state, making housing affordability an issue for some job seekers and young people who are prepared to form new households.

> Strong home price appreciation may not be positive for everyone, as higher purchase prices and rent make housing less affordable for those wanting to enter the market.

Combined with continued employment gains, growth in household formation and migration to the state will fuel rising housing construction activity.

Housing market strength is supporting increased construction, especially of apartments and condominiums – The number of homes under construction is increasing in both the United States and Colorado as more buyers enter the housing market and builder confidence grows. Figure 16 shows the number of permits obtained for new residential construction projects since 2007. Despite the solid growth in housing construction that has accompanied Colorado's expansion, the total number of permits remains below pre-recession levels, which were likely unsustainable. All factors considered, combined with continued employment gains, growth in household formation and migration to the state will fuel rising housing construction activity.

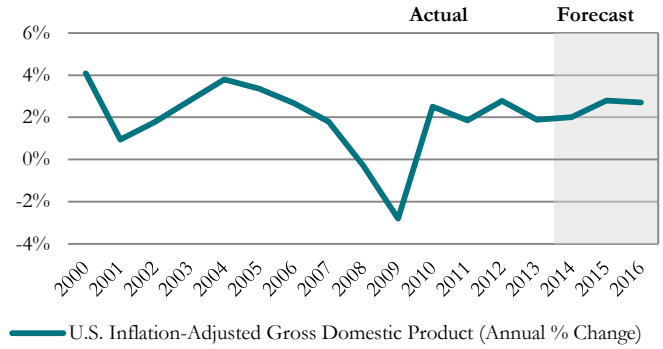
Figure 16. Residential Construction Permits for the United States and Colorado, Seasonally-Adjusted 3-Month Moving Average, Annualized, in Thousands January 2007 through July 2014



Source: U.S. Census Bureau

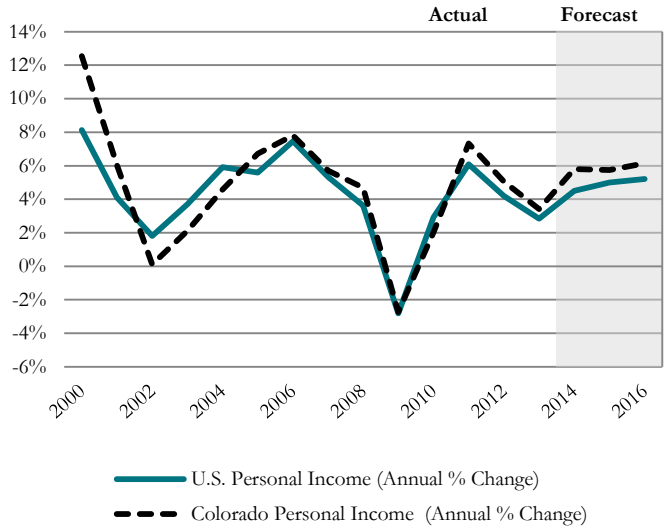
SUMMARY OF KEY ECONOMIC INDICATORS
ACTUAL AND FORECAST

U.S. Gross Domestic Product (GDP)



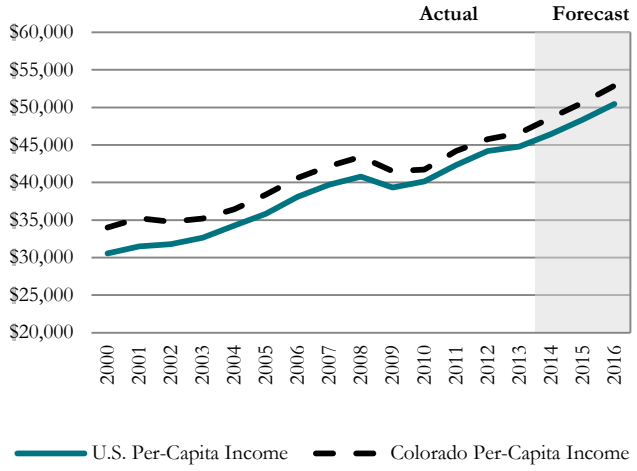
- GDP is a barometer for the economy's overall performance and reflects the value of final output in the U.S.
- GDP grew 2.2 percent in 2013 and will grow 2.0 percent in 2014.

U.S. and Colorado Personal Income



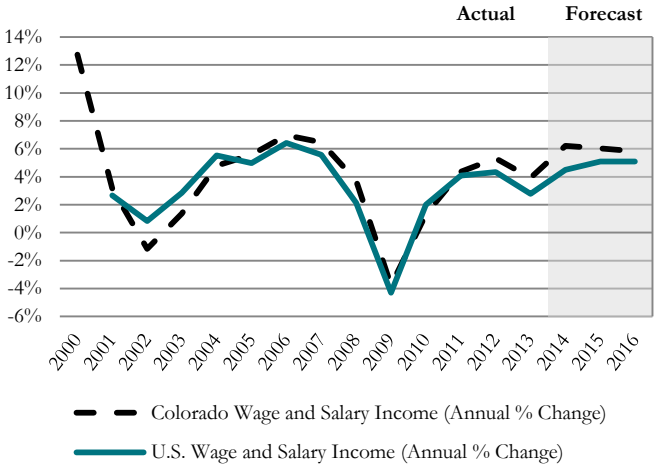
- Personal income grew in Colorado at a rate of 3.4 percent in 2013 and will grow 5.8 percent in 2014.
- Personal income for the nation grew 2.0 percent in 2013 and will grow 4.5 percent in 2014.
- The lower growth rates in 2013 were due in part to the shifting of certain income into 2012 from federal tax policy changes.

U.S. and Colorado Per-Capita Income



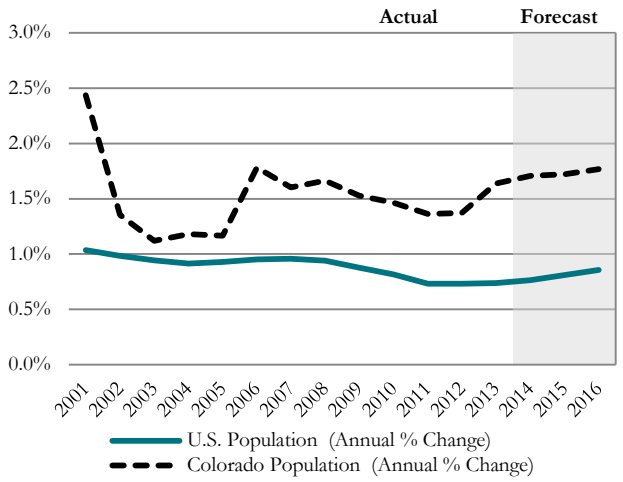
- Per-capita income in Colorado grew to $46,640 in 2013 and will grow to $48,603 in 2014.
- Nationally, per-capita income increased in 2013 to $44,779 and will grow in 2014 to $46,439.

U.S. and Colorado Wage and Salary Income



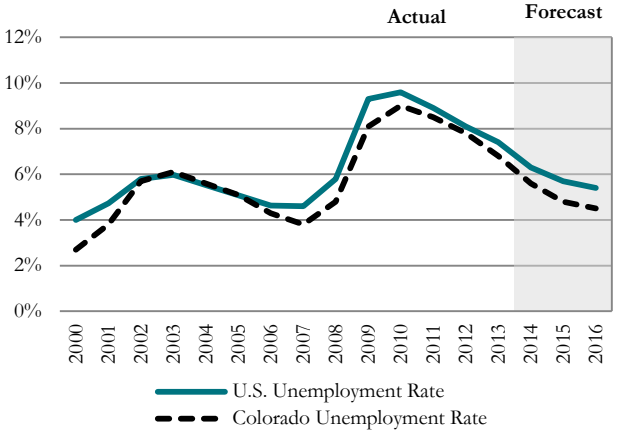
- Total wages and salaries paid to workers grew in Colorado at a rate of 3.9 percent in 2013 and will accelerate to 6.2 percent in 2014.
- Wage and salary income for the nation increased 2.8 percent in 2013 and will grow 5.8 percent in 2014.
- As with personal income, the lower growth rates in 2013 were due in part to the shifting of certain income into 2012 from federal tax policy changes.

U.S. and Colorado Population



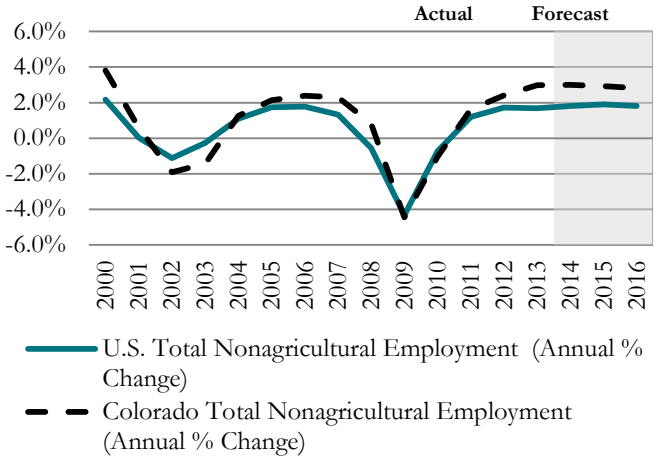
- The state's average population growth rate from 2008 to 2013 was approximately 1.5 percent. Nationally, average population growth was slightly less than one percent.
- Colorado's population is expected to grow 1.5 percent and reach 5.3 million in 2014.
- The nation's population will continue to grow less than one percent throughout the forecast period.

U.S. and Colorado Unemployment



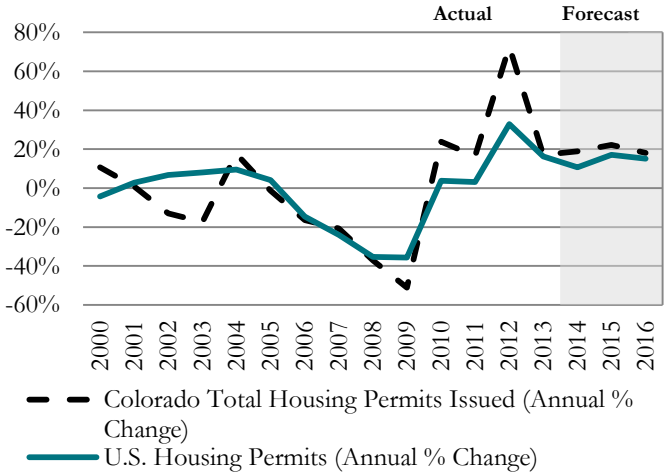
- The unemployment rate continues to fall.
- After averaging 6.8 percent in 2013, OSPB forecasts Colorado's unemployment rate at 5.5 percent in 2014 and 4.7 percent in 2015.
- After an average rate of 7.4 percent in 2013, the national unemployment rate will average 6.3 percent in 2014 and average 5.7 percent in 2015.

U.S. and Colorado Total Nonagricultural Employment



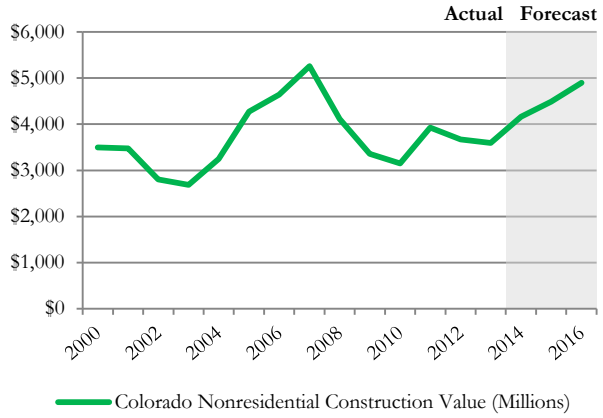
- Colorado nonfarm jobs grew 3.0 percent in 2013, with broad growth across industries.
- Payroll jobs from Colorado employers will increase another 3.0 percent in 2014 and grow 2.9 percent in 2015.
- U.S. nonfarm payroll jobs will increase 1.8 percent in 2014 and 1.9 percent in 2015, after growing 1.7 percent in 2013.

U.S. and Colorado Housing Permits Issued



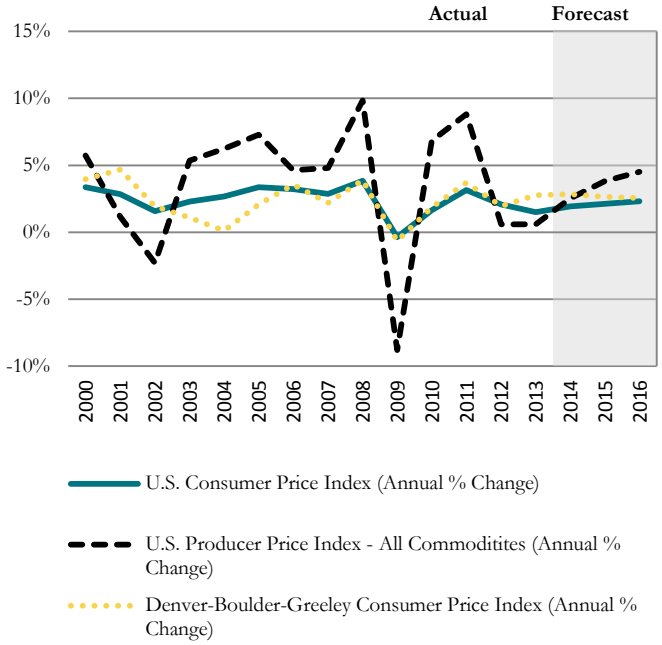
- Colorado residential construction permits grew 18.0 percent in 2013 and will grow 18.9 percent in 2014. Growth will continue throughout the forecast period.
- Housing permits for the nation increased 16.3 percent in 2013 and will grow 10.6 percent in 2014.

Colorado Nonresidential Construction Permits



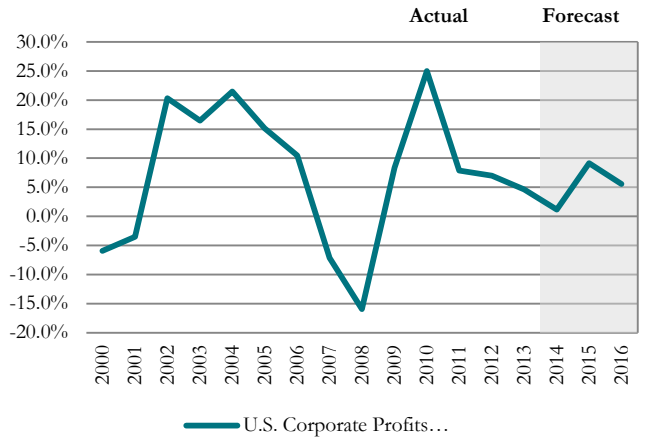
- Non-residential construction has begun to strengthen recently in Colorado. Momentum in the economic recovery is encouraging businesses to invest in new facilities and locations.
- In Colorado, the total value of nonresidential construction projects will grow 15.7 percent in 2014 and 7.9 percent in 2015.

Consumer Price Index and Producer Price Index



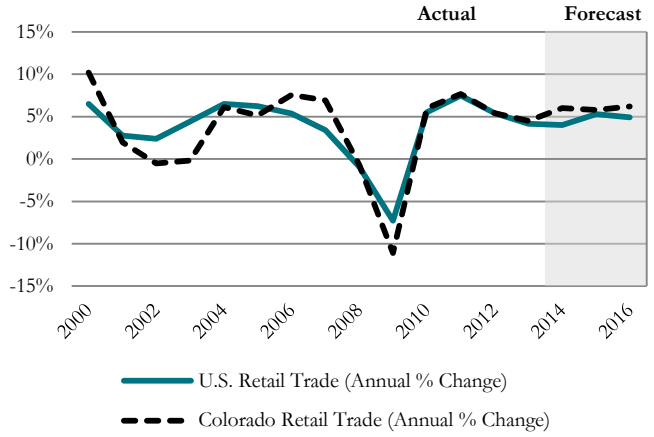
- The Denver-Boulder-Greeley Consumer Price Index (CPI) increased 2.8 percent in 2013 and will increase 2.8 percent in 2014 and 2.6 percent in 2015, driven largely by higher housing costs.
- Nationally, increases in consumer price levels remain modest. The national CPI will grow 1.9 percent in 2014 and 2.1 percent in 2015 after increasing 1.5 percent in 2013.
- The more volatile producer prices in the U.S. were flat in 2013 and will increase 2.5 percent in 2014 and 3.8 percent in 2015 with more economic activity.

