Focus Colorado:
Economic and Revenue Forecast

Colorado Legislative Council Staff
Economics Section

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Photograph captures a Red Breasted Hummingbird in Estes Park, Courtesy of Christie Lee

Highlights

Economic expansion is expected to progress at a relatively modest pace in both Colorado and the U.S. in 2016 and 2017. Low unemployment rates and slowing job growth are signaling full employment, which will increase wage pressure. The tourism, services, real estate, and construction sectors continue to grow at healthy rates. Oil prices have reversed their downward trend, relieving some of the pressure on the U.S. energy industry. However, financial markets and indicators of consumer spending point to slower growth. Further, business conditions have softened and manufacturing activity remains weak.

Expectations for **General Fund revenue** available to the budget decreased by $63.0 million and $187.4 million in FY 2015-16 and FY 2016-17, respectively. Reduced expectations for sales tax revenue accounted for the majority of the change.

The General Fund is expected to end **FY 2015-16** with a 5.1 percent reserve, $47.6 million lower than the budgeted 5.6 percent reserve.

In **FY 2016-17**, General Fund revenue is expected to be $268.3 million, or 2.6 percent, short of the amount needed to fully fund the budget and required reserve. This amount is net of estimated Senate Bill 16-218 diversions from the General Fund to cover severance tax refunds totaling $51.4 million.

No TABOR refund is expected for tax years 2016 or 2017, as state revenue will fall short of the Referendum C cap.

A TABOR refund of $162.6 million is expected for tax year 2018. This amount will need to be set aside within the FY 2017-18 budget, along with halved Senate Bill 09-228 transfers to the Highway Users Tax and Capital Construction Funds. General Fund revenue is expected to increase 6.2 percent in **FY 2017-18**.

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EXECUTIVE SUMMARY

This report presents the budget outlook based on current law and the June 2016 General Fund revenue, cash fund revenue, and TABOR forecasts. In also includes summaries of expectations for the national and Colorado economies and current economic conditions in nine regions around the state.

General Fund and TABOR Outlook

FY 2015-16. The General Fund will end FY 2015-16 with a reserve equal to 5.1 percent of appropriations, $47.6 million lower than the budgeted 5.6 percent reserve. The shortfall is due to reduced expectations for sales and individual income tax revenue.

Revenue subject to TABOR is expected to fall short of the TABOR limit by $165.9 million. While Senate Bill 16-218 authorized the use of General Fund revenue for certain severance tax refunds, severance tax revenue is expected to be sufficient to cover these refunds and no General Fund revenue will be diverted in FY 2015-16.

FY 2016-17. General Fund revenue is expected to be $268.3 million, or 2.6 percent, lower than the amount budgeted to be spent or retained in the reserve in FY 2016-17. This shortfall incorporates diversions of income taxes from the General Fund to cover the costs of severance tax refunds estimated at $51.4 million.

*More information about the **General Fund budget overview** begins on page 5 and is summarized in Table 1 on page 6.*

*More information about the state's **TABOR outlook** begins on page 13 and is summarized in Table 5 on page 16.*

*The **General Fund revenue** forecast begins on page 19 and is summarized in Table 8 on page 23.*

Expectations for General Fund revenue, net of changes to marijuana tax collections, fell by $187.4 million relative to the March forecast. Most of the decrease resulted from lower expectations for sales tax collections. Revenue subject to TABOR is expected to fall short of the TABOR limit by $267.2 million.

FY 2017-18. General Fund revenue is expected to increase 6.2 percent in FY 2017-18. Revenue will be sufficient to produce a TABOR refund obligation of $162.6 million, an amount equal to 1.5 percent of General Fund revenue. Therefore, Senate Bill 09-228 transfers to the Highway Users Tax Fund and Capital Construction Fund are expected to be $110.0 million and $55.0 million, respectively, half of the full amount. Net of these and other expenses, $220.9 million, or 2.1 percent, more than what is budgeted to be spent and saved in the reserve in FY 2016-17 is expected to be available for the FY 2017-18 budget.

Cash Fund Revenue

Cash fund revenue subject to TABOR is expected to total $2.90 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 decrease 5.2 percent to $2.75 billion in FY 2016-17, as a slight rebound in

*The **cash fund revenue forecasts** begin on page 25. Forecasts for state revenue subject to TABOR are summarized on page 32.*

severance tax revenue is offset by a decline in hospital provider fee revenue. This revenue is projected to grow another 11.6 percent to $3.07 billion in FY 2017-18, as severance tax revenue grows with increased oil and gas activity.

Economic Outlook

Economic expansion is expected to progress at a relatively modest pace in both Colorado and the U.S. in 2016 and 2017. Low unemployment rates and slowing job growth are signaling full employment, which will contribute to upward wage pressure as labor becomes more difficult to find. The tourism, services, real estate, and construction sectors—industries that depend on the health of the labor market—continue to grow at healthy rates across the nation and in Colorado. More current indicators, including financial markets, consumer spending, and consumer debt, demonstrate economic expansion but at a slowing pace.

*More information about the **state and national economic outlook** begins on page 33.*

Summaries of economic conditions in nine regions around the state begin on page 59.

Meanwhile, leading indicators of what is to come, including corporate profits, business investment, business credit markets, and manufacturing activity, have weakened. Slow economic growth has left U.S. monetary policy makers with a delicate balance. Raising interest rates too quickly may slow growth further. Yet, maintaining low rates for an even longer period may distort equity markets and savings patterns, and further pinch financial industry earnings.

Much of the weakness in business and manufacturing activity is the result of low commodity prices and a strong dollar, stemming from turbulence in the global economy. Oil prices have reversed their downward trend, relieving some of the pressure on the U.S. energy industry. Yet, weak growth abroad is sapping economic momentum in the U.S., contributing to a rising risk of recession.

General Fund Budget Overview

Table 1 on page 6 presents the General Fund overview based on current law. Tables 3 and 4 on pages 10 and 11 provide estimates for General Fund rebates and expenditures (line 9 of Table 1) and detail for cash fund transfers to and from the General Fund (lines 3 and 10 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 2015-16. The General Fund will end FY 2015-16 with a reserve equal to 5.1 percent of appropriations, $47.6 million lower than the budgeted 5.6 percent reserve amount. The shortfall is due to reduced expectations for sales and individual income tax revenue. Revenue subject to TABOR is expected to fall short of the TABOR limit by $165.9 million.

No funds are expected to be diverted from the General Fund in FY 2015-16 as a result of Senate Bill 16-218, since severance tax revenue is expected to be sufficient to address refunds resulting from the Supreme Court's decision in *BP America Production Co. v. Colorado Department of Revenue, et al*.

FY 2016-17. General Fund revenue is expected to be $268.3 million, or 2.6 percent, lower than the amount budgeted to be spent or retained in the reserve in FY 2016-17. The remaining reserve, equal to 3.7 percent of General Fund appropriations, is $47.0 million higher than half of the required reserve. Expectations for General Fund revenue net of changes to marijuana tax collections fell by $187.4 million relative to the March forecast. Most of the decrease resulted from lower expectations for sales tax collections. Revenue subject to TABOR is expected to fall short of the TABOR limit by $267.2 million.

This shortfall incorporates the impact of an estimated $51.4 million diversion of income taxes from the General Fund to cover the costs of severance tax refunds pursuant to Senate Bill 16-218.

In FY 2015-16, the General Fund reserve is expected to be $47.6 million, or 0.5 percent lower than the budgeted amount.

In FY 2016-17, revenue is expected to be sufficient to allow for a 3.7 percent reserve, $268.3 million lower than the budgeted 6.5 percent reserve.

What Happens When There's a Budget Deficit?

A budget deficit in FY 2016-17 can be addressed by legislative action during the 2017 regular legislative session. The reserve is sufficient to address the shortfall in FY 2015-16.

During the legislative interim and if the forecast prepared by the Office of State Planning and Budgeting projects revenue to be insufficient to fund half of the required reserve for the current year, the Governor must reduce General Fund spending to preserve at least half of the reserve. If the Governor reduces General Fund expenditures by at least 1.0 percent to meet that requirement, he or she is also authorized to transfer moneys from the Capital Construction Fund into the General Fund. These changes may be codified by the General Assembly during the following legislative session.

Table 1
General Fund Overview
Dollars in Millions

	Funds Available	FY 2014-15 Actual	FY 2015-16 Estimate	FY 2016-17 Estimate	FY 2017-18 Estimate
1	Beginning Reserve	$435.9	$709.2	$473.1	$366.4
2	General Fund Revenue	$9,802.6	$9,897.5	$10,360.2	$11,002.3
3	Transfers from Other Funds *(Table 4)*	64.9	25.0	44.4	18.3
4	**Total Funds Available**	**$10,303.4**	**$10,631.8**	**$10,877.6**	**$11,387.0**
5	Percent Change	10.1%	3.2%	2.3%	4.7%
	Expenditures	Actual	Budgeted	Budgeted	Estimate
6	General Fund Appropriations Subject to Limit[1]	$8,869.5	$9,335.6	$9,813.3	*
7	TABOR Refund Obligation Under Art. X, §20, (7)(d)[2]	153.7	0.0	0.0	162.6
8	Set Aside for TABOR Refund Obligation Under Art. X, §20, (3)(c)[3]	58.0	(58.0)	NA	NA
9	Rebates and Expenditures *(Table 3)*	257.4	269.0	283.5	292.8
10	Transfers to Other Funds *(Table 4)*[4]	42.2	116.5	146.7	72.3
11	Transfers to the State Education Fund Pursuant to SB 13-234	25.3	25.3	25.3	25.3
12	Transfers for Highway Construction	0.0	199.2	158.0	110.0
13	Transfers to the Capital Construction Fund	248.5	271.1	84.5	55.0
14	**Total Expenditures**	**$9,654.7**	**$10,158.7**	**$10,511.2**	*
15	Percent Change	10.2%	5.2%	3.5%	*
16	Accounting Adjustments	60.6	*	*	*
	Reserve	Actual	Budgeted	Budgeted	Estimate
17	Year-End General Fund Reserve	$709.2	$473.1	$366.4	*
18	Year-End Reserve as a Percent of Appropriations	8.0%	5.1%	3.7%	*
19	Statutorily Required Reserve[5]	576.5	520.7	634.7	*
20	**Amount in Excess or (Deficit) of Statutory Reserve**	**$132.7**	**($47.6)**	**($268.3)**	*
21	Excess Reserve as a Percent of Expenditures	1.4%	-0.5%	-2.6%	*
	Alternative Perspectives on Unbudgeted Years				Estimate
	Perspective 1: Money Available in FY 2017-18 in Excess of FY 2016-17 Expenditures[6]				
22	Amount in Excess of Statutory Reserve				$220.9
23	As a Percent of Prior-Year Expenditures				2.1%
	Perspective 2: Assuming Appropriations Increase by the Average Rate of Past Economic Expansions (6.0%)[7]				
24	Amount in Excess or (Deficit) of Statutory Reserve				($401.9)
25	As a Percent of Prior-Year Expenditures				-4.0%
	Addendum	Actual	Estimate	Estimate	Estimate
26	Percent Change in General Fund Appropriations	7.5%	5.3%	5.1%	*
27	5% of Colorado Personal Income Appropriations Limit	$12,045.3	$12,322.4	$13,086.8	$13,780.4
28	Transfers to State Education Fund Per Amendment 23	$519.8	$522.6	$545.5	$582.0

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

[1]Incorporates the FY 2015-16 supplemental budget package as enacted by the General Assembly.

[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 the following fiscal year.

[3]$58 million was set aside in FY 2014-15 pursuant to House Bill 15-1367 and is released in FY 2015-16 pursuant to the passage of Proposition BB.

[4]FY 2016-17 includes diversions from the General Fund to cover severance tax refunds pursuant to Senate Bill 16-218, estimated at 51.4 million.

[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.

[6]This holds appropriations in FY 2017-18 equal to appropriations in FY 2016-17 (line 6) to determine the total amount of money available above FY 2016-17 expenditures, net of the obligations in lines 7 through 13.

[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 2016-17.

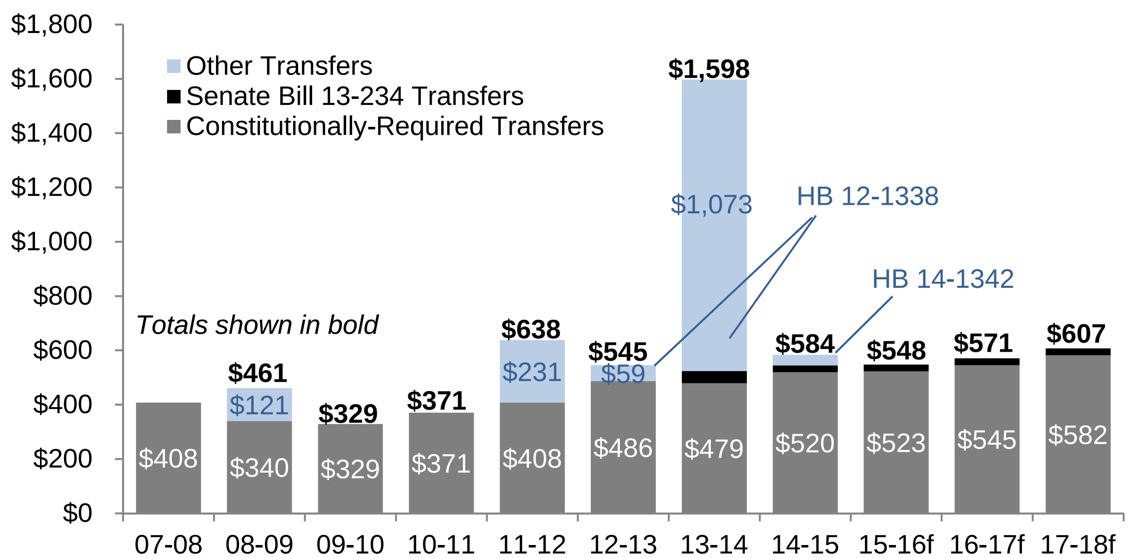
FY 2017-18 – Unbudgeted. Because a budget has not yet been enacted for FY 2017-18, lines 22 through 25 of Table 1 show two alternative perspectives on the General Fund budget situation for the year.

