FOCUS COLORADO:
ECONOMIC AND REVENUE FORECAST

COLORADO LEGISLATIVE COUNCIL STAFF
ECONOMICS SECTION

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HIGHLIGHTS

The state and national economies continue to see moderate, broad-based job growth across most industries. Rising household incomes have supported growth in consumer spending, propping up economic activity. Low commodity prices, a stronger U.S. dollar, and slower global economic activity softened business conditions in 2015 and will continue to do so into 2016. The aging population, tighter monetary policy, and rising Colorado housing costs will also moderate growth.

Preliminary data indicate the General Fund ended **FY 2014-15** with a $112.1 million surplus. A $156.5 million TABOR refund will be returned to taxpayers on income tax returns for 2015 using the Earned Income Tax Credit and a six tier sales tax refund.

In **FY 2015-16**, General Fund revenue will be $207.8 million short of the amount needed to fully fund the budget and required reserve. This amount is $12.7 million smaller than the shortfall expected in September.

School districts statewide experienced lower enrollment growth and are expected to collect more local tax revenue than was anticipated when the FY 2015-16 budget was passed, freeing up about $159 million more flexibility in **school finance funding** than was previously expected.

Revenue subject to **TABOR** is expected to fall short of the Referendum C cap in FY 2015-16, but exceed it by $191.6 million and $384.2 million in FYs 2016-17 and 2017-18, respectively.

The **residential assessment rate**, which is applied to the market value of residential property to determine its assessed value for property taxes, is expected to fall in 2017.

Both adult and juvenile **prison and parole populations** are expected to trend downward each year between 2015 and 2017.

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EXECUTIVE SUMMARY

This report presents the budget outlook based on current law and the December 2015 General Fund revenue, cash fund revenue, and TABOR forecasts. Summaries of expectations for the national and Colorado economies and current economic conditions in nine regions around the state are also presented.

Additionally, this report includes four annual forecasts related to the budget. Forecasts for assessed values of taxable property and kindergarten through twelfth grade (K-12) enrollment are presented to inform the budget for school finance. Forecasts for the adult prison and parole populations and the Division of Youth Corrections (DYC) commitment, detention, and parole populations are presented to inform the budgets for the Department of Corrections and the Department of Human Services.

General Fund and TABOR Outlook

FY 2014-15. Based on preliminary data, the General Fund ended the year with $112.1 million more than is required to fully fund the budget and required reserve. Under TABOR, the state will refund $156.5 million for FY 2014-15 via the Earned Income Tax Credit ($85.7 million) and a sales tax refund ($70.8 million) on individual income tax returns filed for tax year 2015.

FY 2015-16. Expectations for General Fund revenue were decreased $35.3 million, or 0.4 percent, relative to September. Decreased expectations for corporate income, sales, and use tax revenue were partially offset by increased expectations for individual income and insurance premium tax revenue.

*More information about the **General Fund budget overview** begins on page 7 and is summarized in Table 1 on page 8.*

*More information about the state's **TABOR outlook** begins on page 15 and is summarized in Table 6 on page 18.*

*The **General Fund revenue** forecast begins on page 21 and is summarized in Table 9 on page 25.*

The shortfall relative to the 6.5 percent required reserve is expected to be $207.8 million, or 2.0 percent, lower than the amount budgeted to be spent and saved in the required reserve in FY 2015-16. This amount is $12.7 million smaller than the shortfall expected in September due to a higher than expected year-end reserve for FY 2014-15. Revenue is expected to be sufficient to allow General Fund operating appropriations to increase 4.1 percent. In addition:

- revenue subject to TABOR is expected to be $127.5 million *lower* than the TABOR limit;
- full Senate Bill 09-228 transfers to the Capital Construction Fund ($49.9 million) and the Highway Users Tax Fund ($199.5 million) are expected; and
- lower than expected enrollment and increased expectations for local tax revenue collections to the state's public kindergarten through twelfth grade school districts are expected to provide about $159 million more flexibility in **school finance funding** than was previously expected.

FY 2016-17. Revenue is expected to be sufficient to grow General Fund appropriations by 2.7 percent in FY 2016-17, assuming the FY 2015-16 budget remains unchanged. Because the TABOR surplus is expected to be $191.6 million, or 1.8 percent of General Fund revenue, the Senate Bill 09-228 transfers are expected to be halved for FY 2016-17.

Cash Fund Revenue

Cash fund revenue subject to TABOR totaled $2.75 billion in FY 2014-15, and is expected to increase slightly to $2.84 billion in FY 2015-16. Increases in transportation-related and hospital provider fee revenue will be offset by declines in severance tax and insurance-related revenue in FY 2015-16. Total cash fund revenue subject to TABOR will increase 2.6 percent to $2.92 billion in FY 2016-17 as a rebound in severance tax revenue is offset by a decline in hospital provider fee revenue. Cash fund revenue is projected to grow another 5.1 percent to $3.06 billion in FY 2017-18, as severance tax revenue recovers with increased oil and gas activity.

*The **cash fund revenue forecasts** begin on page 27. Forecasts for revenue subject to TABOR are summarized on page 28.*

Economic Outlook

The state and national economies continue to see moderate, broad-based job growth across most industries. Rising household incomes have supported growth in consumer spending, which has propped up economic activity. Business conditions softened in 2015 for energy, manufacturing and export industries on low commodity prices, a stronger U.S. dollar, and slower global economic activity. These trends are expected to continue to moderate growth prospects for Colorado and the nation in 2016. The aging U.S. population, tighter monetary policy, and rising home prices in Colorado are also expected to moderate growth.

*More information about the **state and national economic outlook** begins on page 35.*

Summaries of economic conditions in nine regions around the state begin on page 89.

Assessed Values

Statewide assessed values increased 15.0 percent in the 2015 reassessment year due to large gains in the oil and gas, commercial, and residential property classes. Although the strongest growth was along the northern Front Range, values increased in every region in the state. In 2016, low commodity prices will reduce the value of oil and gas property leading to a 0.1 percent decrease in overall assessed values. The northern, southwest mountain, and eastern regions have the largest share of oil and gas property, and will see the largest declines in assessed values in 2016. Finally, the residential assessment rate is expected to decrease from its current level of 7.96 percent to 7.78 percent for the 2017 reassessment period.

*The **property tax assessed value** forecast begins on page 55.*

*The **kindergarten through twelfth grade enrollment** forecast begins on page 67.*

Kindergarten through Twelfth Grade Enrollment

Enrollment in Colorado's kindergarten through twelfth (K-12) grade public schools increased 1.0 percent during the current 2015-16 school year, or by 7,787 full-time equivalent (FTE) students. K-12 enrollment is expected to increase 1.1 percent in the 2016-17 school year, or by 8,992 FTE students. All nine forecast regions will experience growth in enrollment over the next two school years. Growth will be strongest in the southwest mountain, mountain, and northern regions, where stronger job growth relative to other areas in the state is spurring relatively faster growth in new residential developments attractive to families.

Prison and Parole Populations

The **adult incarcerated prison population** is expected to decrease from 20,623 inmates in June 2015 to 20,167 inmates in July 2018, an average annual decline of 0.7 percent over three years. The prison population is expected to fall in FY 2015-16 and FY 2016-17 before increasing during the following year. Near-term declines will result from fewer court commitments, fewer parole revocations, and additional releases.

*The **adult prison and parole population** forecasts begin on page 77.*

*The forecast for juvenile populations in the **Division of Youth Corrections** begins on page 85.*

The **in-state adult parole population** is projected to fall from 9,501 offenders in June 2015 to 8,934 in June 2018, an average annual decrease of 2.0 percent. The parole population is expected to decline each year during the forecast period.

The **juvenile commitment population** is expected to decrease from an average daily population of 740 youths in FY 2014-15 to 660 youths in FY 2017-18, a decrease of 80 youths over the three-year forecast period. The **juvenile detention population** is expected to decrease by 25 youths, falling from 282 youths on average in FY 2014-15 to 257 youths on average in FY 2017-18. The average daily **youth parole population** will correspondingly fall from 243 youths in FY 2014-15 to 234 youths in FY 2017-18.

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GENERAL FUND BUDGET OVERVIEW

Table 1 on page 8 presents the General Fund overview based on current law. Tables 4 and 5 on pages 13 and 14 provide estimates for General Fund rebates and expenditures (*line 10 of Table 1*) and detail for cash fund transfers to and from the General Fund (*lines 3 and 11 of Table 1*). This section also presents information on revenue to the State Education Fund, the outlook for Senate Bill 09-228 transfers to capital construction and transportation, and the availability of tax benefits dependent on the collection of sufficient General Fund revenue.

FY 2014-15. Based on preliminary data, the General Fund ended the year with **$112.1** million more than is required to fully fund the budget, the 6.5 percent statutory reserve, and the state's TABOR refund obligation for FY 2014-15. This figure is preliminary, un-audited, and subject to change before the state's accounting books for FY 2014-15 are finalized.

The General Fund ended **FY 2014-15** with **$112.1 million in excess** of the required reserve. This amount is preliminary and un-audited.

In FY 2015-16, the General Fund reserve is expected to be $207.8 million, or 2.0 percent, lower than the amount budgeted. Expectations for this shortfall fell by $12.7 million over figures published in September.

Revenue is expected to be sufficient to allow General Fund appropriations to **increase 2.7 percent in FY 2016-17.**

FY 2015-16. General Fund revenue is expected to be sufficient to allow General Fund appropriations to increase **4.1 percent in FY 2015-16,** or **$207.8 million less than currently budgeted** to be spent or saved in the reserve. The year-end reserve is expected to be $404.3 million, or about two thirds of that required by statute. Expectations for the shortfall are $12.7 million lower than the $220.4 million shortfall anticipated in September. Table 2 shows the components of that change.

Preliminary figures for **school funding**, paid for with local tax revenue and state aid from the General Fund and State Education Fund, indicate $159 million more flexibility within the budget than anticipated when the FY 2015-16 budget was passed. Preliminary funded pupil count is 0.25 percent lower than anticipated, saving about $24 million before the application of the negative factor. In addition, preliminary local property and specific ownership tax contributions to school finance are $135 million (6.8 percent) higher than previously expected.

FY 2016-17 — Unbudgeted. Because a budget has not yet been enacted for FY 2016-17, lines 23 through 26 of Table 1 show two alternative perspectives on the General Fund budget situation for the year.

Perspective 1, shown in lines 23 and 24, assumes no growth in appropriations between FY 2015-16 and FY 2016-17. Under this scenario, the amount of money available to the General Assembly above the amount budgeted to be spent during FY 2015-16 is expected to be $274.2 million, or 2.7 percent of budgeted expenditures in FY 2015-16. This figure assumes no change to the FY 2015-16 budget and that the $207.8 million shortfall is addressed with a lower reserve.

Perspective 2, shown in lines 25 and 26, assumes a historical growth rate for General Fund appropriations over the last 15 years using only those years during which the economy expanded: FYs 2003-04 through 2007-08 and FYs 2011-12 through 2015-16. This average rate of growth is equal to 6.2 percent. If General Fund appropriations increased by this amount, the year-end reserve would equal $301.4 million, $347.0 million lower than the 6.5 percent reserve required by law.

Table 1
General Fund Overview
Dollars in Millions

	Funds Available	FY 2014-15 Preliminary	FY 2015-16 Estimate	FY 2016-17 Estimate	FY 2017-18 Estimate
1	Beginning Reserve	$435.9	$688.6	$404.3	*
2	General Fund Revenue	$9,801.7	$9,973.8	$10,610.9	$11,191.1
3	Transfers from Other Funds *(Table 5)*	65.8	15.6	16.1	16.4
4	**Total Funds Available**	**$10,303.5**	**$10,678.0**	**$11,031.3**	**
5	Percent Change	10.1%	3.6%	3.3%	*
	Expenditures	**Budgeted**	**Budgeted**	**Estimate**	**Estimate**
6	General Fund Appropriations Subject to Limit	$8,869.0	9,442.1	*	*
7	Adjustments to Appropriations[1]	0.5	12.0	*	*
8	TABOR Refund Obligation Under Art. X, §20, (7)(d)[2]	156.5	0.0	191.6	384.2
9	Set Aside for TABOR Refund Obligation Under Art. X, §20, (3)(c)[3]	58.0	(58.0)	NA	NA
10	Rebates and Expenditures *(Table 4)*	258.2	276.7	291.6	304.1
11	Transfers to Other Funds *(Table 5)*	42.4	104.9	62.5	46.4
12	Transfers to the State Education Fund Pursuant to SB 13-234	25.3	25.3	25.3	25.3
13	Transfers for Highway Construction[4]	0.0	199.5	106.1	0.0
14	Transfers to the Capital Construction Fund [4]	248.5	271.2	27.3	0.0
15	**Total Expenditures**	**$9,658.5**	**$10,273.7**	**	**
16	Percent Change	10.2%	6.4%	*	*
17	Accounting Adjustments	43.6	*	*	*
	Reserve	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
18	Year-End General Fund Reserve	$688.6	$404.3	*	*
19	Year-End Reserve as a Percent of Appropriations	7.8%	4.3%	*	*
20	Statutorily Required Reserve[5]	576.5	612.1	*	*
21	**Amount in Excess or (Deficit) of Statutory Reserve**	**$112.1**	**($207.8)**	**	**
22	Excess Reserve as a Percent of Expenditures	1.2%	-2.0%	*	*
	Alternative Perspectives on Unbudgeted Years			**Estimate**	**Estimate**
	Perspective 1: Money Available in FY 2016-17 in Excess of FY 2015-16 Expenditures [6]				
23	Amount in Excess of Statutory Reserve			$274.2	*
24	As a Percent of Prior-Year Expenditures			2.7%	*
	Perspective 2: Assuming Appropriations Increase by the Average Rate of Past Economic Expansions (6.2%)[6]				
25	Amount in Excess or (Deficit) of Statutory Reserve			($347.0)	($584.5)
26	As a Percent of Prior-Year Expenditures			-3.4%	-5.7%
	Addendum	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
27	Percent Change in General Fund Appropriations	7.5%	6.6%	*	*
28	5% of Colorado Personal Income Appropriations Limit	$12,045.3	$12,322.4	$13,086.8	$13,754.2
29	Transfers to State Education Fund Per Amendment 23	$519.8	$524.0	$556.9	$591.8

*Totals may not sum due to rounding. *Not estimated. NA=Not applicable.*

[1]$0.5 million in overexpenditures were made for FY 2014-15. A $12.0 million appropriation adjustment is included for FY 2015-16 to fulfill the requirements of HB 15-1367 and Proposition BB.

[2]Pursuant to section 24-75-201 (2), C.R.S., the TABOR refund obligation is required to be set aside during the year it is collected to be refunded in the following fiscal year.

[3]$58 million set aside in FY 2014-15 pursuant to HB 15-1367 and its release in FY 2015-16 pursuant to the passage of Proposition BB.

[4]Senate Bill 09-228 transfers to the Highway Users Tax Fund and the Capital Construction Fund are expected to equal $199.5 million and $49.9 million, respectively, in FY 2015-16.

[5]Pursuant to Senate Bill 15-251, appropriations to fulfill the state's obligations of certain certificates of participation are excluded for purposes of calculating the statutory reserve requirement. These appropriations total $37.9 million in FY 2015-16.

[6]This holds appropriations in FY 2016-17 equal to appropriations in FY 2015-16 (line 6) to determine the total amount of money available above FY 2015-16 expenditures.

[7]The average growth rate of appropriations over the last 15 years, only during years when the economy expanded, which include fiscal years 2003-04 through 2007-08, and 2011-12 through 2015-16.

Table 2
Components of $12.7 Million Decrease in the FY 2015-16 General Fund Budget Shortfall Relative to September

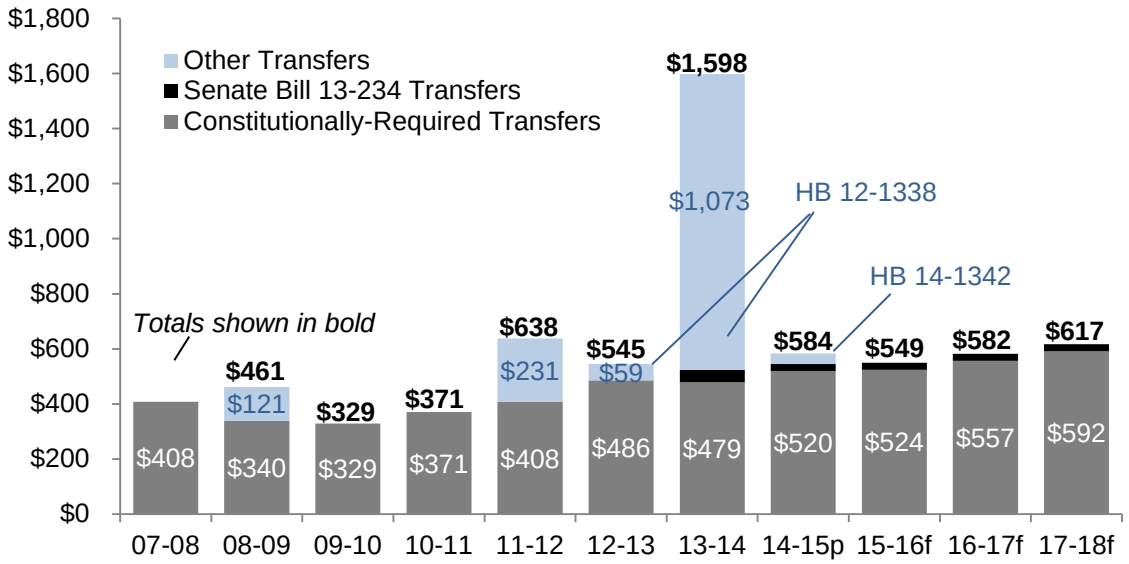
Change in Funds Available		
Beginning Reserve	$50.6 million	Represents change in preliminary, un-audited estimates for FY 2014-15 ending reserve.
General Fund Revenue[1]	($40.6 million)	Lower expectations for corporate income, sales, and use tax revenue were partially offset by higher expectations for individual income and insurance premium tax revenue.
Transfers from Other Funds (Table 5)	$1.1 million	Represents a $1.1 million increase in expectations for limited gaming tax revenue transferred to the General Fund.
***Less* change in Expenditures:**		
Net change resulting from HB 15-1367 and the passage of Proposition BB	($5.2 million)	Represents a release of $58 million from the Proposition AA Refund Account less a $40 million transfer to the Public School Capital Construction (BEST) Fund, $12 million appropriated to programs identified in Proposition BB, and a $780,000 increase in the 6.5 percent required reserve (6.5 percent of $12 million).
Rebates and Expenditures[1] (Table 4)	$4.7 million	Of this, $4.3 million is the result of increased expectations for the Senior and Veterans Property Tax Exemptions.
Senate Bill 09-228 Transfers	($0.9 million)	Senate Bill 09-228 transfers are a fixed percent of General Fund revenue, for which expectations fell.
***Equals* Change in Shortfall**	**$12.7 million**	A positive figure indicates a smaller shortfall.

[1]*These figures net out changes resulting from an increase of $5.3 million in expectations for marijuana sales tax revenue, which result in a net zero budget impact on the General Fund. If these changes had not been excluded, figures for General Fund revenue, rebates and expenditures, and transfers to other funds (not shown in table) would be $5.3 million higher, $0.8 million higher, and $4.5 million higher, respectively.*

Totals do not sum due to rounding.

State Education Fund. The State Constitution requires the State Education Fund to receive one-third of one percent of taxable income (*see Table 1, line 10*). In addition, the General Assembly has authorized the transfer of additional moneys from the General Fund to the State Education Fund. Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. However, additional revenue in the State Education Fund does not affect the overall flexibility of the General Fund budget. Figure 1 shows a history and forecast for these revenue sources through the end of the forecast period.

Figure 1
Revenue to the State Education Fund
Dollars in Millions



Source: Colorado State Controller's Office through FY 2014-15 and Legislative Council Staff from FY 2015-16 through FY 2017-18. "p" indicates preliminary; "f" indicates forecast.

Senate Bill 09-228 transfers. Colorado personal income increased 5.8 percent in 2014, triggering the first year of the five-year block of transfers in FY 2015-16.

Senate Bill 09-228 transfers 0.5 percent and 2.0 percent of General Fund revenue to the Capital Construction Fund and the Highway Users Tax Fund, respectively, during the first two years of the five-year period. However, if during any particular year the state incurs a large enough TABOR surplus, these transfers will either be cut in half or eliminated for that year. The transfers are cut in half if the TABOR surplus during that year is between 1.0 percent and 3.0 percent of General Fund revenue, and eliminated if the surplus exceeds 3.0 percent of General Fund revenue.

Figure 2
Projected Senate Bill 09-228 Transfers and General Fund Impacts
Dollars in Millions

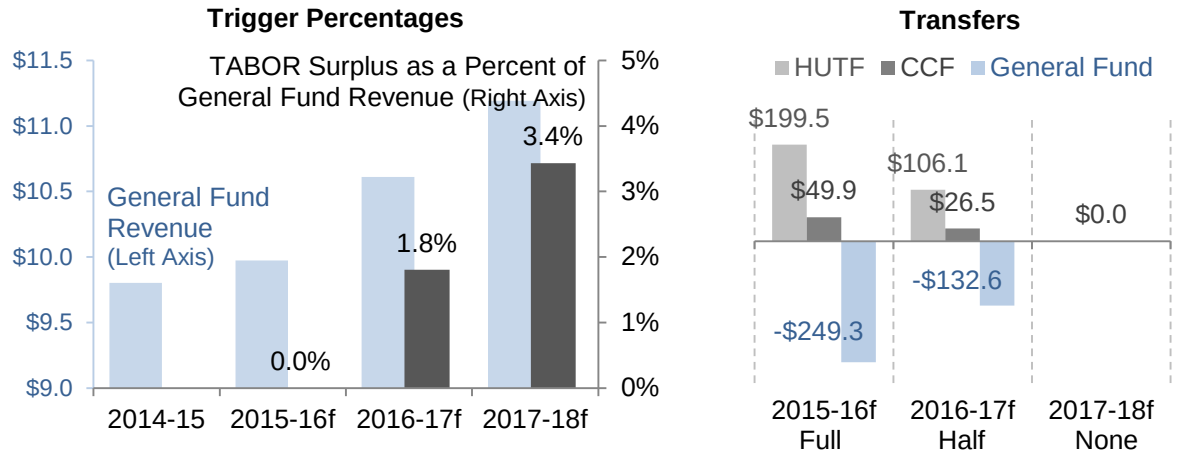


Figure 2 shows the TABOR surplus as a percent of General Fund revenue and expected Senate Bill 09-228 transfers through the forecast period. A TABOR surplus is not expected in FY 2015-16, and therefore full transfers equal to $49.9 million and $199.5 million to the Capital Construction Fund and the Highway Users Tax Fund, respectively, are expected in FY 2015-16. In total, these transfers are $121.1 million more than the amount included in the budget.

This forecast anticipates a TABOR surplus of $191.6 million, or 1.8 percent of General Fund revenue, in FY 2016-17 and $384.2 million, or 3.4 percent of General Fund revenue, in FY 2017-18, indicating halved transfers in FY 2016-17 and no transfers in FY 2017-18. However, small margins of error in the forecasts for General Fund revenue and the TABOR surplus could produce very different results. Because this forecast is based on current law, these errors include the impact of legislation enacted in the future by the General Assembly or U.S. Congress that affect General Fund revenue or cash fund revenue subject to TABOR. Thus, these transfers could occur in full, or not at all, during both years.

Tax policies dependent on sufficient General Fund revenue. Two tax policies are only available when the Legislative Council Staff forecast indicates that General Fund revenue will be sufficient to allow General Fund appropriations to increase by at least 6 percent. Based on the current forecast, revenue will not meet this requirement in FY 2015-16 through at least FY 2017-18, the end of the forecast period. As a result, the sales tax refund for cleanrooms will be available through June 2016, but is not expected to be available beginning July 2016. In addition, the historic property preservation tax credit will no longer be available in tax year 2016 and is not expected to be available in tax year 2017. Table 3 lists and describes the availability of these tax policies.

Table 3
Tax Policies Dependent on Sufficient General Fund Revenue to Allow General Fund Appropriations to Increase by at Least 6 Percent

Tax Policy	Forecast that Determines Availability	Tax Policy Availability
Historic property preservation income tax credit (Section 39-22-514, C.R.S)	December forecast immediately before the tax year when the credit becomes available.	Available in tax years 2013 through 2015. Not available in tax year 2016, and not expected to be available in tax year 2017. Repealed tax year 2020.
Cleanroom machinery sales and use tax exemption (Section 39-26-722, C.R.S.)	If the June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Currently available through at least June 2016. Not expected to be available July 2016 through June 2018. Repealed July 1, 2018.

Note: See Table 8 on page 22 for information on the revenue impact of these triggers.

Table 4
General Fund Rebates and Expenditures
Dollars in Millions

Category	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18
Senior and Veterans Property Tax Exemptions[1]	$116.9	$133.0	$142.7	$151.6
Percent Change	6.4%	13.8%	7.3%	6.2%
Cigarette Rebate	$12.3	$10.7	$10.7	$10.7
Percent Change	17.8%	-12.5%	-0.9%	0.0%
Old-Age Pension Fund	99.8	103.8	107.8	112.5
Percent Change	-6.6%	4.0%	3.9%	4.3%
Aged Property Tax and Heating Credit[2]	5.7	5.4	5.5	5.5
Percent Change	-6.0%	-4.3%	0.8%	1.1%
Older Coloradans Fund[3]	11.5	10.0	10.0	10.0
Percent Change	0.2%	-0.1%	0.0%	0.0%
Interest Payments for School Loans	0.7	0.8	0.9	1.2
Percent Change	-3.0%	11.4%	18.8%	28.7%
Fire and Police Pensions	4.2	4.2	4.2	4.2
Percent Change	1.3%	0.7%	0.0%	0.0%
Amendment 35 Distributions	0.9	0.8	0.8	0.8
Percent Change	1.2%	-0.5%	-0.3%	-0.3%
Marijuana Sales Tax Transfer to Local Governments	6.3	7.9	9.0	7.7
Percent Change	366.4%	25.9%	12.9%	-14.4%
TOTAL REBATES & EXPENDITURES	**$258.3**	**$276.7**	**$291.6**	**$304.1**

Totals may not sum due to rounding.

[1]Includes the impact of House Bill 14-1373.

[2]Includes the impact of Senate Bill 14-014.

[3]An additional $1.5 million was transferred in FY 2014-15 pursuant to Section 39-3-208 (6), C.R.S., which requires appropriations to the Senior and Veterans Property Tax Exemptions in excess of the actual to be transferred to the Older Coloradans Fund.

Table 5
Cash Fund Transfers
Dollars in Millions

Transfers to the General Fund		2014-15	2015-16	2016-17	2017-18
HB 10-1325	Natural Resource Damage Recovery Fund	0.2	0.2	0.2	
SB 11-184	Tax Amnesty Cash Fund	1.1			
SB 13-133	Limited Gaming Fund	13.6	15.2	15.8	16.3
HB 14-1228	Defense Driving School Fund Balance	0.1			
SB 14-189	Controlled Maintenance Trust Fund	9.7			
SB 14-215 & SB 15-167	Marijuana Tax Cash Fund	5.1			
HB 15-1150	Severance Tax Operational Fund		0.1	0.1	0.1
HB 15-1379	Marijuana Tax Cash Fund		0.1		
SB 15-108	Adult Education and Literacy Fund	0.02			
SB 15-108	State Grants to Publically Supported Libraries	0.003			
SB 15-168	Intellectual and Developmental Disability Fund	2.1			
SB 15-169	State Employee Reserve Fund	6.4			
SB 15-249	Marijuana Tax Cash Fund	27.7			
§ 36-1-148 (2)	Land and Water Management Fund	0.1			
Total Transfers to the General Fund		**$65.8**	**$15.6**	**$16.1**	**$16.4**

Transfers from the General Fund		2014-15	2015-16	2016-17	2017-18
HB 12-1315	Clean Renewable Energy Fund	1.6	1.6	1.6	
HB 13-1001 & HB 14-1011	Advanced Industries Acceleration Fund		5.0	5.0	
HB 13-1193	Advanced Industries Export Acceleration Fund	0.3	0.3	0.3	0.3
SB 14-215 & HB 15-1367	Marijuana Tax Cash Fund	35.8	45.0	44.7	37.4
HB 14-1016[1]	Procurement Technical Assistance Cash Fund		0.2	0.2	0.2
HB 14-1276	School Cardiopulmonary Resuscitation Fund	0.3			
HB 14-1300	State Fair Cash Fund	0.3			
HB 14-1336	Controlled Maintenance Trust Fund	0.1			
HB 14-1368	Child Welfare Transition Cash Fund	2.8			
SB 14-011	Energy Research Cash Fund	1.0	1.0		
HB 15-1178	CWCB Emergency Dewatering Grant Account		0.2	0.3	
SB 15-112	Building Regulation Fund	0.3		0.2	
SB 15-244	State Public School Fund		7.8	7.8	7.8
SB 15-245	Natural Hazard Mapping Fund		3.8	2.4	0.7
HB 15-1367 & Proposition BB	Public School Capital Construction Fund (BEST)		40.0		
Total Transfers from the General Fund		**$42.4**	**$104.9**	**$62.5**	**$46.4**
Net General Fund Impact		**$23.4**	**($89.3)**	**($46.5)**	**($30.0)**

[1] *This transfer is dependent on the receipt of at least $200,000 in gifts, grants, and donations by the relevant contractor.*

TABOR OUTLOOK

This section presents the outlook for the state's TABOR situation through FY 2017-18. Table 6 on page 18 illustrates the current status of the TABOR limit and Referendum C cap through FY 2017-18, while Figure 3 shows a history and forecast of revenue subject to TABOR, the TABOR limit base, and the Referendum C cap.

Preliminary data indicate that state revenue subject to TABOR totaled $12,506.6 million in FY 2014-15, exceeding the Referendum C cap and prompting a **TABOR refund of $156.5 million in FY 2015-16**. Of this amount, $85.7 million is expected to be refunded via the **Earned Income Tax Credit (EITC)**, which will be used as a TABOR refund mechanism on returns for tax year 2015. The EITC will become permanent beginning tax year 2016. The remaining $70.8 million will be refunded via a **six tier sales tax refund** of between $13 and $41 per taxpayer for tax year 2015.

For FY 2015-16, state revenue subject to TABOR is expected to total $12,752.1 million, $127.5 million less than the Referendum C cap. State revenue subject to TABOR is expected to exceed the Referendum C cap in FY 2016-17 and FY 2017-18, prompting TABOR refunds of $191.6 million in FY 2017-18 and $384.2 million in FY 2018-19.

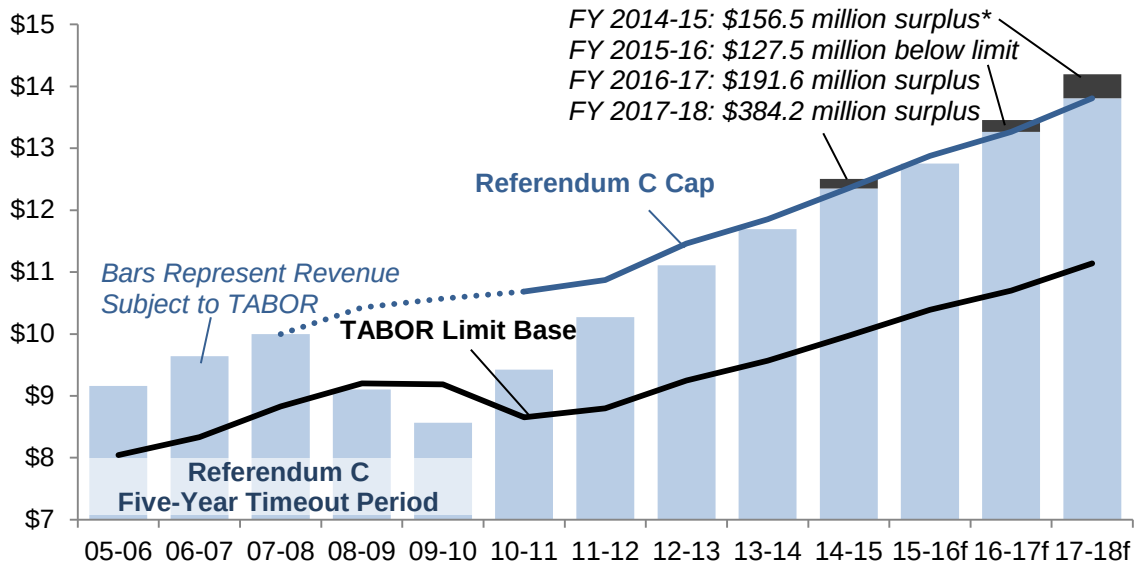
TABOR surplus. Article X, Section 20 of the Colorado Constitution (TABOR) limits the amount of revenue the state may retain and either spend or save. The limit is equal to the previous year's limit or revenue adjusted for inflation, population growth, and any revenue changes approved by voters, whichever is lower. Referendum C, approved by voters in 2005, is a permanent voter-approved revenue change that raises the amount of revenue that the state may spend or save.

> ***Fiscal Year Spending:***
>
> The legal term used by TABOR to denote the amount of revenue TABOR allows the state to keep and either save or spend.

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period beginning in FY 2005-06 and continuing through FY 2009-10. Beginning in FY 2010-11, Referendum C allows the state to retain revenue collected above the TABOR limit base up to a capped amount. The cap is set to the highest amount of state revenue for a fiscal year during the five-year timeout period and grown each year thereafter by inflation and population growth. Because revenue collections peaked in FY 2007-08, that year became the starting base for the cap. The cap is adjusted annually for inflation, population growth, and changes in enterprise status exactly as the TABOR limit is adjusted. However, it is always grown from the prior year's cap, regardless of the level of revenue collected.

TABOR requires revenue collected above the Referendum C cap to be refunded to taxpayers. Revenue exceeded the Referendum C cap by $152.9 million in FY 2014-15, and is expected to exceed the cap by $191.6 million in FY 2016-17 and $384.2 million in FY 2017-18. Revenue is expected to be $127.5 million below the Referendum C cap in FY 2015-16; it is important to note that this amount is well within normal forecast error.

Figure 3
TABOR Revenue, the TABOR Limit Base, and the Referendum C Cap
Dollars in Billions



Source: Office of the State Controller and Legislative Council Staff.
** The FY 2014-15 surplus includes a $3.6 million adjustment for under-refunds of and other adjustments to prior TABOR surpluses.*

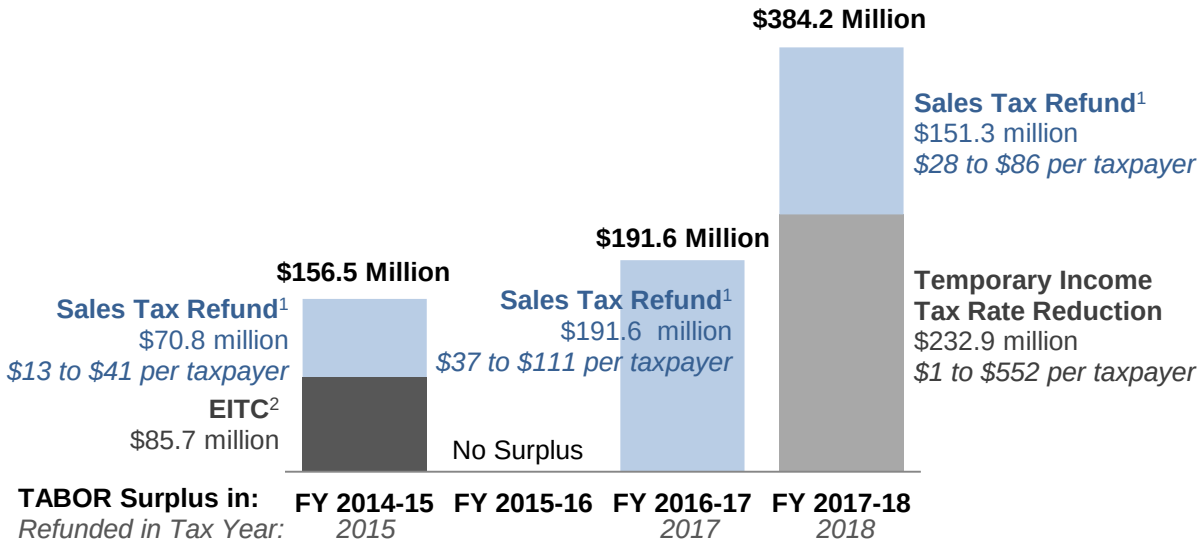
When revenue exceeds the cap, TABOR requires the surplus to be refunded during the following fiscal year. An additional $3.6 million must be refunded along with the FY 2014-15 TABOR surplus; this amount represents under-refunds of pre-Referendum C surpluses and other accounting errors that would have added to the previous refund. **Therefore, $156.5 million will be refunded in FY 2015-16 for the surplus collected in FY 2014-15.**

Figure 4 and Table 7 show how state law requires this money to be refunded. Current law contains three refund mechanisms: the six tier sales tax refund, the Earned Income Tax Credit (EITC), and a temporary cut in the income tax rate from 4.63 percent to 4.50 percent. The size of the TABOR refund determines which refund mechanisms are available each year.