U.S. Corporate Profits



- Corporate profits at the national level increased 4.6 percent in 2013 and will grow 1.2 percent in 2014 and 9.2 percent in 2015. The slower growth in 2014 is mostly due to changes in federal tax provisions affecting deductions and expensing for business investment.

Retail Trade



- Retail trade sales in Colorado will grow 6.0 percent in 2014 and 5.8 percent in 2015 after increasing 4.5 percent in 2013.
- Nationwide retail trade grew 4.1 percent in 2013 and will grow 4.0 percent in 2014 and 5.3 percent in 2015.

General Fund and State Education Fund Revenue Forecast

General Fund Revenue Forecast

Projections for General Fund revenue for FY 2014-15 are 0.8 percent higher compared with the June 2014 forecast. This translates to an $80.9 million higher forecast for this fiscal year. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher compared with June.

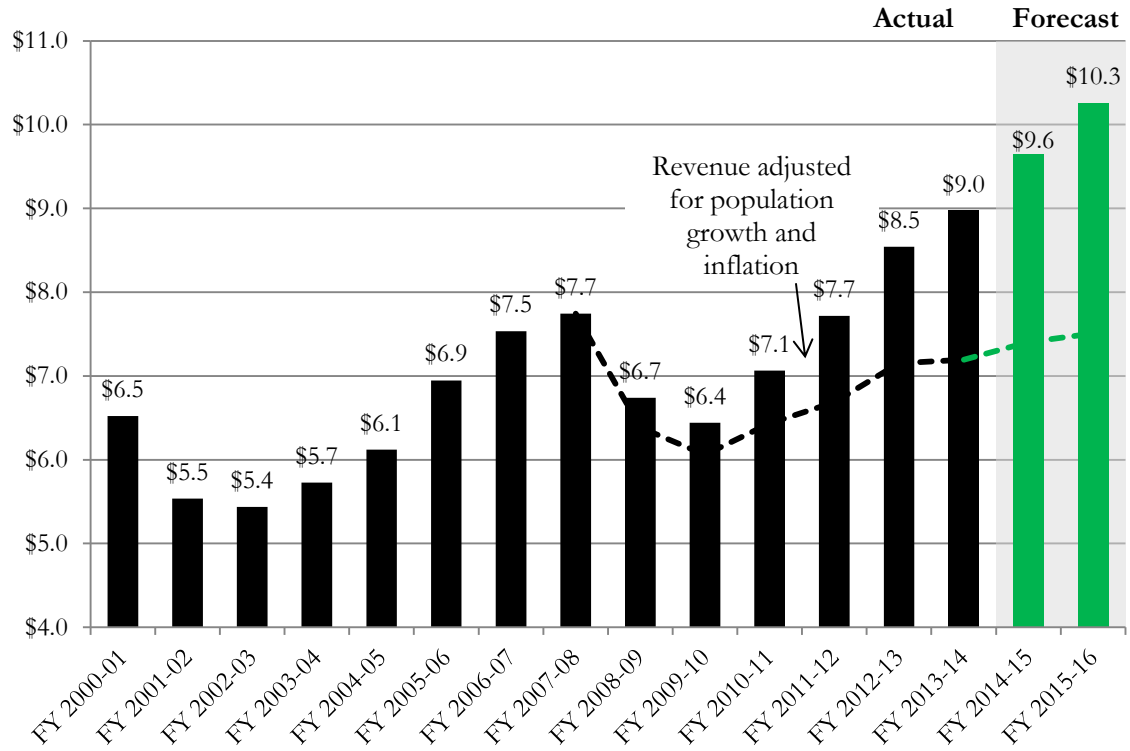
> General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16. Income taxes from wage withholdings and sales tax collections continue to grow at a solid pace due to Colorado's economic expansion.

After growing 5.1 percent in FY 2013-14, General Fund revenue is expected to grow 7.4 percent in FY 2014-15 and 6.4 percent in FY 2015-16. Income taxes from wage withholdings and sales tax collections — the State's largest sources of General Fund revenue — continue to grow at a solid pace due to Colorado's economic expansion. A rebound in tax collections from investment income is helping produce higher General Fund revenue growth this fiscal year; slower growth for this revenue source is anticipated in FY 2015-16. Less robust corporate income tax revenue collections over the forecast period compared with past fiscal years will prevent General Fund revenue from reaching the growth rates experienced from FY 2010-11 to FY 2012-13.

The General Fund is the State's main account for funding its core programs and services such as education, health and human services, public safety, and courts. It also funds 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 paid by households and businesses in the state, which are heavily influenced by the performance of the economy.

Figure 17 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2015-16. The figure includes revenue adjusted for inflation and population growth since FY 2007-08. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix.

Figure 17. General Fund Revenue, Actual and Forecast, with Revenue Adjusted for Population Growth and Inflation, FY 2000-01 to FY 2015-16, $s in Billions



Source: Office of the State Controller and OSPB.

Forecast Discussion of Major General Fund Revenue Sources

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

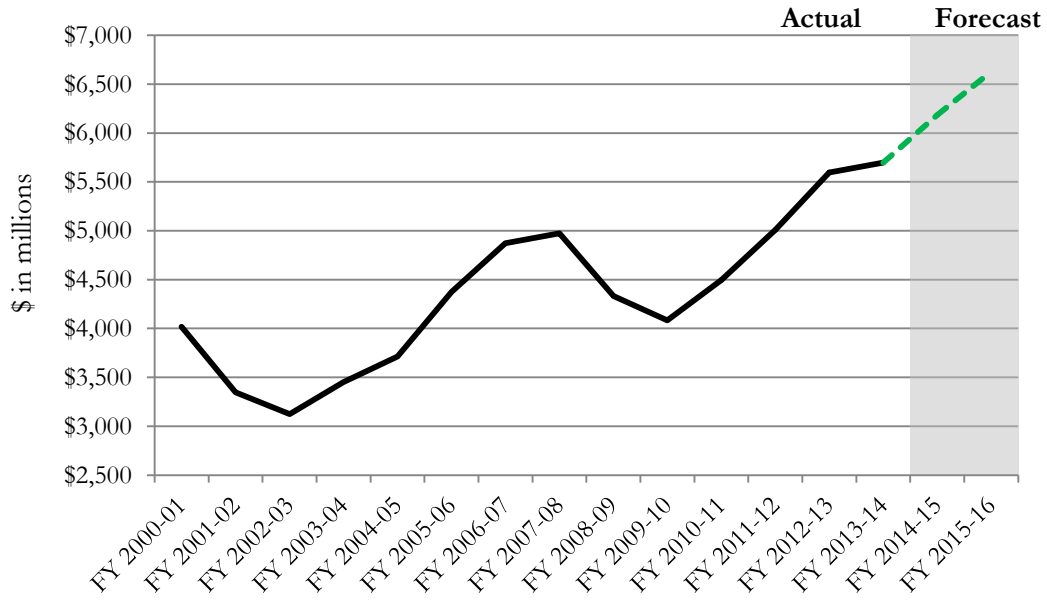
Individual income tax – Individual income tax collections will grow 8.6 percent FY 2014-15, rebounding from a substantial slowdown in FY 2013-14. Collections will moderate slightly in FY 2015-16 and grow 7.1 percent.

> The resumption in growth in capital gains income will help boost individual income tax revenue 8.6 percent in FY 2014-15. Collections will moderate slightly in FY 2015-16 when individual income tax revenue is expected to grow 7.1 percent.

This fiscal year's increase is from the resumption in growth in capital gains income along with continued increases in other income categories such as wages, rental income, and business income resulting from the economic expansion. Estimated income tax payments declined 8.6 percent in FY 2013-14 as taxpayers shifted investment gains to avoid the higher tax liabilities from federal tax increases that took effect at the beginning of 2013. This one-time shifting of investment income will not be a factor in FY 2014-15 when estimated payments are expected to increase 24.8 percent. After the rebound this fiscal year, growth in estimated income tax payments in FY 2015-16 will moderate and will help temper the increase in overall individual income tax collections.

Changes in tax deductions and credits at both the state and federal level[2] are affecting revenue collections over the forecast period. Tax credits for low-income housing development, child care, business personal property taxes, historic preservation, alternative-fuel trucks, and brownfield cleanup that were adopted during the 2014 legislation session will lower revenue by an estimated $16 million in FY 2014-15 and $29.4 million in FY 2015-16. Also, after becoming a TABOR refund mechanism in FY 2015-16, the state earned income tax credit will become available on an ongoing basis starting in tax year 2017. This will lower FY 2016-17 collections by an estimated $47 million, which is half of the full year impact of the credit. Other changes will increase revenue in the forecast period. The expiration of higher federal tax deductions for business investments, as well as the adoption of limits on federal tax deductions and exemptions for higher income earners that started in 2013 is bolstering income tax collections.

Figure 18. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

Corporate income tax – Corporate tax revenue collections will slow to a 5.1 percent growth rate in FY 2014-15 and 8.3 percent in FY 2015-16. Corporate tax revenue growth has moderated after being the fastest growing source of General Fund revenue over the past several fiscal years.

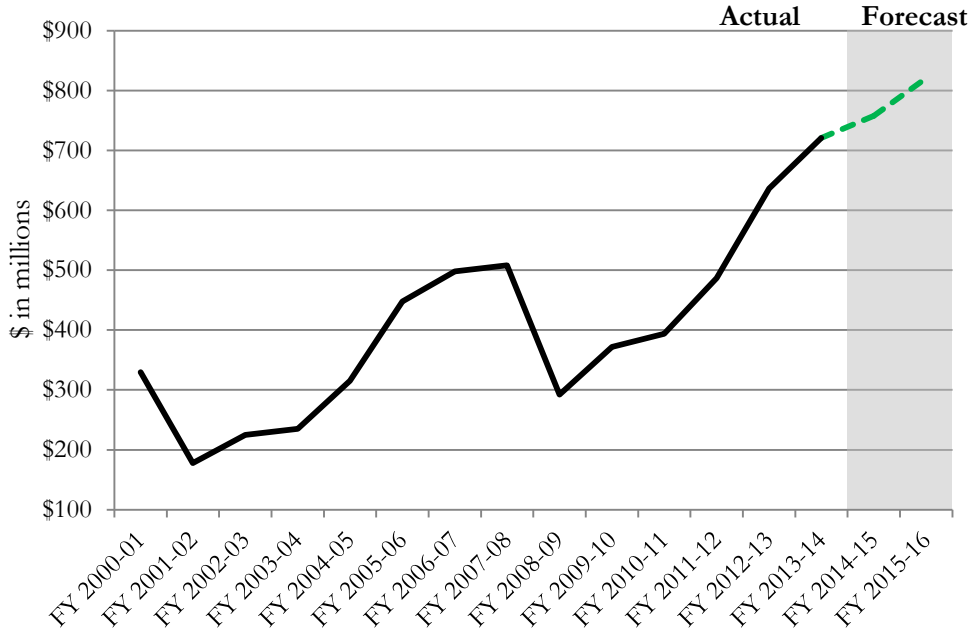
The slowing in corporate tax revenue growth appears to be in part due to rising business costs that are lowering profit margins as the economic expansion matures. Also, tax policies are tempering corporate tax collections over the forecast period, such as

> Corporate tax revenue collections will slow to a 5.1 percent growth rate in FY 2014-15 and 8.3 percent in FY 2015-16. Higher business costs and tax policies are tempering collections over the forecast period.

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

the ending of the cap on the amount of net operating losses that corporations could deduct and the tax credit for businesses undertaking job creation projects.

Figure 19. Corporate Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

Sales and use tax – Sales tax revenue will grow 6.5 percent in FY 2014-15 and 4.9 percent in FY 2015-16. Sales tax revenue has picked up in recent months in the midst of the state's economic expansion that is producing sustained consumer and business spending. Vehicle purchases and a growing housing market are particularly fueling solid sales tax collections. In addition, job growth and higher tourist activity and business travel are boosting sales taxes from restaurants.

> Vehicle sales, spending activity associated with the housing market, and restaurant spending are particularly generating solid sales tax growth.

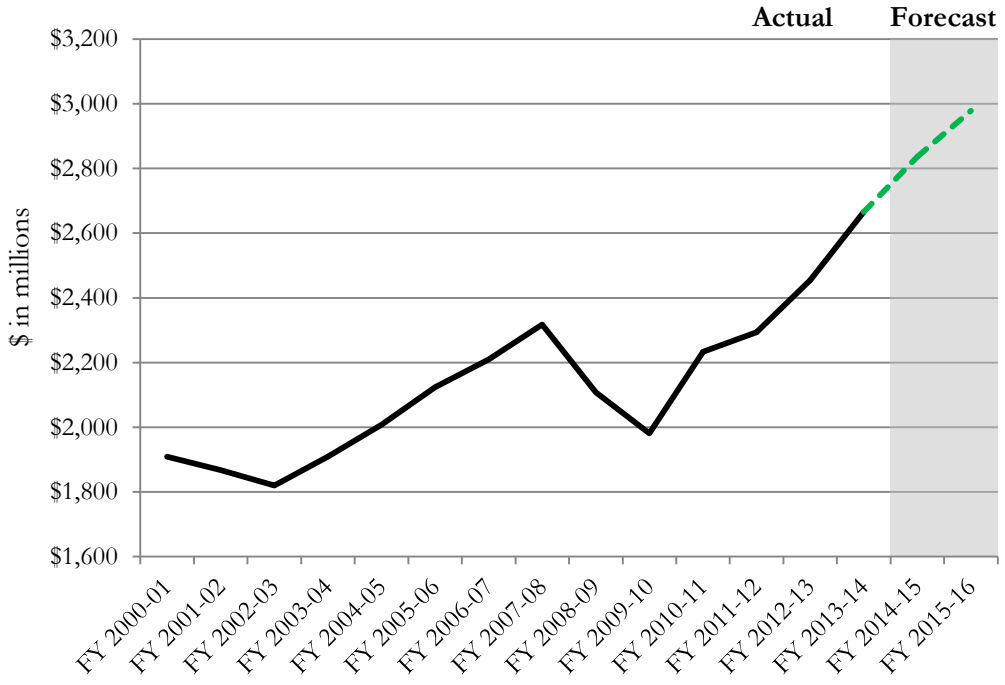
The reinstatement of the vendor discount to its traditional higher level in FY 2014-15 will temper sales tax revenue collections. The vendor discount allows a portion of sales tax revenue to be retained by retailers who collect and remit the tax to the State. This tax policy change, set in 2011 with the adoption of SB 11-223, is estimated to reduce sales tax collections by about $29 million this fiscal year and similar amounts going forward. The vendor discount was eliminated during the recession to increase revenue to the State, and was then brought back on a partial basis in FY 2011-12.