Perspective 1, shown in lines 22 and 23, assumes no growth in appropriations between FY 2016-17 and FY 2017-18. Under this scenario, the amount of money available to the General Assembly above the amount budgeted to be spent in FY 2016-17 is expected to be $220.9 million, or 2.1 percent of current year expenditures. This amount is net of the expenditures on lines 7 through 13 of Table 1, which include a $162.6 million TABOR refund set aside and halved Senate Bill 09-228 transfers to the Highway Users Tax and Capital Construction Funds.

Perspective 2, shown in lines 24 and 25, assumes a historical growth rate for General Fund appropriations over the last 15 years using only those years during which the economy expanded: FY 2003-04 through FY 2007-08 and FY 2011-12 through FY 2016-17. This average rate of growth is equal to 6.0 percent. If General Fund appropriations increased by this amount, the year-end reserve would equal $170.8 million, $401.9 million lower than the 6.5 percent reserve required by law.

State Education Fund. The Colorado Constitution requires the State Education Fund to receive one-third of one percent of taxable income (see Table 1, line 28). 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

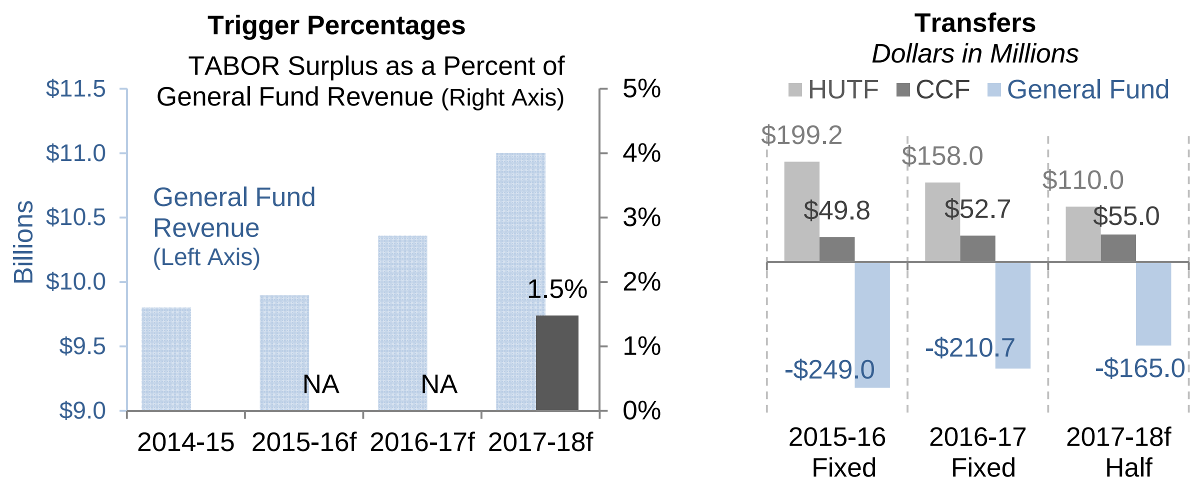


Source: Colorado State Controller's Office through FY 2014-15 and Legislative Council Staff thereafter. "f" indicates forecast.

Senate Bill 09-228 transfers. Colorado personal income increased 6.2 percent in 2014, triggering the first year of the five-year block of infrastructure transfers under Senate Bill 09-228 in FY 2015-16. House Bill 16-1416 fixed Senate Bill 09-228 transfers in FY 2015-16 and FY 2016-17 to set amounts. The Highway Users Tax Fund will receive transfers equal to $199.2 million in FY 2015-16 and $158.0 million in FY 2016-17. The Capital Construction Fund will receive transfers equal to $49.8 million in FY 2015-16 and $52.7 million in FY 2016-17.

In FY 2017-18 through FY 2019-20, Senate Bill 09-228 requires transfers equal to 1.0 percent and 2.0 percent of General Fund revenue to the Capital Construction Fund and the Highway Users Tax Fund, respectively. 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



**House Bill 16-1416 fixed these transfers to the amounts shown in FY 2015-16 and FY 2016-17. The size of the TABOR surplus relative to General Fund revenue is therefore no longer applicable in these years.*

NA = Not Applicable. HUTF = Highway Users Tax Fund. CCF = Capital Construction Fund.

Figure 2 shows the TABOR surplus as a percent of General Fund revenue and expected Senate Bill 09-228 transfers in FY 2017-18. This forecast anticipates a TABOR refund obligation of $162.6 million, or 1.5 percent of General Fund revenue in FY 2017-18, indicating halved 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.

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 no longer be available beginning in 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 2 lists and describes the availability of these tax policies.

Table 2
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.) *Revenue reduction of less than $1.0 million per year*	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.) *Revenue reduction of less than $500,000 per year*	If the June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Available through at least June 2016. Not available July 2016 through June 2018. Repealed July 1, 2018.

Table 3
General Fund Rebates and Expenditures
Dollars in Millions

Category	Actual FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18
Senior and Veterans Property Tax Exemptions	$116.9	$127.1	$136.5	$143.1
Percent Change	6.4	8.8	7.4	4.8
Cigarette Rebate	$12.3	$10.9	$10.7	$10.7
Percent Change	17.8	-11.7	-1.2	0.0
Old-Age Pension Fund	99.4	97.8	100.2	103.4
Percent Change	-7.0	-1.7	2.5	3.1
Aged Property Tax and Heating Credit	5.7	7.1	7.9	8.2
Percent Change	-6.0	25.8	10.8	3.6
Older Coloradans Fund[1]	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	1.0	1.0	1.2
Percent Change	-3.0	52.7	-7.1	20.1
Fire and Police Pensions	4.2	4.2	4.2	4.3
Percent Change	1.3	0.6	1.0	1.0
Amendment 35 Distributions	0.9	0.9	0.9	0.9
Percent Change	1.2	0.9	-0.4	-0.6
Marijuana Sales Tax Transfer to Local Governments	5.9	10.0	12.0	11.1
Percent Change	336.7	69.1	20.6	-7.7
TOTAL REBATES & EXPENDITURES	**$257.4**	**$269.0**	**$283.5**	**$292.8**

Totals may not sum due to rounding.

[1]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 4
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	0.1	0.2	0.2	
SB 11-184	Tax Amnesty Cash Fund	0.0			
SB 13-133	Limited Gaming Fund	13.6	15.2	16.7	18.1
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, SB 16-196, & HB 16-1398	Intellectual and Developmental Disability Fund	2.1	0.3	1.2	
SB 15-169	State Employee Reserve Fund	6.4			
SB 15-249 & HB 16-1418	Marijuana Tax Cash Fund	27.7		26.3	
§ 36-1-148 (2)	Land and Water Management Fund	0.1			
HB 16-1409	Unclaimed Property Trust Fund		8.0		
HB 16-1413	Water Quality Improvement Fund		1.2		
Total Transfers to the General Fund		**$64.9**	**$25.0**	**$44.4**	**$18.3**
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	Marijuana Tax Cash Fund	35.5	56.6	68.3	63.0
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		
HB 16-1161[2]	Veterans Grant Program Fund *(conditional)*				
HB 16-1288	Industry Infrastructure Fund			0.3	0.3
HB 16-1453	Cybersecurity Cash Fund			7.9	
SB 16-003	Wildfire Risk Reduction Fund			1.0	
SB 16-218	State Severance Tax Refunds			51.4	
Total Transfers from the General Fund		**$42.2**	**$116.5**	**$146.7**	**$72.3**
Net General Fund Impact		**$22.6**	**($91.4)**	**($102.3)**	**($54.0)**

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

[2] *This transfer is conditional, dependent on budgeted expenditures for the senior and veterans property tax exemption exceeding actual expenditures. This bill transfers 5 percent of the difference to the Veterans Grant Program Fund.*

TABOR OUTLOOK

This section presents the outlook for the state's TABOR situation through FY 2017-18. Forecast TABOR revenue and surplus amounts are summarized in Table 5 on page 16 and illustrated in Figure 3, which also provides a ten-year history of the TABOR limit base and the Referendum C cap.

Audited FY 2014-15 revenue collections subject to TABOR totaled $12,530.8 million, exceeding the Referendum C cap and prompting a **TABOR refund of $153.7 million in FY 2015-16**. Refunds were administered via the 2015 individual income tax form. The state **Earned Income Tax Credit (EITC)**, available to taxpayers who work but earn low incomes, is expected to have refunded $85.7 million, while the **six tier sales tax refund** is expected to have refunded the remaining $68.0 million. The exact amounts refunded will be available when books are closed for FY 2015-16, and any amount underrefunded will increase the refund obligation for the next year in which the state collects a TABOR surplus.

The state is not expected to collect a TABOR surplus in either FY 2015-16 or FY 2016-17, but is expected to collect a TABOR surplus in FY 2017-18. For FY 2015-16 and FY 2016-17, state revenue subject to TABOR is expected to fall short of the Referendum C cap by $165.9 million and $267.2 million, respectively. For FY 2017-18, state revenue subject to TABOR is expected to exceed the Referendum C cap, prompting a **TABOR refund of $162.6 million in FY 2018-19**.

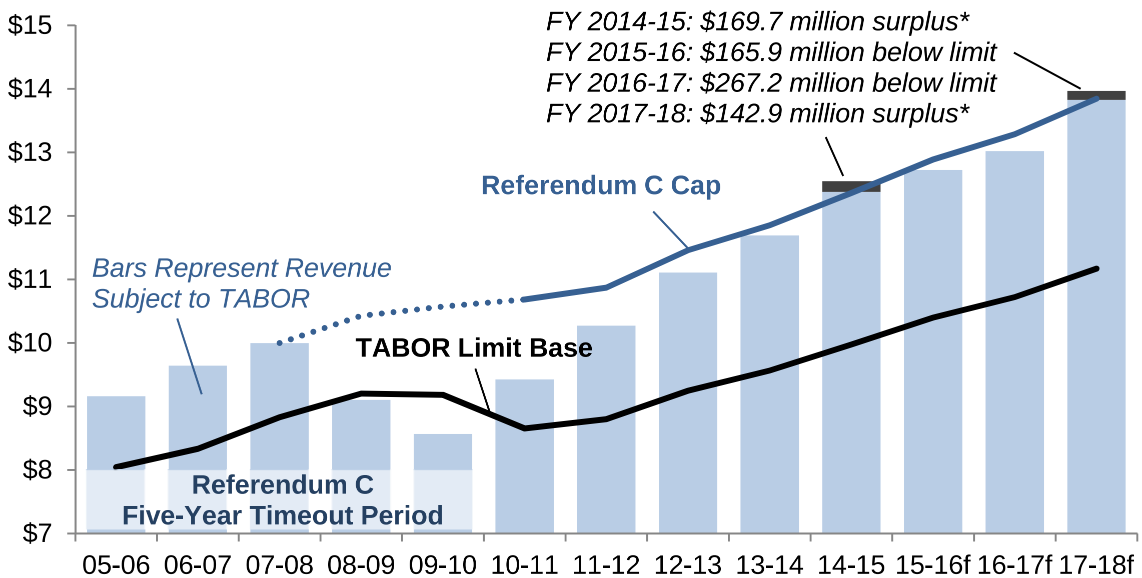
TABOR surplus. Article X, Section 20 of the Colorado Constitution (TABOR) limits the amount of revenue the state may retain and either spend or save. The limit is equal to the previous year's limit or revenue, whichever is lower, adjusted for inflation, population growth, and any revenue changes approved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

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period covering FY 2005-06 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 based on the highest amount of state revenue collected during a single fiscal year during the five-year timeout period and adjusted each year thereafter by inflation and population growth. Because revenue collections during the timeout period peaked in FY 2007-08, that year became the base for the cap. The cap is adjusted annually for inflation, population growth, and changes in enterprise status. 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 $169.7 million in FY 2014-15, and is expected to exceed the cap by $142.9 million in FY 2017-18. Revenue is expected to fall short of the Referendum C cap by $165.9 million and $267.2 million in FY 2015-16 and FY 2016-17, respectively. The amount for FY 2016-17 is well within normal forecast error, meaning the actual amount collected could include a TABOR surplus.