As a result of the FY 2014-15 TABOR surplus, the six tier sales tax refund and the EITC will be available on tax returns for income tax year 2015. The first $85.7 million of the surplus will be refunded via the EITC, which is available to taxpayers who work but earn low incomes. The remaining $70.8 million will be refunded via the sales tax refund. State law requires the sales tax refund to be distributed among six income tiers as it was distributed in tax year 1999, following the FY 1998-99 surplus. As shown in Table 7, taxpayers filing single returns with adjusted gross incomes of up to $36,001 will receive refunds of $13 each. Households that qualify for the EITC will receive an additional $234 on average. Taxpayers filing single returns with adjusted gross incomes of $204,000 and up will receive refunds of $41 each. For taxpayers filing joint returns, the sales tax refund amounts are doubled. Beginning in tax year 2016, the EITC will be available annually as a state income tax credit and will reduce General Fund revenue.

The TABOR surpluses collected in FY 2016-17 and FY 2017-18 will be refunded in FY 2017-18 and FY 2018-19, respectively, on income tax returns for tax years 2017 and 2018. In tax year 2017, a total of $191.6 million is expected to be refunded via the six tier sales tax refund; individual taxpayers will receive between $37 and $111 each. In tax year 2018, an estimated $232.9 million will be refunded via a temporary cut in the income tax rate from 4.63 percent to 4.5 percent, while an estimated $151.3 million will be refunded via the six tier sales tax refund.

Figure 4
TABOR Refund Estimates
Dollars in Millions



[1]If the average sales tax refund among all taxpayers is $15 or less, section 39-22-2002 (2) (b), C.R.S. requires every taxpayer to receive and identical refund. If the amount exceeds $15, section 39-22-2003 (4) (a), C.R.S. requires the sales tax refund to be distributed proportionately to the sales tax refund that occurred in tax year 1999. Taxpayers filing joint returns receive twice the amount shown.

[2]Section 39-22-123.5 (3) converts the Earned Income Tax Credit from a TABOR refund mechanism into a permanent tax credit the year after it is first used to refund a TABOR surplus.

Table 6
TABOR Limit and Retained Revenue
Dollars in Millions

		Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18
	TABOR Revenue				
1	General Fund[1]	$9,755.4	$9,912.1	$10,542.4	$11,131.2
2	Cash Funds[1]	2,751.1	$2,840.0	$2,915.1	$3,062.8
3	Total TABOR Revenue	$12,506.6	$12,752.1	$13,457.5	$14,194.0
	Revenue Limit				
4	Allowable TABOR Growth Rate	4.3%	4.4%	3.0%	4.1%
5	Inflation (*from Prior Calendar Year*)	2.8%	2.8%	1.1%	2.4%
6	Population Growth (*from Prior Calendar Year*)	1.5%	1.6%	1.9%	1.7%
7	TABOR Limit Base	$9,969.6	$10,390.6	$10,702.3	$11,141.1
8	Voter Approved Revenue Change (Referendum C)	$2,384.1	$2,361.5	$2,563.7	$2,668.8
9	Total TABOR Limit / Referendum C Cap	$12,353.7	$12,879.6	$13,266.0	$13,809.9
10	TABOR Revenue Above (Below) Referendum C Cap[4]	$152.9	($127.5)	$191.6	$384.2
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[2]	$2,384.1	$2,361.5	$2,563.7	$2,668.8
12	Total Available Revenue (*Fiscal Year Spending*)	$12,353.7	$12,752.1	$13,266.0	$13,809.9
13	Revenue to Be Refunded to Taxpayers[3,4]	$156.5	$0.0	$191.6	$384.2
14	TABOR Reserve Requirement	$370.6	$382.6	$398.0	$414.3

Totals may not sum due to rounding.
Amounts shown for FY 2014-15 are un-audited preliminary figures and are subject to change.
[1]These figures differ from the revenues reported in General Fund and cash fund revenue summary tables because of accounting adjustments across TABOR boundaries.
[2]Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.
[3]Pursuant to 24-75-201 (2), C.R.S., the revenue above the Referendum C cap is required to be set aside during the year it is collected to be refunded in the following fiscal year. For example, excess revenue collected in FY 2016-17 will be set aside in FY 2016-17 and refunded in FY 2017-18 on income tax returns for tax year 2017.
[4]Revenue to be refunded (line 13) exceeds revenue above the Referendum C cap (line 10) by $3.6 million in FY 2014-15. This amount represents under-refunds of pre-Referendum C surpluses and other accounting adjustments discovered in subsequent years that would have added to the last refund.

Table 7
Average Taxpayer TABOR Refunds

FY 2014-15 Surplus, Tax Year 2015 Estimate

Adjusted Gross Income			Single Filers: Six Tier Sales Tax	Single Filers: Income Tax Rate Cut	Single Filers: Total without EITC	Single Filers: Total with EITC*	Joint Filers: Six Tier Sales Tax	Joint Filers: Income Tax Rate Cut	Joint Filers: Total without EITC	Joint Filers: Total with EITC*
up to		$36,001	$13	$0	$13	$247	$26	$0	$26	$260
$36,001	to	$77,000	18	-	18	150	36	-	36	168
$77,000	to	$120,000	21	-	21	21	42	-	42	42
$120,000	to	$163,000	23	-	23	23	46	-	46	46
$163,000	to	$204,000	25	-	25	25	50	-	50	50
$204,000	and up		41	-	41	41	82	-	82	82

**The Earned Income Tax Credit (EITC) applies per household, while income and sales tax refunds are per tax return (e.g. single or joint). Amounts are un-audited preliminary figures and subject to change.*

No TABOR Surplus is Forecast for FY 2015-16, Tax Year 2016

FY 2016-17 Surplus, Tax Year 2017 Forecast

Adjusted Gross Income			Single Filers: Six Tier Sales Tax	Single Filers: Income Tax Rate Cut	Single Filers: Total	Joint Filers: Six Tier Sales Tax	Joint Filers: Income Tax Rate Cut	Joint Filers: Total
up to		$37,500	$37	$0	$37	$74	$0	$74
$37,500	to	$80,300	49	-	49	98	-	98
$80,300	to	$125,100	57	-	57	114	-	114
$125,100	to	$169,900	65	-	65	130	-	130
$169,900	to	$212,700	70	-	70	140	-	140
$212,700	and up		111	-	111	122	-	222

FY 2017-18 Surplus, Tax Year 2018 Forecast

Adjusted Gross Income			Single Filers: Six Tier Sales Tax	Single Filers: Income Tax Rate Cut	Single Filers: Total	Joint Filers: Six Tier Sales Tax	Joint Filers: Income Tax Rate Cut	Joint Filers: Total
up to		$38,400	$28	$9	$37	$56	$1	$57
$38,400	to	$82,200	38	49	87	76	27	103
$82,200	to	$128,100	44	97	141	88	81	169
$128,100	to	$174,000	50	148	198	100	137	237
$174,000	to	$217,700	54	192	246	108	191	299
$217,700	and up		86	533	619	172	552	724

Source: Legislative Council Staff.

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GENERAL FUND REVENUE

This section presents the Legislative Council Staff outlook for General Fund revenue, which provides the state's main source of revenue for operating appropriations. Table 9 on page 25 summarizes preliminary General Fund revenue collections for FY 2014-15 and projections for FY 2015-16 through FY 2017-18.

Preliminary estimates for FY 2014-15 General Fund revenue totaled $9.8 billion, a strong increase of 9.2 percent ($826.9 million) over the prior fiscal year. Revenue is expected to grow at a more moderate pace during the forecast period, reflecting slower economic growth, contractions in oil and gas industry activity, and the revenue impact of the Earned Income Tax Credit (EITC). In FY 2015-16, revenue is expected to grow at a modest pace of 1.8 percent over the prior year. In FY 2016-17, revenue will grow 6.4 percent to total $10.6 billion.

The General Fund revenue forecast was reduced slightly from the September forecast. Reductions in expectations for sales tax and corporate income tax collections more than offset a slight increase in the individual income tax forecast. Relative to the September forecast, revenue is expected to come in $35.3 million lower in 2015-16 and $5.6 million lower in FY 2016-17. Additional information regarding the main sources of revenue to the General Fund is provided below.

Legislative impacts. Table 8 on page 22 summarizes the projected General Fund impact of bills passed during the 2015 legislative session and triggered legislation. In FY 2014-15, a one-time transfer of severance tax revenue increased revenue to the General Fund by $16.2 million, more than offsetting the $3.5 million revenue reduction to implement the conservations easement audit. In FY 2015-16 and FY 2016-17, bills passed in 2015 are expected to reduce revenue by $8.1 million, and $9.6 million, respectively.

The FY 2014-15 TABOR surplus will trigger the availability of the EITC beginning in tax year 2016. The Colorado EITC allows low- and middle-income Colorado taxpayers to claim a tax credit equal to 10 percent of the federal EITC, thereby reducing their Colorado income tax liability. The FY 2014-15 TABOR surplus and anticipated FY 2016-17 surplus will trigger the partial refundability of the Gross Conservation Easement Income Tax Credit in tax years 2015 and 2017, respectively. Triggered legislation is projected to reduce General Fund revenue by $49.5 million in FY 2015-16 (half-year impact) and $91.1 million in FY 2016-17 (full-year impact), with similar full-year reductions in future fiscal years.

Individual income taxes. Individual income tax is the state's largest source of tax revenue, representing 64.8 percent of gross General Fund revenue in FY 2014-15. Following a strong 11.5 percent increase in FY 2014-15, collections will moderate to 2.4 percent growth in FY 2015-16. Income tax revenue withheld from employee paychecks comprises the largest share of individual income tax collections. Withholding payments softened at the start of the current fiscal year (Figure 5 at left). Similarly, growth in estimated payments, which include income taxes on capital gains earnings, mineral royalties, and certain non-corporate business income, are expected to grow only modestly in the current fiscal year, reflecting the pull back in oil and gas activity, and a more moderate pace of economic growth in Colorado relative to recent years.

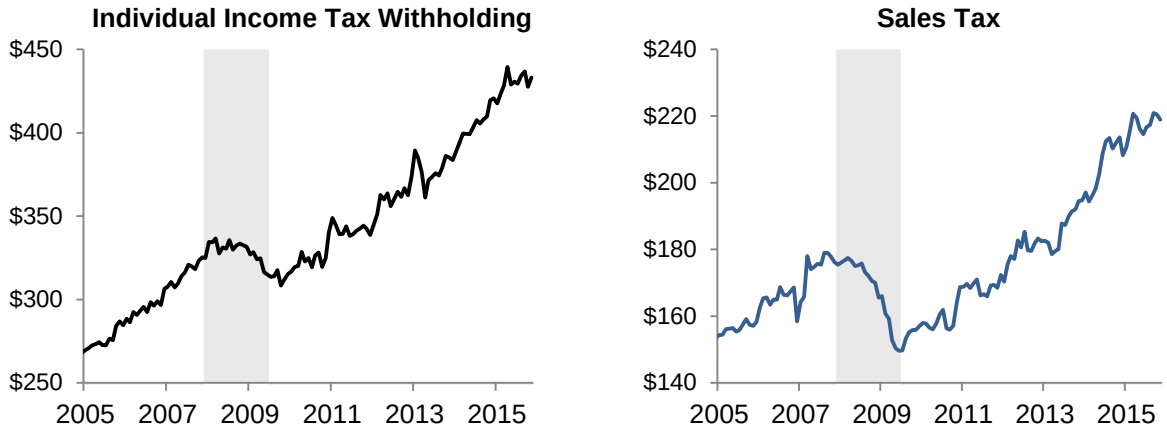
Table 8
Legislation Affecting General Fund Revenue
Dollars in Millions

Major Legislation Passed in 2015	2014-15	2015-16	2016-17
Sales and Use Tax			
HB 15-1012 Sales and Use Tax Exemptions for Dyed Diesel[1]			
HB 15-1180 Sales and Use Tax Refund for Medical and Clean Technology		-0.09	-0.09
Tobacco Product Excise Tax			
HB 15-1301 Tobacco Credit Shipped to Out-of-State Consumers		-0.02	-0.03
Income Tax			
HB 15-1181 Colorado is Honoring Our Military Tax Exemption[2]			
HB 15-1219 EZ Investment Tax Credit for Renewable Energy		-0.75	-1.50
HB 15-1366 Expand Job Growth Tax Credit for Higher Education Project		-0.03	-0.08
SB 15-206 Implement Conservation Easement Audit	-3.50	-7.00	-7.00
SB 15-282 Jump-Start Program Economic Development Distressed Counties		-0.20	-0.85
Total	-3.50	-7.97	-9.43
Court Receipts			
HB 15-1063 Prohibited Communications Concerning Patents		0.01	0.01
Other			
SB 15-255 Severance Tax Diversion	16.22		
Revenue Impact of 2015 Legislation	**$12.72**	**-$8.08**	**-$9.55**

Triggered Legislation	2014-15	2015-16	2016-17
Income Tax			
ON: Partial Refundability of the Gross Conservation Easement Income Tax Credit[3]	-7.19	-7.19	-5.24
ON: Earned Income Tax Credit (10 percent of the federal credit)[4]		-42.83	87.35
OFF: Historical Preservation Income Tax Credit[5]		<0.50	< 1.00
Sales and Use Tax			
OFF: Cleanroom Machinery Exemption[6]			< 0.50
Revenue Impact of Triggered Legislation	**-$7.19**	**-$49.52**	**-$91.09**

[1]Indeterminate revenue decrease beginning FY 2014-15.
[2]Indeterminate revenue increase beginning FY 2014-15.
[3]Triggered on by the FY 2014-15 TABOR surplus. Available in tax years 2015 and 2017, but not in 2016 (Section 39-22-522 (5) (b), C.R.S.).
[4]Triggered on by the FY 2014-15 TABOR surplus. Available starting in tax year 2016 (Section 39-22-123, C.R.S.).
[5]Triggered off by the December 2015 forecast of insufficient revenue to grow General Fund appropriations by 6 percent (Section 39-22-514, C.R.S.). Credits that otherwise would have been claimed are not expected to exceed $0.5 million in FY 2015-16 or $1 million in FY 2016-17.
[6]Expected to be triggered off by a June 2016 forecast of insufficient revenue to grow General Fund appropriations by 6 percent (Section 39-26-722, C.R.S.). Exemptions that otherwise would have been claimed are not expected to exceed $500,000 in FY 2016-17.

Figure 5
Selected Sources of General Fund Revenue
Millions of Dollars Collected per Month



Source: Colorado Department of Revenue. Data seasonally adjusted by Legislative Council Staff using the Census x12 method. Data shown on a cash-accounting basis as three-month moving averages. Data are through November 2015. Data for 2015 are preliminary.

In FY 2016-17 and FY 2017-18, revenue will increase 6.5 percent and 6.6 percent, respectively. Oil and gas industry wages and royalties are expected to grow with a gradual rise in energy prices through the remainder of the forecast period. Additionally, sustained growth in employee wages and salaries across most other industries will more than offset the revenue impacts of triggered legislation and legislation passed in 2015.

Expectations for individual income tax revenue were increased slightly from the September forecast, as preliminary revenue data through November came in slightly above expectations. The forecast for FY 2015-16 was increased $53.1 million and the forecast for FY 2016-17 was increased $91.8 million.

Sales taxes. Sales tax collections totaled $2.6 billion in FY 2014-15, increasing 8.0 percent over the prior fiscal year and accounting for 26.7 percent of gross General Fund revenue. Following two years of strong growth, collections slowed considerably at the end of FY 2014-15, and have slowed further into the current fiscal year (Figure 5 at right). The slowdown reflects satisfied demand for higher-priced goods, such as cars and trucks, which have experienced strong sales growth in recent years. Softer growth in wages, as indicated by withholding collections, also explains the softening in sales. Collections are expected to rise 3.6 percent in FY 2015-16. In FY 2016-17, sales tax collections are expected to grow at the more moderate rate of 6.2 percent.

Relative to the September forecast, expectations were lowered $57.0 million in FY 2015-16 on lower collections than expected through November, and lowered $73.3 million in FY 2016-17.

Use taxes. Use tax collections grew 7.8 percent to total $260.3 million in FY 2014-15, with growth occurring exclusively in the first half of the fiscal year. Since oil prices dropped precipitously at the end of 2014, use tax collections have fallen as capital investment in the energy industry has weakened. Use tax receipts dropped 4.6 percent through November compared with the same period during the prior fiscal year, and are expected to close FY 2015-16 down 5.0 percent relative to FY 2014-15. As oil prices stabilize and gradually rise,

use tax collections are expected to rebound, growing 11.0 percent in FY 2016-17 and 7.6 percent in FY 2017-18.

Corporate income taxes. Corporate income tax revenue is expected to total $606.2 million in FY 2015-16, a decline of 12.5 percent from FY 2014-15 due primarily to lower incomes from oil and natural gas companies on lower oil prices. In FY 2016-17, corporate income taxes are expected to increase 5.9 percent, to $642.1 million. Corporate income tax collections will rebound as oil prices gradually rise and companies outside of the energy industry see growth in profits. Relative to the September forecast, collections were revised down $28.7 million in FY 2015-16 on lower than expected collections year-to-date. This includes a large corporate tax refund processed in November 2015, which resulted in negative net collections for that month. The forecast for FY 2016-17 was revised downward by $28.1 million.

Table 9
General Fund Revenue Estimates
Dollars in Millions

	Category	Preliminary FY 2014-15	Percent Change	Estimate FY 2015-16	Percent Change	Estimate FY 2016-17	Percent Change	Estimate FY 2017-18	Percent Change
	Excise Taxes								
1	Sales	$2,619.2	8.0	$2,712.9	3.6	$2,881.0	6.2	2973.2	3.2
2	Use	260.3	7.8	247.2	-5.0	274.4	11.0	295.3	7.6
3	Cigarette	37.9	3.6	36.7	-3.0	36.4	-0.9	36.0	-1.2
4	Tobacco Products	17.8	5.3	20.7	16.4	19.7	-5.1	20.5	4.5
5	Liquor	41.5	2.8	43.1	4.0	44.7	3.7	46.5	4.0
6	Total Excise	2,976.7	7.9	3,060.7	2.8	3,256.1	6.4	3,371.5	3.5
	Income Taxes								
7	Net Individual Income	6,350.1	11.5	6,505.0	2.4	6,927.4	6.5	7386.0	6.6
8	Net Corporate Income	692.9	-3.9	606.2	-12.5	642.1	5.9	667.0	3.9
9	Total Income Taxes	7,043.0	9.8	7,111.2	1.0	7,569.4	6.4	8,053.0	6.4
10	Less: Portion Diverted to the SEF	-519.8	8.6	-524.0	0.8	-556.9	6.3	-591.8	6.2
11	Income Taxes to the General Fund	6,523.2	9.9	6,587.3	1.0	7,012.5	6.5	7,461.2	6.4
	Other Sources								
12	Insurance	256.7	7.4	294.3	14.7	308.4	4.8	323.4	4.9
13	Pari-Mutuel	0.6	0.2	0.6	4.2	0.6	-0.2	0.0	-97.8
14	Investment Income	8.1	-37.4	9.0	11.4	10.7	18.8	13.7	28.7
15	Court Receipts	2.6	0.3	2.2	-15.8	2.0	-6.1	0.0	-100.0
16	Other Income	33.9	59.0	19.7	-41.9	20.5	4.1	21.2	3.3
17	**Total Other**	301.9	9.0	325.8	7.9	342.3	5.0	358.4	4.7
18	**Gross General Fund Revenue**	**$9,801.7**	**9.2**	**$9,973.8**	**1.8**	**$10,610.9**	**6.4**	**$11,191.1**	**5.5**

Totals may not sum due to rounding. NA = Not applicable. NE = Not estimated. SEF = State Education Fund.

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CASH FUND REVENUE

Table 10 summarizes the forecast for cash fund revenue subject to TABOR. The largest sources of this revenue are motor fuel taxes and other transportation-related revenue, the hospital provider fee, severance taxes, and gaming taxes. The end of this section also presents the forecasts for marijuana sales and excise tax, federal mineral lease, and unemployment insurance revenue. These forecasts are presented separately because they are not subject to TABOR limitations.

Cash fund revenue subject to TABOR totaled $2.75 billion in FY 2014-15, and is expected to increase slightly to $2.84 billion in FY 2015-16. Increases in transportation-related and hospital provider fee revenue will be offset by declines in severance tax and insurance related revenue in FY 2015-16. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add $25.7 million to cash fund revenue subject to TABOR in FY 2015-16.

Total cash fund revenue subject to TABOR will increase 2.6 percent to $2.92 billion in FY 2016-17, as a rebound in severance tax revenue is offset by a decline in hospital provider fee revenue. This revenue is projected to grow another 5.1 percent to $3.06 billion in FY 2017-18, as severance tax revenue grows with increased oil and gas activity.

Transportation-related revenue subject to TABOR reached $1,164.6 million in FY 2014-15 and is expected to increase $23.1 million to $1,187.7 million in FY 2015-16. Modest growth in transportation-related revenue is expected through the forecast period. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 11 on page 29.

The *Highway Users Tax Fund* (HUTF) is the largest source of transportation revenue subject to TABOR. The excise taxes on gasoline and diesel fuel contribute most to the HUTF. They include an excise tax of 22¢ per gallon on gasoline and 20.5¢ per gallon on diesel fuel and are expected to total $609.6 million in FY 2015-16. Excise tax is. Low oil prices have increased the volume of fuel consumed, increasing motor fuel tax collections. The HUTF also receives revenue from other sources, including registration fees, which are expected to generate $359.5 million in FY 2015-16. Total HUTF revenue was $1,014.8 million in FY 2014-15, and is expected to rise to $1,033.6 million in FY 2015-16.

A relatively small portion of the *State Highway Fund* (SHF) balance comes from revenue subject to TABOR. Local government grants and interest earnings are the two largest sources of TABOR revenue to the fund. SHF revenue subject to TABOR fell 22.2 percent to $42.4 million in FY 2014-15, but has increased in the first five months of FY 2015-16 due to a large increase in local government grants. Because the balance in the SHF is higher, interest earnings will increase as well. SHF revenue is expected to increase 11.0 percent to $47.1 million in FY 2015-16, and throughout the forecast period along with rising interest rates and a Senate Bill 228 transfer into the SHF.

Other transportation cash fund revenue subject to TABOR is expected to decline 0.4 percent to $107.0 million in FY 2015-16. This decline is attributable to lower aviation fuel tax collections, which fell along with jet fuel prices. Law enforcement and registration related revenue is expected to increase throughout the forecast period with population growth.

Table 10
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Transportation-Related	$1,164.6	$1,187.7	$1,205.3	$1,223.1	
Percent Change	2.5%	2.0%	1.5%	1.5%	1.6%
Hospital Provider Fee	$528.8	$805.8	$757.0	$799.5	
Percent Change	-6.7%	52.4%	-6.1%	5.6%	14.8%
Severance Tax	$280.2	$71.1	$154.1	$209.3	
Percent Change	4.3%	-74.6%	116.7%	35.9%	-9.3%
Gaming Revenue[1]	$99.3	$102.9	$104.6	$107.7	
Percent Change	1.0%	3.6%	1.7%	2.9%	2.7%
Insurance-Related	$21.5	$13.7	$11.0	$11.0	
Percent Change	4.1%	-36.4%	-19.7%	0.0%	-20.0%
Regulatory Agencies	$64.7	$66.6	$69.1	$70.6	
Percent Change	-5.5%	2.9%	3.7%	0.0%	2.9%
Capital Construction Related - Interest[2]	$4.7	$4.3	$3.6	$3.7	
Percent Change	93.9%	-7.7%	-16.3%	1.8%	-7.7%
2.9% Sales Tax on Marijuana[3]	$10.7	$25.7	$27.3	$28.4	
Percent Change		139.6%	6.5%	4.0%	38.5%
Other Cash Funds	$574.4	$562.3	$583.1	$609.5	
Percent Change	1.1%	-2.1%	3.7%	4.5%	2.0%
Total Cash Fund Revenue Subject to the TABOR Limit	$2,748.8	$2,840.0	$2,915.1	$3,062.8	
	0.7%	3.3%	2.6%	5.1%	3.7%

Totals may not sum due to rounding.

** CAAGR: Compound average annual growth rate for FY 2014-15 to FY 2017-18.*

[1]Gaming revenue in this table does not include revenue from Amendment 50, which expanded gaming limits, because it is not subject to TABOR.

[2]Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from certain enterprises into TABOR.

[3]Includes revenue from the 2.9 percent sales tax collected from the sale of medical and retail marijuana. $14.5 million was collected and deposited into the General Fund in FY 2013-14. This revenue is subject to TABOR.

Table 11
Transportation Revenue by Source
Dollars in Millions

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	$599.4	$609.6	$614.8	$619.8	1.1%
Percent Change	4.5%	1.7%	0.9%	0.8%	
Total Registrations	$351.9	$359.5	$367.0	$374.4	2.1%
Percent Change	4.8%	2.1%	2.1%	2.0%	
Registrations	$210.9	$215.4	$219.9	$224.3	
Road Safety Surcharge	$123.1	$125.7	$128.4	$131.1	
Late Registration Fees	$18.0	$18.4	$18.7	$19.0	
Other HUTF Receipts[1]	$63.4	$64.5	$66.2	$67.3	2.0%
Percent Change	6.1%	1.7%	2.5%	1.8%	
Total HUTF	$1,014.8	$1,033.6	$1,047.9	$1,061.6	1.5%
Percent Change	4.7%	1.9%	1.4%	1.3%	
State Highway Fund (SHF)[2]	$42.4	$47.1	$47.4	$48.8	4.8%
Percent Change	-22.2%	11.0%	0.5%	3.2%	
Other Transportation Funds	$107.4	$107.0	$110.0	$112.7	1.6%
Percent Change	-4.0%	-0.4%	2.8%	2.5%	
Aviation Fund[3]	$30.3	$28.1	$29.5	$30.8	
Law Enforcement-Related[4]	$9.6	$9.1	$8.9	$8.9	
Registration-Related[5]	$67.5	$69.8	$71.5	$73.0	
Total Transportation Funds	$1,164.6	$1,187.7	$1,205.3	$1,223.1	1.6%
Percent Change	2.5%	2.0%	1.5%	1.5%	

Totals may not sum due to rounding.
**CAAGR: Compound average annual growth rate for FY 2014-15 to FY 2017-18.*

[1]Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

[2]Includes only SHF revenue subject to Article X, Section 20, of the Colorado Constitution (TABOR).

[3]Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

[4]Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

[5]Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and P.O.S.T. Board registration fees.

Addendum: TABOR-Exempt FASTER Revenue

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Bridge Safety Surcharge	$103.1	$105.3	$107.5	$109.9	2.2%
Percent Change	2.0%	2.2%	2.1%	2.2%	

Note: Revenue to the Statewide Bridge Enterprise from the bridge safety surcharge is TABOR-exempt and therefore not included in the table above. It is included as an addendum for informational purposes.

Revenue to the *Statewide Bridge Enterprise* is not subject to TABOR and is shown as an addendum to Table 11. Revenue to this enterprise is expected to grow 2.2 percent to $105.3 million in FY 2015-16. The bridge safety surcharge fee collections typically grow at about the same rate as vehicle registrations.

Hospital Provider Fee (HPF) collections totaled $528.8 million in FY 2014-15, a decrease of 6.7 percent from the previous fiscal year. Collections are expected to jump 52.4 percent to $805.8 million in FY 2015-16. Collections are then anticipated to decrease to $757.0 million in FY 2016-17 before rebounding to $799.6 million in FY 2017-18. These expectations are unchanged from the September forecast.

The HPF is paid by hospitals and used to draw matching funds from the federal government. This revenue is then used to reimburse hospitals for uncompensated medical care, expansion of the state's Medicaid program, and administrative costs associated with the fee. HPF rates are proposed by the Department of Health Care Policy and Financing at levels expected to meet program costs and approved by the state Medical Services Board. Beginning October 2015, hospital provider fees were increased based on both a new federal cost model that dictates reimbursements to hospitals, and in anticipation of additional costs associated with the state's Medicaid expansion. The new fees are expected to drive significant growth in HPF revenue in FY 2015-16.

Governor Hickenlooper's budget request for FY 2016-17 proposes reducing anticipated HPF collections by $100 million in that fiscal year. This forecast assumes current law and does not include the Governor's proposal.

Severance tax revenue, including interest earnings, are projected to decline to $71.1 million in FY 2015-16, a downward revision from the September forecast. The revision was largely due to the continued drop in oil and natural prices this fall. Average annual prices have been revised downward from $45 per barrel to $42 per barrel and from $2.80 to $2.63 per Mcf in 2015. In FY 2016-17 and FY 2017-18, collections are projected to rise to $154.1 million and $209.3 million, respectively. These increases are the result of projected increases in the price of both oil and natural gas and the resulting increase in production. Table 12 on page 31 presents the forecast for severance tax revenue by mineral source.

Colorado oil prices reached $35 per barrel in early December. State oil prices are expected to remain below $40 per barrel in December of 2015 due to the significant pool of reserves that have accumulated. The decline in oil prices will reduce expected severance tax collections in FY 2015-16, and dampen future drilling activity, although production in Weld County has not yet declined significantly and industry has indicated that the Niobrarra Basin remains one of the safest bets for oil exploration. Weld County is now responsible for over 89 percent of the state's oil production, and preliminary data indicate that average monthly production in the county increased through the first eight months of 2015. The impact of the price drop on future drilling activity will depend on the length of time that prices remain low. This forecast assumes that oil prices will rise gradually through the remainder of the forecast period, averaging about $56 per barrel in FY 2017-18, and oil production in Weld County and the broader Niobrara formation will remain strong throughout the forecast period.

Table 12
Severance Tax Revenue by Source
Dollars in Millions

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Oil and Gas	$264.7	$55.5	$140.1	$194.6	
Percent Change	6.1%	-79.0%	152.5%	38.9%	-10.2%
Coal	$5.4	$5.5	$5.4	$5.2	
Percent Change	-33.2%	2.2%	-2.4%	-2.3%	-0.9%
Molybdenum and Metallics	$1.4	$1.2	$1.1	$1.0	
Percent Change	-21.4%	-13.9%	-8.1%	-8.8%	-10.9%
Total Severance Tax Revenue	$271.5	$62.2	$146.6	$200.9	
Percent Change	4.7%	-77.1%	135.6%	37.0%	-10.0%
Interest Earnings	$8.7	$8.9	$7.4	$8.4	
Percent Change	-7.9%	2.3%	-16.2%	13.3%	-1.0%
Total Severance Tax Fund Revenue	$280.2	$71.1	$154.1	$209.3	
Percent Change	4.3%	-74.6%	116.7%	35.9%	-9.7%

** CAAGR: Compound average annual growth rate for FY 2014-15 to FY 2017-18.*

Regional natural gas prices also continued to decline through the fall. Prices at regional hubs were around $2.70 per Mcf (thousand cubic feet) in the first week of September, but fell to $2.20 per Mcf by the first week in December. Prices are expected to remain relatively stable through the winter months. For FY 2015-16, oil and gas severance tax collections are expected to total $55.5 million due to consistently low oil prices in 2015 and an increase in the ad valorem tax credits taken by operators. Collections will then increase to $140.1 million in FY 2016-17 and $194.6 million in FY 2017-18.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas, and is expected to account for $5.5 million in collections in FY 2015-16. Total coal production in Colorado declined 13.9 percent in the first ten months of 2015 compared with the same period in 2014. This decline was largely due to year-to-date production drops of 25.1 percent and 39.6 percent, respectively, at the Bowie #2 and Foidel Creek mines. Of Colorado's top eight producing mines, three had year-over-year production increases during this ten month stretch, while five had production declines of between 12.6 and 39.6 percent. The Elk Creek mine in Gunnison County remains closed, and the Colowyo mine in Moffat County is operating under a modified mining plan in response to a federal district court order. Year-to-date production at the Colowyo mine is up 4.3 percent from 2014 levels. In both FY 2016-17 and FY 2017-18, collections are expected to remain relatively flat at $5.4 million and $5.2 million, respectively.

Finally, projected interest earnings for FY 2015-16 were basically unchanged from the September forecast at $8.9 million. Over the remainder of the forecast period, interest earnings are expected to be $7.4 million in FY 2016-17 and $8.4 million in FY 2017-18.

Limited gaming revenue includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. Most of this revenue is subject to TABOR. Revenue attributable to Amendment 50, which expanded gaming beginning in FY 2009-10, is TABOR-exempt.

Gaming tax and fee revenue subject to TABOR totaled $99.3 million in FY 2014-15, an increase of 1.0 percent from the prior fiscal year. Gaming revenue subject to TABOR is expected to total $102.9 million, an increase of 3.6 percent, in FY 2015-16, and to continue to grow at a moderate pace through the forecast period.

The current year has been among the best on record for the state's casino industry. Gaming activity accelerated with improved household incomes, favorable weather, and approval for more casinos to serve alcohol after 2 a.m. The gaming communities now host just 18 casinos, down from the 46 operating in 2007. Concentration of gaming activity at fewer casinos results in higher tax collections because casinos more quickly attain the levels of activity that trigger higher tax rates.

Years in which gaming tax revenues grow by more than 3 percent result in disproportionate increases in the share of gaming taxes that are exempt from TABOR. TABOR-exempt Amendment 50 revenues are expected to grow 24.6 percent to $14.1 million in FY 2015-16, increasing the share of revenue distributed to state community colleges to $9.5 million from the $7.6 million distributed last year.

As shown in Table 13, total taxes on *marijuana* were $88.4 million in FY 2014-15, and are expected to generate $108.8 million in FY 2015-16 and $120.5 million in FY 2016-17. Tax collections in the first five months of the fiscal year reflect the growth in the retail marijuana market, with significant increases in both the 15 percent excise tax and the 10 percent state sales tax. Excise tax collections more than tripled and sales tax collections nearly tripled during the first five months of FY 2015-16 compared with the same period a year earlier.

The first $40 million in excise tax revenue each year is constitutionally dedicated to school construction. The excise tax is expected to generate $30.1 million in FY 2015-16 and $33.4 million in FY 2016-17 and will not exceed $40 million in any single fiscal year within the forecast period.

Revenue from these two taxes increased despite the marijuana tax holiday on September 16, 2015. The excise tax rate and the 10 percent sales tax rate were lowered to zero on September 16, 2015 pursuant to House Bill 15-1367. While volatile data makes it difficult to distinguish the impact of the tax holiday from market trends and seasonal patterns, it appears that the tax holiday did not significantly impact total collections. House Bill 15-1367 also reduced the sales tax rate from 10 percent to 8 percent starting in FY 2017-18, which is reflected in this forecast.

The state's 2.9 percent sales tax on medical and retail marijuana is subject to the TABOR spending limit. This revenue is expected to be $25.7 million in FY 2015-16 and $27.3 million in FY 2016-17.

Table 13
Tax Revenue from the Marijuana Industry
Millions of Dollars

	Preliminary FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18
Total Taxes on Marijuana	$88.4	$108.8	$120.5	$115.4
Excise Tax	$24.0	$30.1	$33.4	$35.8
State Share of 10% Sales Tax	$35.8	$45.0	$50.8	$43.5
Local Share of 10% Sales Tax	$6.3	$7.9	$9.0	$7.7
Total 10% Sales Tax	$42.1	$52.9	$59.8	$51.2
Prop AA Taxes	$66.1	$83.1	$93.2	$86.9
2.9% Sales Tax on Medical Marijuana	$10.4	$10.8	$10.8	$10.8
2.9% Sales Tax on Retail Marijuana	$11.8	$14.9	$16.5	$17.7
Taxes Subject to TABOR	$22.3	$25.7	$27.3	$28.4

Federal mineral leasing (FML) revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production. Since FML revenue is not deposited into the General Fund and is exempt from TABOR, the forecast is presented separately from other sources of state revenue.

For FY 2014-15, FML revenue totaled $145.1 million, representing a 16.4 percent decrease from the previous year. In FY 2015-16, FML revenue is projected to total $104.8 million, a 20.6 percent decline from the September forecast. The decrease is primarily the result of the continued drop in natural gas prices. Between September and December, natural gas prices at Colorado hubs have averaged around $2.27 per Mcf and fallen as low as $1.92 per Mcf. Prices are expected to remain relatively stable at this lower level through the winter. In addition, Colorado coal production continues to decline, and roughly 75 percent of this production occurs on federal lands. Production was down 13.9 percent in the first ten months of 2015 compared with the same period in 2014, and is expected to continue to decline through the forecast period. Mine layoffs and a 25.1 percent reduction in production year-to-date at the Bowie #2 mine will further dampen growth in FML revenue.

FML revenue is expected to rebound to $126.4 million in FY 2016-17 and $141.0 million in FY 2016-17 with higher natural gas prices. These totals reflect the agreement between the state and the Bureau of Land Management (BLM), where the BLM will withhold $7.8 million in FML revenue annually in each of the next three fiscal years beginning in FY 2015-16. This money will be used to reimburse the BLM for the state's share of $50 million in bonus payments on cancelled leases that must be refunded.

Forecasts for Unemployment Insurance (UI) Trust Fund revenue, benefit payments, and year-end balance are shown in Table 14. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 10 on page 28. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is still subject to TABOR and is included in the revenue estimates for other cash funds in Table 10.

A healthy labor market continues to support the UI Trust Fund. In FY 2014-15, the ending balance for the fund was $680.1 million, a 14 percent increase from the previous fiscal year. The improvement occurred despite a decline in contributions to the fund from employers, which were down 1.8 percent. The amount an employer pays to the fund is dependent on the solvency of the fund and each employer's layoff history. The improving labor market helped reduce the amount of unemployment insurance benefits paid from the fund in FY 2014-15.