Sales tax revenue is being bolstered by the State's collection of a new sales tax of 10 percent on retail marijuana from the passage of Proposition AA by voters last November. (Voters also approved an excise tax of 15 percent on retail marijuana that is mostly credited to a cash fund for public school capital construction projects.) Revenue from the retail marijuana 10 percent sales tax goes first to the General Fund — and is included under sales tax revenue in Table 3 in the Appendix — but then is transferred to the Marijuana Tax Cash Fund to support regulation and enforcement of the retail marijuana industry. Also, a portion is distributed to local governments where retail marijuana sales occur. This tax is

projected to generate $32.5 million this fiscal year and $49.7 million in FY 2015-16. Projections for this revenue source are highly uncertain and revisions will occur when more information becomes available.

Use tax revenue is expected to increase 5.8 percent in FY 2014-15 and 6.2 percent in FY 2015-16 after a temporary pause in growth in FY 2013-14. Continued construction activity, business investment, and the growing oil and gas industry will contribute to this growth. The use tax is a companion to the sales tax that brings in a much smaller amount of revenue and is often more volatile. Most of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers.

Figure 20. Sales and Use Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

State Education Fund Revenue Forecast

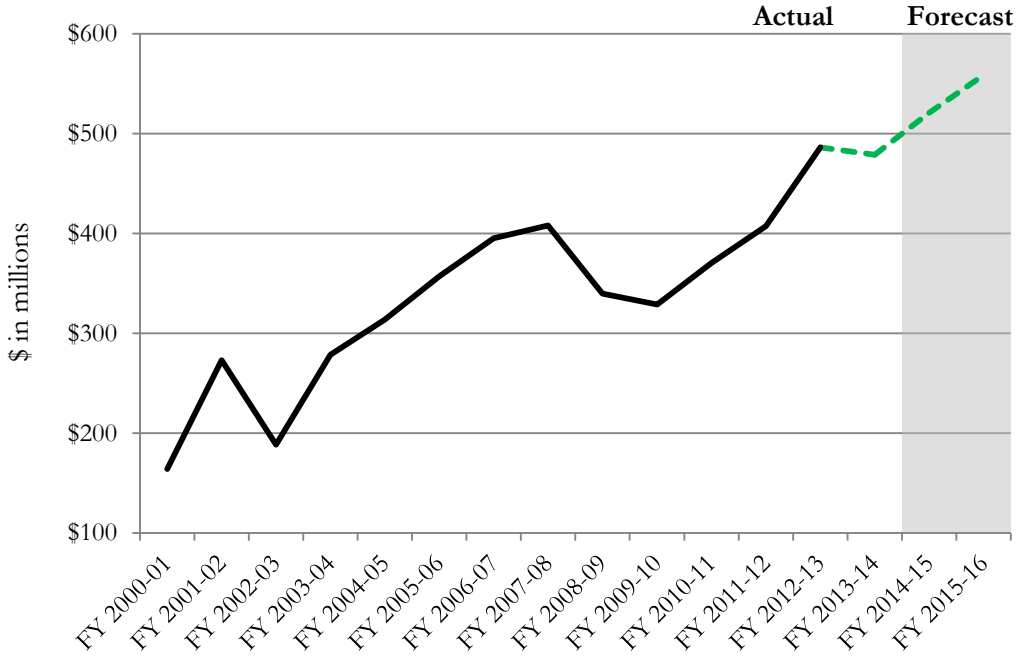
Tax revenue to the State Education Fund will increase 8.8 percent in FY 2014-15 and 7.2 percent in FY 2015-16. Similar to individual income tax collections, resumption in growth in capital gains income is helping this revenue source rebound this fiscal year after declining slightly in FY 2013-14.

> Tax revenue to the State Education Fund will increase 8.8 percent in FY 2014-15 and 7.2 percent in FY 2015-16 from growth in taxable income.

As shown on page 42 in the *General Fund with the State Education Fund Overview* section, the state constitution requires that one third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. Because this revenue comes from taxable income, it largely follows the trends discussed above in individual income and corporate income tax

revenue collections. In addition to receiving the percentage of taxable income that is dedicated to the State Education Fund by the state constitution, recent policies have transferred other General Fund money to the Fund, which is shown in detail in Figure 30 on page 42.

Figure 21. State Education Fund Revenue from One Third of One Percent of Taxable Income, Actual and Forecast, FY 2000-01 to FY 2015-16



Source: Office of the State Controller and OSPB.

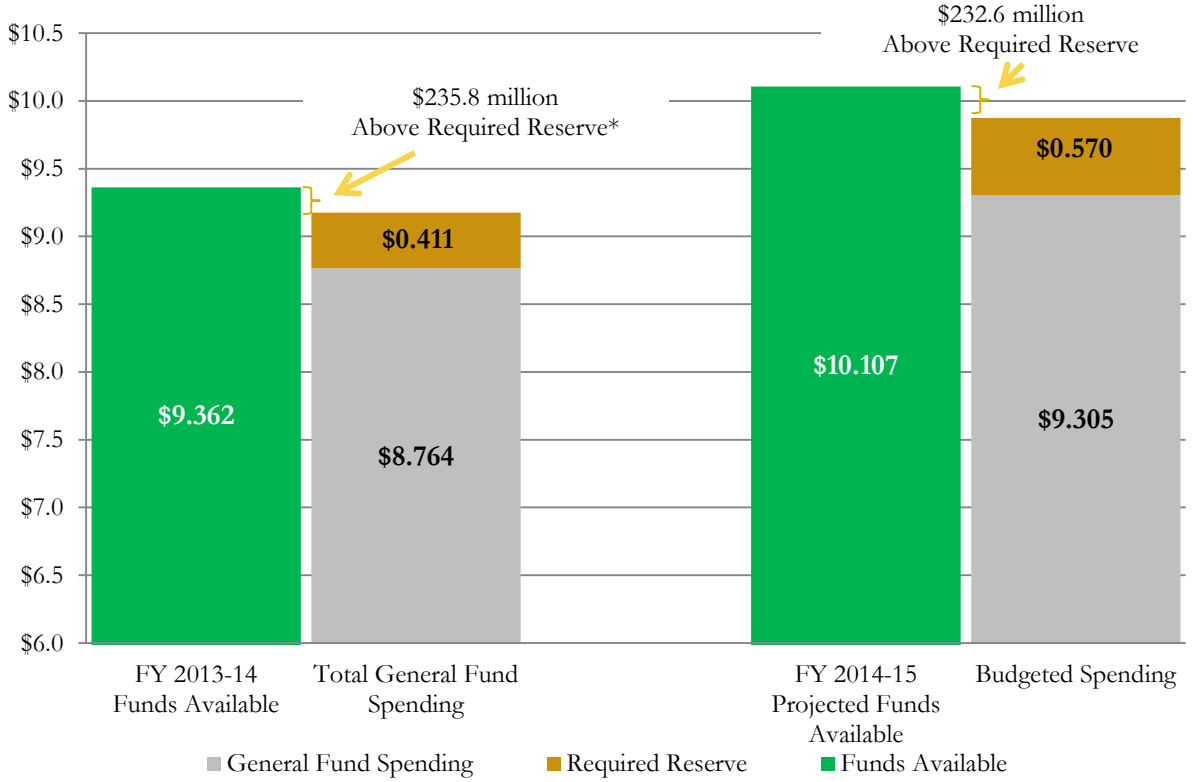
General Fund and State Education Fund Budget

Summary

General Fund – As discussed in the *General Fund Revenue Forecast* section starting on page 28, this forecast projects that General Fund revenue for FY 2014-15 will be 0.8 percent, or $80.9 million, higher compared with the June 2014 forecast. Projections for FY 2015-16 are 1.3 percent, or $131 million, higher. The State's General Fund reserve ended FY 2013-14 $235.8 million above its required amount based on preliminary information from the State Controller. All but $25 million of this money, which remains in the General Fund, is allocated to various cash funds, including $135.3 million to the Capital Construction Fund. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

Figure 22 below summarizes total General Fund revenue available, total spending, and reserve levels for FY 2013-14 and FY 2014-15 based on the forecast and current law.

Figure 22. General Fund Money, Spending, and Reserves, FY 2013-14 and FY 2014-15, $ in Billions

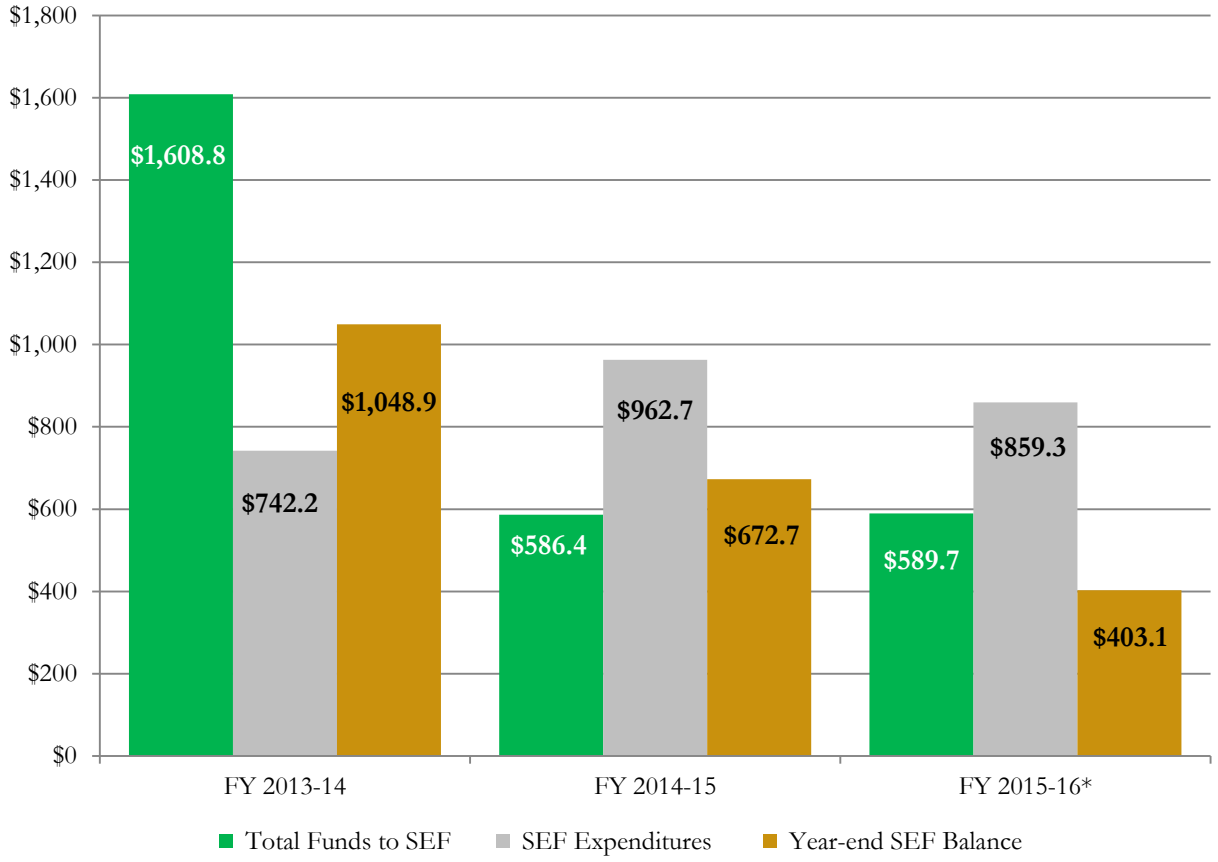


* All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds, including $135.3 million to the Capital Construction Fund.

State Education Fund – The State Education Fund is supporting a larger share of education funding than it has historically, which will draw down its fund balance. Figure 23 summarizes total

State Education Fund revenue available, total spending, and balance levels from FY 2013-14 through FY 2015-16 based on the forecast. The FY 2015-16 expenditures amount reflects projected spending that could occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures.

Figure 23. State Education Fund Money, Spending, and Reserves FY 2013-14 through FY 2015-16, $ in Millions



*Actual expenditures from the State Education Fund will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections for FY 2015-16 are illustrative only.

Detailed Overview Tables – A detailed overview on the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves are provided in the overview tables in the Appendix at the end of this document. These overviews are discussed starting on page 37.

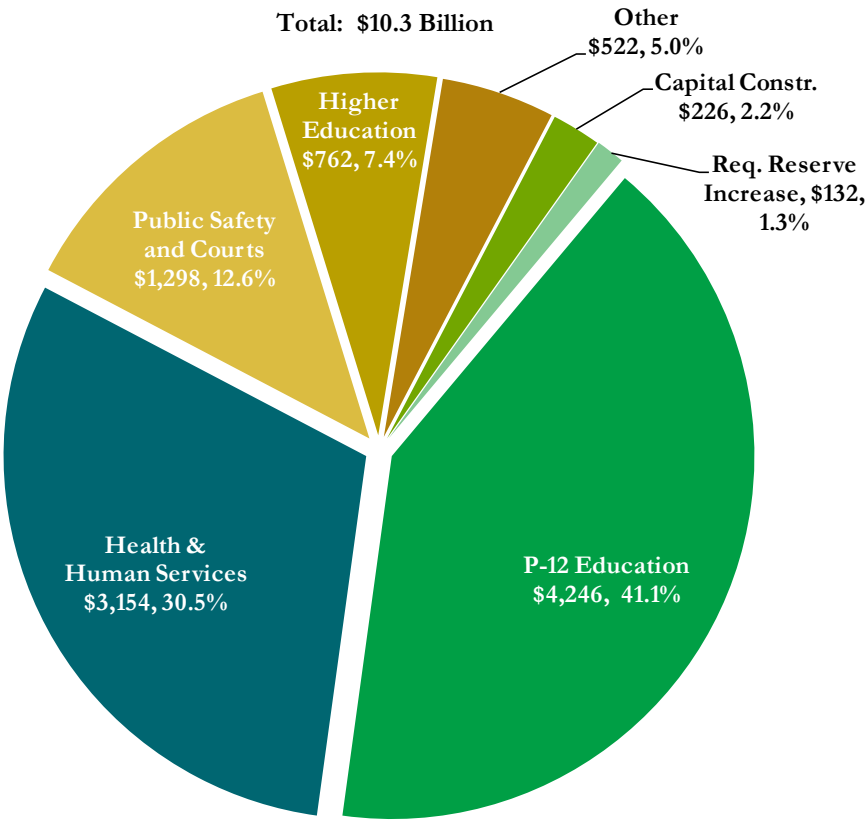
Spending by Major Department or Program Area

The General Fund provides funding for the State's core programs and services, such as preschool through 12th-grade and higher education, assistance to low-income populations, the disabled and elderly, courts, and public safety. It also helps fund capital construction and maintenance needs for State facilities, and in some years, transportation projects. Under the state constitution, the State

Education Fund helps fund preschool through 12th-grade education and annually receives a portion of income taxes. In recent years, it has also received supplemental money from the General Fund.

Figure 24, shows the allocation of General Fund revenues as enacted into law, incorporating spending on education from the State Education Fund and reserve increases, for FY 2014-15 by major department or program area. As noted above, the current forecast shows $232.6 million above the required General Fund reserve that is currently unallocated.

Figure 24. Composition of FY 2014-15 General Fund and State Education Fund Budget, $ in Millions



Risks to the Budget Outlook

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

income declines, more are unemployed, or an increased number of individuals seek more education to better their career prospects.

Currently, it appears that only a special set of unique circumstances would materially slow, or less likely reverse, the expansion. Nevertheless, downside risks should be considered. Unexpected events, such as the impact of global conflicts or adverse changes in financial and monetary conditions, could have negative implications for the economy. Such events could spur a pullback in investing, hiring, and spending that would slow the economy and result in revenue collections that are substantially different from this forecast.

Even relatively small changes in the projected growth rate of revenue sources can materially impact the budget outlook. For example, each percentage point difference from the current General Fund projected growth rate for FY 2014-15 amounts to a $90 million change in General Fund revenue collections.