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



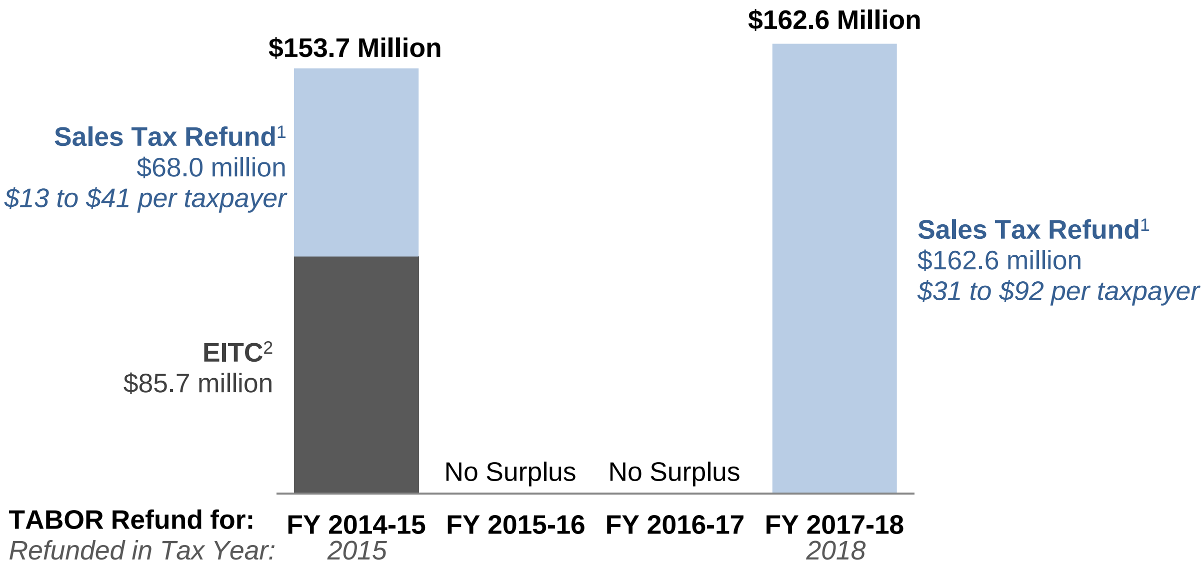
Source: Office of the State Controller and Legislative Council Staff.
**Refund amounts for FY 2014-15 and FY 2017-18 differ from surplus amounts because they include underrefunds of and other adjustments to previous TABOR surpluses.*

When revenue exceeds the cap, TABOR requires the surplus to be refunded during the following fiscal year. About $19.6 million was not refunded with the FY 2014-15 surplus; this amount represents a transfer of revenue to the Adult Dental Fund from the TABOR-exempt Unclaimed Property Fund that was determined to be subject to TABOR after refund amounts were set for 2015 tax forms. This amount is expected to be refunded along with the FY 2017-18 surplus unless a surplus is collected in either FY 2015-16 or FY 2016-17.

TABOR refund mechanisms. Figure 4 and Table 6 show how state law requires this money to be refunded. Current law contains two refund mechanisms: the six tier sales tax refund 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. The EITC was used as a TABOR refund mechanism on returns for tax year 2015, and is now available as a permanent tax credit beginning in tax year 2016.

The TABOR surplus expected in FY 2017-18 will be refunded in FY 2018-19 on income tax returns for tax year 2018. An estimated **$162.6 million** will be refunded using the six-tier sales tax refund mechanism. 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 6, taxpayers filing single returns with adjusted gross incomes of up to $38,200 will receive refunds of $31, while taxpayers with adjusted gross incomes of at least $216,300 will receive refunds of $92. Taxpayers filing joint returns will receive twice these amounts. Refund mechanisms for the FY 2014-15 and FY 2017-18 surpluses are shown in Figure 4.

Figure 4
TABOR Refund Estimates



[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 an 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), C.R.S., converts the state Earned Income Tax Credit from a TABOR refund mechanism into a permanent tax credit the year after it is first used to refund a portion of a TABOR surplus.

Table 5
TABOR Limit and Retained Revenue
Dollars in Millions

		Actual FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18
	TABOR Revenue				
1	General Fund[1]	$9,753.1	$9,822.2	$10,271.1	$10,919.5
2	Cash Funds[1]	2,777.6	$2,899.2	$2,748.5	$3,068.3
3	Total TABOR Revenue	**$12,530.8**	**$12,721.4**	**$13,019.6**	**$13,987.8**
	Revenue Limit				
4	Allowable TABOR Growth Rate	4.3%	4.4%	3.1%	4.2%
5	Inflation (*from Prior Calendar Year*)	2.8%	2.8%	1.2%	2.4%
6	Population Growth (*from Prior Calendar Year*)	1.5%	1.6%	1.9%	1.7%
7	TABOR Limit Base	$9,976.9	$10,398.3	$10,720.6	$11,170.9
8	Voter Approved Revenue Change (Referendum C)	$2,384.1	$2,323.1	$2,299.0	$2,673.9
9	Total TABOR Limit / Referendum C Cap	$12,361.0	$12,887.3	$13,286.8	$13,844.8
10	TABOR Revenue Above (Below) Referendum C Cap[4]	**$169.7**	**($165.9)**	**($267.2)**	**$142.9**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[2]	$2,384.1	$2,323.1	$2,299.0	$2,673.9
12	Total Available Revenue (*Fiscal Year Spending*)	$12,361.0	$12,721.4	$13,019.6	$13,844.8
13	Revenue to Be Refunded to Taxpayers[3,4]	**$153.7**	**$0.0**	**$0.0**	**$162.6**
14	TABOR Reserve Requirement	$370.8	$381.6	$390.6	$415.3

Totals may not sum due to rounding.

[1]These figures differ from the amounts 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 Section 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 2017-18 will be set aside in FY 2017-18 and refunded in FY 2018-19 on income tax returns for tax year 2018.

[4]Revenue to be refunded (line 13) differs from revenue in excess of the Referendum C cap (line 10) in FY 2014-15 and FY 2017-18. These amounts represent underrefunds of pre-Referendum C surpluses and other errors discovered in subsequent years that would have added to a previous refund.

Table 6
Estimated Average Taxpayer TABOR Refunds

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

No TABOR Refund Obligation is Forecast for FY 2016-17, Tax Year 2017

FY 2017-18 Refund Obligation, Tax Year 2018 Forecast

			Single Filers			Joint Filers		
Adjusted Gross Income			Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
	Up to	$38,200	$31	$0	$31	$62	$0	$62
$38,200	to	$81,600	41	-	41	82	-	82
$81,600	to	$127,200	47	-	47	94	-	94
$127,200	to	$172,800	54	-	54	108	-	108
$172,800	to	$216,300	58	-	58	116	-	116
$216,300	and Up		92	-	92	184	-	184

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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 8 on page 23 summarizes General Fund revenue collections for FY 2014-15 and projections for FY 2015-16 through FY 2017-18.

In FY 2014-15, General Fund revenue grew 9.2 percent, reflecting strong economic activity in Colorado. In FY 2015-16, General Fund revenue is expected to grow only 1.0 percent, reflecting weak growth in sales tax collections, in part due to low commodity prices, and modest growth in income tax collections due to low wage pressure and weak equities markets. In FY 2016-17 and FY 2017-18, General Fund revenue is expected to grow at a moderate pace as the Colorado economy continues to expand.

The outlook for General Fund revenue was reduced slightly relative to the March forecast, primarily due to lower expectations for sales tax revenue. Relative to the March forecast, revenue is expected to come in $61.3 million lower in FY 2015-16, $175.6 million lower in FY 2016-17, and $119.2 million lower in FY 2017-18. Additional information regarding the main sources of revenue to the General Fund is provided below.

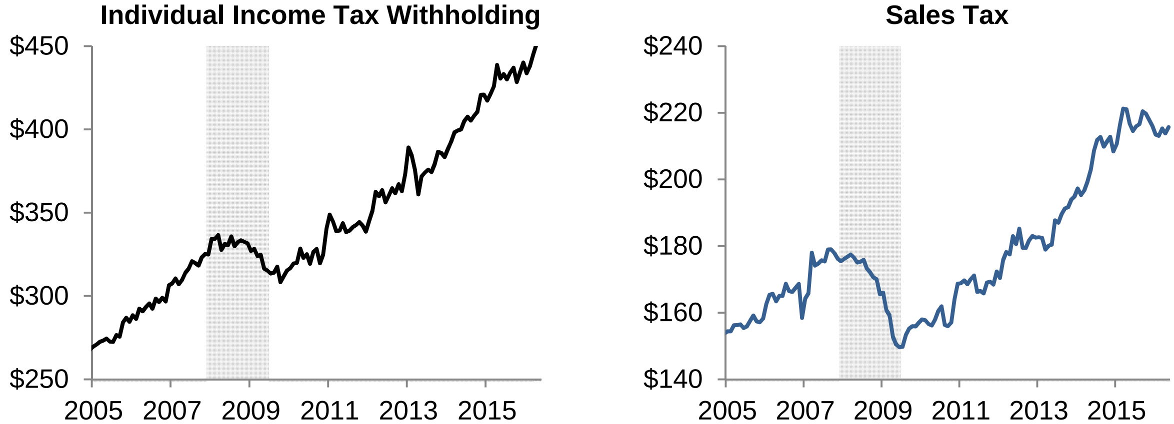
2016 legislative impacts. Legislation passed during the 2016 legislative session is expected to have only a minor impact on General Fund revenue, as shown in Table 7. Triggered tax expenditures are expected to have a larger impact.

Triggered tax expenditures. The FY 2014-15 TABOR surplus triggered the availability of the EITC as a TABOR refund in tax year 2015 and a permanent credit 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 2017-18 surplus will trigger the partial refundability of the Gross Conservation Easement Income Tax Credit in tax years 2015 and 2018, respectively. Triggered legislation is projected to reduce General Fund revenue by $79.4 million in FY 2015-16 and $88.5 million in FY 2016-17 with larger 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 slow to 1.6 percent growth in FY 2015-16. Income taxes withheld from employee paychecks comprise the largest share of individual income tax collections. Withholding payments were soft though most of FY 2015-16, reflecting modest wage growth (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, saw only modest growth in FY 2015-16, reflecting a volatile stock market, the pull-back in oil and gas activity, and slower economic growth relative to recent years.

In FY 2016-17 and FY 2017-18, individual income tax revenue is expected to increase 5.5 percent and 6.8 percent, respectively. Moderate growth in wages and capital gains earnings will more than offset revenue reductions from triggered legislation. Relative to the March forecast, expectations for individual income tax collections were generally unchanged. Projected individual income tax collections for FY 2015-16 were reduced $30.3 million, or -0.5 percent, and the forecast for FY 2016-17 was reduced $18.9 million, or -0.3 percent.

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 are shown on a cash-accounting basis as three-month moving averages. Data are through May 2016. Data for May 2016 are preliminary.

Sales taxes. The 2.9 percent state sales tax accounts for slightly more than a quarter of gross General Fund revenue, though this share has been decreasing. Sales tax collections are projected to total $2.7 billion in FY 2015-16, representing very modest growth of 1.5 percent from the previous fiscal year. Sales tax collections have fallen on a per capita, inflation-adjusted basis over the past year, reflecting cautious consumers, low prices for many commodities, and satisfied demand for higher-priced goods such as automobiles. Additionally, sales tax collections from online retailer Amazon came in much lower than expected in the March 2016 forecast. Amazon began collecting sales taxes on some Colorado purchases in February.

Sales tax collections are expected to increase 5.1 percent and 4.9 percent in FY 2016-17 and FY 2017-18, respectively, outpacing projected inflation and population growth. Retail trade will remain slow through the summer but will build momentum toward the end of the calendar year as growth in household incomes accelerates and the impacts of low energy prices normalize. Relative to the March forecast, expectations for sales tax revenue were lowered by $67.5 million in FY 2015-16 and $156.9 million in FY 2016-17, reflecting subdued consumer activity and significantly reduced expectations for sales tax collections from Amazon.

Use taxes. The 2.9 percent state use tax is due when sales tax is owed but was not collected. A significant portion of use tax revenue is collected from capital investments made by manufacturing, energy, and mining firms. Following the drop in oil prices at the end of 2014, use tax collections have weakened as the energy industry has curbed capital investment in Colorado. Use tax collections are expected fall 3.1 percent in FY 2015-16. Collections are expected to rebound in the coming years, growing 7.3 percent and 6.3 percent in FY 2016-17 and FY 2017-18, respectively.

Colorado law requires taxpayers to file use tax returns when sales taxes are not collected by retailers. The Department of Revenue added lines to the 2015 state individual income tax form allowing taxpayers to report and remit use taxes due on purchases made during 2015. As of the date of this publication, Colorado taxpayers have remitted $2.2 million in consumer use tax on 2015 individual income tax returns, higher than the amount anticipated in the March 2016 forecast. The forecast for use tax revenue was increased modestly on improved expectations for use tax compliance.

Corporate income taxes. Corporate income tax revenue is expected to total $641.0 million in FY 2015-16, a decline of 7.5 percent over the prior year. The decline primarily reflects the impact of lower oil prices on energy industry earnings. In FY 2016-17, corporate income taxes are expected to decline 5.3 percent, to $606.8 million, again primarily reflecting energy and down-stream industry weaknesses in 2016. Relative to the March forecast, collections were revised up $38.5 million in FY 2015-16 on higher than expected collections in March and April. The estimate for FY 2016-17 was revised up $2.3 million based on stronger collections for FY 2015-16.

Table 7
Legislation Affecting General Fund Revenue
Dollars in Millions

Major Legislation Passed in 2015		2015-16	2016-17	2017-18
Income Tax				
HB 16-1142	Rural & Frontier Health Care Preceptor Tax Credit	$0.1	$0.2	$0.2
HB 16-1194	Leasing Agricultural Assets Deduction	-0.03	-0.07	-0.07
HB 16-1286	Increase Wildfire Mitigation Deduction	-0.04	-0.09	-0.09
HB 16-1332	Alternative Fuel Motor Vehicle Tax Credits	0.15	0.3	0.3
HB 16-1465	Modifications to Low-Income Housing Tax Credit		-1.50	-4.75
HB 16-1467	First-Time Home Buyer Savings Account Deduction	0.02	0.09	0.16
Total Income Tax Impact		$0.2	-$1.1	-$4.2
Sales and Use Tax				
HB 16-1006	Clarify Tax Exemptions for Housing Authorities	-$1.4	*ID*	*ID*
HB 16-1119	Modify Sales and Use Tax Exemption for Aircraft		*ID*	*ID*
HB 16-1176	Wine & Spirit Wholesalers Employee Purchases	*MD*	*MD*	*MD*
HB 16-1187	Retirement Community Food Exemption		*MD*	*MD*
HB 16-1457	Residential Energy Source Exemption		*PD*	*PD*
SB 16-036	Surety Requirement for Appealing Tax Bills		*ID*	*ID*
SB 16-124	Machine Tools Exemption for Recovered Materials		*MD*	*MD*
Total Sales and Use Tax Impact		-$1.4	*ID*	*ID*
Revenue Impact of 2016 Legislation		**-$1.2**	**-$1.1**	**-$4.2**

Triggered Legislation	2015-16	2016-17	2017-18
Income Tax			
ON: Gross Conservation Easement Tax Credit Partial Refundability[1]	-$7.2		-$5.2
ON: Earned Income Tax Credit (10 percent of the federal credit)[2]	-72.2	-89.0	-92.7
OFF: Historical Preservation Income Tax Credit[3]		<0.50	<1.00
Sales and Use Tax			
OFF: Cleanroom Machinery Exemption[4]			<0.50
Revenue Impact of Triggered Legislation	**-$79.4**	**-$88.5**	**-$96.4**

ID = Indeterminate decrease. MD = Minimal decrease. PD = Potential decrease.