The UI Trust Fund is projected to remain relatively stable through the forecast period. The ending balance is expected to decline slightly in FY 2015-16 as oil-related layoffs are expected to increase the amount of benefits paid. Job growth from other industries and a higher chargeable wage base will keep the fund solvent.

Table 14
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance

	Actual FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Beginning Balance	$599.1	$680.1	$623.9	$611.9	
Plus Income Received					
UI Premium & Premium Surcharge[1]	$670.9	$554.7	$641.3	$693.5	1.11%
Interest	$15.5	$14.9	$12.4	$13.8	
Total Revenues	$686.4	$569.6	$653.7	$707.4	1.01%
Percent Change	-3.6%	-17.0%	14.8%	8.2%	
Less Benefits Paid	($482.5)	($500.9)	($540.7)	($527.9)	3.04%
Percent Change	-9.8%	3.8%	8.0%	-2.4%	
UI Bonds Principal Repayment	($125.0)	($125.0)	($125.0)	$0.0	
Accounting Adjustment	$2.1	$0.0	$0.0	$0.0	
Ending Balance	$680.1	$623.9	$611.9	$791.4	5.18%
Solvency Ratio[2]					
Fund Balance as a Percent of Total Annual Private Wages	0.66%	0.56%	0.52%	0.62%	

Totals may not sum due to rounding.

**CAAGR: Compound average annual growth rate for FY 2014-15 to FY 2017-18.*

[1]*This includes the regular UI premium, 30 percent of the premium surcharge, penalty receipts, and the accrual adjustment on premiums.*

[2]*When the solvency ratio exceeds 0.5 percent of total annual private wages, the solvency surcharge is triggered off.*

Note: As of FY 2009-2010, the Unemployment Insurance Trust Fund is no longer subject to TABOR starting in FY 2009-10.

ECONOMIC OUTLOOK

U.S. and Colorado economies continue to expand at a moderate pace. Throughout 2015, labor markets added jobs across nearly all industries, and rising incomes supported growth in consumer spending. Weaknesses in oil and gas, manufacturing, and export sectors emerged in 2015 on low commodity prices, a strong dollar relative to other currencies, and slower global economic growth. However, overall U.S. business income, profits and investments rose over levels in the prior year, with modest softening toward the end of 2015.

To date, low energy prices have not deterred growth in Colorado, despite a higher concentration of jobs in energy sectors relative to most other states. Strong in-migration and growth in other industries of the state's diverse economy offset oil, gas, and downstream industry impacts. Additionally, some oil companies maintained profit margins by cutting labor costs and capitalizing on relatively low drilling costs in the Denver-Julesberg Basin compared with other oil-rich regions in the country.

Colorado and national economies are expected to expand further throughout the forecast period. Growth will be somewhat slower in 2016 as energy and downstream industry weaknesses remain, the workforce continues to age, and global economic growth softens further. Growth is expected to pick up pace in 2017 as many of these pressures gradually subside.

Several risks to the forecast remain, including the pace of monetary policy tightening, which could slow economic growth more than expected. Additionally, Colorado has experienced robust economic growth in recent years that has well outpaced national trends. Strong growth can be met with growing pains that ultimately moderate future growth prospects. Rapid growth in housing prices may prove problematic to the health of some regional economies in the state. Higher home prices and rents will dampen consumer spending, as increases in wages and salaries are not expected to keep up with rising housing costs in the near term.

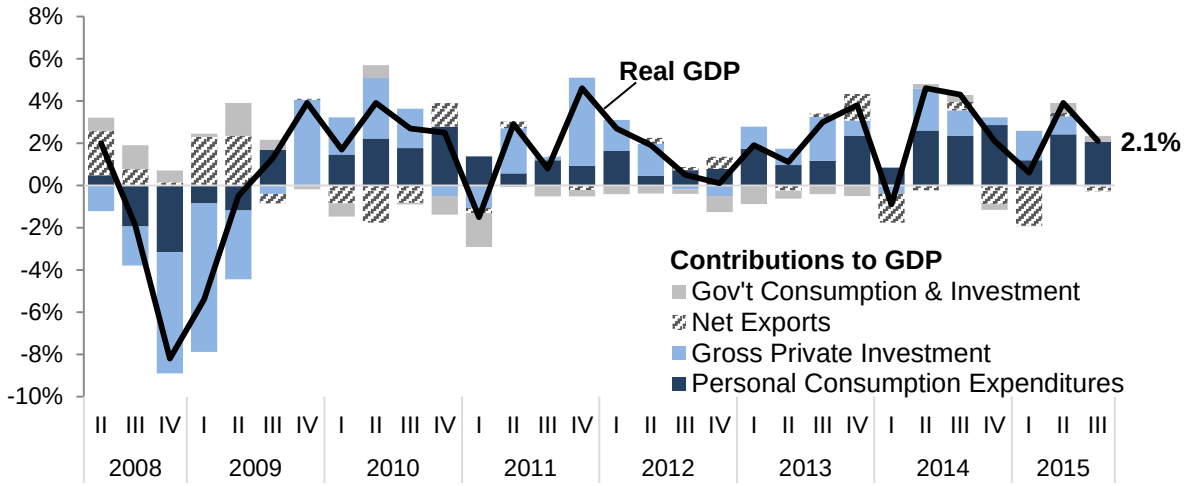
Expectations for the U.S. and Colorado economies are summarized in Tables 15 and 16 on pages 52 and 53.

Gross Domestic Product

U.S. economic activity continued to improve at a modest pace through the third quarter of 2015, despite setbacks from a slowing global economy. Real gross domestic product (GDP), an estimate of the inflation-adjusted value of all U.S. goods and service produced, grew 2.1 percent at an annualized rate in the third quarter of 2015 (Figure 6). Personal consumer expenditures accounted for nearly all of the growth in the third quarter. Government spending offered a small boost, while gross private investment (business spending and investment) and net exports contracted slightly.

Consistent with historical trends, consumer spending has been the most reliable contributor to economic growth in the current expansion. The third quarter of 2015 marked the twenty-third consecutive quarter of growth in personal consumption expenditures. In 2015, growth in consumer spending has been broad-based, supported by increased consumption of nondurable goods (consumed over a short time span, e.g., food and beverages), durable goods (consumed over a longer period, e.g., motor vehicles), and services.

Figure 6
Contribution to Real Gross Domestic Product



Source: U.S. Bureau of Economic Analysis. Second estimate for 2015Q3. "Real" GDP is inflation-adjusted. Contributions to percent change and percent change in GDP reflect annualized quarter-over-quarter growth rates.

Business investment weakened slightly in the third quarter, with modest decreases in investment in nonresidential structures, industrial equipment, and research and development relative to the prior quarter. Nonfarm private inventories also fell, reflecting a correction following West Coast port closures, weaker exports, and contractions in the oil and gas industry.

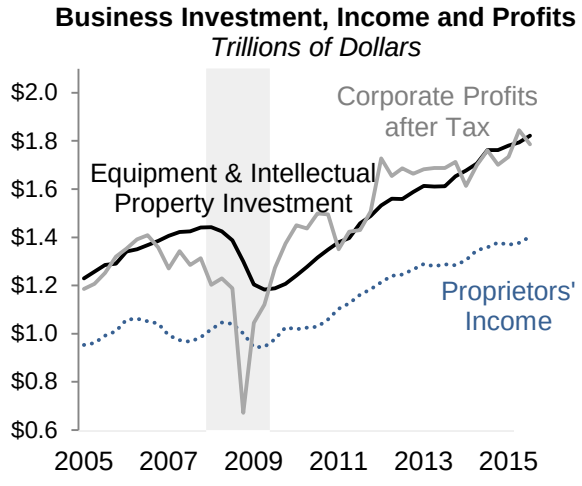
Finally, imports of foreign goods and services to the U.S. outpaced exports, resulting in a modest net drag on the U.S. economy. Exports of goods contracted in the third quarter, reflecting weak global demand and the strong U.S. dollar. This offset relatively strong gains in the export of services to foreign countries.

- The national economy will maintain moderate growth rates throughout the forecast period. Real GDP will increase 2.5 percent in 2015 and 2.3 percent in 2016.

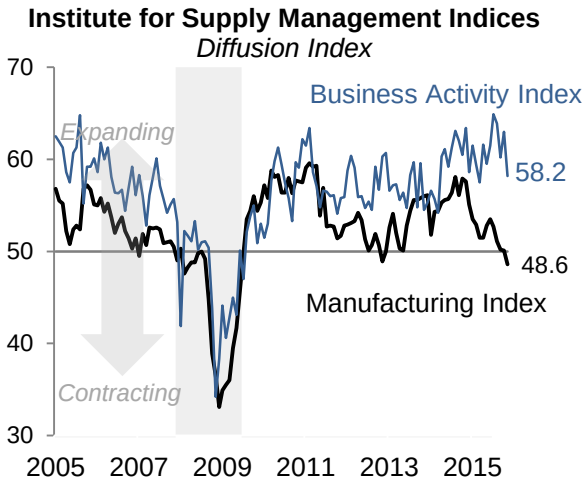
Business Income and Activity

While overall business activity ticked up, manufacturing and industrial production softened in 2015. U.S. business income and investment improved year-to-date in 2015 (Figure 7 at left). U.S. corporate profits after tax were 5.7 percent higher in the first three quarters of the year relative to the same period in 2014. Proprietors' income increased 3.5 percent over the first three quarters of the 2015, and business investment in equipment and intellectual property increased 4.9 percent. In November, the Institute for Supply Management (ISM) non-manufacturing business activity index ticked down from July highs. The index remains in expansionary territory, reflecting strength among service industries. Corporate incomes in Colorado weakened in 2015, as indicated by state corporate income tax collections. Between January and November, collections are down 10.8 percent over the same period in the prior year.

Figure 7
Selected Indicators of U.S. Business Activity



Source: Bureau of Economic Analysis.
Data are not adjusted for inflation.



Source: Institute for Supply Management.

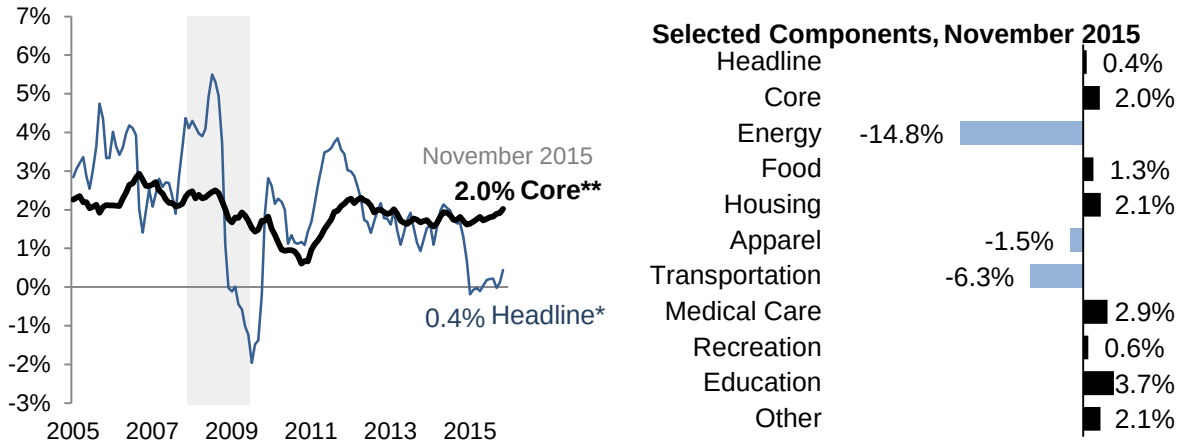
Manufacturing and industrial production industries continue to feel the weight of a strong U.S. dollar and the slowdown in global economic activity (Figure 7 at right). In November, the ISM manufacturing index fell below 50, indicating a contraction in U.S. activity. Regionally, Federal Reserve district manufacturing indices showed similar declines. Yet, following nine consecutive months of declines, the Kansas City district, which includes Colorado and several surrounding states, turned slightly positive in November. The increase was led by stronger durable goods activity, particularly for aircraft, computer and electronic equipment production. Expectations for future activity improved considerably with the anticipation of higher levels of production, shipments, new orders, and hiring.

Industrial production softened at the start the year with the fall in energy prices. Commodity producers of oil, gas, and metals have generally maintained production levels, while cutting labor and other costs in order to remain profitable. As commodity prices remain low and global demand slows further in 2016, U.S. manufacturing and industrial production industries will likely face mounting constraints on profits.

Monetary Policy and Inflation

Low energy prices continue to put downward pressure on inflation, which measures year-over-year changes in prices. Headline inflation for the nation remains slightly above zero while core inflation, which excludes the more volatile price components of energy and food, was 2.0 percent in November over November 2014 (Figure 8 at left). Changes in selected components of the U.S. consumer price index for all urban areas (CPI-U) are shown at right in Figure 8. Energy and transportation prices remain down, while inflationary pressure from housing, medical care and education have firmed.

Figure 8
U.S. Consumer Price Index (CPI-U) Inflation
Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics. Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.
**Headline inflation includes all products and services. **Core inflation excludes food and energy prices.*

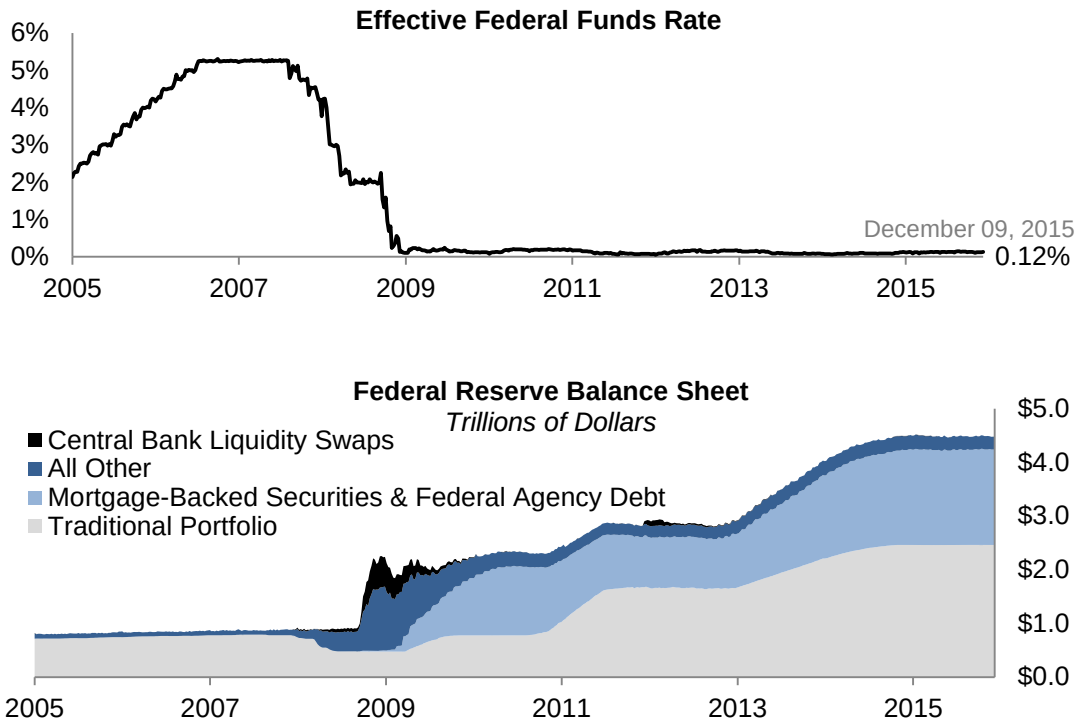
The Denver-Boulder-Greeley consumer price index continues to reflect higher inflationary pressures than the nation as a whole. In the first half of the year, headline inflation rose 1.0 percent over the same period last year, while core inflation rose 3.2 percent. Appreciation in home prices, recreation costs, and medical care expenses contributed most to the rise, while energy and transportation prices fell considerably on lower oil prices.

Following nearly a decade of near-zero short-term interest rates, this month the Federal Open Market Committee (FOMC) voted to raise the target federal funds rate from 0 percent to 0.25 percent to 0.25 to 0.50 percent (top of Figure 9). This marks the start of what is expected to be a slow and gradual rise in short-term interest rates, contingent upon U.S. economic growth. Federal Reserve projections indicate that the target federal funds rate will likely rise to between 1.0 percent and 1.5 percent in 2016, and to between 2.0 percent and 2.5 percent in 2017 as economic conditions allow.

Longer-term interest rates (e.g., for mortgages) are expected to continue to feel downward pressure from the elevated Federal Reserve balance sheet (shown at the bottom of Figure 9). This month, the FOMC signaled that proceeds from maturing Treasury securities and principal payments from holdings of federal agency debt and agency mortgage-backed securities will continue to be reinvested for some time following the rise in the target federal funds rate. Sustained demand for these long-term financial assets will put downward pressure on interest rates, or in other words, the price of borrowing.

Higher interest rates on short term loans will impact business borrowing. More corporate defaults are expected in 2016, following a rise in 2015 among companies impacted by low commodity prices, including oil, gas, and metals. Higher interest rates are also expected to deflate speculative investment in certain equities markets, such as high technology—a sector that investors have flocked to in recent years seeking higher returns amid a low interest rate environment.

Figure 9
U.S. Monetary Policy Indicators



Source: Federal Reserve Board of Governors.

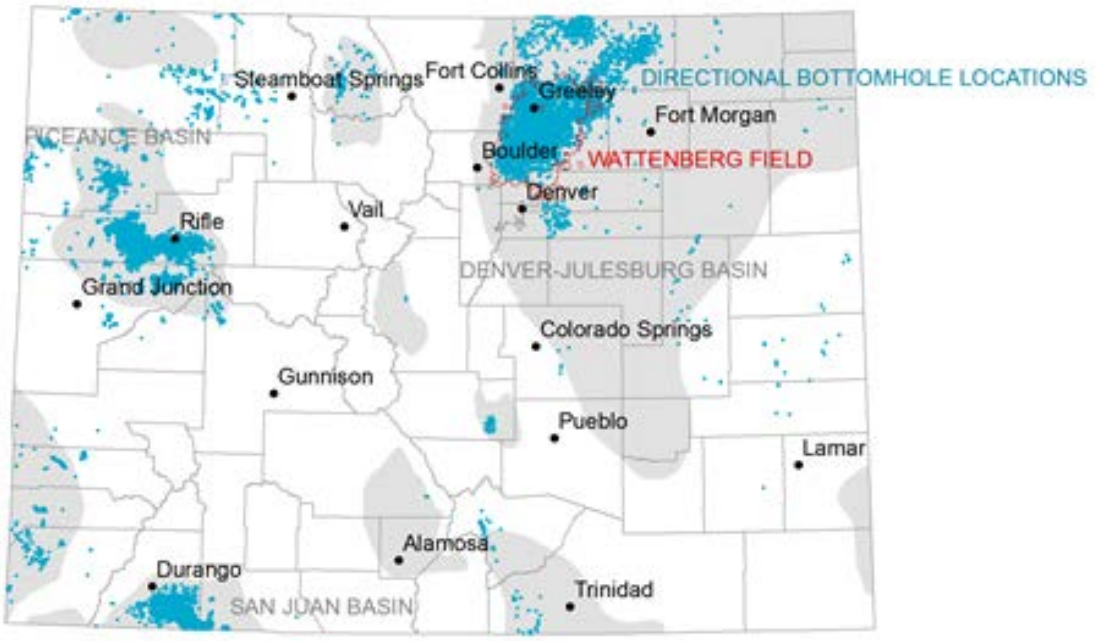
- Nationally, prices will increase only 0.1 percent in 2015, reflecting the decline in oil prices. In 2016, prices will rise 1.6 percent, as most price components rise and oil prices stabilize.

- The Denver-Boulder-Greeley CPI-U will increase 1.1 percent in 2015, as a rise in most price components will more than offset the decline in energy prices. Colorado prices are expected to increase 2.4 percent in 2016.

Energy Markets

Energy prices remain low on lower global demand and a steady supply of oil and gas. The Organization of the Petroleum Exporting Companies (OPEC) held their semi-annual meeting earlier this month, which prompted further declines in crude oil prices (Figure 11, top left). Member countries, including Saudi Arabia and Iraq, signaled that they will maintain current production levels. And, should sanctions be lifted on Iran, the country may increase production. Current OPEC production levels total 33.8 million barrels a day, which amounts to about 42 percent of the oil global supply, according to estimates by the U.S. Energy Information Administration. Comparatively, U.S. oil production stands at 11.6 percent of global supply as of August. The “shale revolution,” which was ignited by technological advances in hydraulic fracking and horizontal drilling, has improved U.S. production opportunities, changing the global production outlook.

Figure 10
Geography of Colorado Oil and Gas Activity

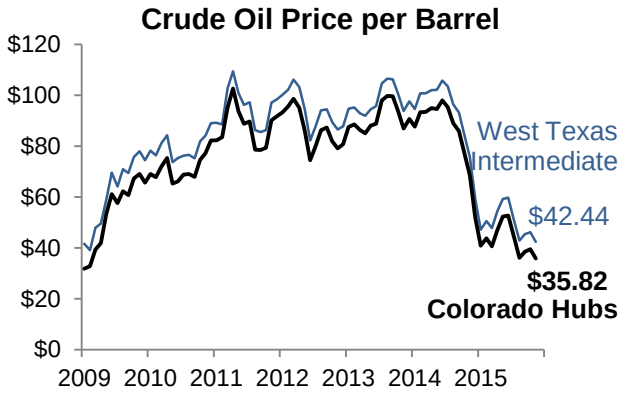


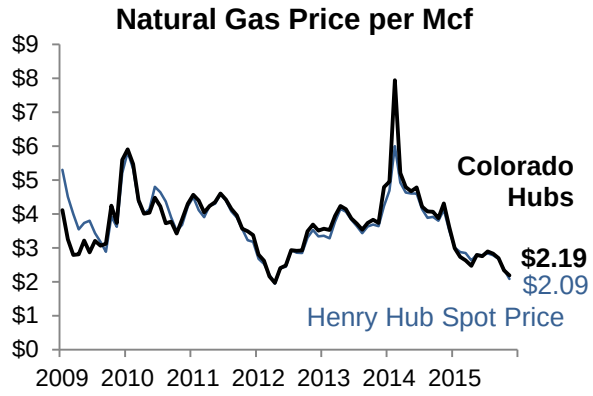
U.S. oil prices, as measured by the West Texas Intermediate crude oil price, were down to around $40 per barrel in early December (Figure 11, top left). Average oil prices at Colorado hubs were even lower, falling to around $36 per barrel. Colorado natural gas prices have also declined through the fall. By the first week in December, the average price at Colorado hubs was about $2.20 per thousand cubic feet (Mcf), 38 percent lower than the same month one year earlier (Figure 11, top right). Low crude oil prices translate to lower prices at the pump. Regular gasoline prices averaged $2.00 per gallon nationally as of December 10th according to estimates by GasBuddy.com. Colorado prices averaged $1.86. Estimates include motor fuel taxes.

U.S. oil production plateaued at around 286 million barrels per month through September (Figure 11, center left), reflecting the pullback in new drilling activity, as indicated by active drilling rigs (Figure 11, bottom left). U.S. stocks of crude oil remain high as domestic supply continues to outpace demand (Figure 11, center right). In Colorado, preliminary data suggest that production is still on the rise (Figure 11, center left), though new drilling has fallen off considerably (Figure 11, bottom right).

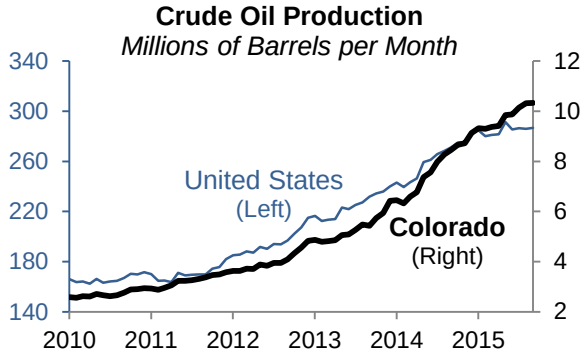
Colorado oil and gas production, particularly in the Wattenberg Field of the Denver-Julesburg Basin (Figure 10), remains profitable for some companies amid the low price environment. In this area of the state, horizontal drilling, hydraulic fracking, and relatively shallow formations provide cheaper drilling relative to other areas of Colorado and the nation. Preliminary data indicate that through the first eight months of 2015, the average monthly oil production in Weld County, where the Wattenberg Field is located, was up over year-ago levels. Weld County now accounts for over 89 percent of Colorado oil production.

Figure 11
Selected Indicators of Oil and Gas Industry Activity

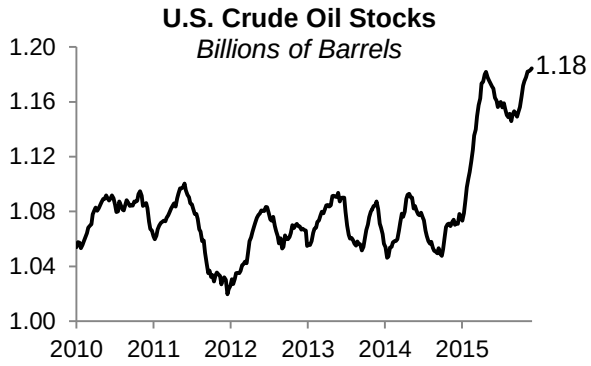




Source: Energy Information Administration and Colorado Oil and Gas Conservation Commission. Monthly averages shown through November. Data are not seasonally adjusted.

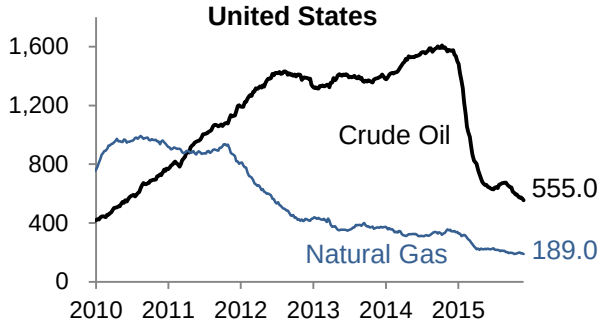


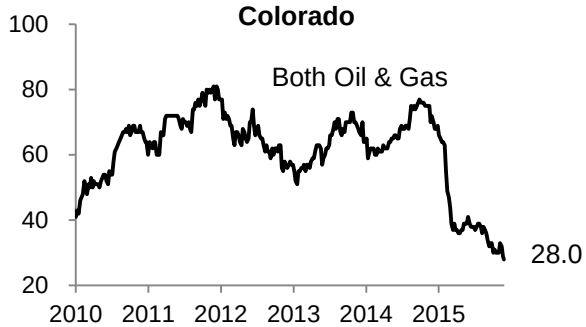
Source: Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted. Data are through November 2015.



Source: Energy Information Administration. Data are not seasonally adjusted and are through November 2015.

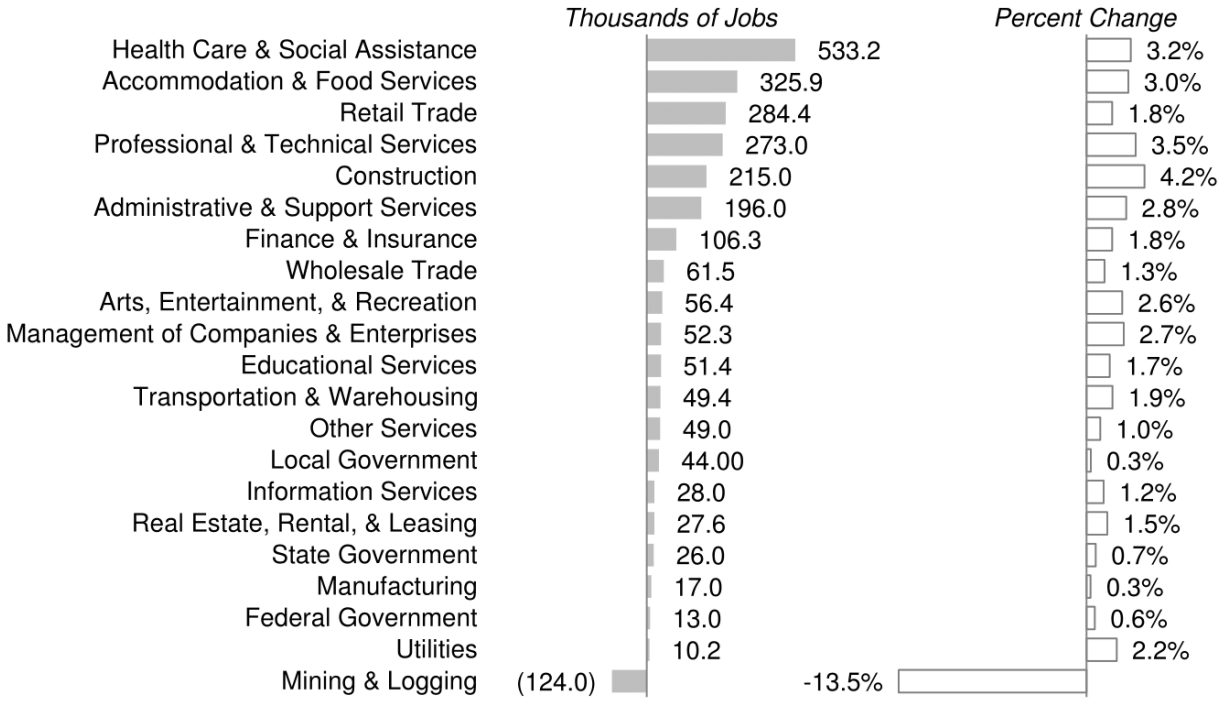
Active Drilling Rig Counts





Source: Baker Hughes. Data are not seasonally adjusted and are through November 2015.

Figure 12
U.S. Jobs Gains and Losses by Industry
Change from November 2015 over Year-Ago Levels



Source: Bureau of Labor Statistics. Data are seasonally adjusted.

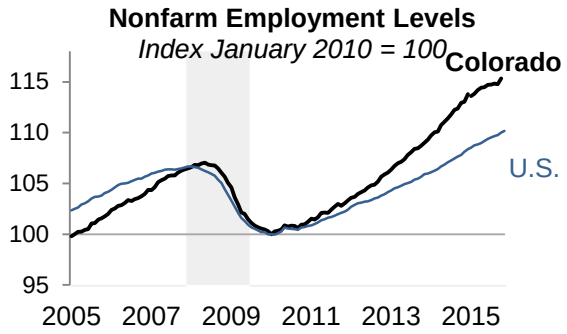
As oil prices have fallen further in December, Colorado and national oil and gas companies will feel additional pressures on profit margins, which may result in additional job layoffs and cost-saving measures in the industry.

Labor Markets

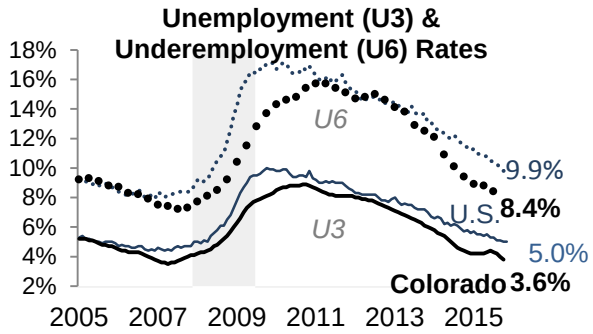
U.S. and Colorado labor markets continue to show moderate growth across nearly all industries. Nationally, total nonfarm payroll employment increased by 211,000 jobs in November over the prior month, growing at a rate of 1.9 percent over year-ago levels. All major industry groups added jobs over year-ago levels except mining and logging (Figure 12). Health care, accommodation and food services, retail trade and professional and technical services were among the subsectors contributing the most new jobs. Only three states in the U.S. lost jobs in October, relative to year-ago levels. Each has a heavy concentration of energy industry activity: in Louisiana and North Dakota contractions in oil and gas industry led losses, and coal industry woes contributed heavily to contractions in West Virginia.

Notably, the pace of job growth has slowed some across most industries in the U.S. over the past six months. The manufacturing sector will likely post job losses in 2016, reflecting the impact of energy industry contractions, slower global economic activity, and the weight of a strong dollar on exports.

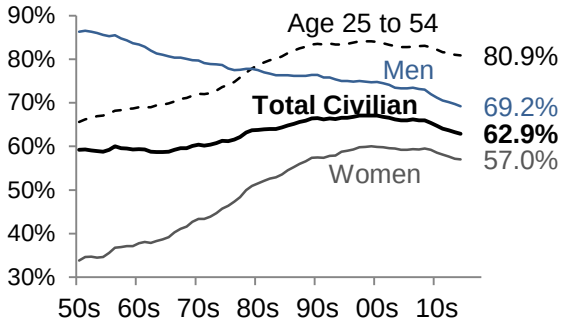
Figure 13
Selected Labor Market Indicators



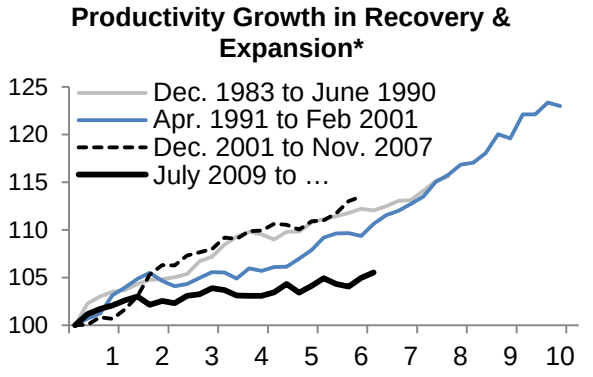
Source: Bureau of Labor Statistics. Colorado estimates include revisions expected from the annual re-benchmarking process. Data are seasonally adjusted.



Source: Bureau of Labor Statistics. Underemployment rates for Colorado shown as four-quarter averages, data for the U.S. are monthly. Data are seasonally adjusted.



Source: Bureau of Labor Statistics. Data are seasonally adjusted.



*Source: Bureau of Labor Statistics. Data are quarterly and are seasonally adjusted. *Measured as annualized real GDP per hour worked. Indexed to the start of recovery following a recession.*

Colorado continues to outpace a majority of states in job growth despite a relatively high concentration of oil and gas-related jobs. Unrevised published estimates suggest that the state added jobs at a rate of 2.1 percent in October relative to year-ago levels. However, rebenchmarked estimates for 2015, which will be published in March 2016, are expected to revise the number of jobs added in Colorado upward. Legislative Council Staff estimates of these revisions are shown in the top left chart of Figure 13. Like the nation, nearly all major industries added jobs in in the state through October relative to levels a year ago. Health care and social assistance, accommodation and food services, and construction sectors added the most jobs in 2015. Broad-based employment gains more than offset losses from the pull-back in energy and downstream industries.

The national unemployment rate remained at 5.0 percent for the second month in November, inching closer to the pre-recessionary low of 4.4 percent. The U.S. underemployment rate (U6), which includes the unemployed, marginally attached workers, and employed part-time for economic reasons, ticked down to 9.9 percent (Figure 13, top right). The underemployment rate remains well above a pre-recessionary low of 7.8 and continues to indicate slack in the national labor market. By contrast, Colorado has likely reached full employment. The state unemployment rate dipped to 3.6 percent in November and the underemployment rate continues to fall further and faster than the national rate.

A tighter labor market is expected to put upward pressure on wages as employers compete to attract skilled workers in several industries, including technical and professional services and construction. In addition to slower global economic growth and low oil prices, longer-term U.S. labor market trends, including an aging workforce, lower labor market participation, and lower productivity growth, are expected to continue to exert headwinds on labor market growth prospects for some time (bottom right and left of Figure 13).

- Colorado will add jobs at a rate of 2.3 percent in 2015 and 1.9 percent in 2016, slightly slower rates than those experienced over the past four years. The national labor market will add jobs at a pace of 2.1 percent in 2015 and 1.8 percent in 2016.

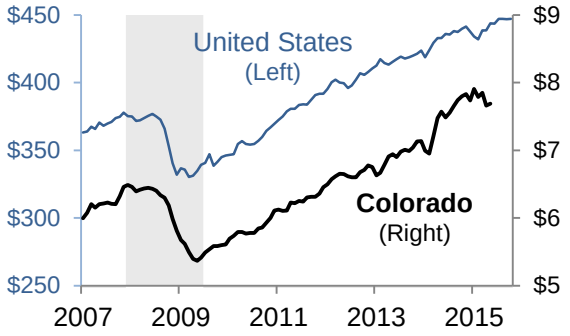
- The Colorado unemployment rate will average 4.1 percent in 2015 and 3.8 percent in 2016. Workers who left the labor force during the last recession are expected to seek employment in a healthier economy. This will put some upward pressure on the unemployment rate.

Households and Consumers

Personal income continues to rise nationally and in Colorado. Through the third quarter, U.S. personal income grew 4.6 percent over the same period in 2014. All components of income posted gains in the third quarter, though dividends softened on lower equity prices. In Colorado, personal income was up 5.3 percent in the first half of the year over the same period in 2014. Colorado outperformed the nation in personal income growth for eight consecutive quarters through the first quarter of 2015. In the second quarter, however, underwhelming gains in wage growth and nonfarm proprietors' income slowed growth relative to the nation.

Consumer spending, as measured by retail trade sales, has been tepid in 2015 due almost entirely to the drop in fuel prices (Figure 14). Year-to-date through October, U.S. retail trade sales increased 2.2 percent over the same period in 2014, according to advanced estimates by the U.S. Census Bureau. This follows growth rates averaging 5.1 percent in the preceding five years. Sales at gasoline stations fell 19.9 percent between January and October relative to the same period in 2014 (Figure 15). Ignoring gasoline stations, retail sales have increased at a moderate pace of 4.3 percent through October.