Any future adjustments in forecasted revenue could have potentially large impacts on the amount of revenue collected in relation to the TABOR revenue cap. The State is within 0.4 percent of reaching its TABOR revenue cap in FY 2014-15, well within the bounds of typical forecast adjustments. It is possible that a future forecast will show the State exceeding the cap. If that were to happen, the State would need to refund excess revenue to taxpayers or ask voters for permission to retain it.

Additionally, this forecast projects TABOR revenue will exceed the cap in FY 2015-16 and FY 2016-17. Slower-than-expected revenue growth may result in future forecasts showing revenue falling below the cap. In contrast, higher-than-expected revenue collections would result in more revenue above the cap. These changes would have implications for the budget, such as on the amount of General Fund money available for spending and the amount required to be transferred to transportation and capital construction.

General Fund Overview Table

Table 4 in the Appendix presents the General Fund Overview for the September 2014 OSPB revenue forecast, providing details on the amount of money forecasted to be available in the General Fund, expenditures, and end-of-year-reserves. The following section discusses the information presented in Table 4. To aid understanding, the discussion includes figures showing each section of the detailed overviews found in the Appendix.

Revenue

The top portion of the overview, shown in the figures below, indicates the amount of General Fund money available for spending. The forecast for General Fund revenue is discussed in further detail in the *General Fund Revenue Forecast* section starting on page 28.

The 8.0 percent increase in total General Fund available for FY 2014-15 is attributable to revenue growth and a larger beginning fund balance from the prior year. Additionally, higher revenue growth and a larger beginning balance in FY 2015-16 will result in an increase of 9.6 percent in funds available.

Figure 25. General Fund Revenue Available under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16	FY 2016-17
1	Beginning Balance	$435.9	$802.4	$629.5
2	General Fund Revenue	$9,641.0	$10,257.3	$10,795.9
3	Transfers to the General Fund	$30.2	$15.4	$16.8
4	**Total General Funds Available**	**$10,107.1**	**$11,075.0**	**$11,442.2**
	Dollar Change from Prior Year	$745.1	$967.9	$367.2
	Percent Change from Prior Year	8.0%	9.6%	3.3%

Expenditures

Spending subject to the appropriations limit – The middle portion of the General Fund overview in Table 4 shows General Fund spending. Most General Fund spending is subject to a limit that cannot exceed five percent of the level of personal income received by Coloradans. The limit is projected to be $11.9 billion in FY 2014-15. Thus, the $8.8 billion in General Fund appropriations for these programs under current law are $3.1 billion under the limit. The amount of appropriations subject to the limit is shown in the figure below.

Figure 26. General Fund Spending Subject to the Appropriations Limit under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15
5	**Appropriations**	**$8,765.3**
6	Dollar Change from Prior Year	$546.5
7	Percent Change from Prior Year	6.6%

The General Fund appropriation amount for FY 2014-15 in Figure 26 reflects current law. The FY 2015-16 and FY 2016-17 amounts are subject to change based on future budget decisions. The amounts for FY 2015-16 and FY 2016-17 in Table 4 in the Appendix reflect the level of spending that can be supported by forecasted revenue while maintaining the required reserve level.

Spending not subject to the appropriations limit – General Fund spending that does not count under the General Fund appropriations limit is summarized in Figure 27. More information about these spending lines is discussed below.

Figure 27. General Fund Spending Not Subject to the Appropriations Limit Under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16	FY 2016-17
9	TABOR Refund	$0.0	$136.7	$239.4
	Cigarette Rebate to Local Governments	*$8.6*	*$8.1*	*$7.8*
	Marijuana Rebate to Local Governments	*$4.9*	*$7.4*	*$7.5*
	Old-Age Pension Fund/Older Coloradans Fund	*$111.8*	*$116.2*	*$120.2*
	Aged Property Tax & Heating Credit	*$8.4*	*$8.4*	*$8.3*
	Homestead Exemption	*$115.1*	*$121.5*	*$127.0*
	Interest Payments for School Loans	*$0.8*	*$0.9*	*$1.1*
	Fire/Police Pensions	*$4.3*	*$4.3*	*$4.3*
	Amendment 35 General Fund Expenditure	*$0.8*	*$0.8*	*$0.8*
10	**Total Rebates and Expenditures**	**$254.7**	**$267.6**	**$277.0**
11	Transfers to Capital Construction	$225.5	$177.8	$71.1
12	Transfers to Highway Users Tax Fund	$0.0	$102.6	$108.0
13	Transfers to State Education Fund per SB 13-234	$25.3	$25.3	$25.3
14	Transfers to Other Funds	$33.9	$50.3	$49.6
15	Other	$0.0	$0.0	$0.0
	Total	**$539.5**	**$760.3**	**$770.3**
	Dollar Change from Prior Year	-$6.1	$220.8	$10.0
	Percent Change from Prior Year	-1.1%	40.9%	1.3%

Spending not subject to the limit includes any TABOR refunds funded from the General Fund, which occur when State revenue exceeds its cap as defined in Article X, Section 20 of the Colorado Constitution ("TABOR") and Section 24-77-103.6, C.R.S. ("Referendum C"). TABOR revenue is forecast to exceed the cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers will occur for each of those years under this forecast, unless voters allow the State to retain the revenue. Under this forecast, TABOR revenue will be just $48 million, or 0.4 percent, below the cap this fiscal year, which is within the normal range of possible forecast adjustments. Page 60 and Table 7 in the Appendix provide further detail on TABOR revenue and refunds.

As shown, "Rebates and Expenditures" account for a large portion of General Fund spending not subject to the appropriations limit. The largest of these programs are: (1) the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; (2) the Marijuana Rebate, which distributes 15 percent of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; (3) the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (4) the Property Tax, Heat, and Rent Credit, which provides property tax, heating bill, or rent assistance to qualifying low-income disabled or elderly individuals; and (5) the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans.

General Fund money transferred for State capital construction and facility maintenance, as well as transportation projects, also is not subject to the limit. Transfers for these purposes can be made through legislation. The FY 2014-15 budget includes a total transfer of $225.5 million for capital construction projects. The capital construction amounts in FY 2015-16 and FY 2016-17 reflect the needed funding level for specific "certificate of participation" (COP) financing agreements used for capital projects, "Level I," building-maintenance projects, as well as the continuation of projects funded in prior years.

Transfers to capital construction and transportation *are required* if growth in statewide personal income exceeds five percent. This five percent trigger and the associated transfers are referred to as "228" transfers because they were put into law by Senate Bill 09-228. This forecast projects that personal income growth will exceed five percent in 2014, which would trigger required transfers in FY 2015-16. However, these transfers are reduced or suspended in years where there is a TABOR refund as projected in this forecast.

The projected TABOR refunds in FY 2015-16 and FY 2016-17 represent an amount equal to 1.3 percent and 2.2 percent of General Fund revenue, respectively. This means that the SB09-228 transfers for transportation will be reduced by half in those years – from $205.1 million to $102.6 million in FY 2015-16 and from $215.9 million to $108.0 million in FY 2016-17 under this forecast.

Because the expected and budgeted transfers to capital construction are occurring each fiscal year above the required SB09-228 transfer amount, they are unaffected by TABOR refunds. The amount needed for capital construction in FY 2015-16 and FY 2016-17 shown in Table 4 for COP payments, priority facility maintenance projects, and continuation projects exceed the required Senate Bill 09-228 transfer amounts.

Senate Bill 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19. The FY 2013-14 transfer was $45.3 million, while the amount in FY 2014-15 through FY 2016-17 is $25.3 million. In addition, state law requires transfers of General Fund money to various State cash funds. This line includes transfers of General Fund money from the new additional sales tax on retail marijuana approved by voters to the Marijuana Tax Cash Fund.

In some years, State programs may need to exceed their appropriated funding near the end of the fiscal year in order to meet services demands. These amounts are called "overexpenditures" and are shown under "Other Expenditures Exempt from the General Fund Appropriations Limit." Any over-expended amounts must receive an appropriation in the subsequent year to authorize the spending. Spending by the Medicaid program, or "Medicaid over-expenditures," is usually the largest amount for this line.

Reserves

The final section of the overview table in the Appendix ("Reserves") shows General Fund remaining at the end of each fiscal year — the "Year-End General Fund Balance." This amount reflects the difference between total funds available and total expenditures. The section shows the statutorily determined reserve requirement and whether the amount of funds is above or below the

requirement ("Above (Below) Statutory Reserve"). Figure 28 provides information on the General Fund ending balance.

Figure 28. General Fund Reserves under Current Law (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
19	Year-End General Fund Balance	$646.7	$802.4	$629.5	$651.3
20	Balance as a % of Appropriations	7.9%	9.2%	6.5%	6.5%
21	General Fund Required Reserve	$410.9	$569.7	$629.5	$651.3
22	Money Above/Below Req. Reserve	$235.8	$232.6	$0.0	$0.0
23	Excess Reserve to Other Funds	$210.8	$0.0	$0.0	$0.0
24	Balance After Any Funds Above Statutory Reserve are Allocated	$25.0	$232.6	$0.0	$0.0

The State's General Fund reserve ended FY 2013-14 $235.8 million above its required amount based on preliminary figures from the State Controller. The State's General Fund reserve is projected to be $232.6 million above its required amount for FY 2014-15.

All but $25 million of the FY 2013-14 excess reserves, which remains in the General Fund, is transferred to various cash funds in a specified order of priority listed in Figure 29 pursuant to HB 14-1339, HB 14-1342, and SB 14-223. The extent of the transfers is contingent upon the amount of excess reserves available. The $235.8 million in excess reserves currently expected by the State Controller will allow for all of the transfers to occur, including the full $135.3 million transfer to the Capital Construction Fund. However, only $113.9 million of the transfer for capital construction — an amount sufficient to cover all the projects slated to receive funding except the Level II Controlled Maintenance projects — has occurred. The rest of the transfer will occur when the final excess reserves amount is known in December or January when the State Controller publishes the Comprehensive Annual Financial Report (CAFR) for FY 2013-14. The State Education Fund receives the remainder of the FY 2013-14 excess, which is currently expected to be $14.4 million. The final amount will be determined when the CAFR is published.

Figure 29. FY 2013-14 Excess General Fund Reserve Transfers, Preliminary, $ in Millions

Total General Fund Excess	$235.8
Transfers in order of Priority:	
Colorado Water Conservation Board Construction Fund	$30.0
State Education Fund	$20.0
Remains in General Fund	$25.0
Economic Development Fund	$1.0
Hazardous Substance Site Response Fund	$10.0
Capital Construction Fund (up to $135.3)	$135.3
State Education Fund	$14.4
Total Transfers	$235.8

General Fund with the State Education Fund Overview

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

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

Figure 30 summarizes State Education Fund annual revenue and spending. It includes each year's actual or projected beginning and ending fund balance. State Education Fund expenditures for FY 2014-15 reflect current law. The expenditures shown for FY 2015-16 and FY 2016-17 reflect projected spending that could occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures. Actual expenditures from the State Education Fund will be adopted in future budget legislation; thus, fund-balance projections are illustrative only.

Transfers of excess reserves in recent years, especially the excess reserves from FY 2012-13, have caused a significant increase in the balance of the State Education Fund. The fund is expected to receive an additional $34.4 million of the FY 2013-14 excess reserves. Still, as shown, a combination of higher spending and lower amounts of projected revenue will draw down the balance.

Figure 30. State Education Fund Revenue, Spending, and Reserves FY 2013-14 through FY 2015-16 (from Tables 4 and 5 in Appendix), $ in Millions

	FY 2014-15	FY 2015-16	FY 2016-17
Beginning Balance	***$1,048.9***	***$672.7***	***$403.1***
One-third of 1% of State Taxable Income	*$520.8*	*$558.5*	*$589.1*
Money from Prior Year-end Excess Reserves	*$34.4*	*$0.0*	*$0.0*
Transfers under SB 13-234	*$25.3*	*$25.3*	*$25.3*
Other	*$5.8*	*$5.8*	*$6.1*
Total Funds to State Education Fund	**$586.4**	**$589.7**	**$620.6**
State Education Fund Expenditures	**$962.7**	**$859.3**	**$603.4**
Year-end Balance	**$672.7**	**$403.1**	**$420.3**

CASH FUND REVENUE FORECAST

Cash fund revenue supports a wide array of State programs that collect fees, fines, and interest to deliver services. When fees or other revenue are designated for a particular program, they often are directed to a cash fund that is established to fund the program. Cash fund revenue subject to TABOR collected by the State in FY 2014-15 will be at essentially the same level as collections in FY 2013-14, with mostly modest changes to prior year levels across the major revenue categories.

Cash fund revenue subject to TABOR is forecast to grow about four percent in FY 2015-16 and FY 2016-17, the remaining two fiscal years of the forecast period. Growth in FY 2015-16 is due mostly to a 24.8 percent increase in Hospital Provider Fee revenue, which will offset a 21.1 percent decline in severance tax revenue.

OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 6 in the Appendix. Table 6 shows only the outlook for revenue that is subject to the TABOR provisions in the Colorado Constitution that place a limit on the amount of revenue 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 which receive most of their money from sources other than the State, such as public universities and colleges. More information on TABOR revenue and the revenue limit can be found on page 48.

Transportation-related cash funds — Transportation-related cash funds subject to TABOR will grow modestly during the forecast period, rising 0.4 percent to $1.14 billion in FY 2014-15. They will grow to $1.16 billion, or 1.7 percent, in FY 2015-16.

> Transportation-related cash funds are expected to grow slowly over the forecast period, reflecting stability in vehicle sales, registrations, and fuel consumption by Colorado drivers.

The relatively flat forecast for transportation-related cash funds comes after an increase of 3.4 percent, or $37 million, in FY 2013-14 as vehicle registrations and fuel consumption grew along with the overall economy. Revenue from taxes on gasoline and diesel fuel grew last fiscal year after falling for two consecutive years prior, reflecting the growing momentum of Colorado's economy.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the 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. Funds in the HUTF, which accounts for the large majority of revenue in this category, are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol.

Limited Gaming — Limited gaming revenue will grow by $2.2 million, or 2.0 percent, in FY 2014-15, after increasing just 0.6 percent in FY 2013-14. It will grow an additional $2.6 million to $112.7 million in FY 2015-16.

This forecast reflects increasing gaming activity in Colorado, which has only recently begun to recover from the sluggishness that set in during the Great Recession. Gaming activity has lagged the broader economic recovery, taking time to return to pre-recession levels even as employment and household financial positions have improved. It is possible that discretionary activities like gaming could simply take longer to reflect the broader recovery.

Beginning in the spring of 2014, spending on gaming started to grow, reflected in the modest growth in revenue from gaming taxes and fees in FY 2013-14. This growth is expected to accelerate as the economic recovery continues to improve employment and household income in Colorado.

Of the total expected limited gaming revenue for FY 2014-15, $101.3 million will be subject to TABOR, as reflected in Table 6, "Cash Fund Revenue Subject to TABOR." Approximately $97.1 million of this amount is classified as "base limited gaming revenue" as designated by State law after the passage of Amendment 50. This revenue is distributed by formula in state statute to the State General Fund, the State Historical Society, cities and counties that are affected by gaming activity, and economic development-related programs.

Gaming revenue of $8.5 million attributable to Amendment 50, which is not subject to TABOR, is distributed mostly to community colleges with a smaller portion going to local governments with communities affected by gaming. Figure 31 below shows the anticipated distribution of limited gaming revenues in further detail.