[1]Triggered on by the FY 2014-15 TABOR surplus. Available in tax years 2015 and 2018, but not in 2016 or 2017 (Section 39-22-522 (5) (b), C.R.S.).

[2]Triggered on by the FY 2014-15 TABOR surplus. Available starting in tax year 2016 (Section 39-22-123, C.R.S.).

[3]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.

[4]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.

Table 8
General Fund Revenue Estimates
Dollars in Millions

	Category	Actual 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	$2,658.1	1.5	$2,792.7	5.1	$2,928.9	4.9
2	Use	260.3	7.8	252.2	-3.1	270.7	7.3	287.7	6.3
3	Cigarette	37.9	3.6	37.1	-2.1	36.7	-1.2	36.2	-1.3
4	Tobacco Products	17.8	5.3	21.0	18.2	21.2	0.7	21.2	0.0
5	Liquor	41.5	2.8	43.6	5.2	45.1	3.4	46.8	3.8
6	Total Excise	2,976.7	7.9	3,012.1	1.2	3,166.4	5.1	3,320.7	4.9
	Income Taxes								
7	Net Individual Income	6,350.1	11.5	6,451.2	1.6	6,803.3	5.5	7,268.0	6.8
8	Net Corporate Income	692.9	-3.9	641.0	-7.5	606.8	-5.3	649.1	7.0
9	Total Income Taxes	7,043.0	9.8	7,092.1	0.7	7,410.1	4.5	7,917.1	6.8
10	Less: Portion Diverted to the SEF	-519.8	8.6	-522.6	0.5	-545.5	4.4	-582.0	6.7
11	Income Taxes to the General Fund	6,523.1	9.9	6,569.5	0.7	6,864.6	4.5	7,335.2	6.9
	Other Sources								
12	Insurance	256.7	7.4	280.1	9.1	293.4	4.8	307.4	4.8
13	Pari-Mutuel	0.6	0.2	0.7	13.3	0.7	3.4	0.8	4.6
14	Investment Income	8.9	-31.2	13.5	52.7	12.6	-7.1	15.1	20.1
15	Court Receipts	2.6	0.3	3.2	23.1	3.3	4.4	3.4	3.5
16	Other Income	34.0	59.1	18.3	-46.0	19.1	4.1	19.7	3.3
17	**Total Other**	302.7	9.3	315.9	4.3	329.1	4.2	346.4	5.2
18	**Gross General Fund Revenue**	**$9,802.6**	**9.2**	**$9,897.5**	**1.0**	**$10,360.2**	**4.7**	**$11,002.3**	**6.2**

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

CASH FUND REVENUE

Table 13 on page 32 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, gaming taxes, and severance 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 is expected to total $2.90 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 $30.3 million to cash fund revenue subject to TABOR in FY 2015-16.

Total cash fund revenue subject to TABOR will decrease 5.2 percent to $2.75 billion in FY 2016-17, as a slight rebound in severance tax revenue is offset by a decline in hospital provider fee revenue. This revenue is projected to grow another 11.6 percent to $3.07 billion in FY 2017-18, as severance tax revenue grows with increased oil and gas activity.

Transportation-related revenue subject to TABOR is expected to reach $1.175 billion in FY 2015-16 and increase 1.4 percent to $1.191 billion in FY 2016-17. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 9.

The *Highway Users Tax Fund* (HUTF) is the largest source of transportation revenue subject to TABOR. Motor fuel excise taxes (22¢ per gallon of gasoline and 20.5¢ per gallon of diesel fuel) are the largest source of HUTF revenue. Fuel taxes are expected to total $609.6 million in FY 2015-16, reflecting increased demand because of low oil prices. The HUTF also receives revenue from other sources, including registration fees, which are expected to generate $357.6 million in FY 2015-16. HUTF revenue is expected to total $1,032.5 million in FY 2015-16, and is forecast to rise 1.3 percent to $1,046.2 million in FY 2016-17.

The State Highway Fund (SHF) receives money from HUTF transfers, local government grants, and interest earnings. The largest amount of SHF money comes from HUTF transfers, while the local government grants and interest earnings are the two largest sources of TABOR revenue to the SHF. The HUTF revenue is subject to TABOR when it is originally collected by the state but the transfers are not. SHF revenue subject to TABOR is expected to increase 12.5 percent in FY 2015-16 because local governments deposited more money into the SHF in the first ten months of the fiscal year. Local government grants and interest earnings are the two largest sources of TABOR revenue to the SHF. SHF revenue subject to TABOR is expected to increase 12.5 percent to $47.7 million in FY 2015-16 because local governments deposited more money into the SHF in the first ten months of the fiscal year than previously expected.

Other transportation cash fund revenue subject to TABOR is expected to decline 12.1 percent in FY 2015-16. Reductions in aviation fuel tax collections are expected to offset slight increases in registration related revenues. Aviation fuel tax is based on the price of jet fuel, which has declined with along with the price of oil.

Table 9
Transportation Funds Revenue Forecast by Source,
Dollars in Millions

	Actual 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	$615.1	$620.5	1.2%
Percent Change	4.5%	1.7%	0.9%	0.9%	
Total Registrations	$351.9	$357.6	$364.9	$372.3	1.9%
Percent Change	4.8%	1.6%	2.0%	2.0%	
Registrations	*$210.9*	*$214.2*	*$218.6*	*$223.0*	
Road Safety Surcharge	*$123.1*	*$125.0*	*$127.6*	*$130.2*	
Late Registration Fees	*$18.0*	*$18.4*	*$18.7*	*$19.0*	
Other HUTF Receipts[1]	$63.4	$65.3	$66.1	$66.5	1.6%
Percent Change	6.1%	3.0%	1.3%	0.5%	
Total HUTF	$1,014.8	$1,032.5	$1,046.2	$1,059.2	1.4%
Percent Change	4.7%	1.8%	1.3%	1.2%	
State Highway Fund (SHF)[2]	$42.4	$47.7	$46.1	$44.8	1.8%
Percent Change	-22.2%	12.5%	-3.3%	-3.0%	
Other Transportation Funds	$107.4	$94.5	$98.5	$100.6	-2.2%
Percent Change	-4.0%	-12.1%	4.2%	2.2%	
Aviation Fund[3]	*$30.3*	*$16.4*	*$17.0*	*$17.7*	
Law-Enforcement-Related[4]	*$9.6*	*$9.1*	*$9.1*	*$9.1*	
Registration-Related[5]	*$67.5*	*$69.0*	*$72.4*	*$73.9*	
Total Transportation Funds	**$1,164.6**	**$1,174.7**	**$1,190.8**	**$1,204.6**	1.1%
Percent Change	2.5%	0.9%	1.4%	1.2%	

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

	Actual FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Bridge Safety Surcharge	$103.1	$104.8	$106.9	$109.3	**1.9%**
Percent Change	2.0%	1.6%	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 9. Revenue to this enterprise is expected to grow 1.6 percent to $104.8 million in FY 2015-16. The bridge safety surcharge fee collections typically grow at the same rate as vehicle registrations.

Hospital Provider Fee (HPF) collections are expected to total $805.5 million in FY 2015-16, representing a jump of more than 50 percent from the previous fiscal year. Collections will fall to $657.0 million in FY 2016-17 as the result of a budget-balancing measure enacted in the 2016 Long Bill.

The HPF is paid by hospitals and used to draw matching funds from the federal government. This revenue is then used to pay for reimbursements to 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 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 driving significant growth in HPF revenue in FY 2015-16.

The forecast for FY 2016-17 incorporates the enactment of **House Bill 16-1405**, the 2016 Long Bill. Appropriations in the Long Bill constrain the total amount that the state may collect from the HPF at a level 10.0 percent lower than would have been permitted otherwise, reducing expected revenue in FY 2016-17 by $73.2 million. Collections are expected to rebound to $804.0 million in FY 2017-18.

Table 10
Severance Tax Revenue Forecast by Source

	Actual FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Oil and Gas	$264.7	$52.2	$66.0	$151.7	-18.6%
Percent Change	6.1%	-80.3%	26.5%	129.7%	
Coal	$5.4	$3.7	$3.3	$3.0	-19.9%
Percent Change	-33.2%	-32.1%	-10.7%	-9.1%	
Molybdenum and Metallics	$1.4	$1.4	$1.4	$1.4	0.1%
Percent Change	-21.4%	0.1%	0.1%	0.1%	
Total Severance Tax Revenue	$271.5	$57.3	$70.7	$156.1	-18.5%
Percent Change	4.7%	-78.9%	23.5%	120.7%	
Interest Earnings	$9.8	$8.9	$6.4	$7.4	-9.1%
Percent Change	4.2%	-9.1%	-28.0%	16.1%	
Total Severance Tax Fund Revenue	$281.3	$66.2	$77.1	$163.5	-18.1%
Percent Change	4.7%	-76.5%	16.6%	112.0%	

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

Severance tax revenue, including interest earnings, are projected to decline to $66.2 million in FY 2015-16, a downward revision from the March forecast. The revision primarily reflects the decision by the Colorado Supreme Court (BP America v. Colorado Department of Revenue) to allow energy companies to deduct any transportation, manufacturing, and processing costs from revenue when calculating their severance tax liability. This forecast reduces revenue by a total of $22.4 million in additional refunds (including $2.4 million in refunds to BP America and $13.9 million in known refunds to other producers) resulting from the Court's decision in FY 2015-16.

In FY 2016-17, severance tax collections are projected to total $77.1 million, representing a 27 percent reduction from the March forecast. The revision was largely the result of additional estimated deductions related to the BP case, offset to some degree by increased expectations resulting from the increase in oil and natural gas prices this spring. In FY 2017-18, collections are expected to rise to $163.5 million, as a continued rebound in oil and gas prices spurs increased production. Table 10 presents the forecast for severance tax revenue by mineral source.

After bottoming out at just under $24 per barrel in February, Colorado oil prices have trended upwards through the spring, reaching nearly $43 per barrel by mid-June. The increase in oil prices boosts expected severance tax collections in FY 2015-16, and is good news for an industry that had recently announced reductions in both workforce and capital investment due to low prices. Through 2015, production in Weld County continued to accelerate, with oil production doubling between 2013 and 2015. Weld County is now responsible for nearly 90 percent of the state's oil production, and average monthly production in the county increased to 9.4 million barrels in 2015. Although preliminary data indicate that production is down so far in 2016, this forecast assumes that oil prices will rise gradually through the remainder of the forecast period, averaging about $50 per barrel in 2017 and $58 per barrel in 2018, spurring additional production in Weld County and the broader Niobrara formation.

Regional natural gas prices have also rebounded slightly through the spring. Prices at regional hubs were around $1.75 per Mcf (thousand cubic feet) in the middle of March, but rose to about $2.20 per Mcf by mid-June. Prices are expected to remain relatively stable through the summer months. For FY 2015-16, oil and gas severance tax collections are expected to total $52.2 million, due largely to the additional refunds from the BP America decision, consistently low oil prices, and an increase in the ad valorem tax credits taken by operators. Collections will increase to $66.0 million in FY 2016-17 and $151.7 million in FY 2017-18.

Coal production represents the second largest mineral source of severance taxes in Colorado after oil and natural gas, and is expected to account for $3.7 million in collections in FY 2015-16. Total coal production in Colorado has declined 40.8 percent through the first four months of 2016 on a year-over-year basis, after declining 18.5 percent in 2015. This decline was largely due to the closure of the Bowie #2 mine and year-to-date production drops of 55.2 percent and 25.7 percent, respectively, at the West Elk and Foidel Creek mines. Of Colorado's seven producing mines, all had year-over-year production declines ranging from 15.2 percent to 55.2 percent through the first four months of 2016. 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. Production at the Colowyo mine was down 31.9 percent through April from 2015 levels. In both FY 2016-17 and FY 2017-18, collections are expected to fall further to $3.3 million and $3.0 million, respectively.

Finally, projected interest earnings for FY 2015-16 were decreased from the March forecast at $8.9 million. Over the remainder of the forecast period, interest earnings are expected to be $6.4 million in FY 2016-17 and $7.4 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.

State revenue from gaming is increasing as casinos draw additional gamblers and earn higher takes. Gaming tax and fee revenue subject to TABOR is expected to total $102.8 million, an increase of 3.5 percent, in FY 2015-16. Gaming revenue subject to TABOR is expected to grow by an additional 2.7 percent to $105.6 million in FY 2016-17.

The current year has been among the best on record for the state's casino industry. Gaming activity is accelerating with improved household incomes, casino capital improvements, and approval for more establishments to serve alcohol after 2 a.m. Additionally, casinos are paying a lower percentage of wagers in winnings, adding to the casino earnings on which taxes are paid. Between July 2015 and April 2016, casino proceeds increased 6.0 percent on a year-over-year basis, while wagers increased by just 3.0 percent during the same time period. Casinos are benefitting from an increasing share of wagers made on table games, where they are able to capture a greater take than for slot machines.