Figure 14
Billions of Dollars of Retail Trade Sales

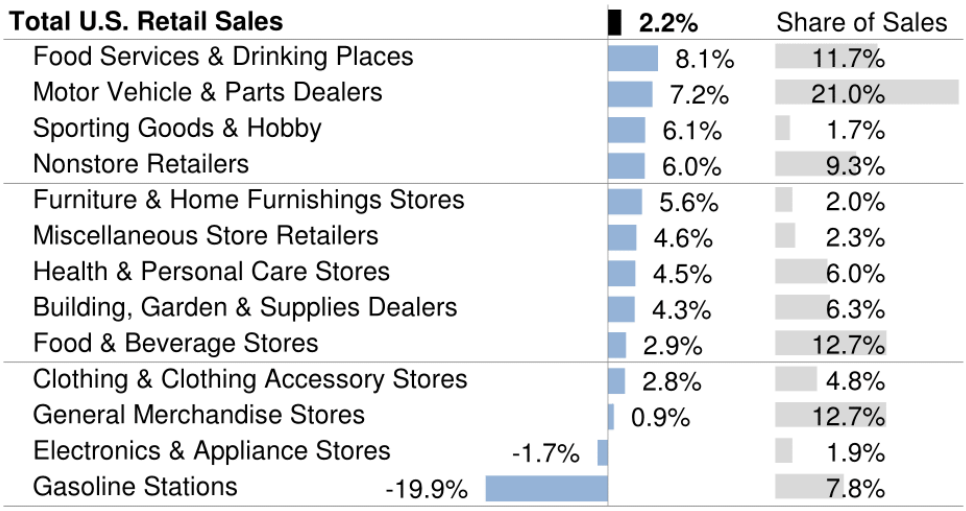


Sources: Census Bureau and Colorado Department of Revenue. Data are seasonally adjusted and are through October for the U.S. and May for Colorado.

Following a five year annual average rate of 6.3 percent growth, Colorado retail sales also dipped at the start of the year on lower gasoline station sales. Preliminary sales tax collections through November indicate further weakening in consumer spending through the end of the year.

U.S. auto sales have been strong in 2015. Year-to-date through November, sales are up 5.8 percent over the same period last year, according to estimates by the Bureau of Economic Analysis. Light weight trucks (up 12.3 percent year-to-date) contributed most to the rise in sales, though heavy weight trucks (up 11.2 percent) and domestic autos (up 0.1 percent), also gained. Between January and November, vehicle sales averaged 17.8 million at a seasonally adjusted annual rate, up from an annual average of 14.5 million over the past five years.

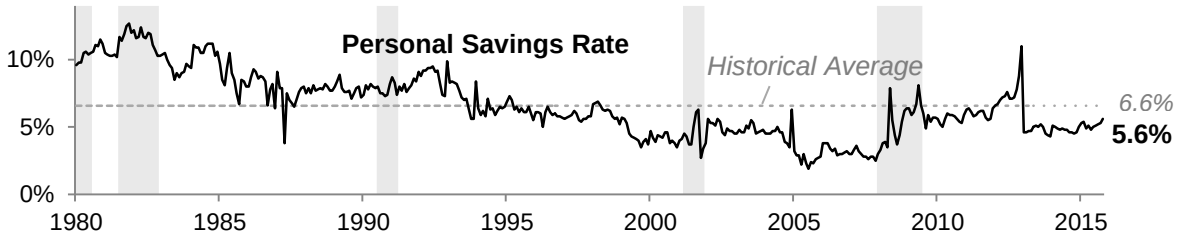
Figure 15
U.S. Retail Trade Sales
Percent Change in Sales Year-to-Date through October



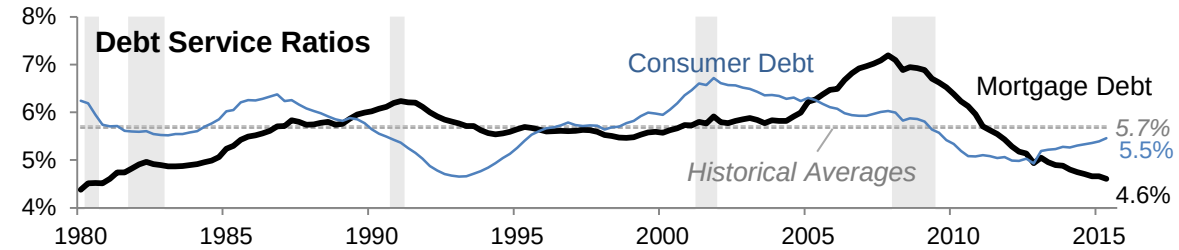
Sources: U.S. Census Bureau advanced monthly retail trade report. The share of total retail sales is shown for October 2015.

The U.S. personal savings rate continues to edge closer to historical averages, reflecting growth in incomes and moderate spending. In October, the rate ticked up to 5.6 percent (top of Figure 16). Mortgage debt as a percent of disposable personal income continued to fall through the second quarter of 2015 to lows not seen since the early 1980s (bottom of Figure 16). The consumer debt ratio, which accounts for credit card debt, payday loans, and other consumer finance, continues to move upward but remains just below historical averages.

Figure 16
U.S. Household Savings and Debt

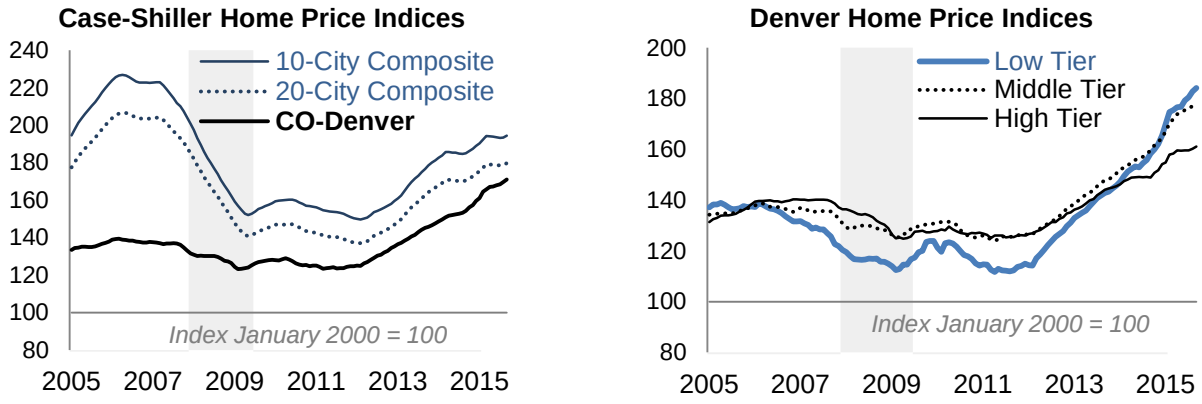


Source: Bureau of Economic Analysis. Personal savings rate is calculated as the ratio of personal saving as a percentage of disposable personal income. Data are shown as seasonally adjusted annual rates.



Source: Federal Reserve Board of Governors. Debt service ratios are calculated as the ratio of household mortgage and consumer credit (e.g., credit card) debt payments to disposable personal income. Historical averages are calculated from 1980 to the most recent quarter of data. Data are seasonally adjusted.

Figure 17
Home Price Comparisons



Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted.

The rising personal savings rate and lower debt service payments bode well for the long-term health of consumer spending, which accounts for nearly two-thirds of economic activity in the U.S. Through most of 2016 fuel prices are expected to remain low, allowing higher savings or spending on other products and services. Consumer spending on automobiles, however, is expected to slow in 2016 as demand is satisfied by strong sales in 2015. The purchasing power of U.S. consumers may slow some in late 2016 and in 2017 when oil prices are expected to rise.

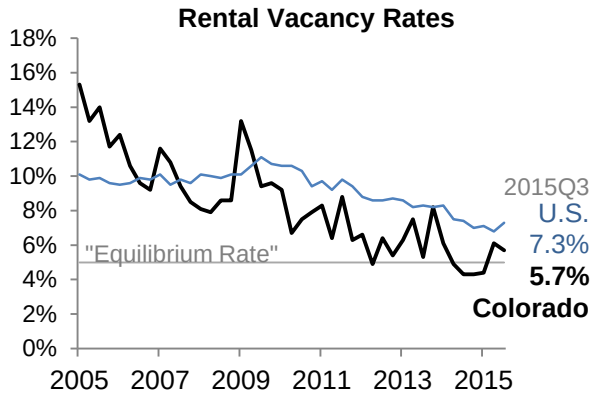
- Colorado personal income will increase 5.1 percent in 2015 and 5.5 percent in 2016. Wages and salaries, the largest component of personal income, will contribute most, growing 5.2 percent in 2015 and 5.6 in 2016.

- Colorado retail trade sales will grow 2.8 percent in 2015 as growth in nearly all retail sectors will offset declines at gasoline service stations. In 2016, Colorado retail sales will grow 5.4 percent as personal income growth supports a rise in consumer spending.

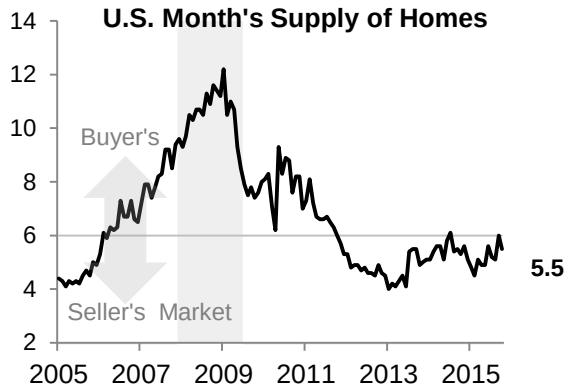
Residential Housing and Construction

Strong net migration and growth in household formation in Colorado continue to bolster demand for housing, pushing rents and home prices up, and supporting construction of new residential units. As construction struggles to keep up with rising demand, home prices and rents reached double-digit growth in many areas of the state in 2015. Because the housing market and construction activity are highly seasonal, home listings, sales, and construction will cool during the winter months. Colorado home prices are expected to remain elevated but home price appreciation will slow in 2016, as many families are priced out and affordable housing is slow to come onto the market.

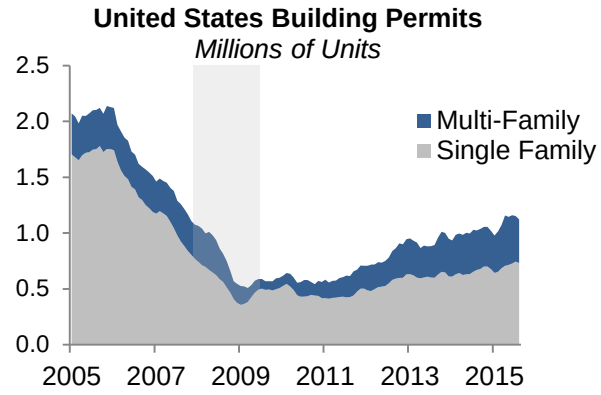
Figure 18
Selected Housing Market Indicators

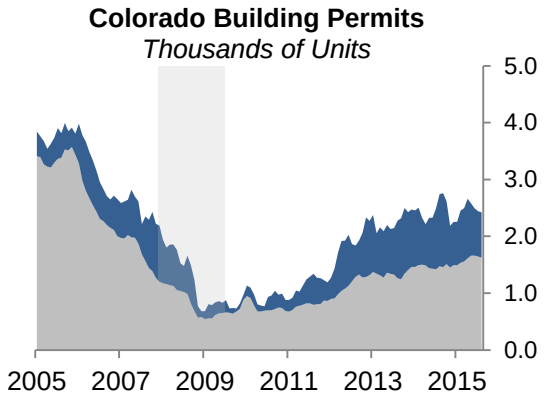


Source: U.S. Census Bureau.



Source: National Association of Realtors. Seasonal adjustments by the St. Louis Fed.





Source: U.S. Census Bureau. Data are seasonally adjusted and shown as three-month moving averages.

Nationally, home prices have been flat since the spring, as indicated by the Case Shiller 20-city composite index of the country's largest metropolitan areas (Figure 17 at left). The composite index captures slowing markets across much of the country, as well as slight depreciation in three major metropolitan areas, including New York, Washington, D.C., and the San Francisco Bay Area. The supply of homes on the market for the nation remains just below 6 months, indicating that the nation remains in a seller's market, though only slightly.

Home price growth in the Denver metro area continues to outpace nearly all other major U.S. metro areas. In September, home prices were up 9.9 percent over the same month in the prior year. The lowest-priced third of homes sold in the area appreciated the fastest over this period (16.9 percent) (Figure 17 at right). The middle and highest third, also posted strong growth (11.6 percent and 7.1 percent, respectively).

Through October, permits for new residential construction in Colorado are down 1.7 percent over the same period last year (Figure 18, bottom right). Following several years of strong growth, fewer multi-family permits were pulled in 2015. Growth in single family residential permits rose 7.9 percent through October, mostly offsetting multi-family declines. Nationally, total residential building permits rose 10.1 percent on double-digit gains in both single and multi-family building.

Rising demand and limited supply have presented landlords with ample opportunity to increase rents in Colorado. Colorado rental vacancies continue to fall to rates far below the national average (Figure 18, top left). Through the third quarter of 2015, rents in the Denver area had reached an average of $1,292 per month, according to a study published by the Apartment Association of Metro Denver. This amounts to a 12.8 percent increase over the same period last year.

- Supported by strong demand, single family permits will rise 8.3 percent in 2015 and 15.5 percent in 2016. Multi-family building will decline 13.0 percent in 2015 following several years of strong growth, but growth will resume in 2016 at a rate of 5.2 percent.

Nonresidential Construction

Nonresidential construction has maintained strong and broad-based growth since the recessionary lows of late 2010. Even with five years of solid gains, however, the value of nonresidential construction has not yet reached the pre-recessionary peak for Colorado or the nation as a whole. On anticipation of further demand for retail, industrial, and office space, 2016 will likely be the year when nonresidential construction spending reaches record historical levels.

Nationally, nonresidential construction has grown to represent 63.4 percent of the value of construction spending, with residential construction accounting for the rest. In October, U.S. spending on nonresidential construction increased 11.0 percent at a seasonally adjusted annual rate according to estimates published by the U.S. Census Bureau. Spending rose for nearly all types of projects, though manufacturing contributed most, growing 40.5 percent over prior-year levels.

The value of nonresidential construction in Colorado is up 2.7 percent in the first ten months of 2015 compared with the same period last year, according to data collected by Dodge Data and Analytics. The number of projects started has been on the rise each year since 2012. In 2015, total project square footage expanded by double-digit percent increases for the fifth consecutive year. Construction of hotels and motels, and hospitals and health treatment buildings contributed most to growth in the current year.

- Demand for new industrial and office space along the Front Range will continue to bolster nonresidential construction in Colorado throughout the forecast period. The value of nonresidential construction will increase 3.1 percent in 2015 and accelerate to 6.6 percent growth in 2016.

Global Economy

A global economic slowdown moderated U.S. economic growth in 2015, and this trend is expected to continue into 2016. The value of the dollar continues to rise relative to the values of most major currencies, reflecting the strength of the U.S. economy relative to foreign trade partners (Figure 19 at left). As a result, U.S. exports are more expensive at a time when foreign economies are consuming less. Year-to-date through October, exports of U.S. goods and services are down 6.5 percent relative to the same period last year (Figure 19 at right). Losses were spread across a majority of products, though the shrinking value of crude oil and petroleum product exports contributed to half of the decline. Exports to a majority of U.S. trading partners were down, with exports to Canada being the single largest contributor to the decline,

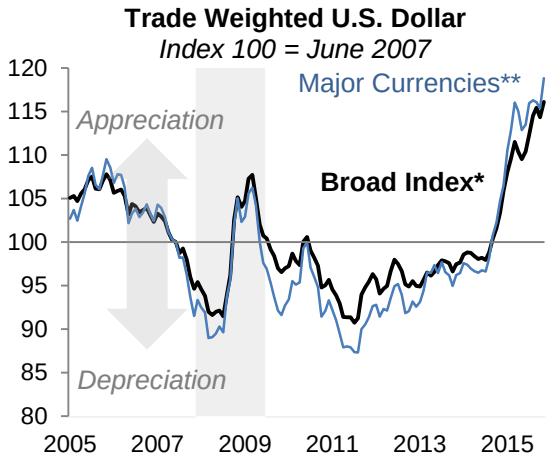
followed by a significant reduction in exports to Brazil. Exports to the 27 European Union member countries were down 1.4 percent through October.

As a part of the federal spending bill, the U.S. Congress lifted a 40-year-old ban on crude oil exports. This will contribute to a rise in U.S. exports, especially as oil prices begin to rise.

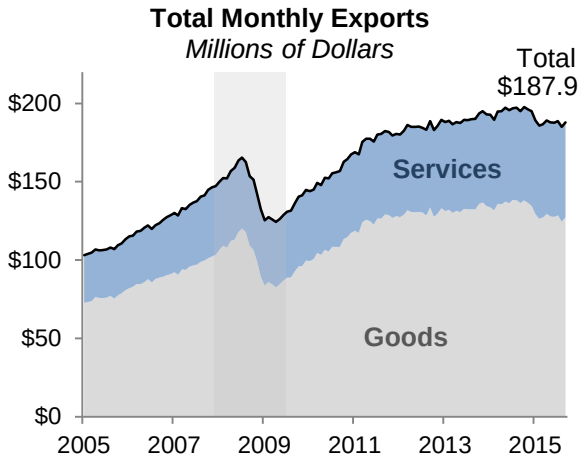
Through October 2015, Colorado exports have been more resilient to the global economic slowdown and low energy prices than the nation as a whole. State exports were down 2.4 percent through October over the same period last year. Lower exports to Canada were partially offset by strong gains elsewhere, including Mexico, China, and many Eurozone countries. Exports of meats and meat products, including beef, pork, and poultry led declines, followed by weaker oil crude oil and petroleum product exports.

In recent months, the Organization for Economic Co-Operation and Development (OECD), International Monetary Fund (IMF), and World Bank downgraded their forecasts for global economic growth in 2015 and 2016 on the lackluster performance of emerging markets, particularly that of China. For a decade leading up to 2012, China's economy grew at or near a double-digit pace annually. Between 2012 and 2014, growth slowed to between 7 percent and 8 percent annually. Current forecasts now project growth to slow further to between 6 percent and 7 percent in the current and next year.

Figure 19
Selected Trade Indicators



Source: Federal Reserve Board of Governors.
**A weighted average of the foreign exchange values of the U.S. dollar against currencies of major U.S. trading partners. **Includes a subset of broad index currencies that circulate widely in global exchanges.*



Source: Bureau of Economic Analysis (balance of payments basis). Data are seasonally adjusted but not adjusted for inflation.

Rising wages are increasing labor costs, cutting into China's competitive advantage in manufacturing inexpensive goods for export. Slow population growth and softer consumer spending have also dampened growth prospects. China continues to pursue structural reforms to rebalance its economy by growing its service industries and allowing its currency to float more freely. However, structural change will take time and may result in near-term shocks to the economy.

The slowdown in China is slowing growth in other emerging market economies, including Indonesia, Malaysia, Korea, and the Philippines. Beyond East Asia, the trade-dependent economies of Russia and Brazil remain steeped in recession in part due to China's slowdown. Most advanced economies, including that of the U.S., have been fairly resilient so far, with impacts generally limited to lower commodity prices and a dip in exports.

Rising debt levels in many emerging markets has provided cause for concern in the outlook for emerging markets. Debt service payments will cut into future consumer and business spending and investment. Additionally, the risk of default opens emerging markets and their financiers up to vulnerabilities that could become financial contagions in other parts of the world.

Agriculture and Livestock

U.S. crop prices remain low, putting the pinch on farm income and profits. According to the Tenth District agriculture credit survey, farm income fell sharply in the third quarter of the year. The survey is published by the Federal Reserve Bank of Kansas City and represents responses from farmers and ranchers in the Federal Reserve's Tenth District, which includes Colorado and several surrounding states. Across the Tenth District, agricultural credit conditions deteriorated in 2015, with repayment rates edging lower, credit availability falling, and expectations of future financial stress trending up. Further declines in farm income are expected, and further weakening in both crop and livestock sectors is expected to lead declines in farmland values in coming months.

The livestock sector, which accounted for 71 percent of the total value of agricultural production in 2014, held steady in 2015. While foreign demand has softened, the strength of the U.S. economy has maintained domestic demand and supported higher prices. As herd sizes increase in 2016, prices are likely to fall.

Milk prices fell considerably in 2015, following record-high prices in 2014. This put downward pressure on profit margins for Colorado's dairy industry. Colorado milk production grew considerably in 2015, supported by stronger production at the Greeley Luprino facility that opened in 2012.

Summary

Colorado and national economies continued to experience moderate, broad-based growth across nearly all industries. Some weaknesses emerged in 2015. Namely, low commodity prices and slower global economic growth sent ripples through oil and gas businesses, manufacturing, and export industries. However, the impacts of contractions in these industries were more than offset by growth elsewhere. Business and consumer incomes continued to rise in 2015, as did consumer spending and business investment. Labor and construction markets posted consistent gains throughout the year.

The state and national economy are expected to continue to expand in 2016, though several trends will dampen growth including slower global economic growth, an aging population, and low energy prices, which are expected to result in further contractions in energy and downstream markets.

Risks to the Forecast

Several downside risks could damper economic growth more than expected. The timing and pace of monetary policy tightening could have unforeseen impacts on some markets, resulting in slower than expected growth. Secondly, the global economic slowdown could turn into a global recession, pulling the U.S. economy down in its wake. Third, weaknesses in manufacturing, energy, and export markets could spread to other industries, such as retail, and leisure and hospitality, further dampening economic activity. Locally, rapid housing cost appreciation in Colorado may be propped up by irrational fundamentals. As a result, some homeowners and renters could end up in default on mortgages and rents, and downward home price corrections could be in Colorado's future.

Upside risks to the forecast include the promise of technological advances in bringing new products and services to market or improving the productivity of existing ones. Additionally, Colorado and U.S. economies may prove more resilient to current headwinds than expected.

Table 15
National Economic Indicators

Calendar Years	2010	2011	2012	2013	2014	*Legislative Council Staff Forecast* 2015	2016	2017
Real GDP (*Billions*)[1]	$14,783.8	$15,020.6	$15,354.6	$15,583.3	$15,961.7	$16,360.7	$16,737.0	$17,105.2
Percent Change	2.5%	1.6%	2.2%	1.5%	2.4%	2.5%	2.3%	2.2%
Nonfarm Employment (*Millions*)[2]	130.3	131.8	134.1	136.4	139.0	141.9	144.5	147.4
Percent Change	-0.7%	1.2%	1.7%	1.7%	1.9%	2.1%	1.8%	2.0%
Unemployment Rate[2]	9.6%	8.9%	8.1%	7.4%	6.2%	5.0%	4.8%	4.8%
Personal Income (*Billions*)[1]	$12,477.1	$13,254.5	$13,915.1	$14,068.4	$14,694.2	$15,370.1	$16,138.6	$17,010.1
Percent Change	3.2%	6.2%	5.0%	1.1%	4.4%	4.6%	5.0%	5.4%
Wage and Salary Income (*Billions*)[1]	$6,377.5	$6,633.2	$6,930.3	$7,114.4	$7,477.8	$7,851.7	$8,283.5	$8,739.1
Percent Change	2.0%	4.0%	4.5%	2.7%	5.1%	5.0%	5.5%	5.5%
Inflation[2]	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.6%	2.2%

Sources
[1]Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

Table 16
Colorado Economic Indicators

Calendar Years	2010	2011	2012	2013	2014	*Legislative Council Staff Forecast* 2015	2016	2017
Population (*Thousands, as of July 1*)[1]	5,048.6	5,119.7	5,191.7	5,272.1	5,355.9	5,457.1	5,552.3	5,649.8
Percent Change	1.5%	1.4%	1.4%	1.5%	1.6%	1.9%	1.7%	1.8%
Nonfarm Employment (*Thousands*)[2]	2,222.3	2,258.7	2,313.1	2,382.2	2,463.0	2,520.6	2,567.9	2,629.6
Percent Change	-1.0%	1.6%	2.4%	3.0%	3.4%	2.3%	1.9%	2.4%
Unemployment Rate[2]	8.8%	8.2%	7.7%	6.5%	4.9%	4.0%	3.8%	4.0%
Personal Income (*Millions*)[3]	$211,420	$227,052	$240,905	$246,448	$261,735	$275,084	$290,214	$307,987
Percent Change	2.4%	7.4%	6.1%	2.3%	6.2%	5.1%	5.5%	6.1%
Wage and Salary Income (*Millions*)[3]	$113,786	$118,558	$125,014	$129,509	$138,654	$145,864	$154,033	$163,117
Percent Change	1.3%	4.2%	5.4%	3.6%	7.1%	5.2%	5.6%	5.9%
Retail Trade Sales (*Millions*)[4]	$70,738	$75,548	$80,073	$83,569	$90,653	$93,191	$98,037	$103,920
Percent Change	6.6%	6.8%	6.0%	4.4%	8.5%	2.8%	5.2%	6.0%
Housing Permits (*Thousands*)[1]	11.6	13.5	23.3	27.5	28.7	28.6	32.0	34.8
Percent Change	23.9%	16.5%	72.6%	18.1%	4.2%	-0.2%	11.9%	8.5%
Nonresidential Building (*Millions*)[5]	$3,147	$3,923	$3,695	$3,614	$4,307	$4,440	$4,733	$4,866
Percent Change	-6.2%	24.7%	-5.8%	-2.2%	19.2%	3.1%	6.6%	2.8%
Denver-Boulder-Greeley Inflation[2]	1.9%	3.7%	1.9%	2.8%	2.8%	1.1%	2.4%	2.6%

Sources
[1]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.
[2]Bureau of Labor Statistics. Nonfarm employment estimates include revisions to 2014 and 1st quarter 2015 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process. Inflation shown as the year-over-year change in the consumer price index for Denver-Boulder-Greeley metro areas.
[3]Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.
[4]Colorado Department of Revenue. Retail trade data are not adjusted for inflation.
[5]Dodge Data and Analystics. Data on the value of permits for nonresidential building are not adjusted for inflation.

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ASSESSED VALUE PROJECTIONS

This section provides projections of assessed values for residential and nonresidential property in Colorado and the residential assessment rate through 2018. Assessed values are an important factor in determining local property tax revenue for Colorado's public schools. Local property tax revenue is the largest local contribution to public school funding in most districts. Assessed values are thus an important determinant of the amount of state aid provided to public schools. Public school funding is also supported by state equalization payments.

Summary

Total assessed values for all property classes increased 15.0 percent in 2015 to $105.3 billion. Values are expected to decline 0.1 percent to $105.2 billion in 2016. Total assessed values will increase to $112.5 billion in 2017 and $113.9 billion in 2018.

Assessed values increased significantly in the 2015 reassessment year reflecting increases in value between January 2013 and June 2014. Gains occurred in both residential and nonresidential property classes and in every region of the state. Growth was fastest in the Front Range and among residential properties.

The oil and gas sector is a major driver in total assessed value during the forecast period. Oil and gas property values are based on prior years' production; property values in this sector showed strong growth in 2015 based on relatively high prices and production in 2014. In 2016, the value of oil and gas property will decline, although the decline will be mostly offset by increases in the value in other property classes resulting in a slight decline in total assessed values. Values will increase in the 2017 reassessment year for the residential, commercial, industrial, and vacant land property classes. Table 17 shows the actual and forecasted residential, nonresidential, and total assessed values from 2007 through 2018. Figure 20 illustrates the actual and forecasted level of assessed values from 2003 through the forecast period.

- Nonresidential assessed values increased 12.0 percent in 2015 with increases in most classes of nonresidential property. Oil and gas and agricultural property increased the fastest, growing 20.1 percent and 16.4 percent, respectively. Vacant land, commercial, industrial, and state assessed properties also increased in 2015. Values for active mines and other natural resource property classes declined. Nonresidential assessed values increased in eight of the nine regions in the state in 2015, with the northern region increasing the fastest at 21.6 percent growth. In the San Luis Valley, nonresidential assessed values dropped 0.2 percent, the only region where values declined. Declines in oil and gas property values will drive a 1.3 percent decrease in the value of nonresidential property in 2016. The largest declines will be in the northern and southwest mountain regions of the state where oil and gas constitute a larger share of the nonresidential property tax base. Values are expected to increase 4.1 percent in 2017 when vacant land and commercial properties are reassessed.

    - Residential assessed values increased 18.9 percent in the 2015 reassessment year, reflecting value increases between January 2013 and June 2014. Residential values increased by at least 2.5 percent in all regions of the state, with the fastest growth in the Denver metro region, where values increased 23.8 percent. The mountain, northern,

and western regions also saw growth in residential values over 13.0 percent. New construction of residential properties will lead to a 1.4 percent increase in 2016. Residential values are expected to increase 10.6 percent in the 2017 reassessment year.

- The residential assessment rate is projected to decline from 7.96 percent to 7.78 percent in 2017.

Table 17
Residential and Nonresidential Assessed Values
Dollars in Millions

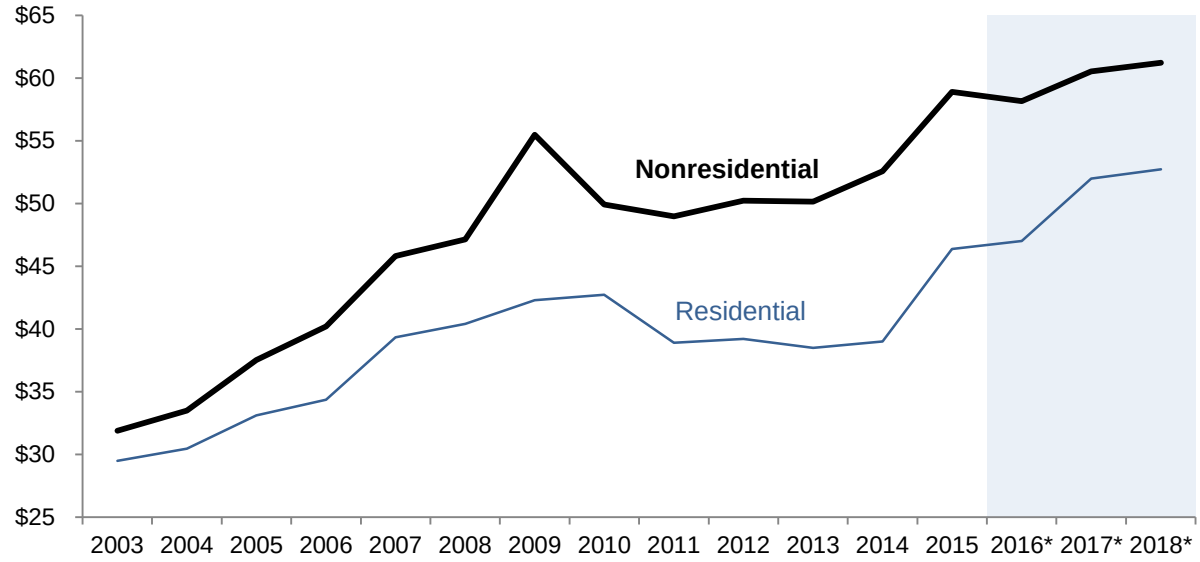
Year	Residential Assessed Value	Percent Change	Nonresidential Assessed Value	Percent Change	Total Assessed Value	Percent Change
2007	$39,331	14.5%	$45,816	14.0%	$85,147	14.2%
2008	$40,410	2.7%	$47,140	2.9%	$87,550	2.8%
2009	$42,298	4.7%	$55,487	17.7%	$97,785	11.7%
2010	$42,727	1.0%	$49,917	-10.0%	$92,644	-5.3%
2011	$38,908	-8.9%	$48,986	-1.9%	$87,894	-5.1%
2012	$39,198	0.7%	$50,211	2.5%	$89,409	1.7%
2013	$38,495	-1.8%	$50,153	-0.1%	$88,648	-0.9%
2014	$39,003	1.3%	$52,579	4.8%	$91,582	3.3%
2015	$46,378	18.9%	$58,899	12.0%	$105,277	15.0%
2016*	$47,008	1.4%	$58,155	-1.3%	$105,162	-0.1%
2017*	$51,978	10.6%	$60,531	4.1%	$112,510	7.0%
2018*	$52,714	1.4%	$61,213	1.1%	$113,927	1.3%

Source: Colorado Department of Local Affairs, Division of Property Taxation.
**Legislative Council Staff forecast.*

Real property classes, including residential, commercial, industrial, and vacant land, are assessed over a two-year cycle. As a result, a lag occurs before changes in market value are reflected in assessed values. The 2015 assessment cycle captured the increases in value that occurred between January 2013 and June 2014, when Colorado had one of the best housing markets in the nation. In 2016, assessed values will increase based on the new construction that occurs in those property classes.

In contrast to real property, which comprises the vast majority of the state's assessed value, "producing" properties in the agricultural, mining, natural resource, and oil and gas property classes are assessed annually. The value of oil and gas property increased sharply in 2015, based on the value of oil and gas produced in 2014. The decline in oil prices that occurred in 2015 will be reflected in 2016 values. Agricultural property values also increased in 2015, while the value of producing mines and natural resource properties declined 6.7 and 2.9 percent, respectively. Figure 20 graphically presents how residential and nonresidential assessed values have grown from 2003 through the forecast period.

Figure 20
Residential and Nonresidential Assessed Values
Dollars in Billions



Source: Colorado Department of Local Affairs, Division of Property Taxation.
**Legislative Council Staff forecast.*

Nonresidential Assessed Values

Nonresidential property includes eight property classes: commercial, oil and gas, vacant land, industrial, agriculture, natural resources, producing mines, and state-assessed. All eight classes of nonresidential property are assessed at 29.0 percent of market value. Assessed values in these classes totaled $58.9 billion in 2015, 12.0 percent higher than in 2014 and above the previous peak achieved in 2009. Nonresidential assessed values are expected to decrease 1.3 percent in 2016, primarily because of projected declines in the value of oil and gas production. Nonresidential assessed values will increase in 4.1 percent in 2017 and 1.1 percent in 2018.

Commercial property represents nearly one-half of all nonresidential assessed value. Commercial properties are assessed every two years. Low vacancy rates and higher rents led to 12.5 percent growth in 2015, a reassessment year for commercial property, with the fastest growth along the northern Front Range. In 2016, commercial property values are expected to increase slightly due to new construction.

Oil and gas is the second-largest nonresidential property class, accounting for just over 23 percent of total nonresidential value. Values in this property class include the production value of oil and natural gas and the value of the equipment used in the extraction and production processes. Assessed values in this property class have been volatile, falling 6.9 percent in 2013, rising 26.5 percent in 2014, and rising 20.1 percent in 2015. Assessed value changes varied dramatically by region and mineral. Growth in 2015 was mainly due to increased oil production in the northern region, while natural gas property values in the southwest mountain region grew more slowly. Lower oil prices will reduce both the value of

production of existing wells and the level of new production, as oil and gas firms develop fewer new wells when prices are low.

Vacant land is the third-largest nonresidential property class in the state, accounting for roughly 7 percent of total nonresidential value. Vacant land is assessed every two years, and in 2015 vacant land values increased 7.8 percent. The geographic distribution of growth in vacant land values mirrored increases in commercial properties, with the fastest growth occurring in Denver metro and northern regions. There will only be slight changes in the value of vacant land in 2016. However, demand for new building lots are expected to boost values in 2017.

Residential Assessed Values

Residential values consist of the land and improvement value of single-family homes, condominiums, and apartments. The assessor in each county appraises the property to determine the market value. The residential assessment rate is then applied to the market value to determine the assessed value. For example, if the market value of a home is $200,000, the current 7.96 percent residential assessment rate makes its assessed value $15,920 ($200,000 x 7.96 percent = $15,920). Finally, the property tax rate, or mill levy, is applied to the assessed value to determine the amount of property tax due on a home.

Residential market values. Residential market values increased 18.9 percent in 2015, a gain of $92.7 billion in market value. Residential property is assessed every two years. The 2015 values, therefore, reflects home price appreciation that occurred between January 2013 and June 2014. Colorado had one of the fastest appreciating housing markets in the nation during this time, which is reflected in the change in value. Values increased in every region of the state. The fastest growth occurred in the Denver metro and northern regions, where values increased 23.8 percent and 20.1 percent, respectively.

New residential construction will drive a 1.4 percent increase in residential values in 2016. Residential property will be reassessed in 2017 when the change in value is expected to continue to show a strong growth rate, although at a slower rate than during the 2015 reassessment year, at 10.6 percent.

Gallagher and the residential assessment rate. The Gallagher Amendment to the Colorado Constitution fixes the share of value attributable to residential property statewide at roughly 46 percent of total assessed values, with nonresidential assessed values making up the remaining 54 percent. The amendment accomplishes this by making the residential assessment variable. From 1983 to 2003, residential market values generally grew at a faster rate than nonresidential values (or declined at a slower pace), resulting in a decrease in the residential assessment rate from 21.0 percent to 7.96 percent over that period. By comparison, nonresidential property is assessed at a constant 29 percent of its value.

The residential assessment rate has remained constant since 2003. Residential values in Colorado were negatively impacted by the recession in the early 2000s and did not increase as much as many other areas of the nation. In contrast, nonresidential values grew faster due to growth in the commercial and oil and gas property classes. Under the Gallagher Amendment, the faster growth in nonresidential values should have triggered an increase in the residential assessment rate to maintain the required proportions in total assessed values. However, because the TABOR Amendment specifically prohibits an increase in assessment rates without voter approval, the residential assessment rate has remained at 7.96 percent.