Figure 31. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY 13-14	Forecast FY 14-15	Forecast FY 15-16	Forecast FY 16-17
A. Total Limited Gaming Revenues	**$107.9**	**$110.1**	**$112.7**	**$116.0**
Annual Percent Change	0.6%	2.0%	2.4%	2.9%
B. Base Limited Gaming Revenues (max 3% growth)	**$95.2**	**$97.1**	**$99.4**	**$102.3**
Annual Percent Change	0.7%	2.0%	2.4%	2.9%
C. Gaming Revenue Subject to TABOR	**$98.3**	**$101.3**	**$103.7**	**$106.7**
Annual Percent Change	0.2%	3.0%	2.4%	2.9%
D. Total Amount to Base Revenue Recipients	**$83.8**	**$87.4**	**$89.9**	**$92.8**
Amount to State Historical Society	*$23.5*	*$24.5*	*$25.2*	*$26.0*
Amount to Counties	*$10.1*	*$10.5*	*$10.8*	*$11.1*
Amount to Cities	*$8.4*	*$8.7*	*$9.0*	*$9.3*
Amount to Distribute to Remaining Programs (State Share)	*$41.9*	*$43.7*	*$45.0*	*$46.4*
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	*$2.1*	*$2.0*	*$2.0*	*$2.0*
Transfer to the General Fund	*$11.8*	*$13.7*	*$15.0*	*$16.4*
E. Total Amount to Amendment 50 Revenue Recipients	**$8.4**	**$8.5**	**$8.7**	**$8.9**
Community Colleges, Mesa and Adams State (78%)	*$6.5*	*$6.6*	*$6.8*	*$7.0*
Counties (12%)	*$1.0*	*$1.0*	*$1.0*	*$1.1*
Cities (10%)	*$0.8*	*$0.8*	*$0.9*	*$0.9*

Hospital Provider Fee — Hospital Provider Fee (HPF) revenue is expected to decline 6.1 percent in FY 2014-15, but increase every year in the remainder of the forecast period. The largest increase will occur in FY 2015-16, when HPF revenue will increase 24.8 percent to $664.4 million.

The growth in FY 2015-16 reflects an upward revision from OSPB's June forecast that is primarily the result of sooner-than-anticipated growth among certain populations of Medicaid patients. The amount of Hospital Provider Fee collected each year is calculated by a formula that considers the anticipated cost of care for some Medicaid populations. Recent data shows that growth in these populations is occurring sooner than previously forecast, so the anticipated HPF revenue that will be calculated by the formula will also grow sooner.

The projections for HPF revenue are influenced by federal funding levels associated with the Affordable Care Act as well as changes in the population receiving medical care support under the Medicaid program. An increase in federal funding is reducing the HPF that must be collected from hospitals to support Colorado's Medicaid program for FY 2014-15. Increasing populations receiving medical services, however, will generate higher HPF revenue starting in FY 2015-16.

The Hospital Provider Fee is paid by Colorado hospitals and is calculated based on the amount of inpatient days and outpatient revenue. Revenue collected from the fee is matched by the federal government to help cover the cost of the Medicaid program.

Severance tax revenue — Severance tax revenue will grow 6.7 percent, or $17.6 million, to $278.2 million in FY 2014-15 after nearly doubling to $261 million in FY 2013-14. The recent strong growth in severance tax revenue is primarily the result of increasing prices in both natural gas and oil. As prices for these resources decrease, severance tax revenue will fall by 21.1 percent to $219.5 million in FY 2015-16.

Producers of oil, gas, coal, and other mineral resources pay taxes to the State of Colorado, based partially on the sales volume and price of the resources. The tax is called severance tax because the resources are severed from the state's deposits of natural resources.

The price of natural gas and oil are the main factors determining the amount of severance tax revenue collected by the State because severance taxes are based on a percentage of the income received from selling these resources. The price of natural gas grew rapidly in the first several months of 2014 as an especially cold winter resulted in high demand for heating homes and businesses. Prices have fallen significantly over the summer months as producers replenish inventories and the demand for natural gas has returned to average levels. Another particularly harsh winter could cause natural gas prices to rise again, which would result in severance tax collections in FY 2015-16 to exceed this forecast.

> Higher natural gas prices due to weather conditions and lower inventories in the first portion of 2014 contributed to severance tax revenue growth in FY 2013-14. Growth will continue, though more moderately, in FY 2014-15 before severance tax revenue fall again in FY 2015-16.

Compared with natural gas prices, oil prices have remained much more stable in recent years and are not expected to drive large differences in severance tax revenue over the forecast period. However, geopolitical tensions in Ukraine and the Middle East have recently caused oil prices to rise. While this

forecast does not predict that the price of oil will grow substantially, continued global conflict could result in higher oil prices and thus greater severance tax revenue than predicted.

In addition to price moderation in 2015, the impact of ad valorem tax credits will contribute to the decline of severance tax revenue in FY 2015-16. Severance taxpayers claim "ad valorem" tax credits based on the local property taxes they paid on mineral extraction in the prior year. As the price of natural gas and oil declines through 2015, taxpayers will claim ad valorem credits based on revenue generated in 2014, when prices were higher. This dynamic exacerbates the impact of smaller prices, helping generate the 21 percent forecast decline for severance taxes in FY 2015-16. The annual calendar year filing of taxes versus State fiscal year accrual accounting also affects these dynamics.

The production volume of oil and natural gas also impact severance tax revenue, although changes in production tend to be more moderate than fluctuations in prices. Oil production is growing more rapidly than natural gas production in Colorado, as many producers have stopped drilling for the resource amid relatively low natural gas prices compared with several years ago. Most new oil production in Colorado is occurring in Weld County, where property taxes are higher than in many other counties with oil and gas production, meaning that larger ad valorem tax credits limit severance tax revenue the State collects from production growth in Weld County.

Other mineral resources, including coal, gold, and molybdenum, generate severance tax revenue, though the combined revenue from these sources is much smaller compared with revenue from oil and natural gas production. Severance tax revenue from coal production is expected to fall 5.0 percent, to $7.7 million, in FY 2014-15 after falling 9.4 percent, to $8.1 million the prior year.

Federal Mineral Leasing revenue — Colorado's share of Federal Mineral Lease (FML) revenue will grow 6.4 percent, to $184.7 million in FY 2014-15, after growing by nearly 44 percent, to $173.6 million, in FY 2013-14. Growth will moderate further in FY 2015-16, to 1.2 percent, when FML revenue collections reach $187.0 million.

The growth in FML revenue is mostly due to increased prices for oil and natural gas as well as increased production. FML royalties are assessed as a percentage of the value of resources produced on leased federal lands. FML activity includes production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. Revenue earned by producers on leased federal lands is not subject to local property taxes, thus there is no impact of ad valorem tax credits to exaggerate price fluctuations the way they do with regard to severance tax revenue. This is a major reason that FML revenue is not expected to fall in FY 2015-16 when natural gas prices are forecast to decline slightly.

The federal government sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are shared with the state where production occurred. The federal fiscal policy known as "sequestration" temporarily reduced collection of FML revenue to Colorado in FY 2012-13, contributing to the large increase in FY 2013-14. The impact of sequestration-related federal adjustments to FML revenue is expected to be small over the forecast period.

Figure 32. Federal Mineral Leasing (FML) Payments

Federal Mineral Lease (FML) Payments				
Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2013-14	$2.0	$171.6	$173.6	43.7%
FY 2014-15	$3.7	$181.0	$184.7	6.4%
FY 2015-16	$3.7	$183.2	$187.0	1.2%
FY 2016-17	$4.9	$192.3	$197.2	5.5%

Dollars are in millions. FY 2013-14 figures reflect actual collections, and FY 2014-15 through FY 2016-17 are projections.

Other cash funds — Cash fund revenue to regulatory agencies will grow 2.7 percent to $70.3 million in FY 2014-15 after growing 5.3 percent the year before. This growth is reflective of increased demand for permits and licenses by individuals and firms that do business in regulated industries. The Department of Regulatory Agencies (DORA) oversees businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. The Department is responsible for oversight of a wide variety of professions, such as counselors, land surveyors, and limousines. Revenue from licensing fees and other services fund many of the Department's activities. Cash fund revenue related to regulatory agencies will grow 2.8 percent to $72.3 million in FY 2015-16.

Insurance-related cash fund revenue in FY 2014-15 will increase slightly to $21.1 million. Revenue to these cash funds decreased 21.7 percent in FY 2013-14 after the Division of Worker's Compensation lowered the surcharge on workers' compensation insurance premiums from 1.73 percent in the first half of 2013 to 1.13 percent in the first half of 2014. The surcharge is used to fund the Division of Worker's Compensation, as well as the Major Medical Insurance Fund and Subsequent Injury Fund. These two funds were created to absorb costs for individuals injured during a period prior to 1981. Revenue to these cash funds will growth further in FY 2015-16, increasing 6.4 percent to $22.5 million.

> Miscellaneous Cash Funds grew by $60 million in FY 2013-14 as the economic recovery supported increased fee revenue and higher interest rates. This trend will moderate in FY 2014-15.

The category called Other Miscellaneous Cash Funds in Table 6 includes revenue from a variety of smaller cash funds that collect revenue generated by interest earnings as well as fines and fees. Revenue from these cash funds is expected to be $531 million in FY 2014-15, an increase of $5.7 million. Continued growth in the miscellaneous cash funds reflects Colorado's growing economy, which generates higher amounts of fees and interest earnings. These factors will contribute to growth of an additional 3.0 percent in FY 2015-16.

Revenue from the 2.9 percent sales tax on retail and medical marijuana, as well as fees related to regulation of the marijuana industry, are reflected in the miscellaneous cash funds category in Table 6. Proceeds from marijuana taxes that were authorized by Proposition AA in November 2013 are transferred to the Marijuana Tax Cash Fund, local governments, and school construction. However, Colorado voters exempted revenue from these taxes from TABOR limitations when they approved Proposition AA; therefore the revenue shown in Table 6 does not include revenue from those new taxes.

Taxpayer's Bill of Rights: Revenue Limit

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

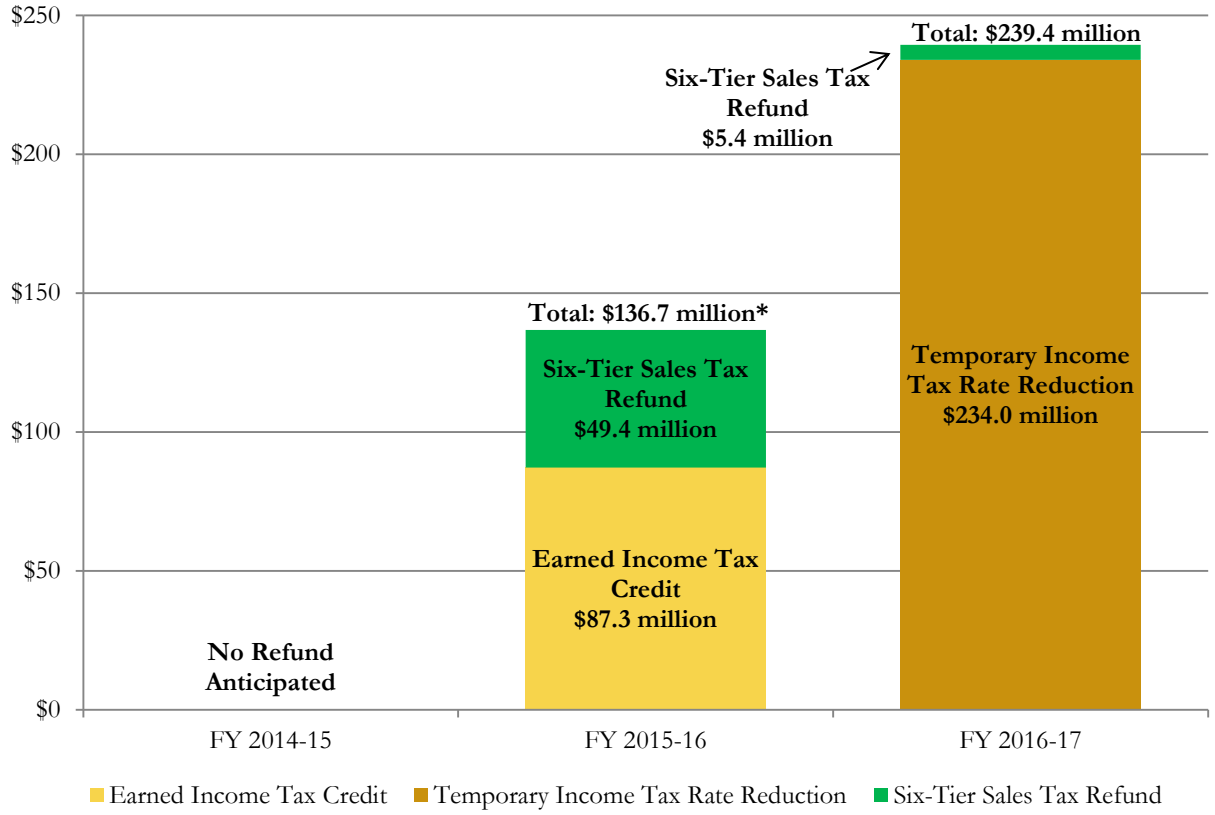
In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10, during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 7) for each subsequent year.

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

TABOR refunds are projected in FY 2015-16 and FY 2016-17 – TABOR revenue is forecast to be just $48 million, or 0.4 percent, below the cap in the current fiscal year, which is within the normal range of possible forecast adjustments.

TABOR revenue is forecast to exceed the Referendum C cap by $133.1 million in FY 2015-16 and $239.4 million in FY 2016-17, meaning that a refund to taxpayers will occur under this forecast, unless voters allow the State to retain the revenue. Colorado law currently specifies three mechanisms by which revenue in excess of the cap is refunded to taxpayers: a sales tax refund to all taxpayers ("six-tier sales tax refund"), the Earned Income Tax Credit to qualified taxpayers, and a temporary income tax rate reduction. The amount that needs to be refunded determines which refund mechanisms are used. Figure 33 shows the anticipated refund that will be distributed through each mechanism according to the revenue projections in this forecast and the statutorily defined refund mechanisms.

Figure 33. Projected Distribution of Revenue in Excess of the Referendum C Cap (Dollars in Millions)



*This amount includes $133.1 million in revenue above the Referendum C Cap forecast for FY 2015-16, as well as $3.6 million in pending amounts owed related to refunds from prior years. These amounts are the result of either (a) adjustments that were made to State accounting records for years in which TABOR refunds occurred that resulted in additional required refunds to taxpayers, or (b) the refund mechanisms in previous years refunding less actual money than the amount required. Such refunds are held by the State until a future year in which a TABOR refund occurs when they are added to the total refund amount and distributed to taxpayers.

In FY 2015-16, revenue above the cap will exceed the threshold amount that activates the State Earned Income Tax Credit (EITC), as specified by Section 39-22-123, C.R.S. Colorado taxpayers who qualify for the federal EITC will be able to claim up to ten percent of the amount they claim on their federal tax return on their state tax return for the 2016 tax year. The amount refunded through this mechanism is estimated to be $87.3 million. The State EITC is only a TABOR refund mechanism for one year because it becomes permanent after the year it is used as a TABOR refund mechanism. After the projected use of the EITC as a refund mechanism in FY 2015-16, it will be available to qualifying taxpayers on an ongoing basis and will no longer be considered a TABOR refund mechanism.

The six-tier sales tax refund will distribute the remaining $49.4 million of the refund in FY 2015-16 as specified by Section 39-22-2002, C.R.S. The amount of the refund that can be claimed by each taxpayer is partially determined by which one of six tiers, defined by a formula specified in statute, includes their adjusted gross income. The actual refund amount that can be claimed by each taxpayer will be calculated according to a statutory formula that considers the adjusted gross income tiers and the total amount to be refunded to all taxpayers expected to claim the refund.