Growth in gaming tax revenue subject to TABOR is statutorily capped at 3.0 percent. Years when total gaming tax revenue grows by more than 3.0 percent thus result in growth rates of greater than 3.0 percent for gaming taxes exempt from TABOR. TABOR-exempt Amendment 50 revenues are expected to grow 30.5 percent to $15.7 million in FY 2015-16, increasing the share of revenue distributed to state community colleges to $10.2 million from the $7.8 million distributed last year. Amendment 50 revenue is expected to increase by an additional 10.5 percent to total $17.3 million in FY 2016-17.

Total taxes on ***marijuana*** are expected to generate $134.7 million in FY 2015-16 and $160.7 million in FY 2016-17. Monthly marijuana tax collections continue to increase, with collections in May 2016 representing the highest monthly collection level since legalization in January 2014. Because May collections correspond to April sales, this highpoint likely results from a spike in sales for the April 20 marijuana rally. The first $40 million in excise tax revenue each year is constitutionally dedicated to school construction, and excise taxes are expected to exceed this threshold by $5.7 million in FY 2016-17.

Growth in marijuana sales are expected to moderate in FY 2016-17 and FY 2017-18 as the market matures. House Bill 15-1367 reduced the sales tax rate from 10 percent to 8 percent starting in FY 2017-18, resulting in a $6.2 million decrease in sales tax revenue.

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 $30.3 million in FY 2015-16 and $34.6 in FY 2016-17. Table 11 presents the forecast for marijuana tax revenue.

Table 11
Tax Revenue from the Marijuana Industry
Dollars in Million

	Actual FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18
Proposition AA Taxes				
10% Special Sales Tax	$42.1	$66.6	$80.3	$74.1
State Share of 10% Sales Tax	35.8	56.6	68.3	63.0
Local Share of 10% Sales Tax	6.3	10.0	12.0	11.1
15% Excise Tax	24.0	37.9	45.7	52.8
Total Proposition AA Taxes	**66.1**	**104.5**	**126.1**	**126.9**
2.9% Sales Tax (Subject to TABOR)				
2.9% Sales Tax on Medical Marijuana	10.4	11.6	12.1	12.1
2.9% Sales Tax on Retail Marijuana	11.8	18.7	22.5	26.0
Total 2.9% Sales Tax	**22.2**	**30.3**	**34.6**	**38.1**
Total Taxes on Marijuana	**$88.3**	**$134.7**	**$160.7**	**$165.0**

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.

In FY 2015-16, FML revenue is projected to total $94.1 million, a 3.1 percent increase from the March forecast. The increase is primarily the result of the rebound in natural gas prices. Between March and June, natural gas prices at Colorado hubs have risen from around $1.75 per Mcf to around $2.20 per Mcf. Prices are expected to remain fairly steady through the summer. This slight price increase was offset by the continued decline in Colorado coal production, and roughly 75 percent of this production occurs on federal lands. Through the first four months of 2016, production was down 40.8 percent on a year-over-year basis after falling 18.5 percent in 2015. Coal production is expected to continue to decline through the forecast period, further dampening growth in FML revenue.

FML revenue is expected to hold steady at $99.0 million in FY 2016-17 before rebounding to $121.8 million in FY 2017-18 with higher natural gas prices. These totals are essentially unchanged from the March forecast.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and year-end balance are shown in Table 12. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 13 on page 32. 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 13

A healthy labor market continues to support the Colorado UI trust fund. In FY 2014-15, the ending balance for the fund was $680.1 million, a 14 percent increase from the previous year. The improvement occurred despite a decline in contributions to the fund from employers, as premiums paid by employers were lower by 1.8 percent in FY 2014-15. In addition, the improving labor market helped reduce the amount of unemployment insurance benefits paid from the fund in FY 2014-15.

In FY 2015-16, the ending balance for the UI trust fund is expected to be approximately $660 million, a 3 percent decline from the previous fiscal year. The decline is the result of lower employee contributions and an increase in the total amount of benefits. As the solvency of the fund improves, employers shift to lower premium rate schedules. The fund's ending balance in FY 2014-15 was sufficient to shift the employer's schedule to a lower premium rate beginning on January 1, 2015. Oil related layoffs and an increase in average weekly benefits paid added to the total amount of benefits that are expected to be paid in FY 2015-16. The UI fund is projected to remain relatively stable through the forecast period as job growth and a higher chargeable wage base keep the fund secure.

Table 12
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Actual FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Beginning Balance	$599.1	$680.1	$659.5	$649.2	
Plus Income Received					
UI Premium & Premium Surcharge[1]	$670.7	$593.5	$619.9	$684.1	0.65%
Interest	$15.5	$17.1	$12.0	$13.6	
Total Revenues	$686.4	$610.6	$631.9	$697.7	0.55%
Percent Change	-3.6%	-11.0%	3.5%	10.4%	
Less Benefits Paid	($482.5)	($506.2)	($517.2)	($536.7)	3.61%
Percent Change	-9.8%	4.9%	2.2%	3.8%	
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	$659.5	$649.2	$810.2	6.01%
Solvency Ratio[2] Fund Balance as a Percent of Total Annual Private Wages	0.66%	0.61%	0.56%	0.69%	

Totals may not sum due to rounding.

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

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

[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.

Table 13
Cash Fund Revenue Subject to TABOR
Dollars in Million

	Actual FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17	Estimate FY 2017-18	CAAGR*
Transportation-Related	$1,164.6	$1,174.7	$1,190.8	$1,204.6	
Percent Change	2.5%	0.9%	1.4%	1.2%	1.1%
Hospital Provider Fee	$528.8	$805.5	$657.0	$804.0	
Percent Change	-6.7%	52.3%	-18.4%	22.4%	15.0%
Severance Tax	$281.3	$66.2	$77.1	$163.5	
Percent Change	4.7%	-76.5%	16.6%	112.0%	-16.5%
Gaming Revenue[1]	$99.3	$102.8	$105.6	$108.7	
Percent Change	1.1%	3.5%	2.7%	2.9%	3.0%
Insurance-Related	$19.9	$14.8	$15.5	$16.3	
Percent Change	-3.5%	-26.0%	4.9%	5.4%	-6.5%
Regulatory Agencies	$65.6	$67.9	$69.1	$70.6	
Percent Change	-4.1%	3.4%	1.8%	0.0%	2.4%
Capital Construction Related - Interest[2]	$5.6	$4.9	$4.5	$4.4	
Percent Change	134.2%	-13.1%	-8.5%	-2.3%	-8.1%
2.9% Sales Tax on Marijuana[3]	$22.2	$30.3	$34.6	$38.1	
Percent Change		36.2%	14.3%	10.0%	19.7%
Other Cash Funds	$590.2	$632.2	$594.4	$658.2	
Percent Change	3.8%	7.1%	-6.0%	10.7%	3.7%
Total Cash Fund Revenue	$2,777.6	$2,899.2	$2,748.5	$3,068.3	
Subject to the TABOR Limit	1.8%	4.4%	-5.2%	11.6%	3.4%

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.*

Economic Outlook

After seven years of economic growth, momentum in the U.S. and Colorado economies has slowed, as is characteristic of the later stages of an economic expansion. Low unemployment rates and slowing job growth are signaling full employment, which will contribute to upward wage pressure as labor becomes more difficult to find. The tourism, services, real estate, and construction sectors—industries that depend on the health of the labor market—continue to grow at healthy rates across the nation and in Colorado. More current indicators, including financial markets, consumer spending, and consumer debt, demonstrate economic expansion but at a slowing pace. Meanwhile, leading indicators of what is to come, including corporate profits, business investment, business credit markets, and manufacturing activity, have weakened.

Much of the weakness in business and manufacturing activity is the result of low commodity prices and a strong U.S. dollar, stemming from turbulence in the global economy. Oil prices have reversed their downward trend, relieving some of the pressure on the U.S. energy industry. Yet, weak growth abroad is sapping economic momentum in the U.S., contributing to a rising risk of recession.

Slower growth can also be attributed to domestic factors that are reducing the long-run growth rate potential for the U.S. economy. The aging population is weighing on labor force participation, pulling down wage growth, and shifting consumption away from goods toward services such as health care. Sluggish growth in U.S. labor productivity is also stunting economic prospects and wage gains. Slow economic growth has left U.S. monetary policy makers with a delicate balance. Raising interest rates too quickly will slow growth further. Yet, maintaining low rates for an even longer period may distort equities markets and savings patterns, and further pinch financial industry earnings.

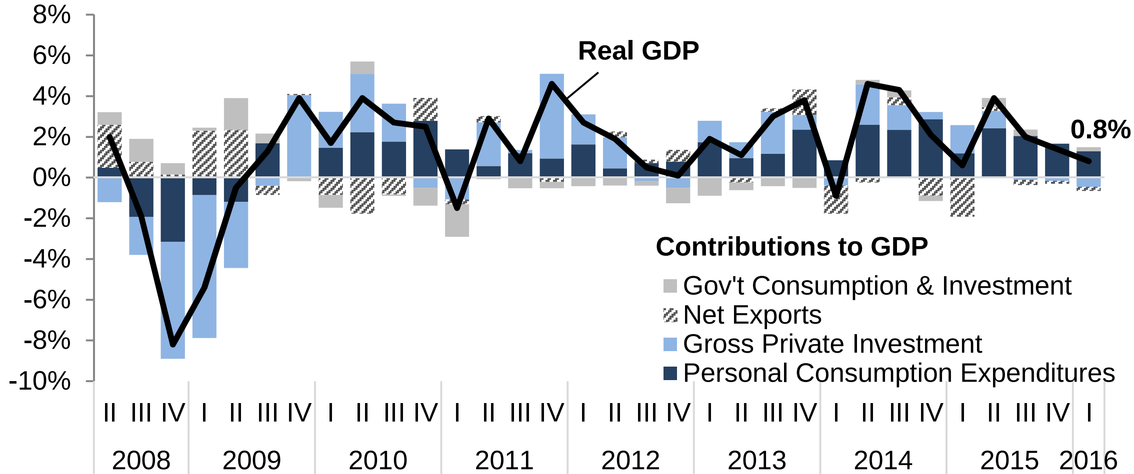
In spite of many factors slowing growth, the economies of the U.S. and Colorado are expected to continue to expand in 2016 and 2017 at a relatively modest pace. A majority of industries are healthy and are hiring and rising wages will allow for continued growth in consumer activity, historically the greatest contributor to economic growth. Tables 14 and 15 on pages 56 and 57 show a history of and expectations for selected economic indicators for the U.S. and Colorado, respectively.

Gross Domestic Product

The U.S. economy has expanded for seven years, as measured by real Gross Domestic Product (GDP), an estimate of the inflation-adjusted value of final U.S. goods and services. Economic activity increased 0.8 percent in the first quarter of 2016 and was 2.0 percent higher than during the first quarter of 2015. As shown in Figure 6, consumer spending has been the most consistent contributor to economic growth since the summer of 2015. Residential investment—a subset of gross private investment—has also been a consistent contributor to growth.

Gains in GDP have slowed over the last year along with consumer spending. Annualized quarterly growth has not exceeded 2.0 percent for three consecutive quarters—longer than any other period since the end of the Great Recession. However, growth is expected to improve somewhat in the second half of 2016. International trade and business investment in inventories and nonresidential structures have pulled down overall economic growth since the middle of 2015.

Figure 6
Contributions to Real Gross Domestic Product
Seasonally Adjusted Annual Rates



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

International trade is expected to continue to be a modest drag on growth as global demand remains weak and the price of U.S. goods relatively high, despite some recent weakening the value of the dollar. Business investment is expected to rebound somewhat through the remainder of the year given the ongoing recovery in oil prices and an expected rebound in inventory accumulation.

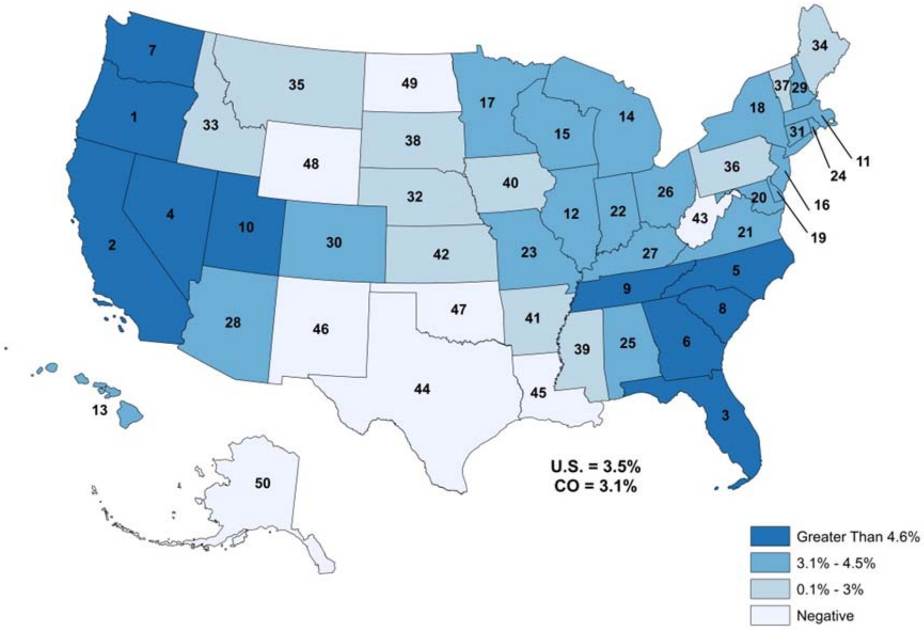
Most measures of economic activity show strong seasonal patterns that reflect events occurring at the same time each year, such as weather patterns and holidays. Data are seasonally adjusted so that they reflect actual trends instead of these seasonal variations. Several economists have suggested that "residual seasonality" may be skewing first quarter GDP data downward because, since 2014, first quarter estimates have been weaker than expected. Final first quarter estimates of GDP will be published in July.