Based on the Gallagher Amendment calculation, the residential assessment rate should have increased to 8.24 percent for 2015 and 2016. The actual rate, however, will remain fixed at 7.96 percent unless voters approve an increase.

For the 2017 reassessment period, the residential assessment rate is projected to decline to 7.78 percent to maintain the required ratio of residential to nonresidential assessed value.

Regional Assessed Values

Assessed values are projected for each school district and are used in forecasting state expenditures for pre-kindergarten through twelfth grade public education. The following section highlights trends for each region in the state. Table 18 summarizes how regional assessed values will change through 2018. Figure 21 on pages 60 and 61 depicts graphically, by region, actual and forecasted residential and nonresidential assessed values from 2008 through the forecast period. Figures 22 and 23 on pages 66 and 67 illustrate geographically the anticipated change from 2015 to 2016 at the regional and school district-level.

Table 18
Regional Total Assessed Values and Growth Rates
Millions of Dollars

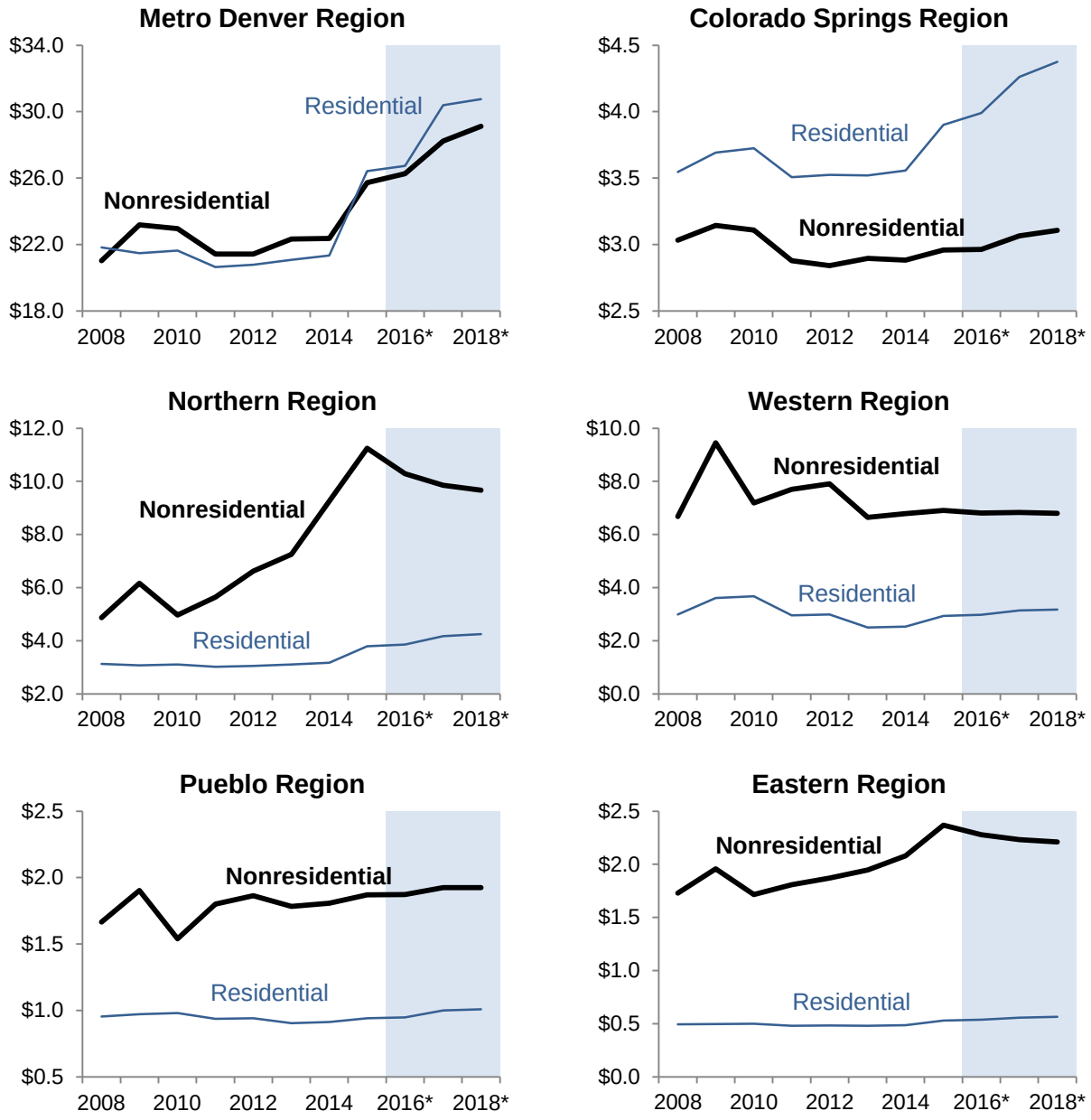
Region	Preliminary 2015		2016*	2017*	2018*	2016-2018* Annual Average
Colorado Springs	$6,858	6.5%	1.4%	5.4%	2.1%	2.9%
Eastern Plains	2,899	12.9%	-2.9%	-0.9%	-0.6%	-1.5%
Metro Denver	52,151	19.3%	1.6%	10.6%	2.1%	4.6%
Mountain	11,549	9.0%	1.1%	5.4%	1.5%	2.6%
Northern	15,039	21.1%	-6.0%	-0.8%	-0.8%	-2.6%
Pueblo	2,811	3.4%	0.3%	3.8%	0.2%	1.4%
San Luis Valley	630	0.6%	1.0%	1.8%	1.0%	1.3%
Southwest Mountain	3,496	10.0%	-4.2%	4.5%	-1.9%	-0.6%
Western	9,845	5.6%	-0.6%	2.0%	0.0%	0.4%
Statewide Total	$105,277	15.0%	-0.1%	6.6%	1.3%	2.5%

Source: Preliminary estimates from the Department of Local Affairs, Division of Property Taxation.
**Legislative Council Staff forecast.*

Regional Summary

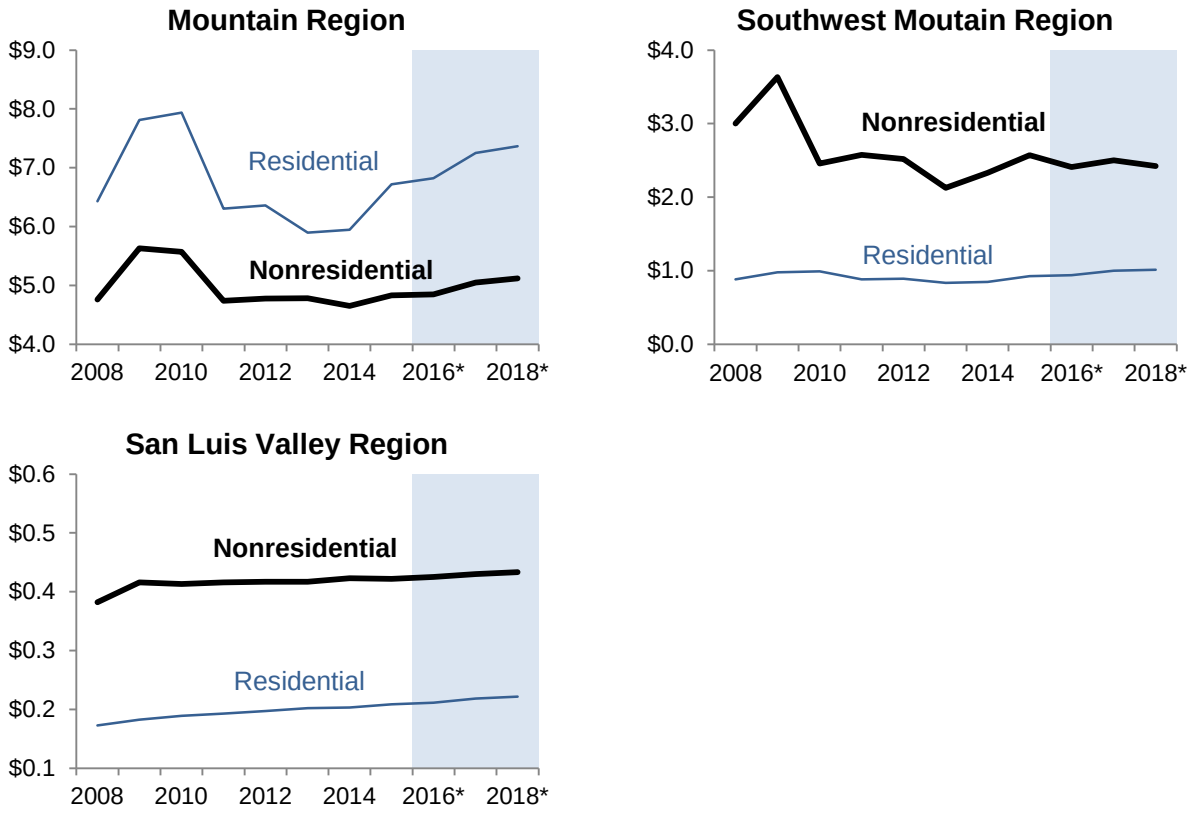
The change in regional assessed values depends on the unique mix of property and the economic conditions in each region. The following paragraphs highlight regional trends that occurred between 2014 and 2015.

Figure 21
Residential and Nonresidential Assessed Valuation by Region
Dollars in Billions



Source: Department of Local Affairs, Division of Property Taxation.
**Legislative Council Staff forecast.*

Figure 21 (Continued)
Residential and Nonresidential Assessed Valuation by Region
Dollars in Billions



Source: Department of Local Affairs, Division of Property Taxation.
**Legislative Council Staff forecast.*

Residential property in the **Denver region** increased 23.8 percent in 2015. The 2015 values represent sales that occurred between January 2013 and June 2014, when Denver had one of the tightest housing markets in the country. The Aurora school district experienced the fastest growth, with a gain of 39.2 percent, while residential values in the Denver district increased 29.7 percent. Home values appreciated in all districts within the region.

Nonresidential values in the Denver region increased 14.4 percent in 2015. Commercial property in the region accounts for over 75 percent of nonresidential value, and the 2015 values reflect low vacancy rates and rising rents between January 2013 and June 2014. Total nonresidential value in the Denver school district increased 23.1 percent, a $1.6 billion increase. Buoyed by a $45.4 million increase in oil and gas values, total assessed values in the Bennett school district increased by 62.9 percent in 2015, the fastest in the region.

Total assessed value increased 19.3 percent in the Denver metro region between 2014 and 2015 and each school district in the region experienced an increase. Total assessed values in the region are expected to increase by an average rate of 4.6 percent each year through the remainder of the forecast period.

The **Colorado Springs** region includes 17 school districts in El Paso County. Residential values in El Paso County increased 9.7 percent between 2014 and 2015. The fastest growth occurred in the Falcon and Widefield school districts, where values increased 12.1 percent and 11.8 percent, respectively. The Florence school district experienced the slowest growth of 1.1 percent, while residential values in the other school districts in the region increased by at least 3.6 percent.

Nonresidential values in the region increased 2.6 in 2015. Nonresidential values increased the fastest in the Miami-Yoder school district, with gains of 16.6 percent driven by a 39.6 percent increase in the value of state assessed property. Commercial property value, which makes up 70.6 percent of nonresidential values in the region, increased 2.7 percent between 2014 and 2015. Commercial value in the Colorado Springs school district, which has the most commercial property value in the region, experienced gains of 1.4 percent.

Total assessed values increased 6.5 percent to $6.9 billion in 2015. Values are expected to increase 2.9 percent annually over the next three years, on average. The growth in assessed values is consistent with a growing economy, but is not as strong as growth along the northern front range.

Assessed values in the **northern** region, which is comprised of Larimer and Weld counties, reflected strong oil and natural gas production and residential price appreciation in 2015, when all 15 school districts in the region posted increases in residential assessed values. Overall, residential values grew 19.6 percent across the region. Residential values in the Fort Lupton and Gilcrest school districts increased the fastest, at rates of 33.2 percent and 30.9 percent, respectively. The smallest increase occurred in the Estes Park School District, where values rose 10.7 percent. Residential property values are expected to increase 1.7 percent in the 2016 non-reassessment year.

Nonresidential values in the northern region increased 21.6 percent in 2015, faster than any other region in the state. Most of the valuation occurred before the drop in energy prices, and oil and gas values grew 30.9 percent, adding $1.8 billion to the property tax base. Values in other nonresidential classes also increased, benefiting from the economic activity associated with oil and gas development and gains in other sectors of the northern region's diverse economy. Due to declining energy prices, however, nonresidential values in the northern region are forecast to decline by 8.6 percent in 2016. This represents the fastest rate of decline of any region in Colorado in 2016.

Total assessed value in the northern region grew 21.1 percent in 2015 and is expected to decline by an average rate of 2.6 percent each year over the next three years. Over this period, residential values are expected to grow at an average annual rate of 3.8 percent, while nonresidential values will decline at an average annual rate of 4.4 percent.

Residential assessed values in the **western region** increased 15.9 percent in 2015, the third fastest rate of growth among regions in the state. The increase was a welcome change, since the housing market in the western part of the state has been slower to recover than markets in other parts of the state. There was a wide diversity of growth rates among districts in the region, however. The Rifle and Parachute districts posted growth rates of 33.2 percent and 33.0 percent, respectively, the largest in the region. Residential values declined in three districts: Moffat, Norwood, and Westend. In the 2016 non-reassessment year, residential assessed values are expected to increase 1.2 percent.

While total nonresidential assessed values in the western region increased 1.7 percent in 2015, there was wide variation in growth among school districts. In the Norwood and Parachute districts, nonresidential values increased 21.7 percent and 8.6 percent, respectively. The increases were due primarily to increases in the value of oil and gas properties. In contrast, values decreased 7.9 percent in the Mesa Valley district and 6.8 percent in the Ridgeway district. The declines that occurred in Mesa Valley district were driven by falling values of commercial, oil and gas, and mining properties, declines in the Ridgeway district were driven by decreases in the value of vacant land.

Total assessed value in the western region increased 5.6 percent in 2015 and is expected to average 0.4 percent annual growth over the next three years. During this period, residential values are expected to post 2.6 percent average annual growth, while nonresidential values are expected to decline by an average of 0.5 percent each year.

The **Pueblo region** includes school districts in Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties. Residential property in the Pueblo region increased 3.2 percent between 2014 and 2015, the second slowest growth of any region in the state. Assessed values in the Pueblo County and Cotapaxi school districts experienced the fastest growth in the region, with growth rates of 6.5 percent and 5.1 percent, respectively. Eight of the 17 districts in the region experienced declines in residential values. The largest declines in value occurred in the Fowler and La Veta school districts, where values declined 4.5 percent and 1.8 percent, respectively. Residential assessed values will increase slightly due to new construction in 2016 and will be reassessed and grow 5.6 percent in 2017.

State assessed property makes up 37.6 percent of the nonresidential property value in the region, while commercial and industrial property account for 23.3 percent and 15.7 percent, respectively. State assessed property values increased 3.2 percent in 2015, with increases worth more than $3.2 million in the Canon City, Huerfano, and Trinidad school districts. Meanwhile, commercial property value increased 0.3 percent and industrial property values increased 8.0 percent. Nonresidential values are expected to increase slightly in 2016 and 2017.

Total assessed values in the region increased 3.4 percent between 2014 and 2015 and are expected to increase 1.4 percent each year on average over the next three years.

There are more counties and school districts in the **Eastern Plaines** than in any other region in the state. Residential values increased 9.0 percent in the region between 2014 and 2015. School districts near the Colorado Springs and Denver metro areas experienced some of the largest increases in the 2015 reassessment year, as their residential values were impacted by the tight housing markets along the Front Range. Values are expected to increase 1.3 percent because of new construction in 2016 and 3.7 percent in the 2017 reassessment year. The 2017 values will be based on sales that occur between January 2015 and June 2016.

State assessed property is the largest class of nonresidential property in the region, while agricultural, oil and gas, and commercial properties are also important. State assessed and agricultural properties are expected to increase gradually through the forecast period. Oil and gas property is expected to decline each year between 2016 and 2018, with the largest declines in 2016. The Edison and Calahan school districts had the fastest growth in the region due to large increases in state assessed property in those districts.

Total assessed values in the region increased 12.9 percent to $2.9 billion in 2015. Assessed values are expected to decrease 1.5 percent on average over the next three years because of a decline in oil and gas property values.

The economy in the **mountain region** of the state, which includes resort communities such as Aspen and Steamboat Springs, is dependent on tourism and vacation homes. Residential assessed values were up 13.0 percent in 2015. Values grew in all but one school district in the region. The two districts with the largest growth rates were the Cripple Creek School District and the Eagle School District, where residential values grew 28.4 percent and 16.5 percent, respectively. Residential values declined 2.1 percent in the Lake School District. Residential assessed value is expected to increase 1.5 percent in 2016, a non-reassessment year.

The improving economy and an increasing number of visitors spending money in the mountain region caused nonresidential assessed values to increase 3.9 percent in 2015. Values increased in ten of the region's eighteen districts, with the most rapid increases occurring in the resort districts of Summit, Aspen, and Eagle. Nonresidential assessed value in the Cripple Creek School District and the South Routt School District decreased 19.3 percent and 9.9 percent, respectively. The former is because of a decline in the value of mining properties, while the latter was due to falling values in the natural resource property class. In 2016, nonresidential property values are expected to increase 0.4 percent.

Regional assessed values increased 9.0 percent in 2015, and are expected to grow at an average annual rate of 2.6 percent over the next 3 years. Residential values are expected to increase 3.1 percent annually, while nonresidential values will increase 1.9 percent through the forecast period on an average annual basis.

The **southwest mountain** region of the state includes the towns of Durango and Pagosa Springs, which attract tourists from New Mexico and Texas. The second home market in the region is influenced by economic trends in those states. In 2015, regional residential assessed values increased 9.3 percent as a result of the improving economy. Growth was fairly uniform, as eight of nine school districts in the region saw increases in residential value. Values in this class are expected to increase 1.4 percent in 2016.

Nonresidential values in the region increased 10.3 percent, primarily due to natural gas production in La Plata and Dolores counties. Nonresidential assessed value in the Ignacio and Bayfield school districts in La Plata County increased 14.1 percent and 13.7 percent, respectively, while values in the Dolores School District were up 31.6 percent. Increases in the value of oil and gas properties in these three districts were 15.7 percent, 21.9 percent, and 43.7 percent, respectively. Moving forward, however, regional nonresidential assessed values are expected to decline 6.2 percent in 2016 due to falling energy prices.

Total regional assessed values increased 10.0 percent in 2015, but are expected to decline by an average rate of 0.6 percent annually over the next three years. Residential property values are expected to increase 3.0 percent, while nonresidential property values are expected to decline 2.0 percent on an average annual basis during this period.

The **San Luis Valley** region includes Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties and has the smallest property tax base in the state. In 2015, regional residential assessed values increased 2.5 percent following reassessment. Residential assessed values increased in 11 of 14 school districts in the region, led by the three school

districts in Saguache County, where values grew by at least 8.0 percent. The only districts with declines in value were Sanford, Sierra Grand and Del Norte, where values decreased 4.9 percent, 0.2 percent, and 0.1 percent, respectively. Residential values are expected to increase 1.5 percent in the 2016 non-reassessment year.

The San Luis Valley was the only region in the state where nonresidential property values declined in 2015, as values fell by 0.2 percent. The largest rate of growth occurred in the Sanford and North Conejos districts, where values grew by 16.3 percent and 13.1 percent, respectively. Nonresidential assessed values in the San Luis Valley are expected to increase 0.8 percent in 2016, a non-reassessment year.

Overall, regional assessed values increased 0.6 percent in 2015. Values are expected to increase 1.3 percent on average over the next three years. Residential assessed values will grow 2.1 percent and nonresidential value will increase 0.9 percent over the forecast period on an annual average basis.

Risks to the forecast. The value of oil and gas property is volatile and depends on both commodity prices and the production of oil and gas firms. Low oil prices reduce the value of oil that is produced and dampen the number of new wells developed. In 2015, production continued to increase, but a reduced number of new wells would decrease production causing the value of oil and gas property to decline. In addition to oil and gas, the value of producing mines and natural resource property has declined because of low worldwide commodity prices. If these mines close, the impact on individual school districts will be significant. If oil and gas properties remain low or decline, then forecasted values may be an overestimate.

Commercial and residential property value growth is expected to moderate in the 2017 reassessment year, but vacancy rates remain low, rents and home prices are rising, and new construction is growing. The forecasted values for residential and commercial properties may not fully capture the value associated with the continued strong growth in the Colorado economy. If commercial and residential property grows faster than expected, forecasted values may be an underestimate.

Figure 22
Forecast Percent Change in Total Assessed Valuation by Economic Region
2016 Assessment Year (Budget Year 2016-17)

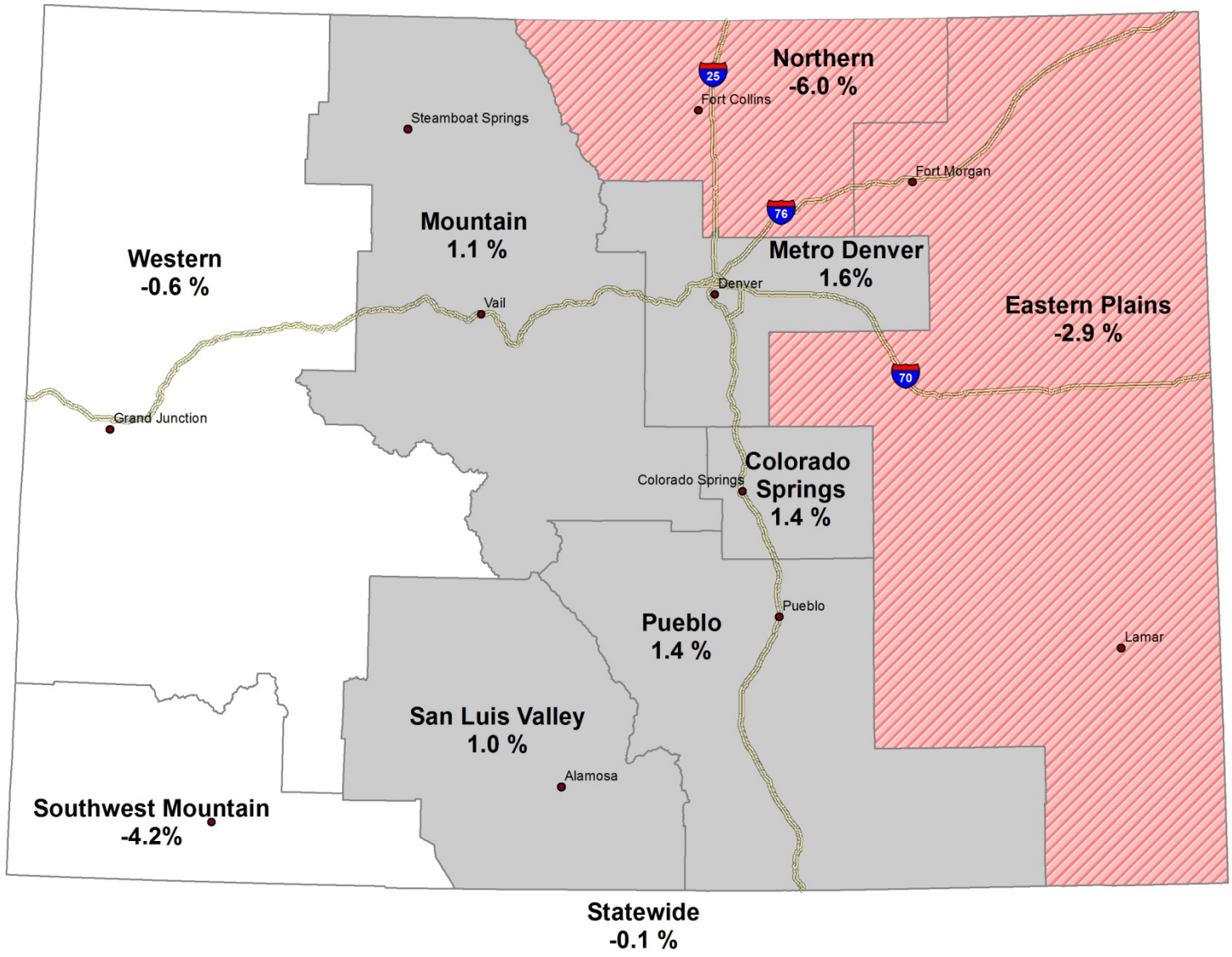
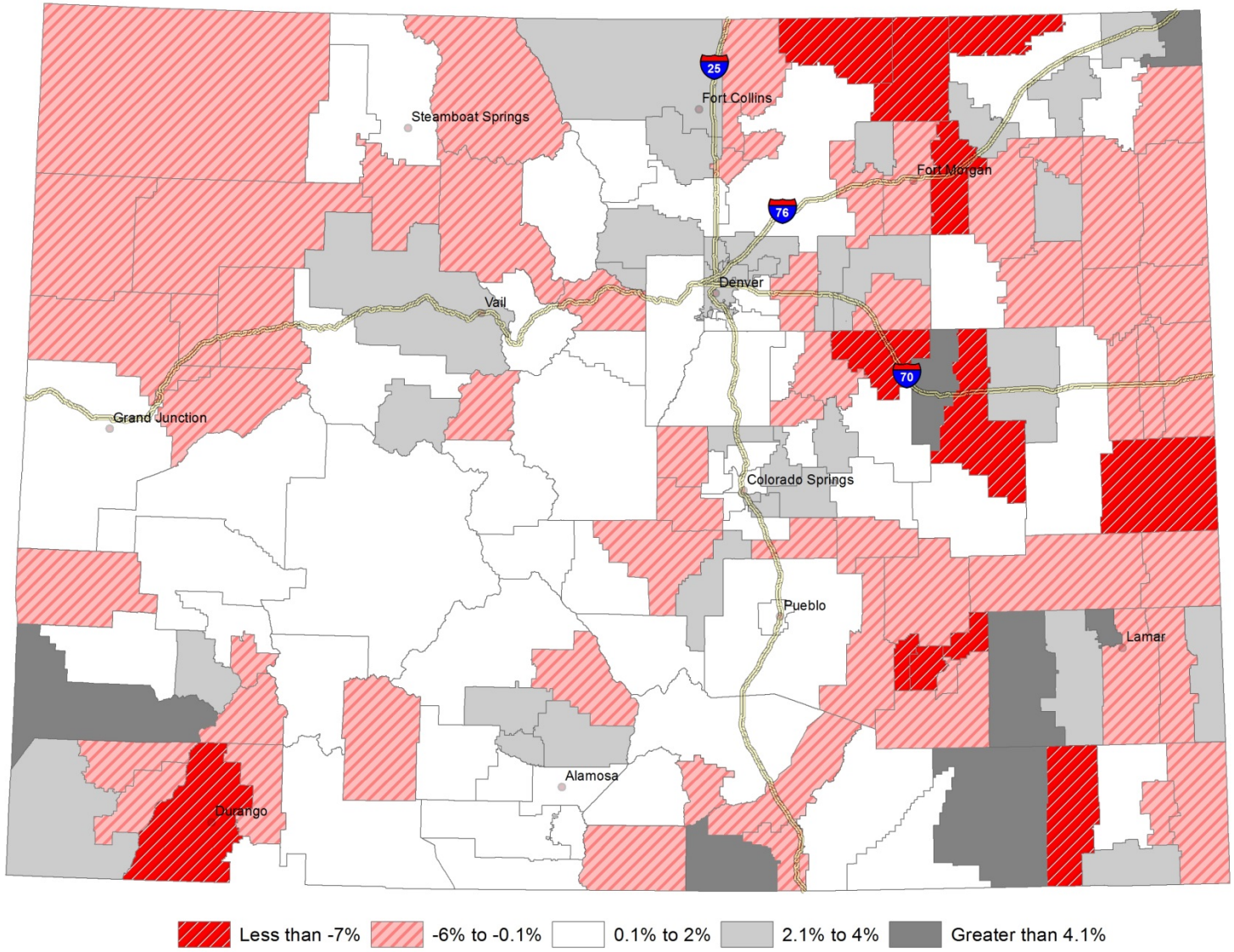


Figure 23
Forecast Percent Change in Total Assessed Valuation by School District
2016 Assessment Year (Budget Year 2016-17)



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SCHOOL ENROLLMENT PROJECTIONS

This section of the forecast presents projections for kindergarten through twelfth grade (K-12) enrollment in Colorado's public schools. Projections are presented in full-time equivalent (FTE) terms, and are used to determine funding levels for Colorado's 178 school districts. Table 19 summarizes current and projected enrollment for the 2015-16 through 2017-18 school years by forecast region. Figures 26 and 27 on pages 74 and 75 show enrollment growth projections by forecast region and school district, respectively, for the FY 2016-17 school year.

- Statewide K-12 enrollment is projected to increase by 8,992 FTE students, or 1.1 percent, in the 2016-17 school year. Enrollment in the 2017-18 school year is expected to increase 1.0 percent, or by 8,177 FTE.

- All nine forecast regions will experience growth in enrollment over the next two school years. Growth will be strongest in the southwest mountain, mountain and northern regions, where stronger job growth relative to other areas in the state is spurring strong growth in new residential developments attractive to families.

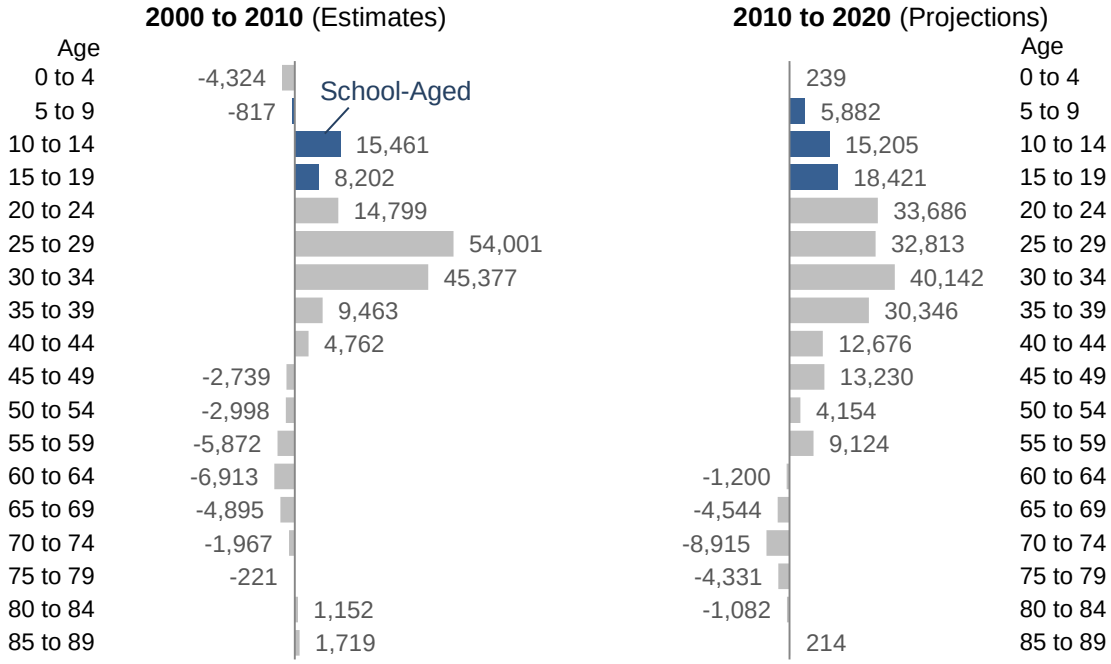
Table 19
K-12 Public School Enrollment
*Full-Time Equivalent (FTE) Students**

Region	Actual 2015-16	Percent Change	Estimated 2016-17	Percent Change	Estimated 2017-18	Percent Change	Average Growth**
Metro Denver	477,514	0.9%	481,519	0.8%	485,531	0.8%	0.8%
Northern	83,701	1.2%	85,417	2.1%	87,233	2.1%	2.1%
Colorado Springs	115,406	1.9%	117,037	1.4%	117,980	0.8%	1.1%
Pueblo	33,259	-0.3%	33,361	0.3%	33,532	0.5%	0.4%
Eastern Plains	23,693	-0.7%	23,727	0.1%	23,791	0.3%	0.2%
San Luis Valley	7,238	1.3%	7,328	1.3%	7,417	1.2%	1.2%
Mountain	24,507	1.1%	25,033	2.1%	25,322	1.2%	1.6%
Southwest Mountain	12,076	2.1%	12,335	2.2%	12,620	2.3%	2.2%
Western	49,836	0.0%	50,461	1.3%	50,971	1.0%	1.1%
Statewide Total	**827,228**	**1.0%**	**836,220**	**1.1%**	**844,396**	**1.0%**	1.0%

Statewide enrollment. The enrollment count for the 2015-16 school year totaled 827,228 FTE students across Colorado's public schools, up 7,787 FTE students, or 1.0 percent, from the previous school year. Relative to the Legislative Council Staff forecast published last December, actual enrollment in the 2015-16 school year was 2,002 FTE, or 0.2 percent, lower than forecast. In particular, enrollment in the metro Denver region was lower than expected. This region has seen strong in-migration and residential construction growth in recent years, which was expected to drive stronger enrollment growth. As shown in Figure 24, demographic estimates show that in-migration to these areas is dominated by individuals aged 20 to 30, instead of school aged children (ages 5 to 18) and their parents (typically ages 30 to 45). By

comparison, statewide net migration estimates excluding the metro Denver region are distributed much more evenly across age cohorts.

Figure 24
Net Migration to the Metro Denver Region by Age



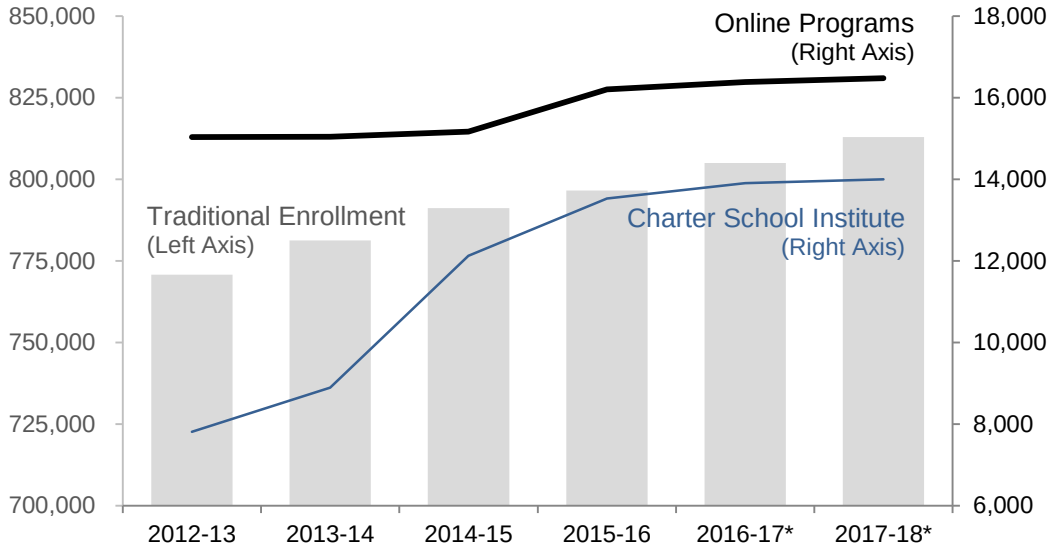
Source: Colorado Department of Local Affairs, State Demography Office. Estimates and projections show net migration from other areas of Colorado as well as areas outside of Colorado.

Actual enrollment growth in the northern region was also slightly lower than expected in the 2015-16 school year. Partially offsetting slower growth in the metro Denver and northern regions, enrollment in Colorado Springs was higher than expectations. The region's Falcon School District showed a large increase in online enrollment, which led growth.

While moderate and broad-based economic activity in Colorado is expected to support enrollment growth, demographic change will constrain growth in the 2016-17 and 2017-18 school years. The number of births in Colorado fell each year between 2008 and 2012. Similarly, the number of births declined each year nationally between 2008 and 2013. Statewide kindergarten enrollment has been flat or decreasing for the past four years, signaling slower growth in first through twelfth grade enrollment. Strong appreciation in Colorado home prices and rents will also dampen growth in some districts, as young families tend to have lower household incomes and will be priced out of some areas of the state.

Enrollment in online programs and Charter School Institute (CSI) schools rose in the 2015-16 school year and now represent 2.0 percent and 1.6 percent of total statewide enrollment, respectively (Figure 25). Enrollment in online programs and CSI schools is expected to level off in 2016-17 and 2017-18, growing only modestly with small expansions to existing programs.

Figure 25
Online, CSI, and Traditional Enrollment
*Full-Time Equivalent (FTE) Students**



Source: Colorado Department of Education and Legislative Council Staff.
**Kindergarten students are counted as 0.5 FTE.*

Enrollment by Region. The following paragraphs provide brief summaries of enrollment for school districts in the nine forecast regions of the state.

The **metro Denver region**, which includes Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties, accounted for 57.7 percent of total Colorado enrollment in the 2015-16 school year. Enrollment in the region grew 0.9 percent over the previous school year. Metro Denver enrollment has been increasing for over a decade and is expected to continue growing throughout the forecast period, though at a slightly slower pace of 0.8 percent in the 2016-17 and 2017-18 school years. This amounts to just over 4,000 additional FTE students each year.