The revenue in excess of the cap in FY 2016-17, estimated at $239.4 million in this forecast, will meet the refund threshold amount to activate the temporary income tax rate reduction refund mechanism as specified by Section 39-22-627, C.R.S. This refund mechanism will reduce the state income tax rate from 4.63 percent to 4.5 percent for tax year 2017. The amount refunded through this mechanism is estimated to be $234.0 million, which will account for most of the required TABOR refund from FY 2016-17. The remaining $5.4 million will be refunded through the six-tier sales tax refund mechanism.

TABOR refunds impact SB 09-228 transfers to transportation and capital construction – In addition to activating distributions of refunds to taxpayers, the forecast revenue in excess of the Referendum C cap affects the transfers to transportation created by SB 09-228, as specified by Section 24-75-219, C.R.S. Because total personal income in Colorado is expected to grow by more than five percent in 2014, this statute requires transfers of General Fund revenue to the Highway Users Tax Fund and the Capital Construction Fund for five years starting in FY 2015-16. However, these transfers are reduced by half if there is a TABOR refund in the same fiscal year in an amount between one and three percent of total General Fund revenue. The transfers are suspended in full if there is a TABOR refund in excess of three percent of total General Fund revenue. Because the expected and budgeted transfers to capital construction are occurring each fiscal year above the required SB 09-228 transfer amount, they are not affected by TABOR refunds.

The projected TABOR refunds in FY 2015-16 and FY 2016-17 represent an amount equal to 1.3 percent and 2.2 percent of General Fund revenue, respectively. This means that the SB09-228 transfers for transportation will be reduced by half in those years – from $205.1 million to $102.6 million in FY 2015-16, and from $215.9 million to $108.0 million in FY 2016-17 – under this forecast.

TABOR election provisions and Proposition AA – TABOR also has provisions regarding estimates of revenue from new taxes approved by voters. In November of 2013, voters approved excise and special sales taxes on retail marijuana in Proposition AA on the election ballot. Revenue generated from these taxes was estimated at $67 million in the "Blue Book" voting guide that was distributed to voters prior to the election, as specified by the Colorado Constitution. A forecast for retail marijuana tax collections provided in June of 2014 estimated that retail marijuana tax revenue would be less than this amount, though projections are highly uncertain and are subject to substantial revisions. Based on a legal analysis of the Office of Legislative Legal Services, if the excise and special sales tax revenue exceed $67 million, as estimated in the Blue Book, the excess would have to be refunded to voters – unless voters decide that the State can retain the revenue – and the tax rate reduced.

A legal analysis of the Office of Legislative Legal Services also concludes that the provisions of TABOR indicate a refund must occur if revenue subject to TABOR that is collected by the State in FY 2014-15 exceeds the estimate of $12.08 billion that was shown in the Blue Book analysis of Proposition AA. This forecast indicates that revenue will exceed that estimate by $207.5 million, meaning that a refund to taxpayers should occur unless voters decide that the State can retain the revenue. The legal analysis, however, specifies that any refund associated with the estimates for Proposition AA should not exceed the actual amount of new marijuana tax revenue collected, which will likely be below this amount. State law does not currently stipulate how any refund for this money to taxpayers must occur.

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

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Appendix – Reference Tables

Table 1. History And Forecast For Key Colorado Economic Variables
Calendar Year 2007-2016

Line No.		Actual							September 2014 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Income										
1	Personal Income (Billions) /A	$202.7	$212.2	$206.4	$210.6	$226.0	$237.5	$245.6	$259.8	$274.7	$291.6
2	Change	5.7%	4.7%	-2.7%	2.0%	7.3%	5.1%	3.4%	5.8%	5.7%	6.1%
3	Wage and Salary Income (Billions) /A	$112.5	$116.7	$112.3	$113.8	$118.7	$125.1	$130.0	$138.1	$146.4	$154.9
4	Change	6.5%	3.7%	-3.8%	1.3%	4.4%	5.3%	3.9%	6.2%	6.0%	5.8%
5	Per-Capita Income ($/person) /A	$42,042	$43,298	$41,477	$41,707	$44,170	$45,767	$46,640	$48,603	$50,609	$52,865
6	Change	4.0%	3.0%	-4.2%	0.6%	5.9%	3.6%	1.9%	4.0%	4.3%	4.5%
	Population & Employment										
7	Population (Thousands)	4,821.8	4,901.9	4,976.9	5,049.7	5,117.4	5,188.5	5,264.9	5,345.4	5,428.4	5,516.0
8	Change	1.6%	1.7%	1.5%	1.5%	1.3%	1.4%	1.5%	1.5%	1.6%	1.6%
9	Net Migration (Thousands)	35.0	40.5	36.3	37.0	33.7	39.2	45.3	49.5	51.9	55.9
10	Unemployment Rate	3.8%	4.8%	8.1%	9.0%	8.5%	7.8%	6.8%	5.5%	4.7%	4.4%
11	Total Nonagricultural Employment (Thousands) /B	2,331.3	2,350.3	2,245.6	2,222.3	2,258.6	2,313.0	2,382.1	2,453.7	2,525.5	2,596.9
12	Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.0%	2.9%	2.8%
	Construction Variables										
13	Total Housing Permits Issued (Thousands)	29.5	19.0	9.4	11.6	13.5	23.3	27.5	32.7	39.9	47.2
14	Change	-23.1%	-35.6%	-50.8%	23.9%	16.5%	72.6%	18.0%	18.9%	22.1%	18.1%
15	Nonresidential Construction Value (Millions) /C	5,259.5	4,114.0	3,354.5	$3,146.7	$3,923.1	$3,669.7	$3,595.1	$4,160.6	$4,487.6	$4,897.5
16	Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-6.5%	-2.0%	15.7%	7.9%	9.1%
	Prices & Sales Variables										
17	Retail Trade (Billions) /D	$75.3	$74.8	$66.5	$70.5	$75.9	$80.0	$83.6	$88.6	$93.8	$99.6
18	Change	6.9%	-0.7%	-11.1%	6.0%	7.7%	5.4%	4.5%	6.0%	5.8%	6.2%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	202.0	209.9	208.5	212.4	220.3	224.6	230.8	237.3	243.5	249.7
20	Change	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%	2.6%	2.5%

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

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

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

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

Table 2. History And Forecast For Key National Economic Variables
Calendar Year 2007 – 2016

Line No.		Actual							September 2014 Forecast		
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Inflation- Adjusted & Current Dollar Income Accounts										
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,873.7	$14,830.4	$14,418.7	$14,783.8	$15,020.6	$15,369.2	$15,710.3	$16,024.5	$16,473.2	$16,918.0
2	Change	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.3%	2.2%	2.0%	2.8%	2.7%
3	Personal Income (Billions) /B	$11,994.9	$12,429.6	$12,087.5	$12,429.3	$13,202.0	$13,887.7	$14,166.9	$14,804.4	$15,544.6	$16,353.0
4	Change	5.3%	3.6%	-2.8%	2.8%	6.2%	5.2%	2.0%	4.5%	5.0%	5.2%
5	Per-Capita Income ($/person)	$39,731	$40,791	$39,325	$40,129	$42,322	$44,207	$44,779	$46,439	$48,369	$50,452
6	Change	4.3%	2.7%	-3.6%	2.0%	5.5%	4.5%	1.3%	3.7%	4.2%	4.3%
7	Wage and Salary Income (Billions) /B	$6,395	$6,532	$6,251	$6,378	$6,633	$6,932	$7,124.7	$7,537.9	$8,005.3	$8,493.6
8	Change	5.6%	2.1%	-4.3%	2.0%	4.0%	4.5%	2.8%	5.8%	6.2%	6.1%
	Population & Employment										
9	Population (Millions)	301.9	304.7	307.4	309.7	311.9	314.2	316.4	318.8	321.4	324.1
10	Change	1.0%	0.9%	0.9%	0.8%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%
11	Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.3%	5.7%	5.4%
12	Total Nonagricultural Employment (Millions)	137.9	137.2	131.2	130.3	131.8	134.1	136.4	138.8	141.5	144.0
13	Change	1.3%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.7%	1.8%	1.9%	1.8%
	Price Variables										
14	Consumer Price Index (1982-84=100)	207.3	215.3	214.5	218.1	224.9	229.6	233.0	237.4	242.4	248.0
15	Change	2.9%	3.8%	-0.4%	1.6%	3.1%	2.1%	1.5%	1.9%	2.1%	2.3%
16	Producer Price Index - All Commodities (1982=100)	172.7	189.6	172.9	184.7	201.1	202.2	203.4	208.5	216.5	226.3
17	Change	4.9%	9.8%	-8.8%	6.8%	8.9%	0.5%	0.6%	2.5%	3.8%	4.5%
	Other Key Indicators										
18	Corporate Profits (Billions)	1,748.4	1,382.4	1,472.6	1,840.7	$1,806.8	$2,136.1	$2,235.3	$2,261.8	$2,468.9	$2,606.2
19	Change	-5.6%	-20.9%	6.5%	25.0%	-1.8%	18.2%	4.6%	1.2%	9.2%	5.6%
20	Housing Permits (Millions)	1.398	0.905	0.583	0.605	0.624	0.829	0.964	1.066	1.249	1.437
21	Change	-24.0%	-35.3%	-35.6%	3.7%	3.1%	32.9%	16.3%	10.6%	17.1%	15.1%
22	Retail Trade (Billions)	$4,443.8	$4,402.5	$4,082.1	$4,307.9	$4,627.8	$4,869.0	$5,067.9	$5,271.0	$5,550.8	$5,823.3
23	Change	3.4%	-0.9%	-7.3%	5.5%	7.4%	5.2%	4.1%	4.0%	5.3%	4.9%

/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.

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

Line No.	Category	Preliminary FY 2013-14	% Chg	September 2014 Estimate by Fiscal Year FY 2014-15	% Chg	FY 2015-16	% Chg	FY 2016-17	% Chg
	Excise Taxes:								
1	Sales	$2,424.6	9.6%	$2,581.7	6.5%	$2,708.4	4.9%	$2,840.6	4.9%
2	Use	$241.5	-0.5%	$255.6	5.8%	$271.3	6.2%	$288.1	6.2%
3	Cigarette	$36.6	-4.5%	$36.9	0.9%	$34.6	-6.2%	$33.3	-3.7%
4	Tobacco Products	$16.9	8.4%	$17.2	2.1%	$17.6	2.0%	$18.1	2.9%
5	Liquor	$40.3	2.9%	$42.9	6.4%	$42.8	-0.3%	$43.7	2.2%
6	**Total Excise**	**$2,759.9**	**8.3%**	**$2,934.3**	**6.3%**	**$3,074.8**	**4.8%**	**$3,223.9**	**4.8%**
	Income Taxes:								
7	Net Individual Income	$5,696.1	1.8%	$6,187.0	8.6%	$6,626.7	7.1%	$6,963.1	5.1%
8	Net Corporate Income	$720.7	13.3%	$757.6	5.1%	$820.5	8.3%	$891.8	8.7%
9	**Total Income**	**$6,416.8**	3.0%	**$6,944.6**	8.2%	**$7,447.2**	**7.2%**	**$7,854.9**	**5.5%**
10	*Less: State Education Fund Diversion*	*$478.8*	*-1.6%*	*$520.8*	*8.8%*	*$558.5*	*7.2%*	*$589.1*	*5.5%*
11	**Total Income to General Fund**	**$5,938.0**	**3.3%**	**$6,423.8**	**8.2%**	**$6,888.6**	**7.2%**	**$7,265.8**	**5.5%**
	Other Revenue:								
12	Insurance	$239.1	13.6%	$243.6	1.9%	$250.5	2.8%	$257.1	2.6%
13	Interest Income	$12.9	-26.1%	$15.9	23.3%	$18.9	19.0%	$20.0	6.0%
14	Pari-Mutuel	$0.6	-8.8%	$0.6	-9.7%	$0.5	-5.0%	$0.5	-5.0%
15	Court Receipts	$2.6	9.5%	$2.7	3.9%	$2.5	-5.0%	$2.4	-5.0%
16	Other Income	$21.3	17.9%	$20.1	-5.7%	$21.4	6.4%	$26.1	22.0%
17	**Total Other**	**$276.9**	**11.2%**	**$282.9**	**2.2%**	**$293.9**	**3.9%**	**$306.2**	**4.2%**
18	**GROSS GENERAL FUND**	**$8,974.8**	**5.1%**	**$9,641.0**	**7.4%**	**$10,257.3**	**6.4%**	**$10,795.9**	**5.3%**

Table 4. General Fund Overview
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
Revenue					
1	**Beginning Reserve**	**$373.0**	**$435.9**	**$802.4**	**$629.5**
2	**Gross General Fund Revenue**	**$8,974.8**	**$9,641.0**	**$10,257.3**	**$10,795.9**
3	*Transfers to the General Fund*	*$14.2*	*$30.2*	*$15.4*	*$16.8*
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$9,361.9**	**$10,107.1**	**$11,075.0**	**$11,442.2**
Expenditures					
5	**Appropriation Subject to Limit /A**	**$8,218.7**	**$8,765.3**	**$9,685.2**	**$10,020.5**
6	*Dollar Change (from prior year)*	*$759.5*	*$546.5*	$919.9	$335.4
7	*Percent Change (from prior year)*	10.2%	6.6%	10.5%	3.5%
8	**Spending Outside Limit**	**$545.5**	**$539.5**	**$760.3**	**$770.3**
9	*TABOR Refund /B*	*$0.0*	*$0.0*	*$136.7*	*$239.4*
10	*Rebates and Expenditures /C*	*$250.2*	*$254.7*	$267.6	$277.0
11	*Transfers to Capital Construction /D*	*$186.7*	*$225.5*	$177.8	$71.1
12	*Transfers to Highway Users Tax Fund /D*	$0.0	$0.0	$102.6	$108.0
13	*Transfers to State Education Fund under SB 13-234*	$45.3	$25.3	$25.3	$25.3
14	*Transfers to Other Funds /E*	$30.9	$33.9	$50.3	$49.6
15	*Other Expenditures Exempt from General Fund Appropriations Limit /F*	$32.4	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$8,764.3**	**$9,304.7**	**$10,445.5**	**$10,790.9**
17	*Percent Change (from prior year)*	10.8%	6.2%	12.3%	3.3%
18	Reversions and Accounting Adjustments	*-$49.0*	*$0.0*	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$646.7**	**$802.4**	**$629.5**	**$651.3**
20	*Year-End General Fund as a % of Appropriations*	*7.9%*	*9.2%*	6.5%	6.5%
21	*General Fund Statutory Reserve /G*	$410.9	$569.7	$629.5	$651.3
22	*Above (Below) Statutory Reserve*	$235.8	$232.6	$0.0	$0.0
23	*Transfer of Excess Reserve to Other Funds /H*	-$210.8	$0.0	$0.0	$0.0
24	*Balance After Any Funds Above Statutory Reserve are Allocated*	$25.0	$232.6	$0.0	$0.0

/A This limit equals 5.0% of Colorado personal income. The appropriations amounts for FY 2013-14 and FY 2014-15 reflect current law. The FY 2015-16 and FY 2016-17 amounts represents the level of spending that can be supported by projected revenue while maintaining the General Fund's required reserve amount; these amounts will change based on future budgeting decisions and updates to the revenue forecast.

/B Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. The refund amount for FY 2015-16 includes $133.1 million in revenue above the Referendum C cap shown in Table 7, as well as $3.6 million in pending amounts owed related to refunds from prior years. See pages 48-50 for further information. The refund mechanisms projected in FY 2015-16 and FY 2016-17 will reduce revenue to the General Fund. The refund mechanisms are not shown as reducing revenue in this forecast, however, only as amounts that need to be refunded. The net impact to the General Fund under both scenarios is essentially the same.