Economic growth in Colorado, as measured by nominal (not adjusted for inflation) state GDP, ranked third highest among the states in 2014 with a 5.7 percent growth rate. In 2015, growth slowed to 3.1 percent, and Colorado's rank fell to 30 among the 50 states. This change in rank is due to the recession in the oil and gas industry. Figure 7 shows state rankings in nominal state GDP growth for 2014 and 2015. Other energy states, such as Texas, Oklahoma, and North Dakota also experienced significant decreases in rank by worse margins than Colorado. Colorado's diverse economy should receive some credit for this—but not all—given that Texas also has a highly diverse economy. Most of the credit is likely due to the fact that Colorado's energy industry has fared better than other states' because of the productivity and efficiency of the Denver-Julesburg Basin, primarily located in Weld County.

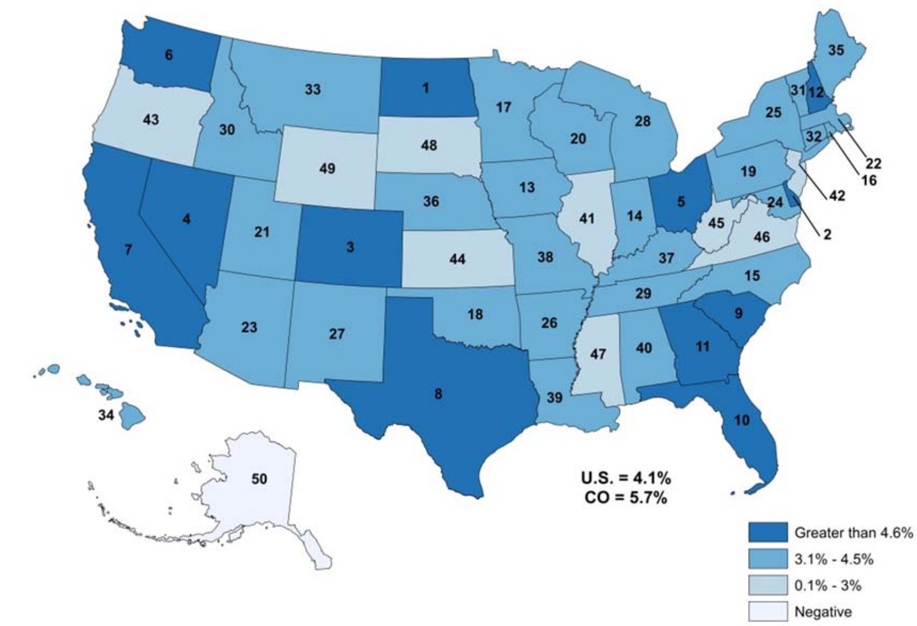
- U.S. real GDP is expected to increase 1.6 percent in 2016 and 1.8 percent in 2017, slower growth than in the previous two years. A strong dollar and lackluster global economic growth will dampen exports and maintain headwinds against business activity. Heightened market volatility is also expected to suppress some consumer activity.

Figure 7
Annual State GDP Growth Rankings
Not Adjusted for Inflation

2015 Over 2014



2014 Over 2013



Source: U.S. Bureau of Economic Analysis.

Business Income and Activity

Figure 8 shows selected indicators of the health of the nation's business sector. Business income, activity, production and manufacturing orders are often leading indicators of future economic activity. Sustained declines can signal future job losses or an economic contraction. Businesses in most services industries are doing well. The services industries are showing the strongest employment growth and business surveys continue to indicate moderate gains. The industrial production and manufacturing sectors, however, are battling considerable headwinds. Manufacturing and industrial production have softened since the summer of 2015, reflecting a strong U.S. dollar, less global demand for goods, and a decline in the value of refined oil products.

Business investment, income, and profits are shown at the top left of Figure 8. U.S. corporate profits after tax were up 3.3 percent in 2015. This growth, however, was entirely due to strength in the first half of 2015, as profits weakened in the second half. In the first quarter of 2016, corporate profits after tax came in slightly higher than the fourth quarter of 2015 but 3.6 percent lower than year-ago levels. This was weaker than expected, given that the pullback in the fourth quarter of 2015 was partially the result of a large one-time transfer payment related to the BP oil spill. Business investment in equipment and intellectual property also weakened over the past two quarters.

Proprietors' income, which is also shown in the top left of Figure 8, is a good indicator for income in small- and medium-sized businesses. While both the corporate profit and proprietors' income data report income for businesses in both the services and manufacturing industries, the proprietors' income data are less influenced by swings in commodity prices and external factors such as the BP spill transfer payment. Proprietors' income has increased steadily since the end of the recession. In the first quarter of 2016, proprietor's income increased 3.1 percent over the same period last year. This steady growth likely reflects strength in services industries.

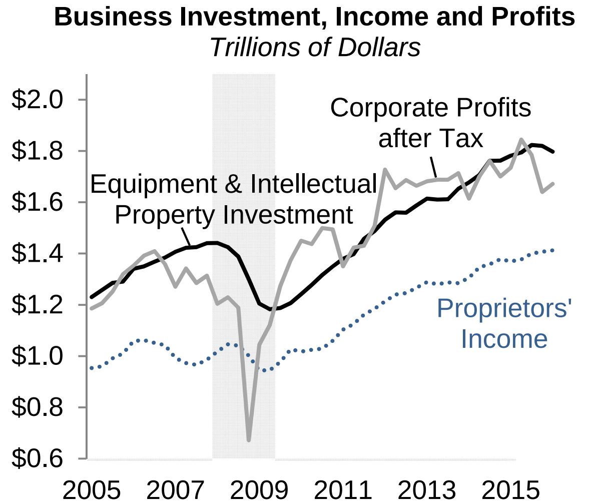
The Institute for Supply Management (ISM) non-manufacturing business activity index and the manufacturing index slowed in the second half of 2015. Both indicates, though, have improved so far this year (top right of Figure 8). Values above 50 represent expansion. The value for the broader business activity index, a good indicator for activity in the services sectors, continues to indicate moderate to strong expansion through May.

Industrial production (bottom left of Figure 8) was 1.5 percent lower in the first four months of 2016 compared with the same period in 2015. Industrial production has been declining since the summer of 2014. Much of the decline is due to oil and gas production and low commodity prices.

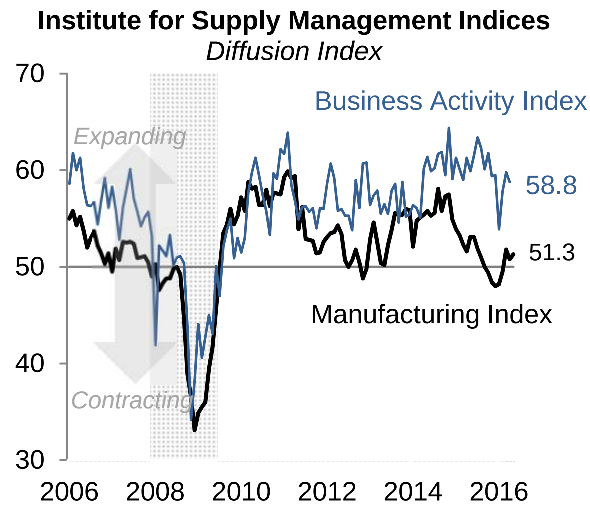
The Federal Reserve Bank of Kansas City produces a manufacturing index for businesses within its region—which includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado, and northern New Mexico—similar to the ISM index for the nation. The index historically tracks very closely with the national ISM index. Since oil prices began to fall in late 2014, however, the two indices diverged, as the Kansas City Federal Reserve District has a higher share of oil and natural gas refining and processing than the nation as a whole. Through May, the index for the Kansas City district indicates that activity for the Kansas City district has been contracting for longer than a year.

Meanwhile, the value of new manufacturing orders in the U.S., an important leading indicator for the business sector, has been falling steadily since the summer of 2014, even after controlling for a spike in 2014 due to a large airplane order (Figure 8, bottom right). New orders fell 6.3 percent in 2015 before decreasing another 3.0 percent through April relative to year-ago levels. The decrease is primarily occurring in the nondurable sector, which has been particularly hard hit by low agriculture and commodity prices. The value of durable goods ordered from manufacturers was flat through April compared with year-ago levels, while the value of nondurable goods fell 4.4 percent.

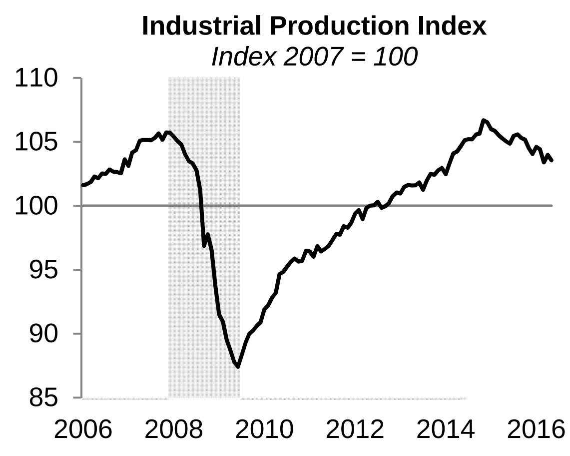
Figure 8
Selected Measures of U.S. Business Activity



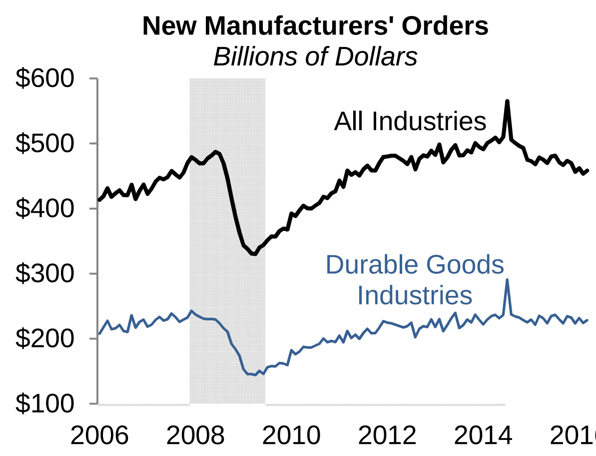
Source: U.S. Bureau of Economic Analysis. Data are not adjusted for inflation.



Source: Institute for Supply Management.



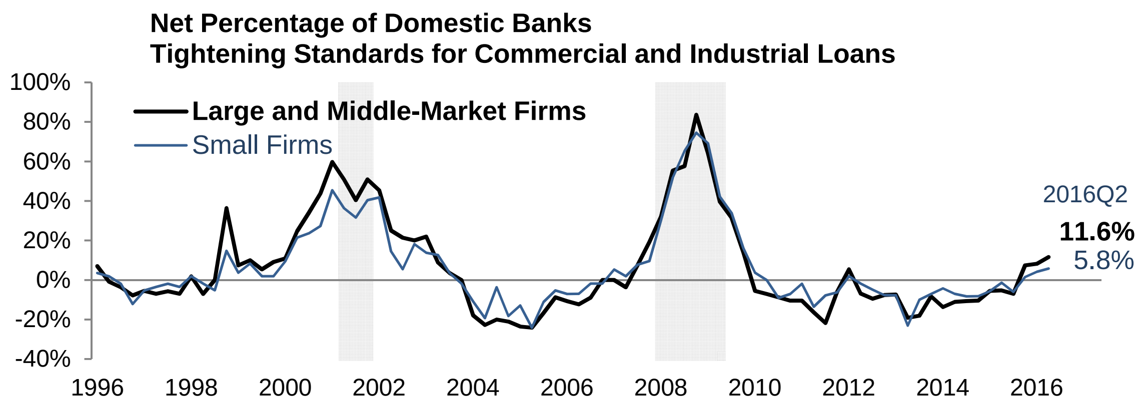
Source: Federal Reserve Board of Governors.

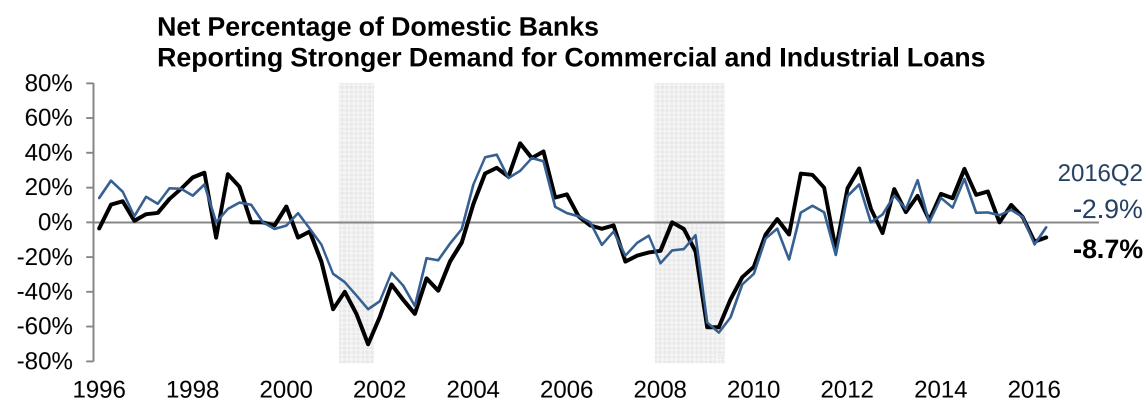


Source: U.S. Census Bureau. Data are not adjusted for inflation.