While in-migration and new residential construction in the Denver area has been strong, it has been dominated by individuals without children in their 20s and early 30s. As a result, enrollment growth has not been as robust as population and economic growth. Rising housing costs are expected to continue to price many families out of the Denver housing market. Relatedly, the populations of several metro Denver school districts, including Cherry Creek, Douglas, and Jefferson, are aging. These trends will moderate enrollment growth over the next two years.

Enrollment in the **northern region**, which includes Larimer and Weld counties, grew 1.2 percent in the 2015-16 school year with an additional 965 student FTE. Enrollment in this region has experienced faster growth than the state as a whole for five consecutive years, reflecting stronger job growth and residential development than in most other regions of the state. Enrollment growth in the region continued in the 2015-16 school year despite the slowdown in oil and gas activity in Weld County. Rising home prices and limited higher-paying positions in the cities of Loveland and Estes Park, however, slowed enrollment more than previously expected.

Enrollment in the region is expected to grow 2.1 percent in both the 2016-17 and 2017-18 school years. New residential developments and the strength of a diverse northern economy are expected to support growth.

Enrollment in the **Colorado Springs region**, which is comprised of El Paso County, increased 1.9 percent, or by 2,142 FTE students, in the 2015-16 school year. The growth is primarily attributed to new online students in the Falcon School District, where FTE enrollment increased by 1,672 students. Removing those students shows student enrollment growth of 0.4 percent. Total enrollment growth in the region is expected to slow to 1.4 percent in the FY 2016-17 school year. A relatively low number of households with school age children are expected to dampen growth.

Total enrollment in the **Pueblo region** declined by 110 FTE students, or 0.3 percent, in FY 2015-16**.** Pueblo City School District 70, the region's largest district, declined by 274 FTE students, while an aging population and sluggish labor and housing markets are inhibiting enrollment growth. However, Pueblo County Rural School District 70, the second biggest school district in region, continues to add students. The district added students for the fifth consecutive year in FY 2015-16. Enrollment in smaller school districts in the region declined slightly or remained relatively flat. Regional enrollment is expected to increase 0.3 percent in the 2016-17 school year.

Enrollment continues to decline in the **eastern plains region**. In the 2015-16 school year, total enrollment declined by 0.7 percent, or 165 FTE students. Limited job opportunities and out-migration to more urban areas contributed to declining enrollment in the region. Additionally, online programs in other regions are drawing students away from brick and mortar schools on the eastern plains. Enrollment in the region is expected to remain relatively flat in FY 2016-17, adding 34 new FTE students.

The **San Luis Valley region**, consisting of Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties, is expected to reverse a long-term trend of declining enrollment. The region, which is the smallest in the state in terms of K-12 enrollment, grew 1.3 percent, or 95 FTE students in the 2015-16 school year. Enrollment growth rates are expected to remain positive over the next two years, at 1.3 percent in the 2016-17 school year and 1.2 percent in the 2017-18 school year. The regional economy is highly dependent on agriculture. Although the region's population tends to fluctuate with the flow of agricultural labor, it has been trending downward for over a decade due to out-migration stemming from a lack of economic opportunities and an aging population. However, new agricultural opportunities capitalizing on efficiencies with water use are expected to support modest labor market and population growth over the next two years.

Enrollment in the **mountain region**, consisting of Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller counties, grew 1.1 percent in the 2015-16 school year and is expected to increase 2.1 percent in 2016-17. Enrollment in Eagle County and Steamboat Springs Schools, the region's two largest school districts, is driving regional enrollment growth. Strong regional labor and housing markets are contributing to the increase.

Enrollment trends in the **western region**, which includes Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel counties, was flat in the 2015-16 school year. Regional school districts saw mixed enrollment changes as oil and gas, and coal industries shed jobs, resulting in net out-migration in some areas. Enrollment growth

was stronger in school districts near the cities of Grand Junction and Gunnison, which have more diverse, less energy-dependent economies. Regional enrollment is expected to grow 1.3 percent in the 2016-17 school year and 1.0 percent in the 2017-18 school years as the regional economy stabilizes and growth in other industries compensate for a weaker energy industry.

The **southwest mountain region**, which includes Archuleta, Dolores, La Plata, Montezuma, and San Juan counties, saw enrollment growth of 2.1 percent in the 2015-16 school year. The natural amenities of the region and new industry opportunities have been adding jobs and attracting new residents in recent years. Enrollment growth rates of 2.2 percent and 2.3 percent are expected for the 2016-17 and 2017-18 school years, respectively.

Risks to the forecast. The impact of lower oil prices and the expectation that they remain low through much of 2016 may result in lower enrollment than expected, particularly in the northern and western regions of the state. Conversely, should oil and gas prices rise considerably within the next two years, these regions may experience higher than expected growth. Additionally, stronger than expected in-migration of families and new residential developments that are affordable for young families could result in higher enrollment in some regions of the state.

Figure 26
Forecast Percent Change in Enrollment by Economic Region
2016-17 School Year (Budget Year 2016-17)

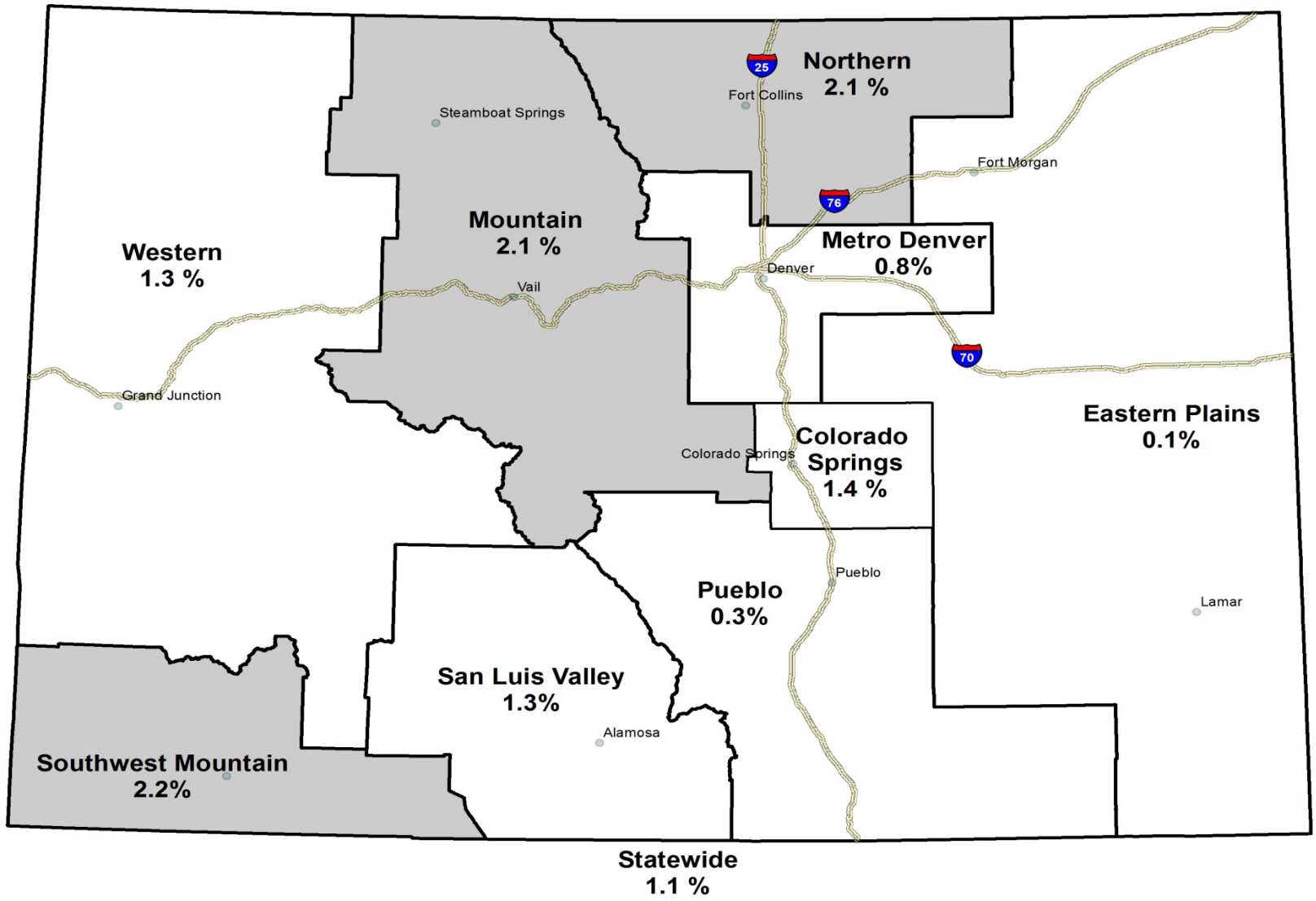
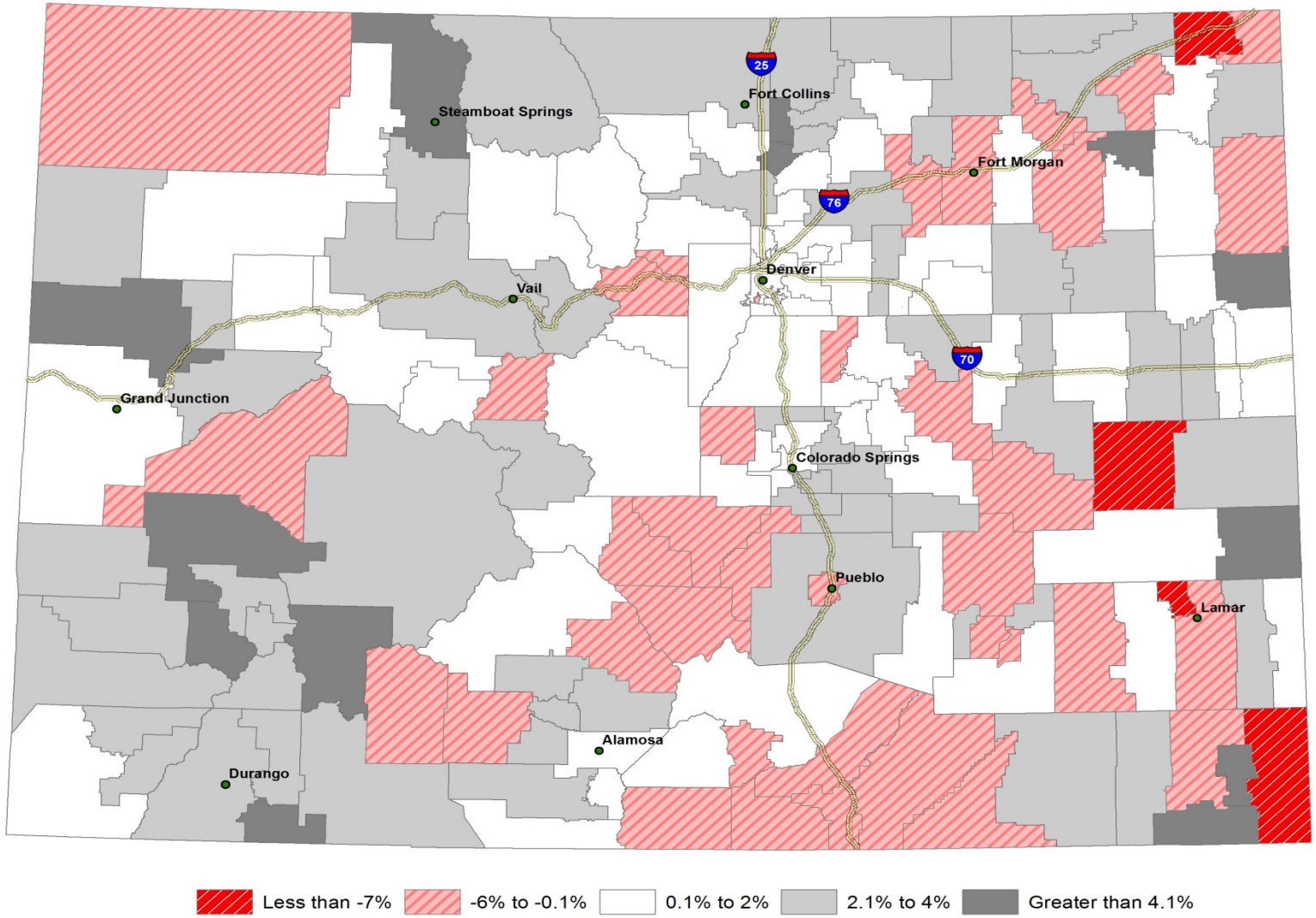


Figure 27
Forecast Percent Change in Enrollment by School District
2016-17 School Year (Budget Year 2016-17)



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ADULT PRISON POPULATION AND PAROLE CASELOAD PROJECTIONS

Recent data show that the state's prison population is beginning to decrease after two consecutive years of growth. This section presents forecasts of the state prison population and parole caseload for FY 2015-16 through FY 2017-18. It contemplates the historical and current trends affecting these areas and explains the adjustments made to the December 2014 forecast. The forecasts are followed by a brief discussion of recent legislation impacting the prison and parole populations. The section concludes with an analysis of risks to the forecasts.

Key findings. Relative to the December 2014 forecast, expectations for the state prison population and parole caseload have been revised downward for both FY 2015-16 and FY 2016-17. Revisions to the prison population forecast reflect decreases in court commitments and technical parole returns, as well as growth in both mandatory and discretionary releases to parole. Revisions to the parole caseload forecast reflect year-to-date declines in caseload and an increasing share of parolees qualifying for early discharge. The following outcomes are anticipated over the forecast period:

- **Overall population (decrease).** Over the three-year forecast period, the overall inmate population is expected to decrease 2.2 percent, falling from 20,623 inmates in June 2015 to 20,167 inmates in June 2018. The state prison population is expected to fall through June 2017 as a result of declining court commitments, additional releases to parole, and fewer parole revocations. This forecast anticipates that current trends for court commitments and releases will reverse during the three-year forecast period, driving growth in overall population during the final year of the forecast.

- **Male population (decrease).** The male population is expected to fall from 18,655 inmates in June 2015 to 18,283 inmates at the end of the forecast period, a decline of 2.0 percent. This population is expected to fall to a minimum of about 17,900 inmates late in FY 2016-17 before beginning to rise again.

- **Female population (decrease).** Trends in the female population are expected to resemble those in the male population. The female population is expected to fall from 1,968 inmates in June 2015 to 1,884 inmates in June 2018, reaching a trough of about 1,860 inmates in 2017.

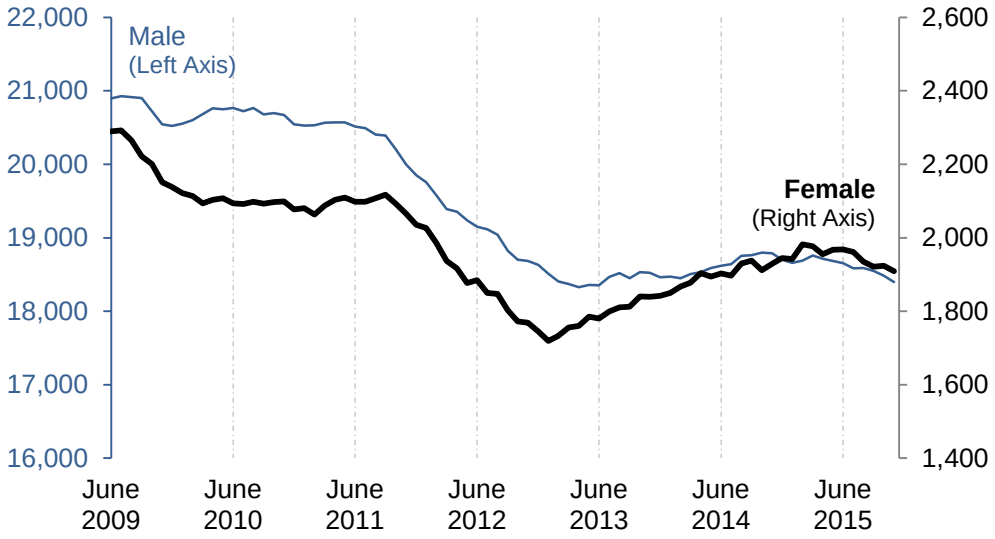
- **Parole (decrease).** In-state parole caseload is expected to decrease from 7,865 offenders in June 2015 to 7,439 offenders at the end of the forecast period. Falling caseload is expected to result from additional early parole discharges in the short term and from falling releases by the end of the forecast period. The total parole population, which includes all in-state and out-of-state parolees, but excludes interstate transfers and absconders, will fall from 9,501 offenders in June 2015 to 8,934 offenders at the end of the forecast period.

Population Forecast

Historical and recent trends. The state's prison population rose through the 1990s and 2000s, reaching its peak at 23,220 inmates in July 2009. Since 2009, changes in the population have been less consistent. Inmate population declined precipitously between

August 2010 and April 2013, falling by 12.1 percent. More recently, it rebounded, growing steadily to reach 20,736 inmates in March 2015, before dropping 2.1 percent to 20,304 inmates in November. A history of male and female prison population is shown in Figure 28.

Figure 28
Prison Population by Gender
June 2009 to November 2015



Source: Colorado Department of Corrections.

The decline in inmate population can be attributed to falling admissions, both from court commitments and parole revocations, and to growth in both mandatory and discretionary releases to parole. FY 2015-16 admissions are down 8.1 percent through November compared with the same period during the previous fiscal year, while total releases are up 5.0 percent over the same span. These changes are attributable to the following developments:

- ***Sentencing reform.*** New court commitments are down 7.3 percent through November compared with the same period during the previous fiscal year. A portion of this decline is attributable to sentencing reforms under **Senate Bill 13-250**, which directed courts to utilize alternative sentencing options, including probation or community corrections, in lieu of prison terms for certain felony drug offenses. Further, sentencing reforms for crimes of theft under **House Bill 13-1160** are expected to put downward pressure on court commitments through the forecast period.

- ***Intermediate sanctions.*** Technical parole returns, a measure of the number of parolees returned to custody for technical violations, have fallen 9.6 percent through November compared with the same period during the previous fiscal year. Part of this decline is assumed to result from technical violators being diverted to intermediate sanctions programs under **Senate Bill 15-124**, rather than being returned to prison custody. Under SB 15-124, a parole officer is required to use intermediate sanctions to address noncompliance by a parolee unless the nature of the violation mandates arrest or revocation. Intermediate sanctions may include

referral to treatment and support services or a term of confinement of no more than five days in a county jail. While the state parole population is falling, the average daily number of parolees confined to a county jail has risen 5.1 percent through November compared with the same period during the previous fiscal year.

- ***Prisoner reentry.*** Discretionary releases to parole have increased 18.9 percent through November compared with the same period during the previous fiscal year. Part of this increase is assumed to signal a shift in the behavior of the Parole Board, which had been especially wary of granting discretionary paroles in the year following the slaying of Department of Corrections chief Tom Clements in 2013. Additionally, discretionary parole rates have benefitted from a substantial expansion of prisoner reentry programs under **House Bill 14-1355**, which added nearly 80 staff to the Department of Corrections' case management, parole officer, training and skill development, behavioral health care, and other reentry programs.

Present trends are expected to continue through the first two years in the forecast period. Table 20 shows historical and projected prison populations by gender from FY 2009-10 through FY 2017-18.

Table 20
Adult Prison Population by Gender, History and Forecast
As of June each Fiscal Year

Fiscal Year	Males	Percent Change	Females	Percent Change	Total	Percent Change
FY 2009-10	20,766	-0.6%	2,094	-8.6%	22,860	-1.4%
FY 2010-11	20,512	-1.2%	2,098	0.2%	22,610	-1.1%
FY 2011-12	19,152	-6.6%	1,885	-10.2%	21,037	-7.0%
FY 2012-13	18,355	-4.2%	1,780	-5.6%	20,135	-4.3%
FY 2013-14	18,619	1.4%	1,903	6.9%	20,522	1.9%
FY 2014-15	18,655	0.2%	1,968	3.4%	20,623	0.5%
FY 2015-16*	18,067	-3.2%	1,892	-3.9%	19,959	-3.2%
FY 2016-17*	17,902	-0.9%	1,865	-1.4%	19,767	-1.0%
FY 2017-18*	18,283	2.1%	1,884	1.0%	20,167	2.0%

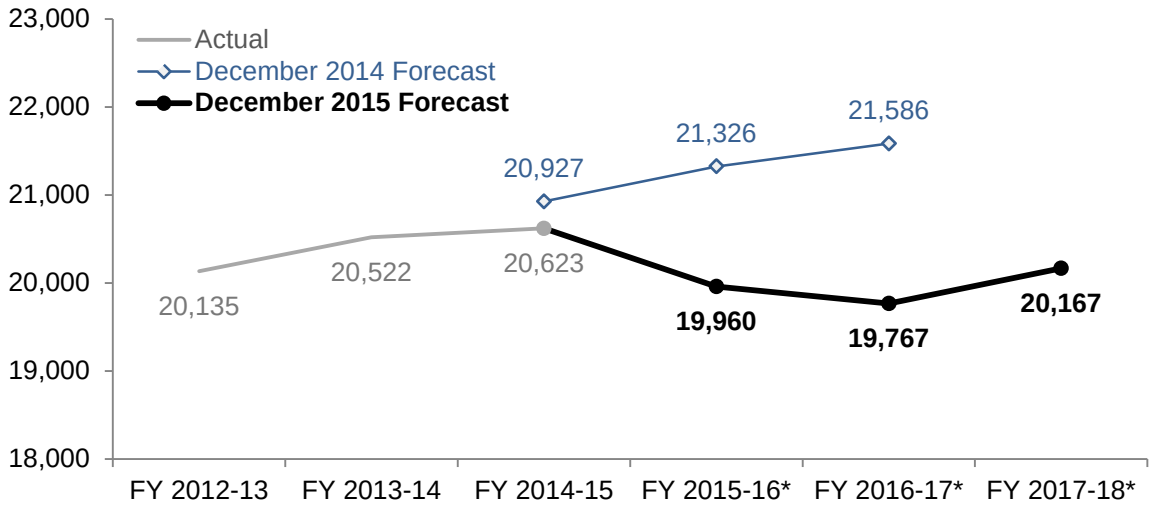
*Source: Colorado Department of Corrections. *Legislative Council Staff Projections.*

Adjustments to the forecast for total population. Figure 29 illustrates the inmate population forecasts published in December 2014 and December 2015. The 2014 forecast anticipated that the November 2015 prison population would be 21,113. The actual population was 20,304, a difference of 809 inmates. For FY 2015-16 and FY 2016-17, the 2015 forecast contains downward revisions to 2014 projections based on lower expectations for admissions and higher expectations for releases. Revised expectations are attributable in large part to changes in policy and practice that have taken effect since publication of the 2014 forecast.

The most notable change in policy over the past year is expansion of the intermediate sanctions program, codified in SB 15-124. The 2014 forecast anticipated rising admissions

through the forecast period at a time when parole revocations were trending upward. SB 15-124 requires parole officers to utilize intermediate sanctions in lieu of revocation unless mandatory, which has contributed to a reversal in the revocation trend and driven a decrease in prison admissions. Additionally, the Parole Board has increased the rate of discretionary releases to parole more quickly than anticipated in the 2014 forecast. While the 2014 forecast expected that releases would rise over the forecast period, actual releases are up 5.0 percent through November 2015 compared with the same period during the previous fiscal year, rather than the 2.3 percent increase projected in the 2014 forecast. Intermediate sanctions, Parole Board behavior, and observed trends in admissions and releases have resulted in recalibrated expectations for the prison population in FY 2015-16 and beyond.

Figure 29
Adult Inmate Population, Forecast-to-Forecast Comparison
December 2014 to December 2015 Forecast



*Source: Colorado Department of Corrections and Legislative Council Staff. Actual totals shown for FY 2012-13 through FY 2014-15. *Current forecast period.*

Parole Forecast

The adult parole population has dropped consistently since early 2013, losing 12.9 percent of its peak value between March 2013 and November 2015. While releases to parole have increased during the current fiscal year, the decline in the state's parole caseload can be attributed to changes in administration of the Department of Corrections' early discharge program, which are expected to drive further declines in the parole population over the first year of the forecast period. These are described below. Declines in later years are expected to be increasingly driven by falling releases to parole.

Early discharge. The Parole Board reports that the Division of Adult Parole increasingly advises offenders to seek early discharge from parole, allowing offenders to leave state supervision before completion of their parole sentence. Early discharge is available only to offenders who have completed at least 50 percent of their parole term, complied with restitution requirements, and committed few if any technical violations. Early discharges

accounted for 10.1 percent of all parole supervision outcomes as of October 2015, up from 2.0 percent in January 2014.

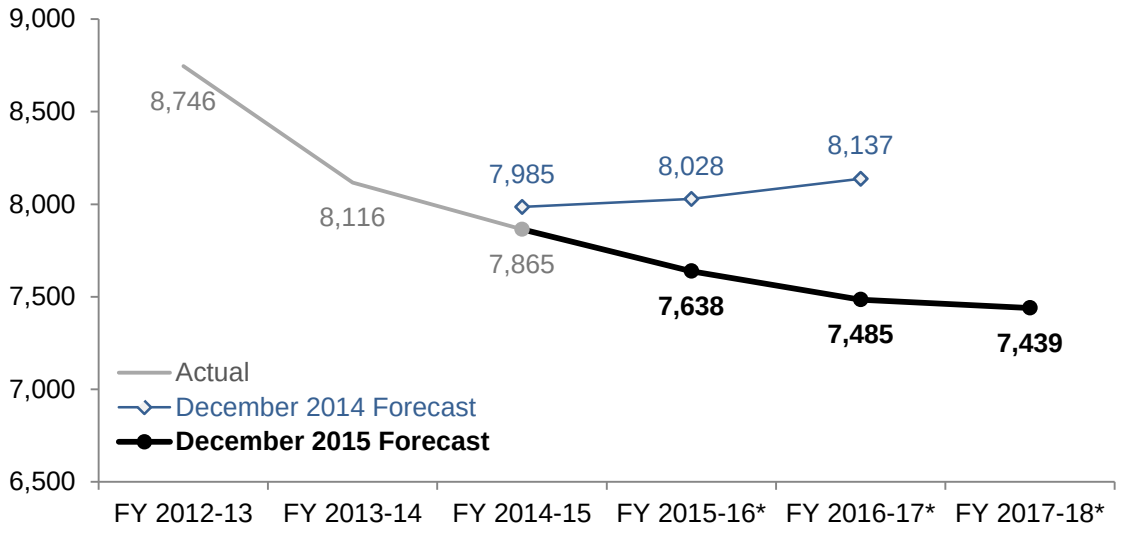
Table 21 shows historical and projected adult parole populations, by location, from FY 2009-10 through FY 2017-18.

Table 21
Parole Population, History and Forecast
As of June 30 each Fiscal Year

Fiscal Year	In-State Parole	Percent Change	Out-of-State Parole	Percent Change	Total	Percent Change
FY 2009-10	8,535	-5.3%	2,100	3.5%	10,635	-3.7%
FY 2010-11	8,181	-4.1%	1,922	-8.5%	10,103	-5.0%
FY 2011-12	8,445	3.2%	2,066	7.5%	10,511	4.0%
FY 2012-13	8,746	3.6%	2,008	-2.8%	10,754	2.3%
FY 2013-14	8,116	-7.2%	1,808	-10.0%	9,924	-7.7%
FY 2014-15	7,865	-3.1%	1,636	-9.5%	9,501	-4.3%
FY 2015-16*	7,638	-2.9%	1,578	-3.5%	9,216	-3.0%
FY 2016-17*	7,485	-2.0%	1,545	-2.1%	9,029	-2.0%
FY 2017-18*	7,439	-0.6%	1,495	-3.2%	8,934	-1.1%

*Source: Colorado Department of Corrections. *Legislative Council Staff Projections.*

Figure 30
Adult In-State Parole Population, Forecast-to-Forecast Comparison
December 2014 to December 2015 Forecast



*Source: Colorado Department of Corrections and Legislative Council Staff. Actual totals shown for FY 2012-13 through FY 2014-15. *Current forecast period.*

Adjustments to the forecast for parole. Figure 30 illustrates the in-state parole caseload forecasts published in December 2014 and December 2015. The 2014 forecast anticipated that November 2015 in-state caseload would be 7,932 parolees. Actual caseload was 7,879, a difference of 53 parolees. For FY 2015-16 and FY 2016-17, the 2015 forecast contains downward revisions to 2014 projections based on continuation of the falling caseload trend observed since publication of the 2014 forecast, along with higher expectations for early discharges.

Factors Affecting the Adult Prison Population and Parole Caseload

It can be difficult to isolate the factors that directly impact the adult prison population and parole caseload. Historically, increases in prison population were thought to be tied to rising crime during periods of poor economic performance, as well as increases in the general state population. These assumptions have been challenged since the Great Recession, which witnessed a decline in prison admissions and a decrease in the prison population.

The following paragraphs describe how external factors, including demographic and economic trends, changes within the criminal justice system, new legislation, and internal factors including departmental and Parole Board administrative policies, can influence the growth or decline of the inmate population and parole caseload volume.

- ***Population.*** All other things being equal, a larger population will result in a greater number of criminal offenses, arrests, criminal felony filings, and prison commitments. Colorado's population is projected to grow about 5.2 percent through the forecast period, which may put mild upward pressure on the inmate population.

- ***Economic factors.*** As discussed above, prison admissions exhibited essentially no correlation with economic conditions during the Great Recession and the subsequent recovery. Accordingly, this forecast assumes no correlation between economic growth and prison population.

- ***Criminal justice system.*** The actions of the judicial system also affect inmate population growth. In particular, commitment of offenders to prison is a major determinant of the inmate population. The mix of crimes sentenced also affects the prison population because more serious crimes entail longer durations of stay in correctional facilities. Admissions are expected to fall short of releases for the first two years of the forecast period, and this trend is expected to reverse by FY 2017-18.

- ***Legislation.*** The General Assembly has recently enacted legislation that is expected to impact prison population and parole caseload through the forecast period. The bills expected to result in the most significant impacts are described below.

  House Bill 12-1223 expanded the amount of earned time an offender imprisoned on or after July 1, 1993, can accrue. The bill allows prisoners who are re-incarcerated for technical parole violations to accrue earned parole time once they have been returned to prison custody.

House Bill 13-1160 eliminated certain theft-related crimes and adjusted penalties downward for crimes of theft. This bill is anticipated to slow the pace of admissions to prison for theft crimes beginning in FY 2013-14 and continuing through the forecast period.

Senate Bill 13-250 directed district courts to utilize alternative sentencing options in lieu of prison terms for certain drug crimes. This bill is anticipated to slow the pace of prison admissions and alter lengths of stay (both increasing and reducing sentences, depending on the crime) beginning in FY 2014-15.

House Bill 14-1355 provided about $8.2 million and 78.4 FTE per year for reentry programs for adult parolees. Initiatives funded by the bill include programs to assist offenders in a correctional facility to prepare for release to the community. The bill is anticipated to put upward pressure on discretionary releases through the forecast period.

House Bill 15-1043 created a felony penalty for repeat convictions of driving under the influence (DUI), DUI *per se*, or driving while ability impaired (DWAI), and reduced the felony penalty for aggravated driving with a revoked license to a misdemeanor. On net, the bill is expected to increase court commitments to prison beginning in FY 2015-16, and continuing at increased rates through the forecast period.

House Bill 15-1122 stipulated that an offender is ineligible for parole if he or she has been convicted of certain penal discipline violations or failed to participate in programs related to the original crime. This bill could result in a minimal prison population increase and parole caseload decrease through the forecast period.

Senate Bill 15-124 required parole officers to use intermediate sanctions to address noncompliance by parolees unless the nature of the violation mandates arrest or revocation. The bill narrowed the scope of behavior that warrants arresting a parolee for a technical violation. It is expected to decrease readmissions to prison and increase parole caseload beginning in FY 2015-16 and continuing through the forecast period.

- ***Departmental and Parole Board administrative policies.*** Statute defers the authority to grant discretionary inmate releases to the appointed members of the Parole Board. Statistics on discretionary parole indicate that the board issued fewer releases in the year following the murder of Department of Corrections chief Tom Clements in 2013, and that discretionary releases have increased 18.9 percent through November 2015 compared with the same period during the previous fiscal year. The forecast assumes that this high growth rate is attributable in part to the relatively high stock of eligible parolees in prison, and that discretionary releases will fall in FY 2016-17 and FY 2017-18. Departmental policies also can have significant impacts on forecast accuracy. The Division of Adult Parole's current expansion of the early discharge program is expected to reduce state parole caseload in FY 2015-16.

Risks to the Forecast

The most significant risk to the forecast is the behavior of the Parole Board. The board has a tremendous influence on parole caseload and revocations to prison custody, and exclusive authority over discretionary releases to parole. This forecast assumes that discretionary releases, which have increased substantially during the current fiscal year, will moderate in future years, while revocations, which have decreased substantially during the current fiscal year, will remain below their historical trend through the forecast period. To the extent that the Parole Board behaves differently than anticipated, prison population and parole caseload could be higher or lower than forecast.

The impact of House Bill 15-1043, which created a felony penalty for repeat DUI offenders, remains largely unknown at this time. Currently available data suggest that the bill is spurring court commitments to prison at a faster rate than previously anticipated. Historically, changes to criminal statute have required 18 months to manifest in prison population figures. Through early December 2015, four DUI offenders had been sentenced to prison custody over the first four months since the bill became law, suggesting that convictions are proceeding more quickly than in the past. This forecast anticipates more convictions under the new statute than presented in the bill's final fiscal note. To the extent that the bill results in more convictions than anticipated here, the prison population could be higher than forecast.

YOUTH CORRECTIONS POPULATION PROJECTIONS

This section presents the forecast for the population of juvenile offenders administered by the Division of Youth Corrections (DYC) in the Department of Human Services. The three major populations administered by the DYC are juveniles committed to custody, juveniles sentenced to a detention facility, and juveniles sentenced to community parole.

- The DYC **commitment population** will decrease from an average daily population of 740 youths in FY 2014-15 to 660 youths in FY 2017-18.

- The DYC **detention population** will decrease from an average daily population of 282 youths in FY 2014-15 to 257 youths in FY 2017-18.

- The average daily **parole population** will correspondingly fall from 243 youths in FY 2014-15 to 234 youths in FY 2017-18.

Juvenile Offender Sentencing Options

Juvenile offenders not prosecuted as adults are managed through the juvenile courts. If a court determines that a juvenile committed a crime, he or she is adjudicated as a delinquent. Upon determination of guilt, the court may sentence a juvenile to any one or a combination of the following:

Commitment. Depending on age and offense history, a juvenile may be committed to the custody of the DYC for a determinate period of between one and seven years for committing an offense that would be a felony or misdemeanor if committed by an adult.

Detention. The court may sentence a juvenile to a detention facility if he or she is found guilty of an offense that would constitute a class 3, 4, 5, or 6 felony or a misdemeanor if committed by an adult. Detention sentences may not exceed 45 days and are managed by the DYC.

County jail or community corrections. Juveniles between 18 and 21 who are adjudicated as a delinquent prior to turning 18 may be sentenced to county jail for up to six months or to a community correctional facility or program for up to one year.

Probation or alternative legal custody. The court may order that a juvenile be placed under judicial district supervision and report to a probation officer. Conditions of probation may include participation in public service, behavior programs, restorative justice, or restitution. The court may also place the juvenile in the custody of a county department of social services, a foster care home, a hospital, or a child care center.

Influences on the Juvenile Offender Population

Court sentencing practices. Total juvenile delinquency filings increased consistently during the 1990s, peaking in 1998. Since then, filings have declined steadily, falling at an average annual rate of 5.3 percent over the ten years between FY 2005-06 and FY 2014-15. This decline in filings is expected to continue and will put downward pressure on the populations committed to DYC supervision.

In addition, policies affecting sentencing alternatives for juveniles affect the size of the detention and commitment populations. These include the creation of diversionary programs as alternatives to incarceration, mandated caps on sentence placements, and changes to parole terms. Between the 2013 and 2015 legislative sessions, five bills passed that affect the juvenile detention, commitment, and parole populations:

House Bill 13-1254 created a restorative justice pilot project allowing a juvenile who is charged with a class 3, 4, 5, or 6 felony and has no prior charges to participate, at his or her own expense, in a restorative justice program as an alternative to adjudication. This program is repealed in statute effective December 31, 2015.

Senate Bill 13-177 reduced the bed cap for the DYC from 422 to 382. This bill was enacted along with a series of other changes that consolidated assessment units and reduced contract placements for youths in the custody of the DYC.

House Bill 14-1023 required the Office of the State Public Defender to hire social workers to assist in juvenile defense cases.

House Bill 14-1032 required that a juvenile detained for a delinquent act be represented by counsel at a detention hearing and provided state representation when private counsel is not retained. It created specific procedures for the advisement of rights and waiver of counsel.

Senate Bill 15-184 directed chief judges of each judicial district to create a policy for addressing truancy cases through means other than DYC detention. Beginning in FY 2016-17, this bill is expected to reduce DYC average daily detention population by between 1 and 2 youths each month.