/C Includes the Cigarette and Marijuana Rebates to Local Governments, 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 39.

/D SB09-228 transfers to capital construction and the Highway Users Tax Fund are expected in FY 2015-16. The expected and budgeted transfers to capital construction that are occurring each fiscal year in the table exceed the required transfer amount, however. The amounts for FY 2013-14 and FY 2014-15 reflect the budgeted transfers under current law. The FY 2015-16 and FY 2016-17 amounts mostly reflect the needed level to fund the continuation of projects funded in prior years, specific "certificate of participation" financing agreements used for capital projects, and priority, or "Level I," building maintenance projects. Because TABOR refunds of a certain amount are projected in FY 2015-16 and FY 2016-17, the required transfers for transportation are reduced by 50 percent in those years. See page 50 for further details.

/E Under current law, General Fund money is transferred to various State cash funds. Starting in FY 2013-14, this line includes transfers of General Fund money from the new additional sales tax on retail marijuana approved by voters to the Marijuana Tax Cash Fund.

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

/G HB 14-1337 requires the reserve to increase from 5.0 of appropriations subject to the limit to 6.5 percent starting in FY 2014-15.

/H All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342, and SB 14-223. See page 41 for further information.

Table 5. General Fund and State Education Fund Overview
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
Revenue					
1	**Beginning Reserves**	**$556.3**	**$1,484.9**	**$1,475.1**	**$1,032.6**
2	*State Education Fund*	$183.4	$1,048.9	$672.7	$403.1
3	*General Fund*	$373.0	$435.9	$802.4	$629.5
4	**Gross State Education Fund Revenue**	**$1,605.1**	**$586.4**	**$589.7**	**$620.6**
5	**Gross General Fund Revenue /A**	**$8,989.0**	**$9,671.2**	**$10,272.7**	**$10,812.7**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$11,150.4**	**$11,742.4**	**$12,337.4**	**$12,465.9**
Expenditures					
7	General Fund Expenditures /B	$8,764.3	$9,304.7	$10,445.5	$10,790.9
8	State Education Fund Expenditures /C	*$742.2*	*$962.7*	*$859.3*	*$603.4*
9	**TOTAL OBLIGATIONS**	**$9,506.4**	**$10,267.4**	**$11,304.8**	**$11,394.3**
10	*Percent Change (from prior year)*	12.9%	8.0%	10.1%	0.8%
11	*Reversions and Accounting Adjustments*	*($51.7)*	*$0.0*	*$0.0*	*$0.0*
Reserves					
12	**Year-End Balance**	**$1,695.7**	**$1,475.1**	**$1,032.6**	**$1,071.6**
13	State Education Fund /C	$1,048.9	$672.7	$403.1	$420.3
14	General Fund /D	$646.7	$802.4	$629.5	$651.3
15	*Transfer of Excess General Fund Reserve to Other Funds /E*	-$210.8	$0.0	$0.0	$0.0
16	*General Fund Excess After Any Funds Above Statutory Reserve are Allocated*	$25.0	$232.6	$0.0	$0.0

/A This amount includes transfers to the General Fund shown in line 3 in Table 4.

/B General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.

/C State Education Fund expenditures, and consequently, fund balance information, through FY 2014-15 reflect current law. The expenditures for FY 2015-16 and FY 2016-17 reflect projected spending that can occur while maintaining a reserve in the State Education Fund amounting to roughly 6.5 percent of total State and local school finance expenditures. Actual expenditures from the State Education Fund will be adopted in future budget legislation. Thus, the expenditures and fund balance projections are illustrative only.

/D HB 14-1337 requires the General Fund reserve to increase from 5.0 of appropriations subject to the limit to 6.5 percent starting in FY 2014-15.

/E All of the FY 2013-14 excess reserves, except $25 million that remains in the General Fund, are transferred to various funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342, and SB 14-223. See page 41 for further information.

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

Category	Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
Transportation-Related /A	**$1,135.7**	**$1,140.8**	**$1,159.9**	**$1,180.6**
Change	3.4%	0.4%	1.7%	1.8%
Limited Gaming Fund /B	**$98.3**	**$101.3**	**$103.7**	**$106.7**
Change	0.2%	3.0%	2.4%	2.9%
Capital Construction - Interest	**$2.4**	**$4.0**	**$2.2**	**$1.6**
Change	139.1%	66.5%	-43.8%	-29.9%
Regulatory Agencies	**$68.5**	**$70.4**	**$74.4**	**$76.5**
Change	5.3%	5.8%	2.8%	2.9%
Insurance-Related	**$20.7**	**$21.1**	**$22.5**	**$23.6**
Change	-21.7%	2.3%	6.4%	4.8%
Severance Tax	**$260.6**	**$278.2**	**$219.5**	**$229.8**
Change	88.1%	6.7%	-21.1%	4.7%
Hospital Provider Fees /C	**$566.7**	**$532.3**	**$664.4**	**$717.6**
Change	-13.2%	-6.1%	24.8%	8.0%
Other Miscellaneous Cash Funds	**$525.2**	**$530.9**	**$544.7**	**$563.5**
Change	12.9%	0.7%	3.0%	3.5%
TOTAL CASH FUND REVENUE	***$2,678.1***	***$2,679.1***	***$2,791.3***	***$2,899.8***
Change	5.2%	0.0%	4.2%	3.9%

* 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

/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

/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 Affordable Care Act.

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

Line No.		Preliminary FY 2013-14	September 2014 Estimate by Fiscal Year FY 2014-15	FY 2015-16	FY 2016-17
	TABOR Revenues:				
1	General Fund /A	$8,959.7	$9,608.4	$10,207.6	$10,745.9
	Percent Change from Prior Year	4.9%	7.2%	6.2%	5.3%
2	Cash Funds /A	$2,723.4	$2,679.1	$2,791.3	$2,899.8
	Percent Change from Prior Year	6.0%	-1.6%	4.2%	3.9%
3	**Total TABOR Revenues**	**$11,683.1**	**$12,287.5**	**$12,999.0**	**$13,645.7**
	Percent Change from Prior Year	5.2%	5.2%	5.8%	5.0%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.4%	1.5%	1.5%	1.6%
5	Previous calendar year inflation	1.9%	2.8%	2.8%	2.6%
6	**Allowable TABOR Growth Rate**	3.3%	4.2%	4.3%	4.2%
7	TABOR Limit /B	$9,566.6	$9,953.7	$10,381.7	$10,817.7
8	General Fund Exempt Revenue Under Ref. C /C	$2,116.5	$2,333.8	$2,617.3	$2,827.9
9	**Revenue Cap Under Ref. C /B, D**	**$11,852.4**	**$12,335.5**	**$12,865.9**	**$13,406.3**
10	***Amount Above/(Below) Cap***	**-$169.3**	**-$48.0**	**$133.1**	**$239.4**
11	TABOR Reserve Requirement	$350.5	$368.6	$386.0	$402.2

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

/B The TABOR limit and Referendum C Cap for FY 2013-14 and FY 2014-15 is adjusted to account for changes in the enterprise status of various State entities.

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

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

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APPENDIX C

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

and

STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(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 2014 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 2014 REVENUE FORECAST."

Overview

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

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

The State's economic performance depends heavily on economic performance at the national level. See also "APPENDIX A – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts" and "APPENDIX B – OSPB SEPTEMBER 2014 REVENUE FORECAST."

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Population and Age Distribution

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

Population Estimates (as of July 1)

	Colorado		United States	
	Population (millions)	% Change	Population (millions)	% Change
2003	4.6	1.1%	290.1	0.9%
2004	4.6	1.2%	292.8	0.9%
2005	4.7	1.2%	295.5	0.9%
2006	4.7	1.8%	298.4	1.0%
2007	4.8	1.6%	301.2	1.0%
2008	4.9	1.7%	304.1	1.0%
2009	5.0	1.5%	306.8	0.9%
2010	5.0	1.5%	309.3	0.8%
2011	5.1	1.4%	311.6	0.7%
2012	5.2	1.4%	313.9	0.7%
2013	5.3	1.6%	316.1	0.7%

Note: Figures for 2003 through 2012 are estimates. The U.S. 2013 count is an estimate, and the 2013 count for Colorado is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

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

Age Distribution, July 1

	Colorado, 2013		United States, 2012	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.26	23.8%	73.73	23.5%
18 to 24	0.51	9.7%	31.36	10.0%
25 to 44	1.47	27.9%	82.83	26.4%
45 to 64	1.39	26.3%	82.85	26.4%
65+	0.65	12.3%	43.15	13.7%
Total	5.27	100.0%	313.91	100.0%
Median Age	36.7		37.4	

Note: Totals may not add due to rounding. The U.S. 2012 count is an estimate, and the Colorado 2013 count is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

Income

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

Per Capita Personal Income in Current Dollars[1]

	Colorado		Rocky Mountain Region[2]		United States	
	Income	% Change	Income	% Change	Income	% Change
2009	$41,515		$37,178		$39,357	
2010	$41,717	0.5%	$37,519	0.9%	$40,163	2.0%
2011	$44,179	5.9%	$39,687	5.8%	$42,298	5.3%
2012	$45,775	3.6%	$41,135	3.6%	$43,735	3.4%
2013	$46,610	1.8%	$41,944	2.0%	$44,543	1.8%

[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, Not Seasonally Adjusted

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate: Colorado	Annual Average Unemployment Rate: United States
2009	2,734.6		2,512.9		8.1%	9.3%
2010	2,722.9	-0.4%	2,478.3	-1.4%	9.0%	9.6%
2011	2,725.8	0.1%	2,493.5	0.6%	8.5%	8.9%
2012	2,746.2	0.8%	2,531.1	1.5%	7.8%	8.1%
2013	2,754.9	0.3%	2,568.2	1.5%	6.8%	7.4%
Year-to-date averages through April:						
2013	2,738.6		2,537.3		7.4%	7.8%
2014	2,771.8	1.2%	2,595.3	2.3%	6.4%	6.7%

[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 for the past five years. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

Average Annual Number of Employees by Industry

Industry	2009	2010	2011	2012	2013	Most Recent Quarter: 2012Q4	Most Recent Quarter: 2013Q4	Most Recent Quarter: % Change
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	13,737	13,670	14,015	14,513	14,348	13,709	14,038	2.4%
Mining	24,004	24,232	27,789	30,225	30,433	30,017	31,479	4.9%
Utilities	8,404	8,266	8,138	8,037	7,832	7,959	7,929	-0.4%
Construction	131,001	115,111	112,232	115,753	127,597	120,784	135,361	12.1%
Manufacturing	129,635	125,499	129,165	131,978	132,691	133,109	133,721	0.5%
Wholesale Trade	93,275	90,853	92,192	94,262	96,636	95,881	97,873	2.1%
Retail Trade	238,417	236,726	239,985	243,699	249,235	251,499	257,204	2.3%
Transportation and Warehousing	59,072	57,134	57,863	59,850	62,398	62,204	64,017	2.9%
Information	74,679	71,694	71,950	69,733	69,817	69,569	69,841	0.4%
Finance and Insurance	100,856	98,229	98,056	99,754	103,136	101,331	103,770	2.4%
Real Estate and Rental and Leasing	42,930	41,348	41,194	41,895	42,849	42,399	43,409	2.4%
Professional and Technical Services	169,561	167,505	172,096	178,313	188,984	182,057	191,772	5.3%
Management of Companies and Enterprises	28,550	28,818	29,914	31,761	34,591	32,344	34,832	7.7%
Administrative and Waste Services	132,028	133,522	137,331	145,383	148,745	149,517	152,220	1.8%
Educational Services	28,049	28,979	30,145	31,494	31,997	32,010	32,652	2.0%
Health Care and Social Assistance	225,933	232,262	239,967	246,951	250,654	250,886	255,261	1.7%
Arts, Entertainment, and Recreation	44,555	44,621	45,564	46,704	47,166	44,513	44,330	-0.4%
Accommodation and Food Services	217,785	217,976	225,702	232,875	242,100	232,399	240,421	3.5%
Other Services	65,701	65,278	66,134	67,988	69,554	68,352	69,462	1.6%
Unclassified	761	434	492	745	1,388	754	2,654	252.0%
Government	372,472	374,911	373,154	374,628	383,637	379,108	388,247	2.4%
Total*	**2,201,406**	**2,177,069**	**2,213,075**	**2,266,539**	**2,335,786**	**2,300,401**	**2,370,492**	**3.0%**

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

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2014. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	24,900
The Kroger Co. (King Soopers/City Market)	Supermarkets	20,300
Centura Health	Healthcare	12,500
HCA - HealthONE LLC	Healthcare	12,200
University of Colorado Health[2]	Healthcare	11,000
Safeway Inc	Supermarkets	8,900
SCL Health System	Healthcare	8,900
Lockheed Martin	Aerospace & Defense Related Systems	8,700
CenturyLink	Telecommunications	7,000
Target Coporation	General Merchandise	6,800
Home Depot	Building Materials Retailer	6,600
Wells Fargo	Banking/Financial Services	6,600
Kaiser Permanente	Health Maintenance Organization	6,300
Comcast Corporation	Telecommunications	6,000
University of Denver	Private University	6,000
Vail Resorts	Leisure & Hospitality	6,000
Children's Hospital Colorado	Healthcare	5,600
United Airlines	Air Transportation	4,900
Banner Health	Healthcare	4,600
DISH Network LLC	Satellite TV & Equipment	4,500
Oracle Corporation	Software & Network Computer Systems	4,300
IBM Corporation	Computer Systems & Services	4,200
JBS Swift & Company	Beef Processing/Corporate Office	4,200
Walgreen Company	General Merchandise	3,800
Lowe's	Building Materials Retailer	3,800

[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 2014.

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The following table shows the largest public sector employers in Colorado based on the most current information available as of May 2014.

Estimated Largest Public Sector Employers in Colorado

Employer	Estimated Employees[1]
State of Colorado	47,200
Federal Government (except USPS)	43,200
University of Colorado System[2]	17,400
Denver Public Schools	14,500
Jefferson County Public Schools	12,000
City & County of Denver	10,900
U.S. Postal Service	10,300
Cherry Creek School District No 5	7,800
Colorado State University	7,200
Douglas County School District RE-1	7,200
Denver Health	5,700
Aurora Public Schools	5,300
Adams 12 Five Star Schools	5,200
Colorado Springs Memorial Hospital	5,200
Colorado Springs School District 11	4,700
Poudre School District R-1	4,300
City of Aurora	4,200
Boulder Valley School District RE-2	4,100
St. Vrain Valley School District RE-1J	3,900
Academy Schools District No 20	3,300
Mesa County Valley School District 51	3,100
Jefferson County	2,800
Thompson School District R2J	2,600
City of Colorado Springs	2,500
Regional Transportation District (RTD)	2,500

[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 2014.