The slowdown in the nation's commodity and manufacturing sectors has begun to affect credit markets for commercial and industrial loans. As shown in Figure 9, the percent of domestic banks tightening standards for these loans has remained above zero for three consecutive quarters. Meanwhile, the net percent of banks reporting stronger demand for these loans fell below zero during the first two quarters of 2016. This is the first time either of these indicators have crossed zero and remained there for more than one quarter since the end of the recession.

Figure 9
Supply and Demand for Commercial and Industrial Loans





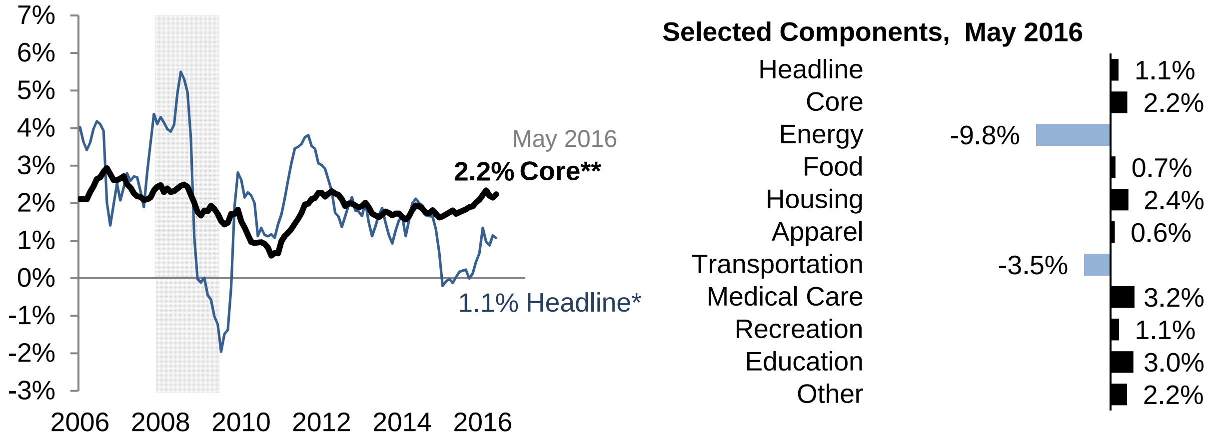
Source: Federal Reserve Board of Governors, Senior Loan Officer Survey.

Monetary Policy and Inflation

In May, headline U.S. inflation rose 1.1 percent over the same month in the prior year (Figure 10, left). Core inflation, which excludes the more volatile components of food and energy, rose 2.2 percent. Low energy prices continue to subdue inflation, while most other price components rose relative to May last year (Figure 10, right). Crude oil prices reached lows in January and since have been moving upward, although these trends will not be reflected in year-over-year inflation until early 2017.

The next Denver-Boulder-Greeley consumer price index (CPI) release will be in late July, reflecting the first half of 2016. Colorado headline inflation rose 1.2 percent over the same period in 2015, while core inflation rose 3.3 percent. Rising housing, medical care, and recreation costs made the largest contribution to local price pressures and continue to outpace national trends. Housing costs in Colorado continued to well outpace the nation at the start of the year, and are expected to put upward pressure on area inflation throughout 2016.

Figure 10
Consumer Price Index (CPI) Inflation
Percent Change in Prices, Year-over-Year



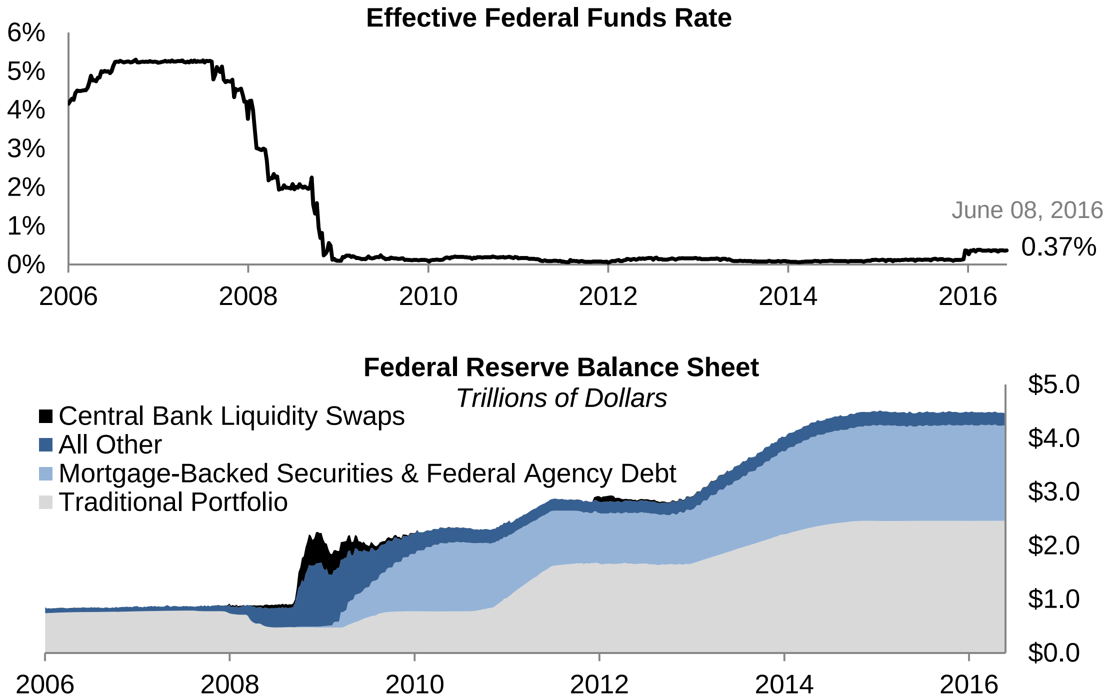
Source: U.S. Bureau of Labor Statistics.
Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.
**Headline inflation includes all products and services. **Core inflation excludes food and energy prices.*

The Federal Open Market Committee (FOMC) maintained the target federal funds rate this month at between 0.25 percent and 0.5 percent (top of Figure 11). Although July remains a possibility for a modest hike in the target rate, most economists and financial analysts do not expect inflation and employment indicators to warrant another rise until at least this fall. FOMC Chair Janet Yellen indicated that the natural rate of interest, or that rate consistent with a growing economy without overheating, is lower than it has been historically. The FOMC continues to keep its balance sheet elevated by reinvesting proceeds from maturing Treasury securities and principal payments from its holdings of federal agency debt and agency mortgage-backed securities (bottom of Figure 11). These efforts are expected to maintain downward pressure on long-term interest rates, lowering borrowing costs for home mortgages and other longer-term financing of business and consumer activity.

- A gradual increase in energy prices in 2016 is expected to firm inflationary pressures. Nationally, prices are expected to increase 1.3 percent in 2016 and 2.1 percent in 2017.

- The Denver-Boulder-Greeley CPI will increase 2.4 percent in both 2016 and 2017. The cost of housing in Colorado is expected to grow faster than the cost of housing nationally, leading to faster inflation in Colorado through the forecast period.

Figure 11
Selected U.S. Monetary Policy Indicators



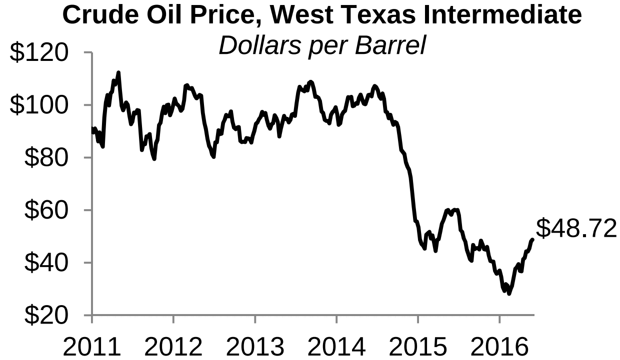
Source: Federal Reserve Board of Governors.

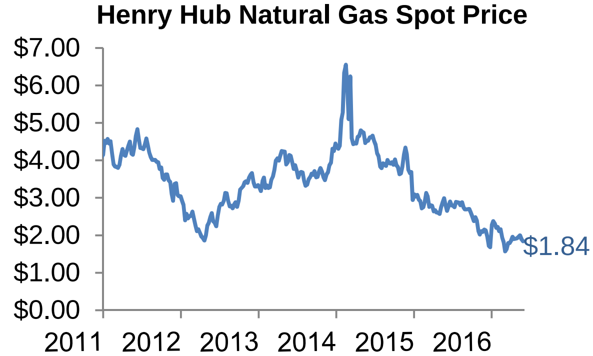
Energy Markets

Energy prices have rebounded somewhat from their lows earlier in the year, due to lower production and expectations for the usual boost in U.S. demand as the summer travel season approaches. While this has eased some of the pressure on the energy sector, prices remain low on weak global demand and still bulging reserves of oil and gas, although oil reserves have begun to fall from historical highs. Production has fallen in the U.S. and elsewhere, although some of the production decreases are due to temporary disruptions in supply, including a brief labor strike in Kuwait and wildfires in Canada. Offsetting supply disruptions somewhat, Iran has ramped up production since economic sanctions were lifted.

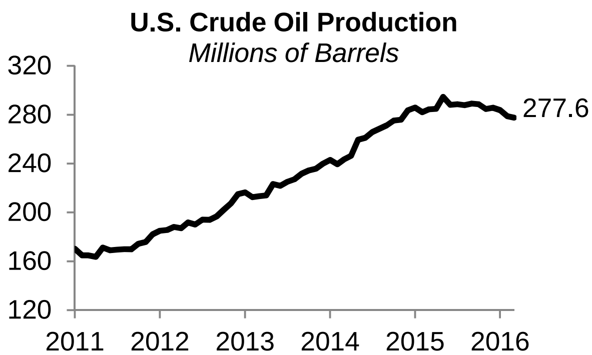
U.S. crude oil production increased 8.3 percent in 2015, despite low global oil prices. Much of this increase was due to growth in the first half of the year (Figure 12, middle left), before leveling off in the second half and falling 2.4 percent in the first three months of 2016 compared with year-ago levels. Meanwhile, the number of active oil rigs has been declining. In the fourth quarter of 2015, there was an average of 567 active drilling rigs operating in the U.S., according to Baker Hughes. By the end of May, the number of rigs had declined to 316. The recent recovery in oil prices is expected to stem and slowly reverse this decrease over the next year.

Figure 12
Selected Indicators of Oil and Gas Industry Activity

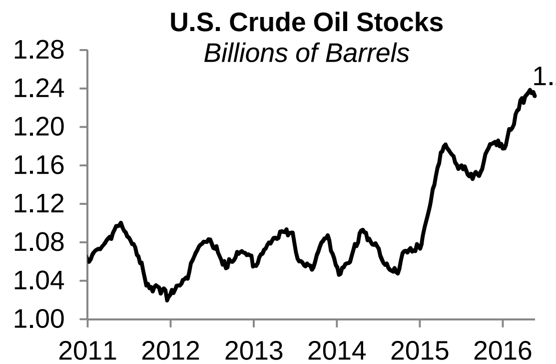




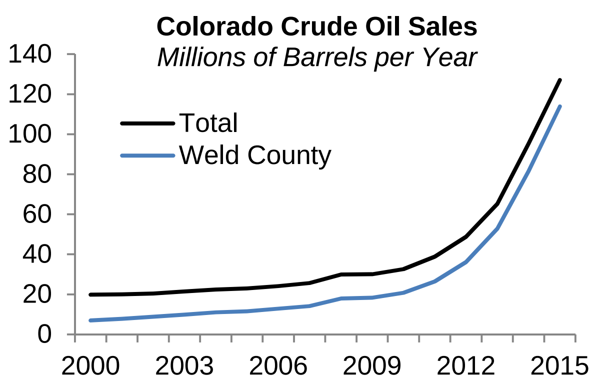
Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally



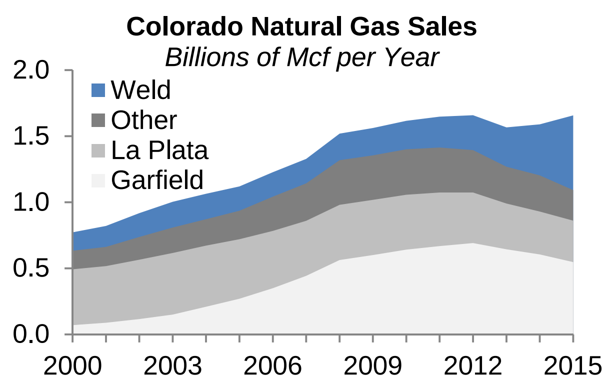
Source: U.S. Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted.



Source: U.S. Energy Information Administration. Data are not seasonally adjusted.



Source: Colorado Oil and Gas Conservation Commission.



Source: Colorado Oil and Gas Conservation Commission.

In Colorado, oil production increased 33.4 percent in 2015 due to production in the Denver-Julesburg Basin (Figure 12, bottom left). Oil producers are benefitting from efficiencies in drilling technology, which allows for increased production from each well. Production companies are still investing in the Denver-Julesburg Basin, likely taking production activity away from other areas of the country and moving resources to Weld County. Because natural gas is a byproduct of oil production, Weld County is now the leading county in natural gas production and the only area of the state where natural gas production is on the rise (Figure 12, bottom right).

While Colorado production continues to rise, low oil prices have suppressed profits, wages, employment, and investment in the industry. Nonfarm employment in Colorado's mining and logging sector decreased 8.5 percent in 2015 and another 17.6 percent year-to-date through April. Prices are expected to remain stable, averaging between $40 and $50 per barrel for the remainder of 2016 and rising gradually to between $50 and $60 by 2018. By the end of 2016 and into 2017, this will gradually mitigate and eventually reverse the energy sector's drag on the Colorado economy.