Division of Youth Corrections Sentencing Placements and Population Forecast

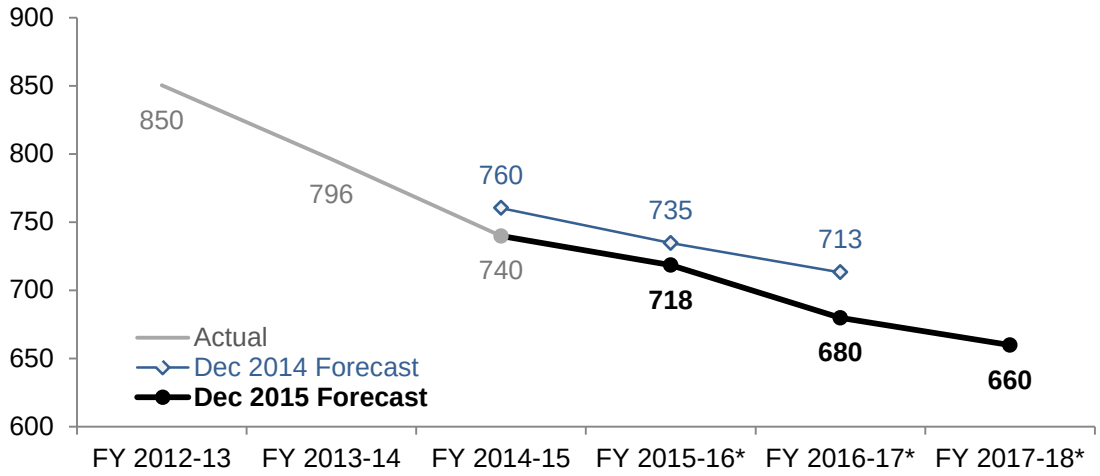
Commitment. The commitment population consists of juveniles adjudicated for a crime and committed to DYC custody. In FY 2014-15, the average daily commitment population was 740 youths, representing a 7.1 percent decrease from the prior year. Between FY 2015-16 and FY 2017-18, the commitment population is expected to drop to 660 youths, representing a total decrease of 10.8 percent from FY 2014-15.

The FY 2014-15 average daily commitment population fell short of the December 2014 forecast by 20 youths. Projected DYC commitments have been adjusted downward from 2014 expectations to account for the larger than anticipated decline in FY 2014-15. Overall commitments are expected to decline at a slower pace through the remainder of the forecast period. Figure 31 compares the current average daily commitment population forecast to that published in December 2014.

Detention. The DYC manages ten secure detention facilities and contracts for additional detention beds. Under Senate Bill 13-177, the detention population is capped at 382 youths.

In FY 2014-15, the detention population averaged 282 youths, representing a 3.7 percent decrease from the prior year. Between FY 2015-16 and FY 2017-18, the detention population is expected to drop to 257 youths, representing a total decrease of 9.1 percent from FY 2014-15.

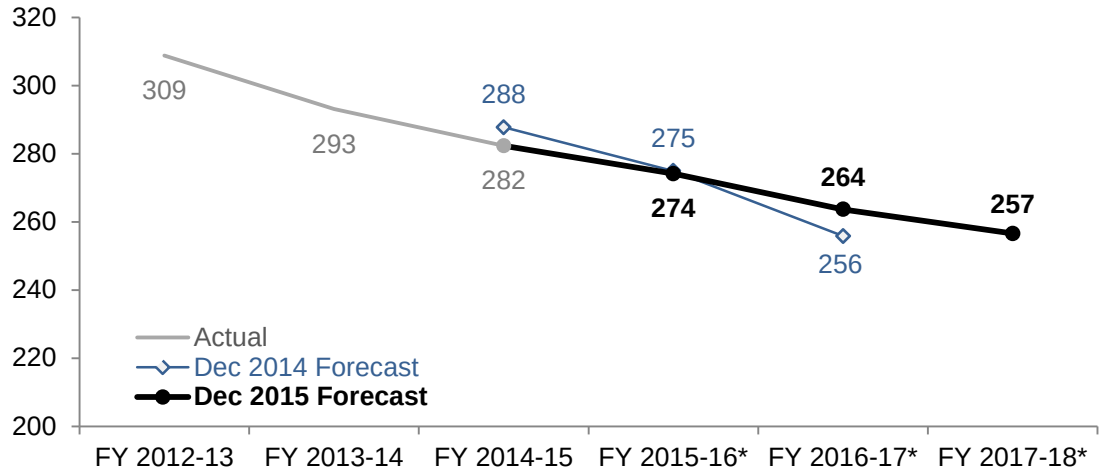
Figure 31
Comparison of DYC Average Daily Commitment Population Forecasts, December 2014 and December 2015



Source: Colorado Department of Human Services Division of Youth Corrections.
**Actual data.*

The FY 2014-15 average daily detention population fell short of the December 2014 forecast by 6 youths. Figure 32 compares the current average daily detention population forecast to that published last year; as shown, the two forecasts are roughly consistent with one another.

Figure 32
Comparison of DYC Average Daily Detention Population Forecasts, December 2014 and December 2015



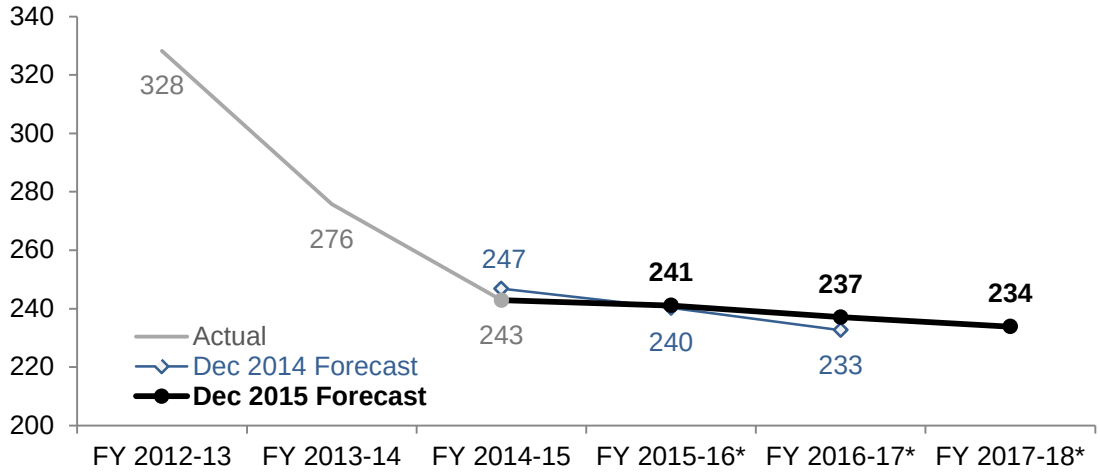
Source: Colorado Department of Human Services, Division of Youth Corrections.
**Actual data.*

Parole. Juveniles who have served their commitment sentence and are approved by the Juvenile Parole Board are eligible for release to community parole. The DYC continues to be closely involved with parolees, preparing the parole plan for presentation to the board and monitoring the youth's progress while on parole.

The juvenile parole population averaged 243 youths in FY 2014-15, a decrease of 11.9 percent from the prior fiscal year. Between FY 2015-16 and FY 2017-18, the average daily parole population is expected to drop to 234 youths, a further decrease of 3.7 percent over the forecast period.

The FY 2014-15 average daily parole population was about 6 youths lower than anticipated in the December 2014 forecast. As shown in Figure 33, expectations for the FY 2015-16 and FY 2016-17 parole populations are roughly consistent with those published last year.

Figure 33
Comparison of DYC Average Daily Parole Population Forecasts, December 2014 and December 2015



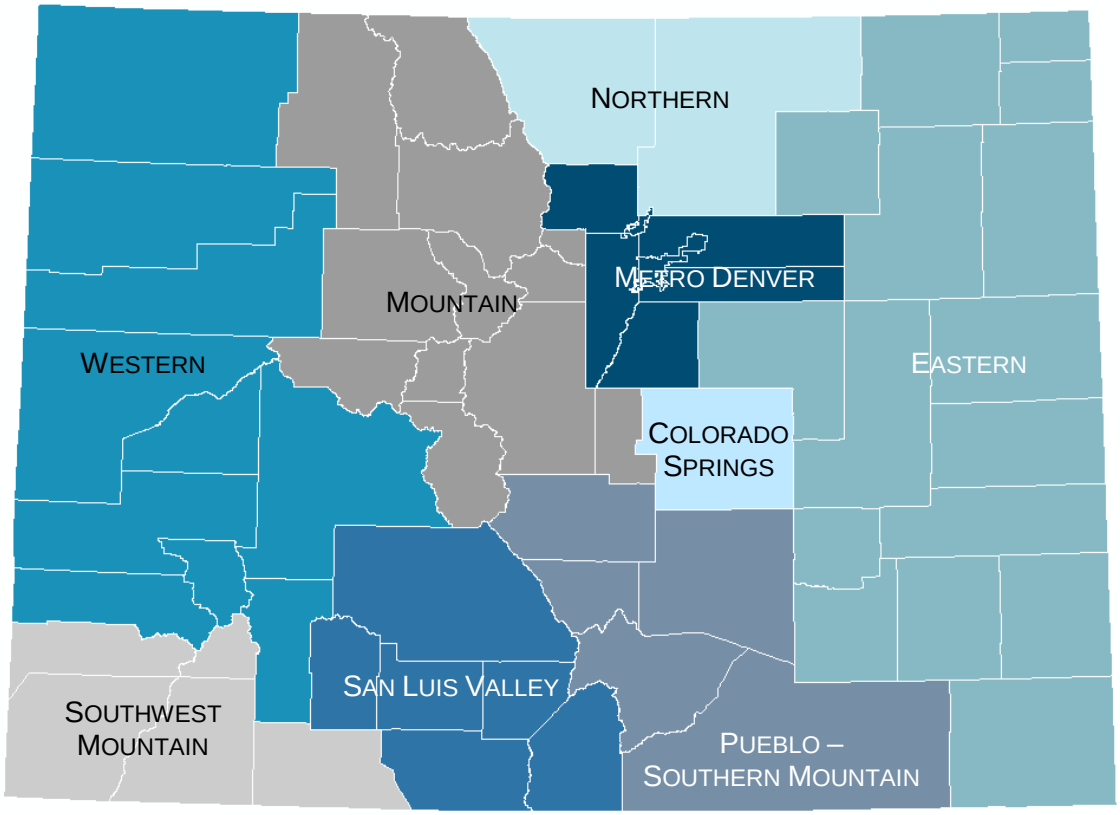
Source: Colorado Department of Human Services, Division of Youth Corrections.
**Actual data.*

Risks to the Forecast

Commitment and detention sentences are at the discretion of the courts. The population forecasts assume that sentencing patterns will remain consistent with current practices, which have resulted in a steady decline in juvenile filings and an increase in alternative sentencing options. To the extent that judges decide to place more offenders under DYC supervision, populations will be greater than forecast.

Additionally, the Juvenile Parole Board has a tremendous influence upon the parole population through releases, revocations, and re-commitments. Because the board has the discretion to extend parole beyond the six-month mandatory period in a majority of cases, the parole population could fluctuate depending on the inclination of the board.

COLORADO ECONOMIC REGIONS



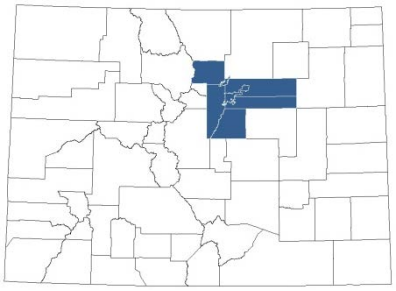
A NOTE ON DATA REVISIONS

Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data are based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data are based on the surveys received at the time of data publication and this data are revised over time as more surveys are collected to more accurately reflect actual employment conditions. Because of these revisions, the most recent months of employment data may reflect trends that are ultimately revised away. Additionally, employment data undergoes an annual revision, which is published in March of each year. This annual revision may affect one or more years of data values.

Like the employment data, residential housing permits and agriculture data are also based on surveys. This data is revised periodically. Retail trade sales data typically have few revisions because the data reflect actual sales by Colorado retailers. Nonresidential construction data in the current year reflect reported construction activity, which is revised the following year to reflect actual construction activity.

Metro Denver Region

The economy in the seven-county Denver region, which accounts for about 56 percent of Colorado's population, remains robust. Over the past five years, the region has exhibited better comprehensive economic performance than most other parts of the state and many national areas. Employment growth, albeit slower than one year ago, is still strong. The region's diversified economic activity, educated workforce, and support for entrepreneurship development continue to help economic growth despite the fall in oil prices, which has dampened employment at energy firms and related businesses. Savings from lower gasoline prices are supporting consumer-spending growth for other goods and services. Strong demand continues to bolster the construction of new homes and low nonresidential vacancy rates continue to encourage the start of new projects throughout the region. Regional indicators for the Denver area are shown in Table 23.



Denver's labor market remains healthy, but growth is slowing. The mix of industries continues to benefit the region as job losses in some industries are offset by growth in others. Service sectors like education, health care, and hospitality are growing quickly, while others such as professional and business services and financial activities are reporting losses.

The Denver region's labor force population and unemployment rate are illustrated in Figure 34. Decelerating job growth has been offset by declining labor force participation, resulting in a roughly constant unemployment rate. The Denver area labor force population had grown smoothly since the start of the recovery, but appears to have reversed course over

Table 23
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth [1]	1.8%	2.9%	3.6%	3.6%	2.9%
Unemployment Rate [2]	8.1%	7.5%	6.4%	4.7%	3.9%
Housing Permit Growth [3]					
Denver-Aurora MSA Single-Family	-0.4%	58.5%	18.9%	16.3%	15.4%
Boulder MSA Single-Family	-5.2%	29.0%	22.5%	17.7%	52.5%
Nonresidential Construction Growth [4]					
Value of Projects	24.7%	14.2%	22.2%	3.9%	28.0%
Square Footage of Projects	36.5%	-8.6%	-9.1%	10.5%	12.0%
Level (*Millions*)	2,704	2,471	2,246	2,482	2,419
Number of Projects	-2.5%	6.1%	22.4%	25.1%	14.7%
Level	576	611	748	936	915
Retail Trade Sales Growth [5]	4.3%	8.0%	4.6%	8.6%	7.5%

MSA = Metropolitan statistical area. NA = Not available.
[1]Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2015.
[2]Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Data through September 2015.
[3]U.S. Census. Growth in the number of residential building permits. Data through October 2015.
[4]F.W. Dodge. Data through October 2015.
[5]Colorado Department of Revenue. Data through April 2015.

the last 12 months. A flat or downward trend in the labor force may indicate that the region has reabsorbed many of the discouraged workers and students who left the labor force during the recession, and that the labor force population trend may increasingly be driven by demographic factors associated with an aging population, principally retirements.

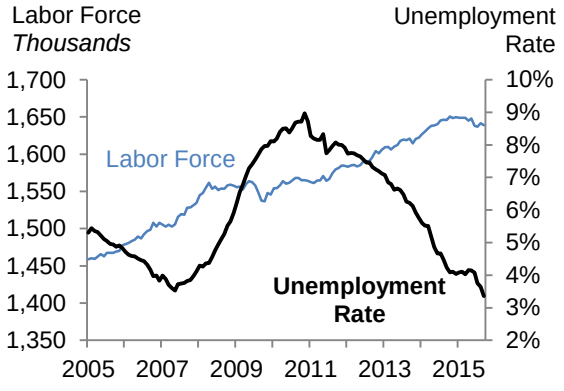
Consumer spending, as measured by retail trade, continues to grow. Figure 35 charts Denver region retail trade since 2007. After exhibiting very quick growth over the first half of 2014, retail trade flattened in the winter of 2014 and spring of 2015, immediately following the plunge in gasoline prices. Lower consumer spending on fuel is moderating retail trade growth in 2015, counteracting some of the growth in spending on other goods and services.

Denver's housing market is hot. Demand is high and supply is scarce, and prices are at or near record highs. High home values, short sale times, and tight credit conditions are conspiring to keep would-be homebuyers in rental properties. According to the Denver Metro Association of Realtors, single-family homes spent an average of 22 days on the market in July, down from 29 days in July 2014. Prices have dropped slightly in the last few months. In July, the median-priced single-family home sold for $350,000, down 2.8 percent from June 2015. The median-priced condominium sold for $215,000.

While demand is expected to remain high for at least the next year, price gains could cool further depending on the rate at which new supply becomes available. Figure 36 shows residential building permits issued in the region by nominal dollar value and number of units. As shown, permit issuances now top pre-recession peak levels in terms of numbers of units, and the units being constructed are less expensive, in both nominal and real terms, than those built in the mid-2000s. Many of these new units will become rental properties.

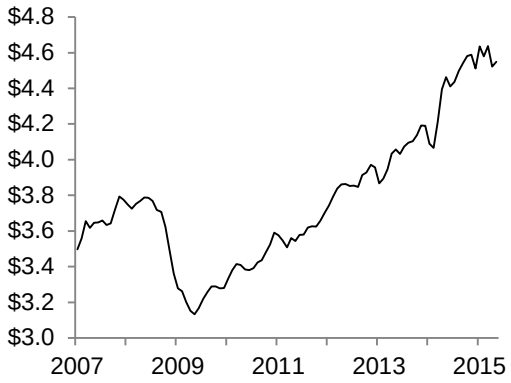
The region's nonresidential inventory continues to grow. Low vacancy rates and a healthy regional economy are supporting demand for new nonresidential construction. Key construction indicators, such as the value, number, and square footage of nonresidential projects, are up relative to 2014. Figure 37 shows nonresidential building permits, by square feet, in the Denver area.

Figure 34
Metro Denver Labor Force and Unemployment Rate



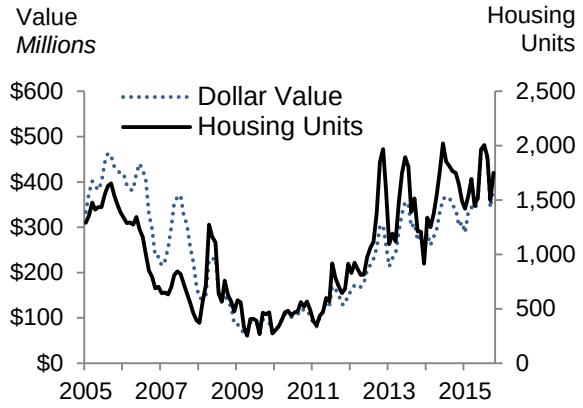
Source: U.S. Bureau of Labor Statistics; LAUS. Seasonally adjusted. Data through September 2015.

Figure 35
Metro Denver Retail Trade
Billions of Dollars



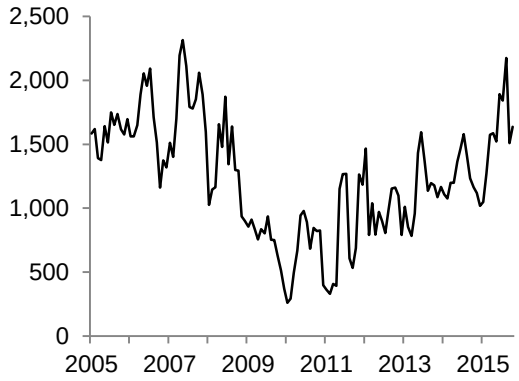
Source: Colorado Department of Revenue. Three-month moving average; seasonally adjusted. Data through April 2015.

Figure 36
Metro Denver Residential Building Permits



Source: F.W. Dodge. Three-month moving average. Data through October 2015.

Figure 37
Metro Denver Nonresidential Building Permits
Thousands of Square Feet



Source: F.W. Dodge. Three-month moving average. Data through October 2015.

Northern Region

Although lower oil prices have slowed economic activity in the northern region, which includes Larimer and Weld counties, the region's economy remains the strongest in the state. In Larimer County, while growth in employment and retail sales held steady in the first 10 months of 2015, construction activity declined relative to the same period in 2014. In oil-dependent Weld County, employment growth has decelerated through the first ten months of 2015. The region's unemployment rate has continued to fall and remains among the lowest in the state. Similarly, growth in both construction permits and retail sales are gaining at slower speeds than those exhibited in 2014. Continued growth is expected, although with a further loss of momentum, as oil prices have fallen further since October. Table 24 shows economic indicators for the northern region.

Table 24
Northern Region Economic Indicators
Weld and Larimer Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth [1]					
Fort Collins-Loveland MSA	1.8%	2.7%	3.2%	2.8%	3.0%
Greeley MSA	4.1%	4.8%	5.4%	8.8%	5.6%
Unemployment Rate [2]					
Fort Collins-Loveland MSA	7.1%	6.6%	5.7%	4.3%	3.5%
Greeley MSA	8.6%	7.8%	6.6%	4.5%	4.0%
State Cattle and Calf Inventory Growth [3]	10.2%	-3.4%	-8.7%	-4.2%	-5.1%
Natural Gas Production Growth [4]	12.9%	14.1%	12.5%	27.0%	41.6%
Oil Production Growth [4]	28.0%	36.6%	44.5%	52.4%	27.2%
Housing Permit Growth [5]					
Fort Collins-Loveland MSA Total	1.0%	59.3%	28.8%	8.7%	-3.6%
Fort Collins-Loveland MSA Single Family	45.7%	63.3%	31.3%	10.2%	4.6%
Greeley MSA Total	-3.1%	54.6%	45.6%	41.1%	10.8%
Greeley MSA Single Family	-2.6%	58.8%	37.7%	18.5%	4.0%
Nonresidential Construction Growth [6]					
Value of Projects	-11.8%	12.0%	55.0%	31.1%	6.5%
Square Footage of Projects	-36.4%	42.1%	40.4%	45.5%	9.2%
Level (*Thousands*)	244,493	273,779	424,437	556,538	523,628
Number of Projects	-5.1%	23.3%	-2.5%	66.5%	-20.0%
Level	129	159	155	258	180
Retail Trade Sales Growth [7]					
Larimer County	8.0%	5.8%	6.3%	8.3%	8.7%
Weld County	26.6%	5.2%	8.0%	11.8%	4.6%

MSA = Metropolitan statistical area. NA = Not available.
[1] Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2015.
[2] Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through September 2015.
[3] National Agricultural Statistics Service. Cattle and calves on feed through October 2015.
[4] Colorado Oil and Gas Conservation Commission. Natural gas data through August 2015. Oil data through June 2015.
[5] U.S. Census Bureau. Growth in the number of residential building permits. Data through October 2015.
[6] F.W. Dodge. Data through October 2015.
[7] Colorado Department of Revenue. Data through April 2015.

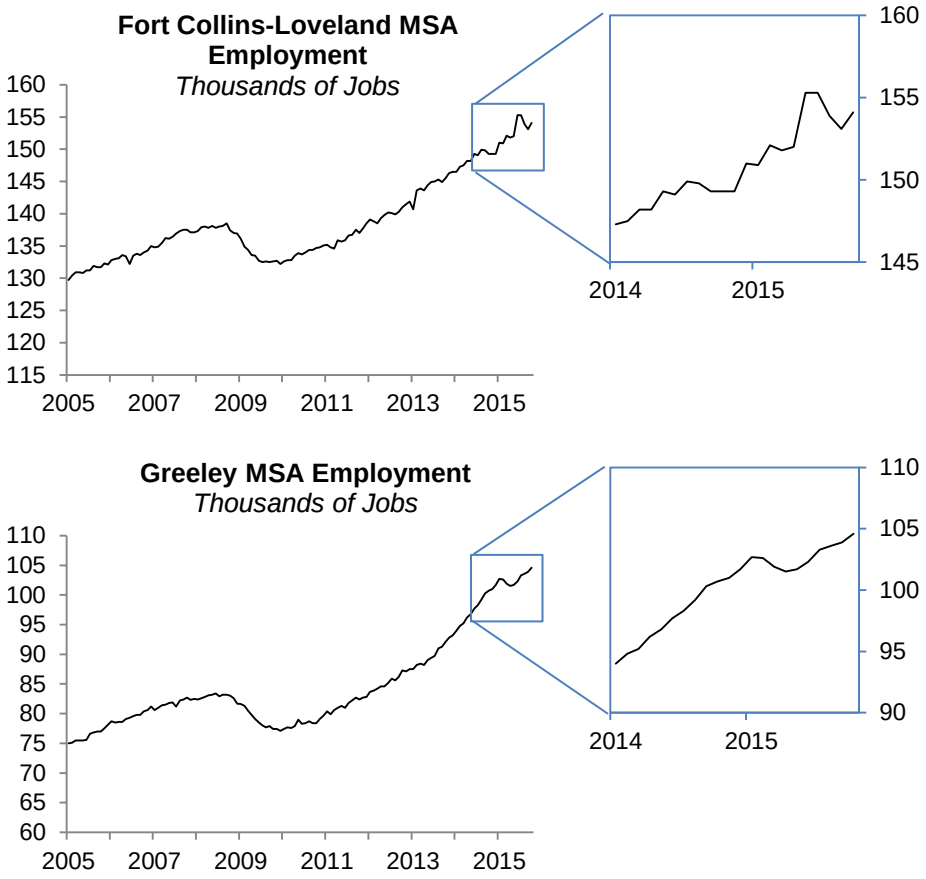
Over the last five years, the northern region has been the epicenter of oil and natural gas production in the state. Industry sources have recently indicated that the Wattenberg field (see figure 10 on page 40) remains one of the safest bets in the county for exploration and production. Preliminary production data support this. Natural gas production in the region increased by more than 40 percent in the first eight months of 2015 relative to year-ago levels, in contrast to stark declines in the western region. Further, oil production continued to expand, with a gain of more than 27 percent through June (the most recent data available) relative to the first half of 2014. Energy prices continued to fall through December to the mid-$30 range, however, which likely put downward pressure on production in the second half of the year and will continue to do thus into 2016.

Employment growth in the region is slowing, although it remains among the strongest in the state. Figure 38 shows employment trends for Larimer and Weld counties, with the pull-out boxes highlighting growth that occurred in 2014 and the first ten months of 2015. The figure shows dips in employment growth in Weld County during the first half 2015 before showing growth again, although at slower rates than previously. Overall, employment growth is 3.0 percent in Larimer County and 5.6 percent in Weld County, which compares to rates of 2.8 percent and 8.8 percent, respectively, in 2014. The region's unemployment rate continued to drop in 2015, averaging 3.5 percent through September.

The regional housing market is also showing a loss of momentum. While construction activity in Larimer County accelerated during the first half of 2015, activity has slowed sharply over the last four months. Overall, in the first ten months of 2015, construction activity in Larimer County has declined by 3.6 percent. Growth in construction activity has also tapered in Weld County, with residential permits increasing at a relatively slower rate of 10.8 percent through September after three consecutive years with permit growth above 40 percent. In addition, there were 180 nonresidential construction projects started in the first ten months 2015, a decrease of 20.0 percent relative to a similar period a year earlier. Figure 39 shows the three-month moving average of residential construction permits in the northern region.

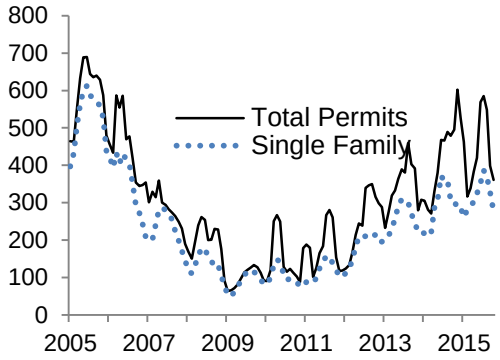
Through the first four months of 2015, growth in retail sales in Larimer County accelerated while growth in Weld County sales decelerated compared with 2014. This pattern may change, however, as more data becomes available given the broader trends in the region. In Larimer County, sales increased 8.7 percent between January and April of 2015 compared with the same period in 2014, while sales in Weld County increased 4.6 percent. This compares to 2014 growth rates for Larimer and Weld counties of 8.3 percent and 11.8 percent, respectively. Figure 40 shows that the growth in indexed retail sales in each county in the northern region continues to outpace both the state and the nation as a whole.

Figure 38
Fort Collins – Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted Data



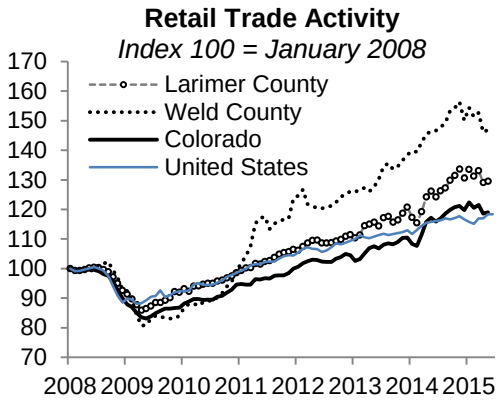
Source: U.S. Bureau of Labor Statistics, CES, Data through October 2015.

Figure 39
Northern Region
Residential Building Permits
Three-Month Moving Average;
Non-Seasonally Adjusted Data



Source: F.W. Dodge. Data through October 2015.

Figure 40
Northern Region Retail Sales Indexed to January 2008
Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Data are through April 2015.

Colorado Springs Region

Economic indicators in the Colorado Springs region continue to give reason for optimism. The region continued to add jobs through 2015; albert at a slower pace than the state. The unemployment rate continues to hover around prerecession levels and the region is exhibiting improved performance in consumer spending, single-family homebuilding, and nonresidential construction. Indicators for the Colorado Springs region are shown in Table 25.

Relative to 2014, the region continues to add jobs. Generally, the region has been dependent on the presence of the military and government jobs; however, the region has made efforts to diversify its economy and as a result much of the recent improvement in the labor market is coming from industries outside the public sector. For example, health care employment has seen significant growth over the past year, reflecting the aging of the local population and more retirees moving into the region. In addition, Pikes Peak continues to attract visitors to the region and has bolstered job growth in the Leisure and Hospitality sector.

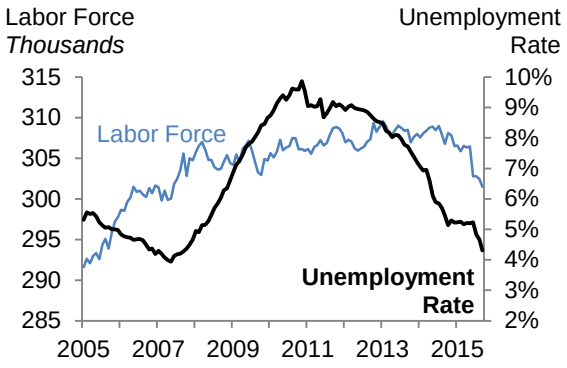
The unemployment rate in the Colorado Springs was 5.0 percent at the end of September 2015. The region's unemployment rate has been steadily declining since early 2011; however, the decline is mainly due to a contracting workforce. A declining labor force could indicate that workers in Colorado Springs are enrolling in colleges, emigrating to other

Table 25
Colorado Springs Region Economic Indicators
El Paso County

	2011	2012	2013	2014	YTD 2015
Employment Growth [1]					
Colorado Springs MSA	1.3%	1.0%	2.3%	1.9%	1.5%
Unemployment Rate [2]	9.0%	8.8%	7.9%	5.2%	5.0%
Housing Permit Growth [3]					
Total	29.1%	33.0%	17.2%	3.8%	-3.8%
Single-Family	-3.8%	50.1%	19.2%	-7.7%	13.5%
Nonresidential Construction Growth [4]					
Value of Projects	17.5%	-1.6%	25.2%	-12.0%	12.7%
Square Footage of Projects	16.8%	0.5%	6.5%	-4.2%	3.6%
Level (*Thousands*)	477,253	479,770	510,809	489,589	414,288
Number of Projects	10.5%	-11.7%	-1.7%	-5.9%	8.0%
Level	409	361	355	334	309
Retail Trade Sales Growth [5]	8.2%	5.5%	4.1%	4.4%	4.6%

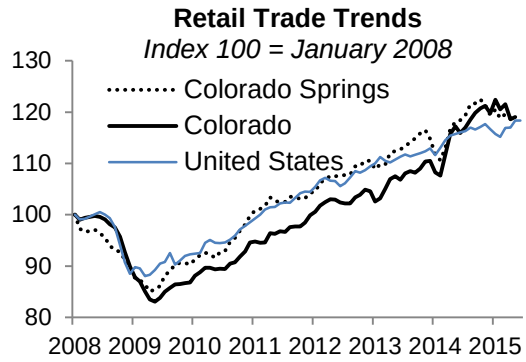
MSA = Metropolitan statistical area. NA = Not Available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2015.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through September 2015.
[3]U.S. Census. Growth in the number of residential building permits. Data through October 2015.
[4]F.W. Dodge. Data through October 2015.
[5]Colorado Department of Revenue. Data through April 2015.

Figure 41
Colorado Springs Labor Force and Unemployment Rate



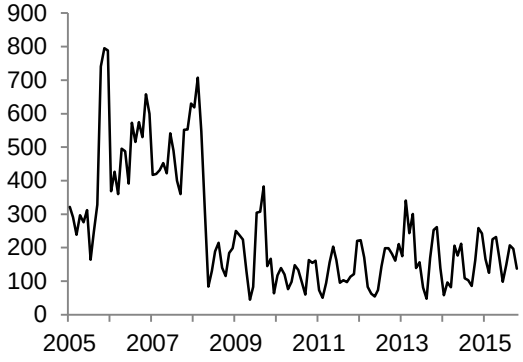
Source: U.S. Bureau of Labor Statistics; LAUS. Seasonally adjusted. Data through September 2015.

Figure 42
Colorado Springs Retail Trade Trends
Index 100 = January 2008



Source: Colorado Department of Revenue. Three-month moving average; seasonally adjusted. Data through April 2015.

Figure 43
Colorado Springs MSA Residential Building Permits
Thousands of Square Feet



Source: U.S. Census Bureau. Three-month moving average. Data through June 2015.

areas, or becoming discouraged and ending their job hunts. More likely, the decline reflects demographic factors, and older workers are retiring. A shrinking labor force is helping to keep the unemployment rate low, even as job growth has slowed slightly from its pace in 2014. Figure 41 illustrates the regional labor force population and unemployment rate.

Consumer spending, as measured by retail trade, grew 4.6 percent between January and April compared with the same period in 2014. However, seasonally adjusted retail sales declined slightly from the last quarter of 2014 to the first quarter of 2015, partially a reflection of reduced consumer spending on fuel. Once the region's labor market begins to tighten, upward wage pressure will result in additional disposable income for households and boost regional consumer spending. A history of seasonally adjusted retail trade since 2007 is shown in Figure 42.

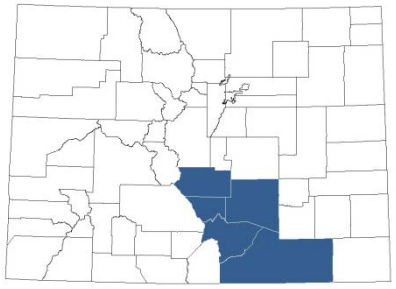
Construction activity in Colorado Springs shows signs of progress. Nonresidential construction has made considerable gains relative to a weak 2014, with substantial increases in the number, value, and square footage of permitted projects. Some of the individual planned projects are quite large. For example, an Olympic Museum, a new Air Force Academy Visitors Center, and a Sports Medicine and Performance Center at the University of Colorado at Colorado Springs have selected sites and are in the active planning stages.

The region is also adding new homes, though at a slower pace than other parts of the Front Range. The number of permits issued for single family homes continues its year-by-year increase, however, home construction remains well below pre-recession levels. The number of multifamily permits issued fell precipitously between January and June compared with the same period in 2014. This can be attributed more to the spike in multifamily permits issued last year than slower construction planning this year. Single family and total residential permits issued in the Colorado Springs MSA (including Teller County) are shown in Figure 43.

Pueblo – Southern Mountains Region

Economic activity in the Pueblo– Southern Mountains region, which consists of Pueblo, Fremont, Custer, Huerfano and Las Animas counties, continued to expand in 2015. Activity in the Pueblo metropolitan statistical area (Pueblo County) accelerated in 2015, with faster growth in employment and construction activity than experienced in 2014. However, economic activity slowed elsewhere in the region. Table 26 shows several economic indicators for the Pueblo – Southern Mountains region of the state.

Labor market conditions in the Pueblo MSA, which includes Pueblo County, are more robust than other counties in the region. Year-to-date through October, employment in the Pueblo MSA has increased 2.0 percent compared with the same period in 2014 (Figure 44 at left). Meanwhile, employment in the five-county Pueblo region increased 1.1 percent during the same time period. After turning upward during the first few months of 2015, the unemployment rate for the region has trended downward since the spring, from 6.6 percent in May to 5.5 percent in September (Figure 45 at right). While the falling rate was partially driven by an increase in employment over the summer, a drop in the labor force also contributed to the decline.



Area retail trade rose 2.5 percent year-to-date through April, reflecting strong growth through the end of 2014. However, retail trade has softened since the start of 2015, as shown in Figure 46.