Retail Sales

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

Colorado Gross and Retail Sales

	Gross Sales		Retail Sales	
	Amount (billions)	% Change	Amount (billions)	% Change
2009	$184.56		$134.17	
2010	$199.62	8.2%	$144.85	8.0%
2011	$213.62	7.0%	$155.05	7.0%
2012	$225.12	5.4%	$164.57	6.1%
2013	$234.06	4.0%	$171.11	4.0%
Year-to-date totals through Feb:				
2013	$29.74		$23.30	
2014	$31.36	5.4%	$24.22	4.0%

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

Industry	2009	% Change	2010	% Change	2011	% Change	2012	% Change	2013	% Change	Year-to-date totals through February 2013	2014	% Change
Agriculture/Forestry/Fishing	283.6	-6.7%	336.3	18.6%	411.7	22.4%	406.2	-1.3%	393.3	-3.2%	31.0	28.4	-8.5%
Mining	2,226.4	-34.8%	2,531.7	13.7%	3,111.7	22.9%	3,815.6	22.6%	4,601.2	20.6%	558.9	742.7	32.9%
Utilities	6,706.0	-5.5%	10,370.1	54.6%	7,353.2	-29.1%	7,332.9	-0.3%	7,612.2	3.8%	1,397.7	1,499.8	7.3%
Construction	2,807.3	-25.5%	2,756.3	-1.8%	2,829.3	2.6%	3,396.0	20.0%	3,443.8	1.4%	380.7	480.0	26.1%
Manufacturing	9,217.6	-21.6%	10,423.9	13.1%	15,909.3	52.6%	18,192.1	14.3%	19,168.4	5.4%	2,460.2	2,540.6	3.3%
Wholesale Trade	11,891.4	-17.9%	12,422.0	4.5%	13,084.9	5.3%	14,012.4	7.1%	14,995.2	7.0%	1,630.8	1,782.0	9.3%
Retail Trade													
Motor Vehicle and Auto Parts	10,255.3	-15.6%	11,293.5	10.1%	12,986.8	15.0%	14,435.4	11.2%	15,644.7	8.4%	2,174.9	2,309.4	6.2%
Furniture and Furnishings	1,893.8	-19.5%	1,900.9	0.4%	2,049.0	7.8%	2,265.5	10.6%	2,447.4	8.0%	351.1	366.8	4.5%
Electronics and Appliances	1,984.5	-11.6%	2,118.6	6.8%	2,224.2	5.0%	2,077.8	-6.6%	1,983.9	-4.5%	279.3	308.3	10.4%
Building Materials/Nurseries	4,200.7	-20.5%	4,388.6	4.5%	4,515.0	2.9%	4,824.6	6.9%	5,289.6	9.6%	650.9	688.5	5.8%
Food/Beverage Stores	12,557.6	-2.9%	13,363.7	6.4%	14,433.2	8.0%	15,298.5	6.0%	15,698.7	2.6%	1,896.3	1,893.5	-0.1%
Health and Personal Care	2,350.2	3.6%	2,529.7	7.6%	2,712.1	7.2%	2,886.9	6.4%	3,093.3	7.1%	421.6	494.4	17.3%
Gas Stations	4,002.1	-30.6%	4,693.2	17.3%	5,778.1	23.1%	6,011.1	4.0%	5,870.8	-2.3%	830.2	852.3	2.7%
Clothing and Accessories	2,892.9	-6.9%	3,118.0	7.8%	3,337.4	7.0%	3,510.2	5.2%	3,554.4	1.3%	473.7	472.0	-0.4%
Sporting/Hobby/Books/Music	2,367.6	-8.2%	2,487.1	5.0%	2,680.6	7.8%	2,674.0	-0.2%	2,753.1	3.0%	433.9	432.2	-0.4%
General Merchandise/Warehous	10,973.6	-3.2%	11,091.0	1.1%	11,722.3	5.7%	12,185.7	4.0%	12,401.7	1.8%	1,774.8	1,769.4	-0.3%
Misc Store Retailers	2,204.6	-6.8%	2,448.6	11.1%	2,938.6	20.0%	3,147.8	7.1%	3,622.5	15.1%	459.6	531.1	15.6%
Non-Store Retailers	2,794.2	-35.0%	2,337.7	-16.3%	1,550.2	-33.7%	1,456.0	-6.1%	1,545.1	6.1%	228.2	267.9	17.4%
Total Retail Trade	**58,477.1**	**-12.3%**	**61,770.7**	**5.6%**	**66,927.5**	**8.3%**	**70,773.7**	**5.7%**	**73,905.2**	4.4%	**9,974.5**	**10,385.9**	**4.1%**
Transportation/Warehouse	585.7	-22.5%	528.9	-9.7%	593.1	12.1%	710.2	19.7%	806.1	13.5%	100.4	113.6	13.1%
Information	7,044.4	0.9%	6,889.0	-2.2%	6,321.8	-8.2%	6,242.2	-1.3%	5,787.9	-7.3%	857.4	802.4	-6.4%
Finance/Insurance	2,845.4	-7.8%	3,207.3	12.7%	3,085.9	-3.8%	3,130.7	1.5%	2,331.6	-25.5%	396.9	149.1	-62.4%
Real Estate/Rental/Lease	2,903.0	-19.5%	2,916.5	0.5%	3,154.3	8.2%	3,240.7	2.7%	3,540.1	9.2%	553.2	615.1	11.2%
Professional/Scientific/Technical	6,059.6	-11.7%	6,553.9	8.2%	6,768.8	3.3%	6,818.2	0.7%	7,114.2	4.3%	842.8	781.0	-7.3%
Admin/Support/Waste/Remediatio	1,794.7	-8.2%	1,823.3	1.6%	1,882.7	3.3%	1,866.1	-0.9%	1,965.1	5.3%	231.9	242.7	4.7%
Education	421.8	-8.6%	480.0	13.8%	487.1	1.5%	490.8	0.8%	459.7	-6.3%	66.0	61.8	-6.2%
Health Care/Social Assistance	5,740.5	8.8%	6,000.4	4.5%	6,222.6	3.7%	6,318.5	1.5%	6,452.9	2.1%	1,048.2	1,065.4	1.6%
Arts/Entertainment/Recreation	903.8	-7.0%	955.8	5.8%	987.2	3.3%	1,036.6	5.0%	1,092.7	5.4%	161.3	169.1	4.8%
Accommodation	2,566.9	-15.4%	2,719.2	5.9%	3,014.9	10.9%	3,199.2	6.1%	3,365.8	5.2%	543.5	588.8	8.3%
Food/Drinking Services	7,976.5	-3.1%	8,333.8	4.5%	8,876.4	6.5%	9,474.1	6.7%	9,891.5	4.4%	1,510.8	1,603.8	6.2%
Other Services	3,472.6	-9.2%	3,565.9	2.7%	3,763.6	5.5%	3,867.8	2.8%	3,936.5	1.8%	520.8	533.5	2.4%
Government	242.5	-2.9%	262.4	8.2%	268.2	2.2%	244.5	-8.8%	250.7	2.5%	35.9	37.4	4.4%
Total All Industries	**134,166.8**	**-12.2%**	**144,847.3**	**8.0%**	**155,054.2**	**7.0%**	**164,568.4**	**6.1%**	**171,114.1**	4.0%	**23,302.6**	**24,223.1**	**4.0%**

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
2009	5.44		66		244.7		$487.4		11.86	
2010	5.64	3.5%	75	13.6%	267.6	9.4%	$533.1	9.4%	11.86	0.1%
2011	5.82	3.3%	82	9.3%	283.2	5.8%	$564.2	5.8%	12.28	3.5%
2012	5.81	-0.1%	98	19.5%	266.1	-6.0%	$530.1	-6.0%	11.02	-10.3%
2013	5.39	-7.2%	84	-14.3%	265.7	-0.2%	$529.3	-0.2%	11.45	3.9%

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

Residential Housing Starts

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

New Privately Owned Housing Units Authorized in Colorado

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2009	7,261	142	93	1,859	9,355	
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%
2013	15,772	408	148	11,189	27,517	18.1%
Year-to-date totals through April:						
2013	5,011	98	8	3,382	8,499	
2014	5,699	148	43	3,506	9,396	
% change	*13.7%*	*51.0%*	*437.5%*	*3.7%*	*10.6%*	

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
2009	46,394		20,437	
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%
2013	15,333	-46.3%	9,318	-41.4%
Year-to-date totals through first quarter:				
2013	4,571		2,935	
2014	3,441	-24.7%	1,718	-41.5%

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

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APPENDIX E

STATE PENSION SYSTEM

The information included in this Appendix is based on information compiled and presented in the Public Employees' Retirement Association ("PERA") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2013 (the "PERA 2013 CAFR"), which is the most current PERA CAFR available. 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.

The information in the State's Fiscal Year 2012-13 CAFR regarding PERA is derived from PERA's Comprehensive Annual Financial Report for calendar year 2012. However, the information in this Appendix and the State's Fiscal Year 2013-14 Unaudited BFS is derived from the PERA 2013 CAFR.

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 2013 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 18 to both the State's Fiscal Year 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement and Note 8 to the PERA 2013 CAFR for a discussion of the DC Plan.

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

PERA. PERA is a legal entity created by statute in 1931 that is separate from the State (as further described in Article 51 of Title 24, C.R.S. (the "PERA Act"). Management of PERA is vested in a 16-member Board of Trustees (the "PERA Board"). PERA has fiduciary responsibility for several

separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1-800-759-7372 or by visiting http://www.copera.org. The reference to 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 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement, the PERA 2013 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 10.5% 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 2012-13 CAFR and the State's Fiscal Year 2013-14 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, although for Fiscal Years 2010-11 and 2011-12 the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees offset a 2.5% reduction in the State contribution for these 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 2012-13 CAFR and the State's Fiscal Year 2013-14 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 60-year amortization period (at December 31, 2013, 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, 2013, (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 2004 and 2005; State Division 2006 through 2013
(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	2013	$495,241	$401,658 [4]	$401,658	79.00%	$ 98,500
State Division	2012	393,991	335,073 [5]	335,073	83.00	58,918
State Division	2011	326,274	283,222 [6]	283,222	86.81 [7]	43,052
State Division	2010	452,821	287,624 [8]	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

[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 the 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 60 years as of December 31, 2013.

[5] 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.

[6] Results in amortization of UAAL over 56 years as of December 31, 2011.

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

[8] 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, 2012 and 2013

Plan Assets, Liabilities and Funding Levels

At December 31, 2013, based on PERA's 2013 CAFR, the actuarial value of the Plan assets and the actuarial accrued liability ("AAL") of the Plan were approximately $13.1 billion and $22.8 billion, respectively, resulting in a UAAL of approximately $9.7 billion and a funded ratio of 57.5%, assuming an

investment rate of return of 7.5%. The UAAL would amortize over a 60-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 57.5%. At December 31, 2013, the funded ratio of the Plan based on the market value of assets was 61.0%, representing a UAAL of $8.9 billion. Table 2 below sets forth for each of the ten years through December 31, 2013, 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, 2013, 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 2013 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 3.90% to 9.57%; (5) the rate of inflation is assumed to be 2.80% and the rate of productivity increase is 1.10%; however, both are included in the assumed 7.50% rate of investment return and in the projected salary increases; (6) a 7.50% assumed rate of return on investments; and (7) cost of living adjustments are assumed to be 2.00% per year. The PERA 2013 CAFR also calculates the ARC and UAAL based upon different assumed rates of interest. See Notes 10 and 11 to the PERA 2013 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 2004; State Division 2005 through 2013
(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	2013	$13,129,460	$22,843,725	$ 9,714,265	57.5%	$2,474,965	392.5%
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

[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, 2012 and 2013

Table 3
Historical Funding Progress
Market Value of Plan Assets
State and School Division 2004 and 2005; State Division 2006 through 2013
(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	2013	$13,935,754	$22,843,725	$ 8,907,971	61.0%	$2,474,965	392.5%
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

[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 2004 through 2013

The following table sets forth PERA's change in net position for Fiscal Years 2004 through 2013.

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

State and School Division Trust Fund[2]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ADDITIONS										
Employer contributions	$ 452,997	$ 491,031	$ 208,795	$ 232,997	$ 270,353	$ 297,240	$ 287,624	$ 283,222	$ 335,073	$ 401,658
Member contributions	411,376	425,657	169,965	179,971	191,481	194,168	223,240	258,678	227,058	202,799
Purchased service	192,033	212,971	39,480	8,259	13,315	8,830	12,496	11,277	16,358	22,241
Investment income (loss)	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	1,931,658
Other	30	(9)	1	4	7	3	1	331	150	4,869
Total additions	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	2,563,225
DEDUCTIONS										
Benefit payments	1,677,417	1,872,565	849,229	925,761	999,279	1,071,725	1,122,435	1,174.707	1,231,922	1,295,780
Refunds	108,136	114,968	65,911	56,578	56,716	58,416	68,844	70,090	69,221	68,735
Disability insurance premiums	4,186	4,038	1,772	1,833	1,794	2,004	1,661	1,685	1,570	2,229
Administrative expenses	20,949	18,811	7,889	6,963	8,639	8,729	8,942	8,685	8,568	9,780
Other	13,320	10,373	3,103	7,592	6,613	(1,519)	(726)	(4,546)	3,911	3,593
Total deductions	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	1,380,117
Change in net position available	2,896,060	1,936,766	1,412,200	810,769	(4,343,728)	1,103,457	875,347	(464,444)	774,691	1,183,108
Net position at beginning of year	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	12,797,352
Net position at end of year	$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	$13,980,460

[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 2013

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 2013 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Current Litigation Affecting the PERA Act

The State, PERA and others were 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 of 2010, the District Court granted summary judgment in favor of the defendants and the plaintiffs appealed. In October of 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 of 2012, both the plaintiff and defendants filed appeals to the Colorado Supreme Court regarding the decision of the Court of Appeals. On October 20, 2014, the Colorado Supreme Court reversed the decision of the Court of Appeals and upheld the summary judgment of the trial court in favor of the defendants.

PERA is a defendant in a legal proceeding brought in 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 that Memorial's share of the unfunded liability is in the range of approximately $200-$250 million. On February 10, 2014, the Denver District Court granted summary judgment in favor of PERA, finding that the City and the System are required by statute to pay into PERA a reserve to fund retirement benefits for vested employees and former employees who are presently or in the future will receive retirement benefits from PERA. The decision of the District Court is being appealed.

See Note 7 to the PERA 2013 CAFR for a discussion of this litigation.

Future Accounting Standards

Effective for Fiscal Year 2014-15, GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had an unfunded accrued actuarial liability of approximately $9.7 billion as of December 31, 2013. However, both at June 30, 2013 and June 30, 2014, the State was unable to estimate the magnitude of its share of the unfunded pension liability. See the introduction to Notes 1-7 to both the State's Fiscal Year 2012-13 CAFR and the State's Fiscal Year 2013-14 Unaudited BFS appended to this Official Statement.

Effect of Pension Liability on the Series 2014B Notes

The Series 2014B Notes are short-term obligations maturing on June 29, 2015, 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, 2015, as repayment of their Program Loans and a portion of the proceeds of the Series 2014B Notes deposited to the Series 2014-15 Notes Repayment Account as discussed in "THE SERIES 2014B 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 pay the Series 2014B 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 2012-13 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.

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APPENDIX F

DTC BOOK-ENTRY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the State takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the State, the State Treasurer, the Deputy State Treasurer, the Chief Financial Officer of the Department of the Treasury, the State Controller or the Financial Advisor has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2014B 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 2014B Notes, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2014B Notes or (v) any other related matter.

DTC will act as securities depository for the Series 2014B Notes. The Series 2014B 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 2014B Note certificate will be issued for the Series 2014B 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 2014B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014B 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 2014B 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 2014B Notes except in the event that use of the book-entry system for the Series 2014B Notes is discontinued.

To facilitate subsequent transfers, all Series 2014B 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 2014B 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 2014B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014B 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 2014B Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014B Notes, such as redemptions, defaults and proposed amendments to the Authorizing Resolution. For example, Beneficial Owners of Series 2014B Notes may wish to ascertain that the nominee holding the Series 2014B 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 2014B 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 2014B Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2014B 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 2014B 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 2014B 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 2014B Note certificates are required to be printed and delivered to the appropriate registered owners of the Series 2014B 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 2014B Notes. In that event, Series 2014B 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

J.P. Morgan Securities LLC

$245,000,000
State of Colorado
Education Loan Program Tax and Revenue Anticipation Notes
Series 2014B

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 2014B," in the aggregate principal amount of $245,000,000 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 22, 2014, 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 2014-15 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 2014-15 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,

* * *