Table 26
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

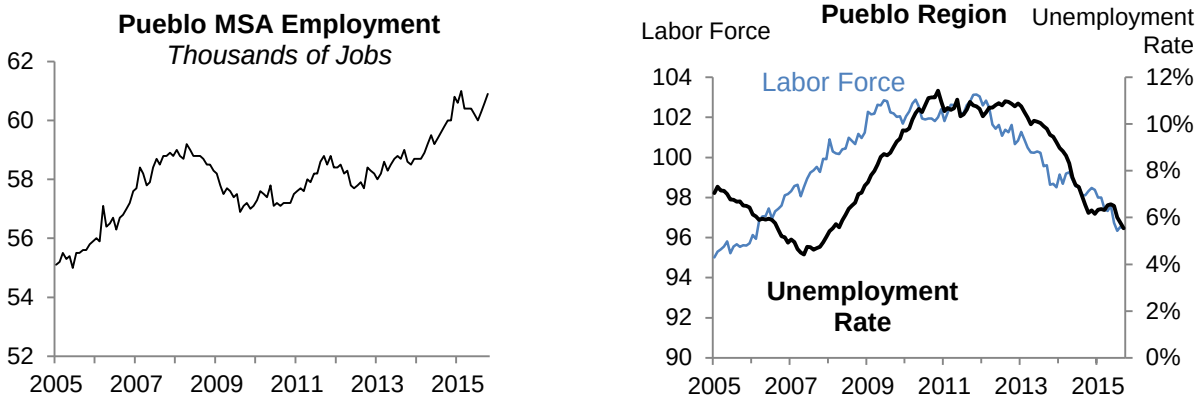
	2011	2012	2013	2014	YTD 2015
Employment Growth					
Pueblo Region[1]	0.4%	-1.0%	-0.8%	1.5%	1.1%
Pueblo MSA[2]	1.5%	-0.2%	0.8%	1.6%	2.0%
Unemployment Rate[1]	10.7%	10.8%	10.0%	7.4%	6.2%
Housing Permit Growth[3]					
Pueblo MSA Total	-49.6%	125.4%	-40.6%	-0.6%	82.0%
Pueblo MSA Single-Family	-45.5%	50.9%	-8.1%	-0.6%	33.6%
Nonresidential Construction Growth[4]					
Value of Projects	-58.1%	717.4%	-75.3%	192.7%	13.1%
Square Footage of Projects	3.9%	390.8%	-72.2%	197.9%	12.1%
Level (*Thousands*)	22,288	109,397	30,389	90,527	91,240
Number of Projects	5.1%	-31.7%	7.1%	96.7%	-32.7%
Level	41	28	30	59	37
Retail Trade Sales Growth[5]	9.5%	2.9%	1.4%	5.1%	2.5%

MSA = Metropolitan statistical area. NA = Not Available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through October 2015.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through September 2015.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through October 2015.
[4]F.W. Dodge. Data through October 2015.
[5]Colorado Department of Revenue. Data through April 2015.

The number of permits granted for residential construction in the Pueblo region increased year-to-date in 2015 relative to 2014 levels. However, as shown in Figure 47, both the dollar value and amount of residential building in the region is currently consistent with levels last seen in 2012 and 2013 and remains significantly lower than levels seen during the housing boom that preceded the Great Recession. Meanwhile, the value and square footage of permitted nonresidential construction projects continued to grow in 2015 through October relative to year-ago-levels, while the number of projects fell.

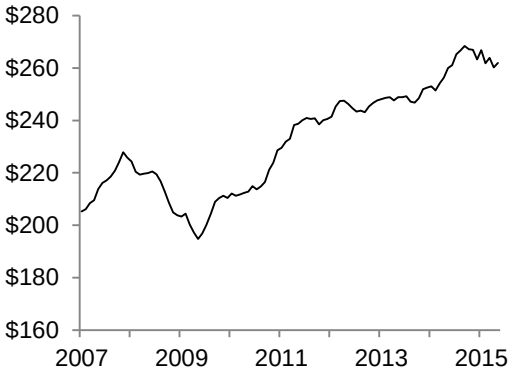
In October, CBD Biosciences announced plans to open a plant to process oil from hemp plants and to establish a Global Hemp Center for Innovation at the plant In Pueblo. The company plans to hire 163 workers by 2017.

Figures 44 and 45
Selected Labor Market Indicators



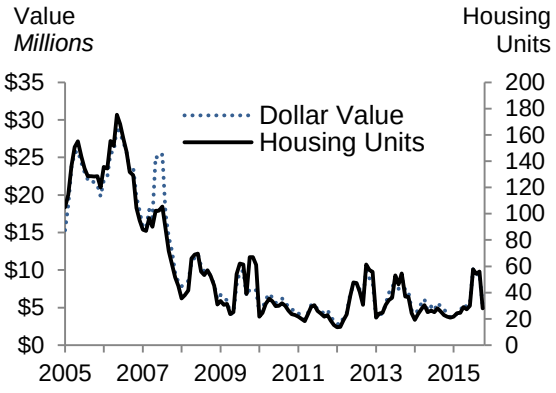
Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through October 2015.
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through September 2015.

Figure 46
Pueblo Region Retail Trade
Millions of Dollars



Source: Colorado Department of Revenue. Data are shown as a three-month moving average, are seasonally adjusted, and are through April 2015.

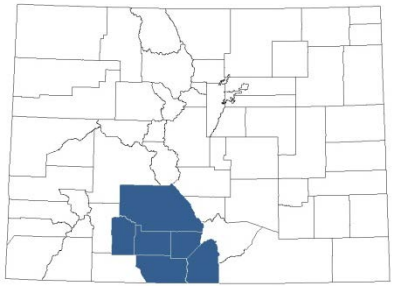
Figure 47
Pueblo Region
Residential Building Permits



Source: F.W. Dodge. Data are shown as three-month moving averages, are not seasonally adjusted, and are through October 2015.

San Luis Valley Region

The San Luis Valley is the smallest regional economy in the state. Even though the economy is small, there is a diverse mix of jobs in agriculture, tourism, regional services, and government employment. Regional employment is growing and the unemployment rate is declining. The prices for the crops grown in the region have declined slightly, but construction activity and retail sales have both increased in 2015. Table 27 shows several economic indicators for the San Luis Valley region of the state.



Employment has increased 3.3 percent in the first ten months of 2015 compared with the same period in 2014. This growth rate is above the statewide employment growth rate of 2.4 percent during the same period. The unemployment rate has decreased from 7.9 percent in 2014 to 6.2 percent on average in 2015 through October. The unemployment rate is at its lowest point since 2007, but 6.2 percent is still higher than the state rate of 4.2 percent. Figure 48 shows the labor force and the unemployment rate for the San Luis Valley region of Colorado.

Barley and potatoes are the two largest agricultural crops grown in the San Luis Valley. The value of barley harvested per acre decreased 11.4 percent between 2013 and 2014 to $730.1 per acre. The value of potatoes harvested per acre also declined, but by a more modest 2.3 percent. The value of potatoes harvested per acre was $3,530 in 2014. Dry weather reduced potato and barley productivity of the San Luis Valley in 2014, but a wet summer and fall helped increase water levels in reservoirs in the upper Rio Grande basin to 87 percent of average as of November 2015. This is 27 percent higher than November 2014 and the highest level since 2009.

Table 27
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

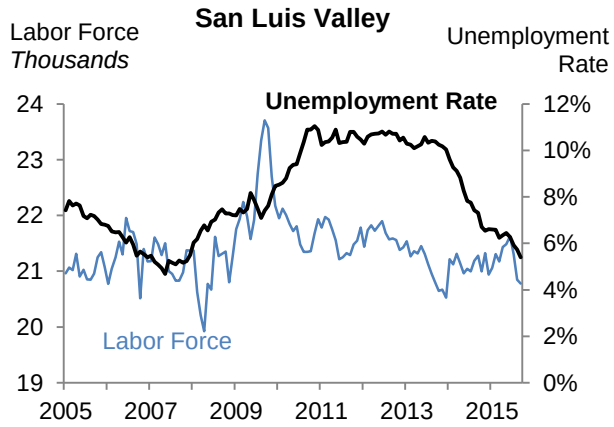
	2011	2012	2013	2014	YTD 2015
Employment Growth [1]	-1.4%	0.1%	-2.2%	2.8%	3.3%
Unemployment Rate [1]	10.5%	10.6%	10.3%	7.9%	6.2%
Statewide Crop Price Changes [2]					
Barley					
Acres Harvested	48,700	43,100	46,600	42,900	
Crop Value ($/Acre)	$ 702.9	$ 904.6	$ 824.4	$ 730.1	
Potatoes					
Acres Harvested	53,900	54,000	49,600	53,900	
Crop Value ($/Acre)	$ 4,304	$ 2,668	$ 3,614	$ 3,530	
Housing Permit Growth [3]	-9.2%	41.5%	15.0%	-25.0%	18.6%
Retail Trade Sales Growth [4]	5.8%	2.9%	0.5%	3.5%	6.7%

NA = Not Available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through October 2015.
[2]National Agricultural Statistics Service. Barley through December 2014; potatoes through November 2014. Data are not available for 2015.
[3]F.W. Dodge. Data through October 2015.
[4]Colorado Department of Revenue. Data through April 2015.

Housing permits in the San Luis Valley increased 18.6 percent between January and October of 2015 compared with the same period in 2014. There is a relatively small base of permits for housing units built in the San Luis Valley, which can lead to large percentage increases or decreases each year.

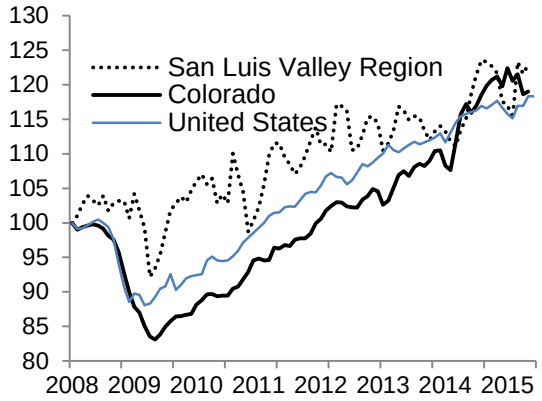
Retail trade in the region has increased each year since 2010. In the first four months of 2015, retail trade sales increased 6.7 percent compared with the same period in 2014. Statewide, retail sales increased 6.5 percent between January and April 2015 compared with the same months in 2014. Figure 49 shows retail sales for the San Luis Valley, Colorado, and the nation indexed to January 2008.

Figure 48
Unemployment Rate and Labor Force



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through September 2015.

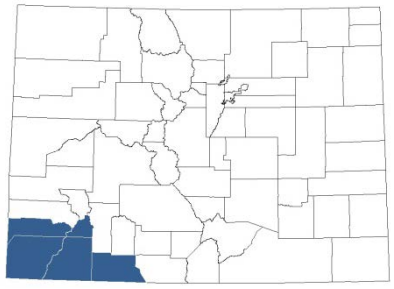
Figure 49
Retail Trade Trends
Colorado, San Luis Valley, and United States
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau Data shown as a three-month moving averages. Data are seasonally adjusted and are through April 2015.

Southwest Mountain Region

The southwest mountain region boasts a varied economy, with tourism, agriculture, and natural resource extraction each playing important roles. Thus far in the current business cycle, the region's economy is outperforming the remainder of the Western Slope, while lagging behind the central mountain communities. In 2015, national park visitations have increased and regional labor market trends have stabilized, while retail trade in the region has fallen relative to inflation. Economic indicators for the region are summarized in Table 28.



Regional employers are holding the labor market steady after contributing to the area's strong job growth in 2014. Employment rose 1.2 percent through September compared with the previous fiscal year. Combined with modest gains in the labor force population, progress by employers has dropped the unemployment rate to an average of 4.3 percent for the current year.

While an aging population will continue to stunt labor force growth, employment trends in the region are expected to remain positive. Expansions of hospitals in Cortez and Pagosa Springs are anticipated to create new jobs in the health care industry. Although the volume of natural gas extracted from wells in La Plata and Montezuma Counties is expected to continue its long, steady decline, the region's outlook for energy jobs is more certain than in other areas of the state. Regional employment is charted in Figure 50.

Visits to Mesa Verde National Park and Hovenweep National Monument increased nearly 10 percent through the first 10 months of the year, suggesting a strong year for summer tourism. Relatively low snowfall in recent years has dampened tourism in winter months. The 2015-2016 El Niño winter is expected to bring additional snowfall to the southern half of the state, which could be a boon for regional businesses. Homeowners are increasingly choosing to make their properties available for rental to tourists on vacation rental by owner (VRBO) websites, rather than putting them on the market for sale. This practice has lowered regional vacancy rates, contributing to a tightening housing market in La Plata and Archuleta Counties in particular.

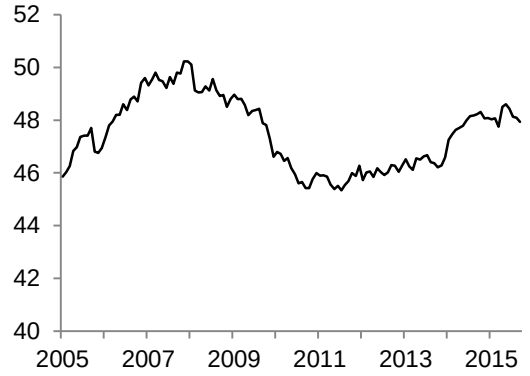
Table 28
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth [1]	-0.7%	0.7%	0.8%	3.2%	1.2%
Unemployment Rate[1]	7.9%	7.5%	6.6%	4.9%	4.3%
Housing Permit Growth [2]	-29.5%	2.4%	44.7%	14.2%	-1.3%
Retail Trade Sales Growth [3]	9.0%	6.1%	5.5%	2.0%	0.9%
National Park Recreation Visits[4]	1.9%	-13.8%	-5.9%	8.9%	9.7%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through September 2015.
[2]F.W. Dodge. Data through October 2015.
[3]Colorado Department of Revenue. Data through April 2015.
[4]National Park Service. Data through October 2015. Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

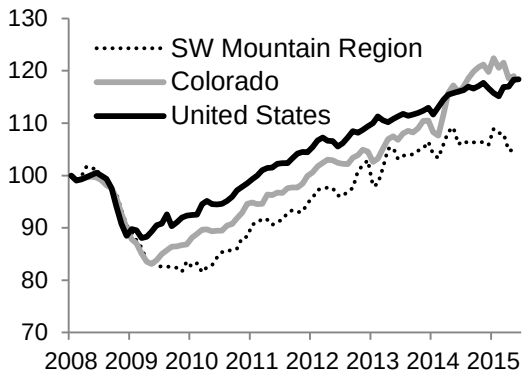
Regional consumer spending data are not encouraging. After a lackluster performance in 2014, retail trade sales grew just 0.9 percent through the first four months of 2015. While retail trade sales statewide took a hit from the gasoline price drop in late 2014, the southwest mountain region exhibited the worst performance of any region in the state. Growth in retail trade is occurring at its slowest pace since the Great Recession. Retail trade indices for the region, state, and nation are shown in Figure 51.

Figure 50
Southwest Mountain Region Employment
Thousands of Jobs



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through September 2015.

Figure 51
Retail Trade Trends
Index 100 = January 2008

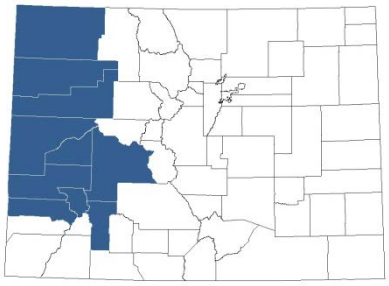


Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through April 2015.

Western Region

Economic indicators in the western region, which have been mixed thus far in 2015 across both industries and geographic areas, are shown in Table 29. The region's labor market appears to have gradually and continuously improved in 2015 through October, with gains in employment and declines in the unemployment rate (Figure 52). However, economic trends within the region vary widely. Grand Junction and resort destinations in the Roaring Fork Valley, Ouray County, and San Miguel County continued to buoy employment growth. In contrast, areas with natural-resource-based economies are struggling.

Declining natural gas production resulting from relatively low prices is dampening employment in Garfield and Rio Blanco counties. The region's natural gas production is concentrated in the Piceance Basin, primarily in Garfield County. Through August, regional gas production was down 15.7 percent compared with the same period in 2014. While statewide natural gas production has remained relatively stable, production in the western region has steadily declined since its peak in 2012 (Figure 53).



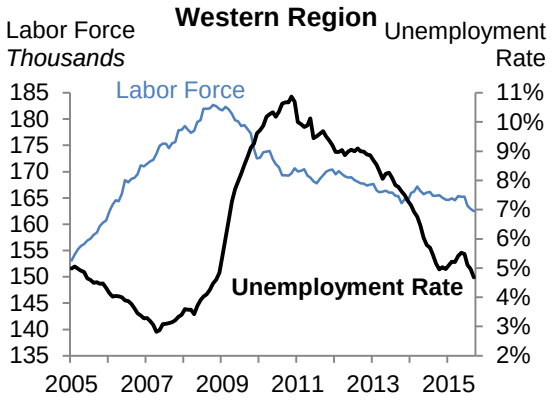
Meanwhile, the coal industry is struggling across the region. In Gunnison County, the Elk Creek mine has not reopened after closing down and laying off about 150 people following an underground fire in the fall of 2013. In addition, Arch Coal, the owner of the nearby West Elk Mine that employs 350 people in the region, signaled to its creditors in November that it is considering a Chapter 11 bankruptcy. In Moffat County, the impending closure of the Colowyo coal mine due to a federal lawsuit was prevented in September when the U.S. Department of the Interior approved a modified plan for the mine.

Table 29
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth [1]					
Western Region[1]	-0.4%	0.3%	-0.7%	2.4%	0.8%
Grand Junction MSA[2]	0.6%	0.9%	0.6%	2.2%	1.3%
Unemployment Rate[1]	9.7%	9.0%	8.0%	5.9%	5.2%
Natural Gas Production Growth[3]	4.1%	1.9%	-9.1%	-4.9%	-15.7%
Housing Permit Growth [4]	-20.8%	22.4%	-1.0%	7.9%	18.1%
Nonresidential Construction Growth [4]					
Value of Projects	-60.1%	13.2%	-24.7%	221.9%	-39.3%
Square Footage of Projects	-59.2%	26.0%	-42.0%	157.9%	-46.2%
Level (*Thousands*)	542	682	396	1,021	525
Number of Projects	-32.7%	16.7%	-28.6%	21.8%	-16.1%
Level	66	77	55	67	47
Retail Trade Sales Growth [5]	8.8%	1.0%	3.5%	3.9%	5.5%

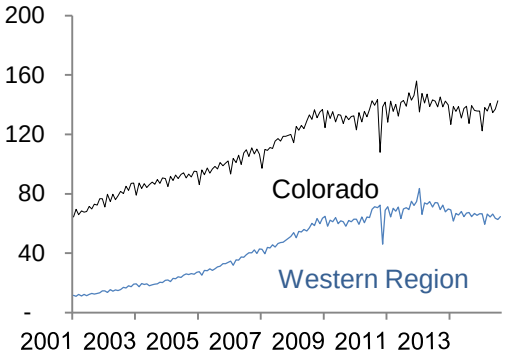
MSA = Metropolitan statistical area. NA = Not available.
[1] U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through October 2015.
[2] U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through September 2015.
[3] Colorado Oil and Gas Conservation Commission. Data through August 2015.
[4] F.W. Dodge. Data through October 2015.
[5] Colorado Department of Revenue. Seasonally adjusted. Data through April 2015.

Figure 52
Western Region



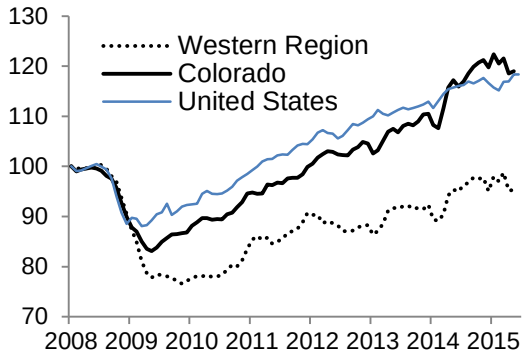
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through June 2015.

Figure 53
Colorado and Western Region Natural Gas Production
Millions of Bcf



Source: Colorado Oil and Gas Conservation Commission. Data through March 2015.

Figure 54
Retail Trade Trends
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through March 2015.

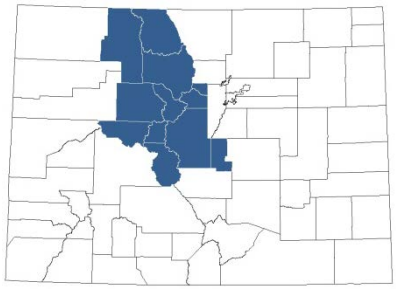
The Bowie #2 coal mine in Delta County is again under fire. After laying off 150 people in 2014, the company announced in October that they would lay off an additional 78 full-time positions and eliminate 19 contractor positions. Meanwhile, the mine's parent company, Bowie Resources LLC, became the target of a federal lawsuit challenging its mineral leases, including leases on nearly 1,800 acres of land in Delta County. Also in Delta County, Solar Energy International announced a $400,000 investment in 22 solar systems to serve the communities of Hotchkiss, Crawford, and Paonia.

After increasing 7.9 percent on a year-over-year basis in 2014, residential construction accelerated in 2015 through October with housing permits up 18.1 percent. Nonresidential construction in the region, however, is off after an uptick in 2014. The number and square footage of projects are down 16.1 percent and 46.2 percent, respectively, through October compared with the first ten months of 2014.

Consumer spending, as proxied by retail trade sales, increased 5.5 percent in 2015 through October compared with the same time period in 2014. This represents a small uptick from the 3.9 percent growth rate experienced in 2014. Retail sales continue to lag well behind other areas of the state. As shown in Figure 54, retail trade sales in the western region fell further than sales statewide during the recession and have recovered at a slower rate.

Mountain Region

Colorado's mountain communities continue to reap the benefits of improving state and national economies. Tourists are flowing into the mountains and bringing their wallets with them, driving this spending-driven region to the state's fastest growth in retail trade through April. Economic indicators for the mountain region are presented in Table 30.



Through September, the 2015 regional unemployment rate averaged 3.6 percent and continues to fall. While this rate is the state's lowest, it reflects changes in labor force composition as well as added jobs. Figure 55 plots the regional labor force and unemployment rate as estimated from household surveys conducted between January 2005 and September 2015. As shown, surveys suggest that the region's labor force population has fallen by over 2,000 workers, or about 1.6 percent, since the first of the year. Falling labor force population is likely attributable to retirements, out migration, or some combination thereof. The unemployment rate will continue to drop as the population ages and workers depart the labor force, even if employment levels begin to stagnate. Beginning in January 2016, layoffs at the Henderson Molybdenum Mine near Empire are expected to lead to substantial but localized job losses in Clear Creek County.

Regional growth in consumer spending, as measured by retail trade, was clocked at 8.7 percent through April compared with the same period during the previous year, the fastest rate in the state. This indicator is of particular importance to this heavily tourism-dependent region. Figure 56 indexes seasonally adjusted levels of regional, state, and national retail trade to January 2008. The regional index shows a dip in business during the early part of 2015. This is at least partially attributable to reduced sales at service stations consistent with falling fuel prices.

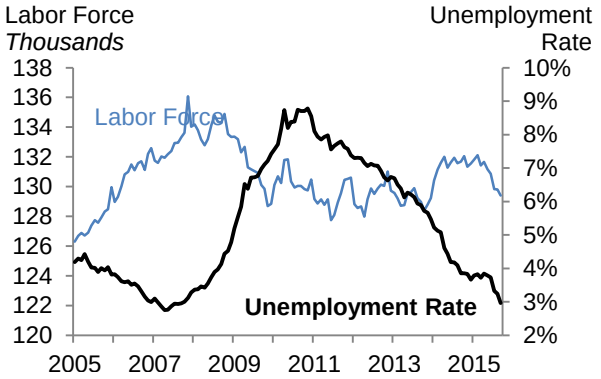
Table 30
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2011	2012	2013	2014	YTD 2015
Employment Growth [1]	-0.2%	0.9%	0.8%	3.7%	1.6%
Unemployment Rate[1]	7.8%	7.0%	6.1%	4.3%	3.6%
Housing Permit Growth[2]	-14.9%	28.6%	27.0%	21.8%	-22.5%
Nonresidential Construction Growth [2]					
Value of Projects	195.4%	-57.4%	-8.6%	84.8%	-7.2%
Square Footage of Projects	169.1%	-29.6%	-19.6%	206.5%	-55.7%
Level (*Thousands*)	779	548	441	1,352	593
Number of Projects	-13.7%	11.4%	2.0%	20.0%	-43.1%
Level	44	49	50	60	33
Retail Trade Sales Growth[3]	8.0%	5.8%	6.3%	8.3%	8.7%

[1]Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through September 2015.
[2]F.W. Dodge. Data through October 2015.
[3]Colorado Department of Revenue. Seasonally adjusted. Data through April 2015.

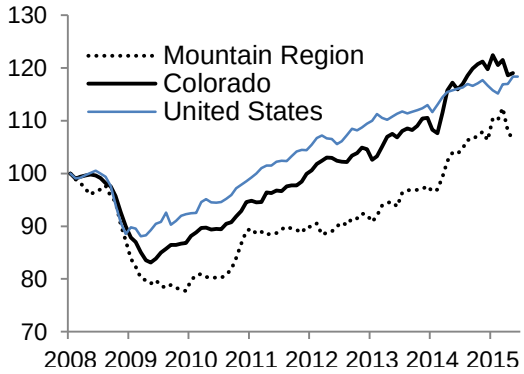
Because of the region's relatively small size, gleaning economic insight from construction indicators can be difficult. On a year over year basis, housing permit issuances are down 22.5 percent in 2015 after showing consistent improvement each year between 2011 and 2014. In many mountain communities, construction is constrained by a lack of readily buildable lots and the high infrastructural costs associated with suburban expansion. As shown in Figure 57, 2015 has not been a weak year for residential construction in the context of the current business cycle, but rather a comedown after extensive growth in 2014. The current year decline in nonresidential construction similarly suggests more about the regional construction boom in 2014 than about cooling in the regional economy this year.

Figure 55
Unemployment Rate and Labor Force



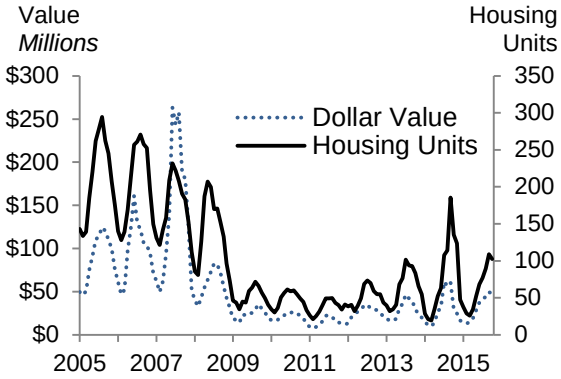
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through September 2015.

Figure 56
Retail Trade Trends
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through April 2015.

Figure 57
Mountain Region Residential Building Permits

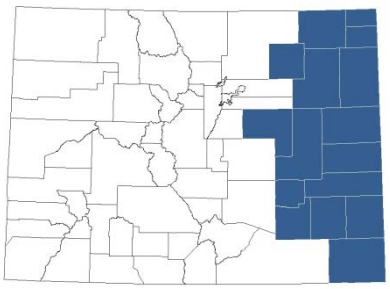


Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through October 2015.

Eastern Region

Agriculture is the dominant industry in the Eastern region's economy with nine of the top 10 agricultural counties in the state located in the region. Cattle, corn, and wheat are the largest agricultural commodities produced in the region. Employment in the region has grown faster than the state through September 2015, although crop prices and cattle have declined for the past two years. Strong growth in retail sales occurred in 2014, but has declined in the first part of 2015. Table 31 shows several economic indicators for the region.

The labor market in the Eastern region of the state is strong. The unemployment rate in September was 3.8 percent in September 2015, down from 4.4 percent in 2014. The unemployment rate has declined because of new jobs in the region. Regional employment grew 3.6 percent in 2014 and has increased 3.7 percent in the first nine months of the year compared with the same period in the prior year. If this employment growth is maintained throughout the year, this will be the first time since 2002 that employment growth exceeded 3.0 percent for two consecutive years. Figure 58 shows the labor force and the unemployment rate for the Eastern region.



Between 2011 and 2013, poor weather conditions in several areas of the nation depressed agricultural production and allowed farmers to earn high prices for crops. Prices fell in 2014 and have continued to fall in 2015 because of higher production and weak global demand. The price of a bushel of wheat declined 30.1 percent between October 2014 and October 2015. The price of a bushel of corn declined 18.2 percent and the price per ton of alfalfa hay declined 14.3 percent. Figure 59 shows the price received for wheat, corn, and alfalfa hay between 2007 and 2015.

Table 31
Eastern Region Economic Indicators
Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

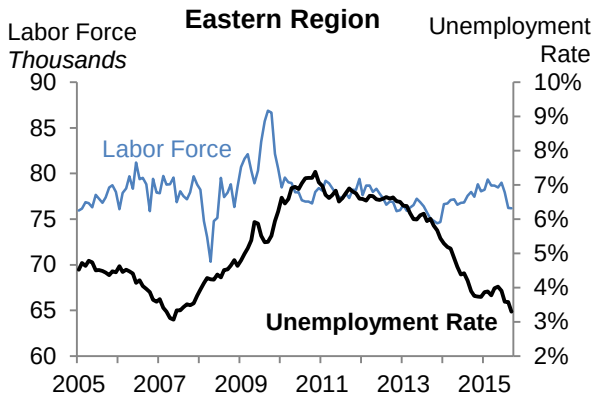
	2011	2012	2013	2014	YTD 2015
Employment Growth [1]	0.5%	-0.9%	-1.3%	3.6%	3.7%
Unemployment Rate [1]	6.7%	6.6%	6.0%	4.4%	3.8%
Crop Price Changes [2]					
Wheat ($/Bushel)	41.7%	4.2%	0.8%	-11.5%	-30.1%
Corm ($/Bushel)	59.3%	9.2%	-2.8%	-31.0%	-18.2%
Alfalfa Hay (Baled, $/Ton)	40.9%	37.0%	-0.1%	-11.3%	-14.3%
Livestock [3]					
State Cattle and Calf Inventory Growth	10.2%	-3.4%	-8.7%	-4.2%	-5.1%
Milk Production	6.5%	7.1%	3.5%	7.9%	4.0%
Retail Trade Sales Growth [4]	13.7%	4.1%	2.4%	10.2%	-5.6%

NA = Not Available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through September 2015.
[2]National Agricultural Statistics Service. Price data through October 2015.
[3]National Agricultural Statistics Service. Data through October 2015.
[4]Colorado Department of Revenue. Data through April 2015.

The cattle industry is also an important component of the agricultural economy in eastern Colorado. The number of cattle and calf declined 5.1 percent in the first 10 months of the year compared with the same period in 2014. Milk production increased 4.0 percent.

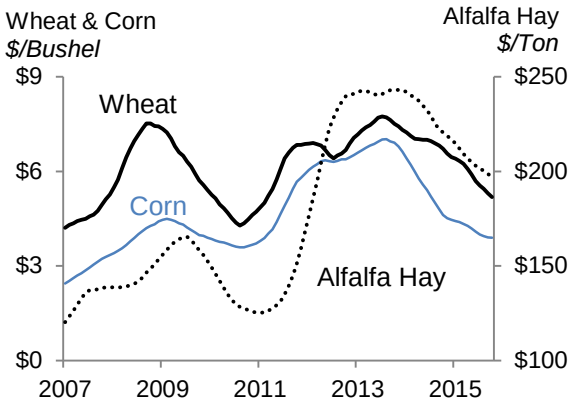
Retail sales in the eastern region declined 5.6 percent through the first four months of the year compared with the same period in 2014. This decrease is the first decreased in the last five years, which included three years of growth greater than 10 percent. Figure 60 shows retail sales for the region, Colorado, and the nation.

Figure 58
Unemployment Rate and Labor Force



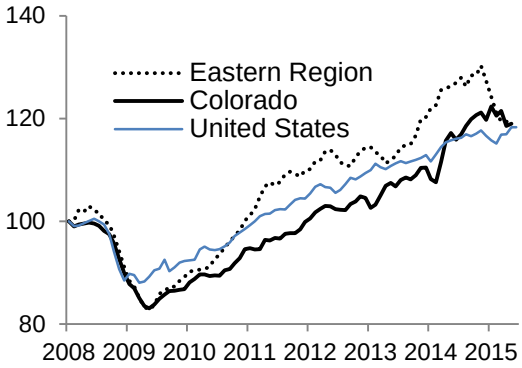
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through September 2015.

Figure 59
Price Received for Wheat, Corn, and Alfalfa Hay



Source: National Agricultural Statistics Service. Data shown as twelve-month moving averages. Data through October 2015.

Figure 60
Retail Trade Trends
Colorado, Eastern Region, and United States
Index 100 = January 2008



Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through April 2015.

National Economic Indicators

Calendar Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP ($ *Billions*) [1]	10,284.8	10,621.8	10,977.5	11,510.7	12,274.9	13,093.7	13,855.9	14,477.6	14,718.6	14,418.7	14,964.4	15,517.9	16,155.3	16,663.2	17,348.1
Percent Change	6.5%	3.3%	3.3%	4.9%	6.6%	6.7%	5.8%	4.5%	1.7%	-2.0%	3.8%	3.7%	4.1%	3.1%	4.1%
Real GDP ($ *Billions*) [1]	12,559.7	12,682.2	12,908.8	13,271.1	13,773.5	14,234.2	14,613.8	14,873.7	14,830.4	14,418.7	14,783.8	15,020.6	15,354.6	15,583.3	15,961.7
Percent Change	4.1%	1.0%	1.8%	2.8%	3.8%	3.3%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.2%	1.5%	2.4%
Unemployment Rate [2]	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%
Inflation [2]	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%	1.6%
10-Year Treasury Note [3]	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.4%	2.5%
Personal Income ($ *Billions*) [1]	8,637.1	8,991.6	9,153.9	9,491.1	10,052.9	10,614.0	11,393.9	12,000.2	12,502.2	12,094.8	12,477.1	13,254.5	13,915.1	14,068.4	14,694.2
Percent Change	8.1%	4.1%	1.8%	3.7%	5.9%	5.6%	7.3%	5.3%	4.2%	-3.3%	3.2%	6.2%	5.0%	1.1%	4.4%
Wage & Salaries ($ *Billions*) [1]	4,825.9	4,954.4	4,996.4	5,137.9	5,421.9	5,692.0	6,057.4	6,395.2	6,531.9	6,251.4	6,377.5	6,633.2	6,930.3	7,114.4	7,477.8
Percent Change	8.3%	2.7%	0.8%	2.8%	5.5%	5.0%	6.4%	5.6%	2.1%	-4.3%	2.0%	4.0%	4.5%	2.7%	5.1%
Nonfarm Employment (*Millions*) [2]	132.0	132.1	130.6	130.3	131.7	134.0	136.4	137.9	137.2	131.2	130.3	131.8	134.1	136.4	139.0
Percent Change	2.2%	0.0%	-1.1%	-0.2%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.7%	1.9%

Sources
[1]Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).
[3]Federal Reserve Board of Governors.

Colorado Economic Indicators

Calendar Years	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nonfarm Employment (*Thousands*) [1]	2,214.2	2,227.1	2,184.7	2,152.6	2,179.4	2,225.9	2,279.7	2,331.1	2,350.6	2,245.5	2,222.3	2,258.7	2,313.1	2,382.2	2,463.0
Percent Change	3.8%	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.4%
Unemployment Rate[1]	2.7%	3.8%	5.6%	6.0%	5.5%	4.9%	4.2%	3.8%	4.9%	7.6%	8.8%	8.2%	7.7%	6.5%	4.9%
Personal Income ($ *Millions*) [2]	$148,128	$155,992	$157,173	$160,369	$167,794	$179,090	$192,162	$203,035	$213,342	$206,385	$211,420	$227,052	$240,905	$246,448	$261,735
Percent Change	11.7%	5.3%	0.8%	2.0%	4.6%	6.7%	7.3%	5.7%	5.1%	-3.3%	2.4%	7.4%	6.1%	2.3%	6.2%
Per Capita Personal Income ($) [2]	$34,227	$35,230	$34,748	$35,182	$36,421	$38,390	$40,611	$42,174	$43,377	$41,518	$41,689	$44,183	$46,315	$46,897	$48,730
Percent Change	9.0%	2.9%	-1.4%	1.2%	3.5%	5.4%	5.8%	3.8%	2.9%	-4.3%	0.4%	6.0%	4.8%	1.3%	3.9%
Wage & Salary Income ($ *Millions*) [2]	$86,412	$89,130	$88,089	$89,281	$93,569	$98,787	$105,664	$112,506	$116,678	$112,297	$113,786	$118,558	$125,014	$129,509	$138,654
Percent Change	12.8%	3.1%	-1.2%	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.2%	5.4%	3.6%	7.1%
Retail Trade Sales ($ *Millions*) [3]	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569	$90,653
Percent Change	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	8.5%
Residential Housing Permits [4]	54,596	55,007	47,871	39,569	46,499	45,891	38,343	29,454	18,998	9,355	11,591	13,502	23,301	27,517	28,686
Percent Change	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%	4.2%
Nonresidential Construction (*Millions*) [5]	$3,498	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,695	$3,614	$4,307
Percent Change	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-2.2%	19.2%
Denver-Boulder-Greeley Inflation [1]	4.0%	4.6%	2.0%	1.0%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%
Population (*Thousands, July 1*) [4]	4,327	4,426	4,490	4,529	4,575	4,632	4,720	4,804	4,890	4,972	5,049	5,120	5,192	5,272	5,356
Percent Change	6.7%	2.3%	1.5%	0.9%	1.0%	1.2%	1.9%	1.8%	1.8%	1.7%	1.5%	1.4%	1.4%	1.5%	1.6%

Sources

[1] Bureau of Labor Statistics. Nonfarm employment estimates include revisions to 2014 data expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process. Inflation shown as the year-over-year change in the consumer price index for Denver-Boulder-Greeley metro areas.

[2] Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.

[3] Colorado Department of Revenue.

[4] U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.

[5] F.W. Dodge.