The Western Slope's natural gas production is concentrated in the Piceance Basin, primarily in Garfield and Rio Blanco counties. Through February 2016, regional gas production was down 11.0 percent compared with the same period in 2015 and has been declining since 2013 (Figure 12, bottom right). Low natural gas production is entirely due to low prices, which are in turn the result of excess supply. The U.S. Geological Survey recently increased its assessment for undiscovered, technically recoverable resources in the Mancos Shale within the Piceance Basin to 66 trillion cubic feet of shale natural gas, 74 million barrels of shale oil, and 45 million barrels of natural gas liquids, the second-largest assessment that the U.S. Geological Survey has conducted. The previous assessment, conducted in 2003, estimated only 1.6 trillion cubic feet of shale natural gas.

Meanwhile, low prices and low demand continue to affect the coal industry, with significant impacts on local economies in Gunnison, Delta, and Moffat counties.

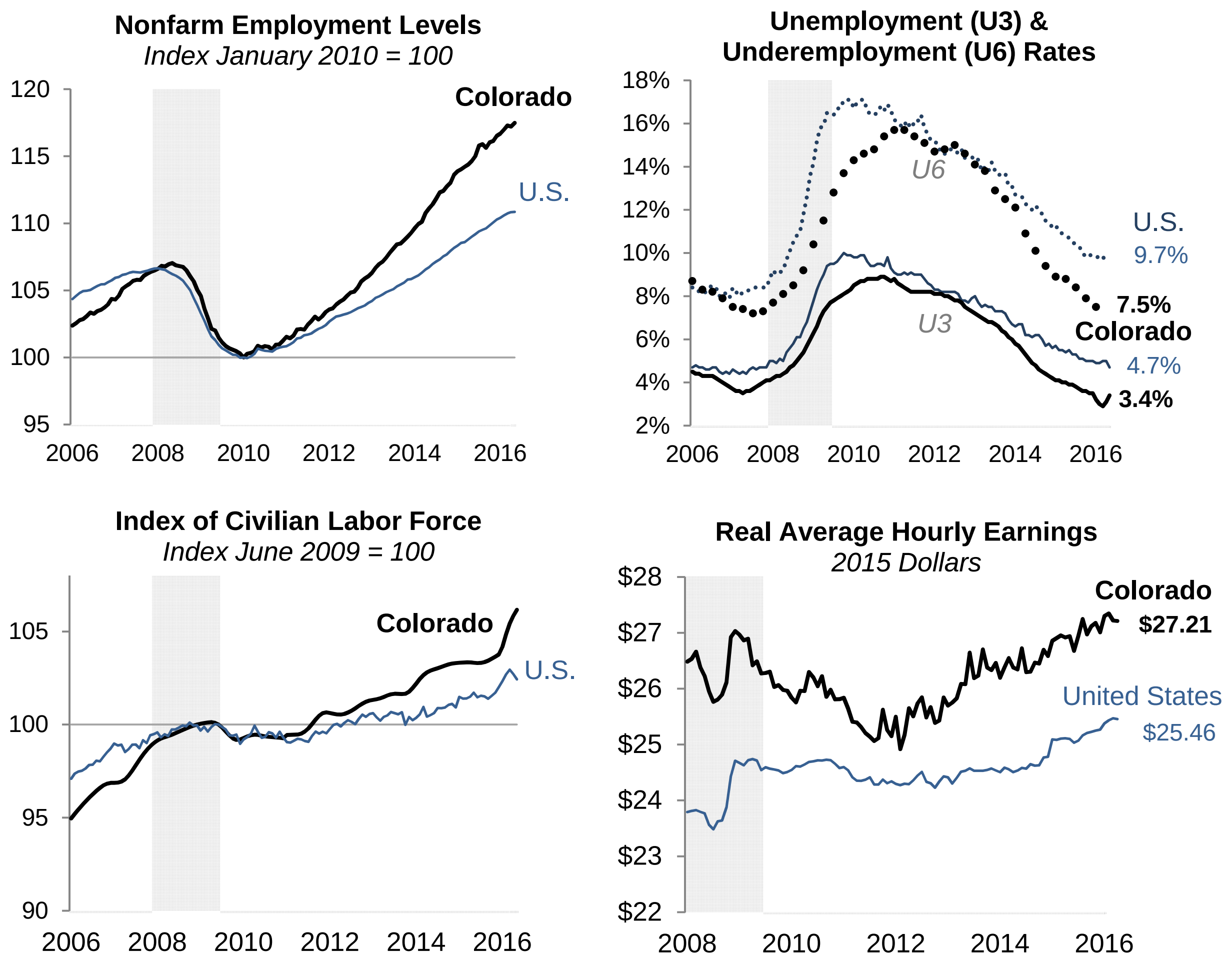
Labor Markets

The labor markets in Colorado and the nation are at or near full employment. The rate at which jobs are being added has slowed, with some of the slower growth due to weakness in the energy and export industries. However, broader labor market indicators suggest a tightening of the workforce, and that some portion of the slowdown may not be driven by lower demand, but rather a shrinking supply of workers. The nation has been filling fewer jobs than are available for over a year, and wage growth has begun to slowly gain momentum.

Employment growth in Colorado has outpaced the nation since early in the recovery (Figure 13, top left). The rate of job gains in Colorado has slowed considerably, however, since energy and other commodity prices began to fall in December 2014. Employment in Colorado increased 3.5 percent in 2014 and 3.1 percent in 2015 over year-ago levels. Job growth peaked at 4.0 percent in December 2014 over the same month in 2013. By May, job growth had slowed to 2.5 percent over the same month last year.

Colorado's unemployment rate ticked up in May to 3.4 percent (Figure 13 top right), having fallen to a post-recession low of 2.9 percent in March. The increase was accompanied by a surge in Colorado's labor force (Figure 13, bottom left). Meanwhile, the gap between Colorado's unemployment and underemployment rates has narrowed to a level consistent with full employment. Taken together, these data suggest that Colorado's labor market may be at or close to its natural rate of unemployment, the lowest rate of unemployment that an economy can sustain over the long run without overheating.

Figure 13
Comparison of Colorado and U.S. Labor Markets

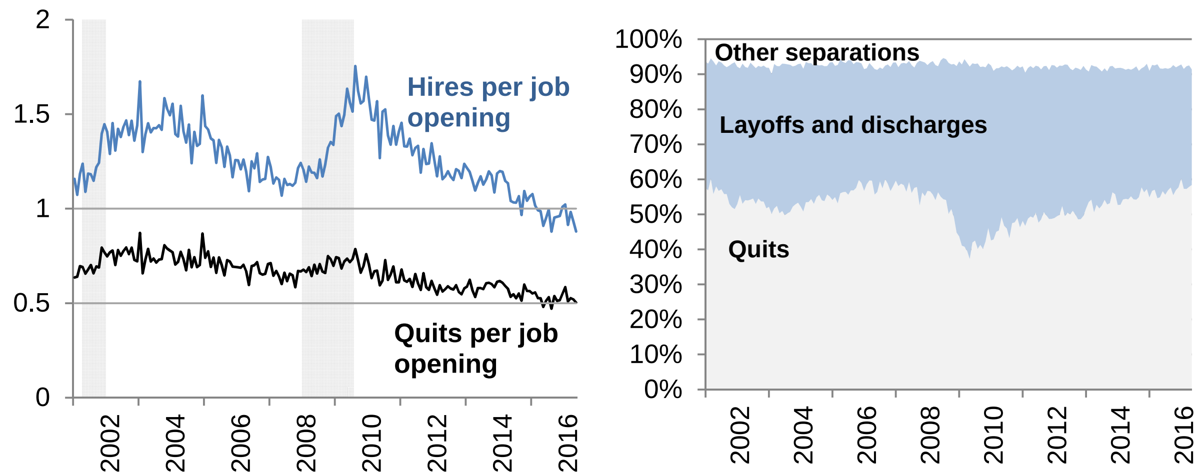


Source: U.S. Bureau of Labor Statistics. Underemployment rates for Colorado are shown as four-quarter averages, while data for the U.S. are monthly. Data are seasonally adjusted. Nonfarm employment estimates include revisions expected by Legislative Council Staff from the Bureau of Labor Statistic's annual re-benchmarking process.

Meanwhile, job gains nationwide have also decelerated, from a post-recession year over year peak of 2.3 percent in February 2015 to 1.7 percent in May 2016. Job gains failed to reach at least 200,000 for three consecutive months in March, April, and May—averaging just under 116,000 jobs per month. May was particularly slow, with only 38,000 new jobs. This was quite weak even after accounting for the Verizon strike, which artificially reduced employment by 35,000 jobs. Given that employment data are frequently revised and subject to survey errors and statistical adjustments, it is still unclear whether this indicates a real downward shift in the trend.

Moreover, there is evidence that slower job growth may be partially due not to lower demand for labor, but rather to lower supply. Growth was spread over most industries has slowed, and both unemployment and underemployment rates for the U.S. continued to fall through May. The U.S. unemployment rate fell to 4.7 percent in May, partially because of a downtick in the number of people in the labor force.

Figure 14
Job Opening and Labor Turnover Statistics



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Statistics (JOLTS).

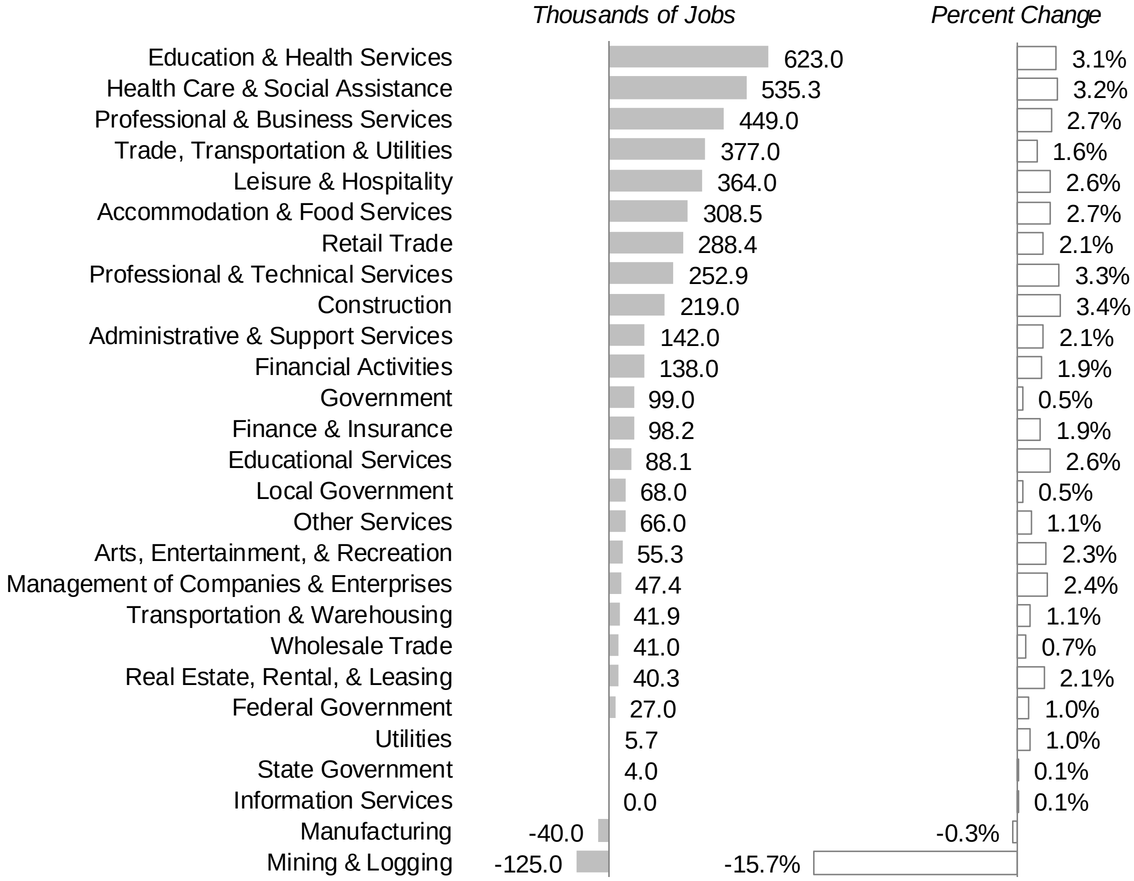
In addition, data from the U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover survey (JOLTS) are pointing to lower labor supply than demand. Both the number of job openings and the number of hires have consistently showed gains. However, the number of hires has not grown quickly enough to fill all of the job openings. During most of the last two business cycles, the number of hires consistently exceeded the number of job openings (Figure 14, left). Since February 2015, this ratio has been below one, indicating that many job openings are being left unfilled. Moreover, this timing is consistent with the slowing pace of employment growth, since the peak in the nation's growth rate occurred in February 2015.

The composition of separations between employers and workers also indicate a labor market at or near full employment, with the share of separations resulting from quits consistently rising amidst a consistent decrease in the share resulting from layoffs and other discharges (Figure 14, right).

However, it should not be inferred that all of the slowing in employment growth is due to labor shortages. The amount of slack (or lack thereof) in the labor market is uneven across industries and geographic regions. The nation lost 125,000 jobs in the mining and logging industry between May 2015 and May 2016, while Colorado lost 5,000 between April 2015 and April 2016 (Figures 15 and 16). The nation is also losing jobs in manufacturing, while Colorado lost jobs in transportation (an industry utilized greatly by the oil and gas sector) and financial services. In addition, the gap between the nation's unemployment and underemployment rates

(Figure 13, top right) has remained around 5 percent for close to a year, much lower than the gap during the depth of the recession, but still stubbornly higher than pre-recession levels. Most of the remaining gap relative to pre-recession levels is due to an elevated number of people working part time when they would prefer to work full time if economic conditions allowed.

Figure 15
U.S. Job Gains and Losses by Industry
Between May 2015 and May 2016

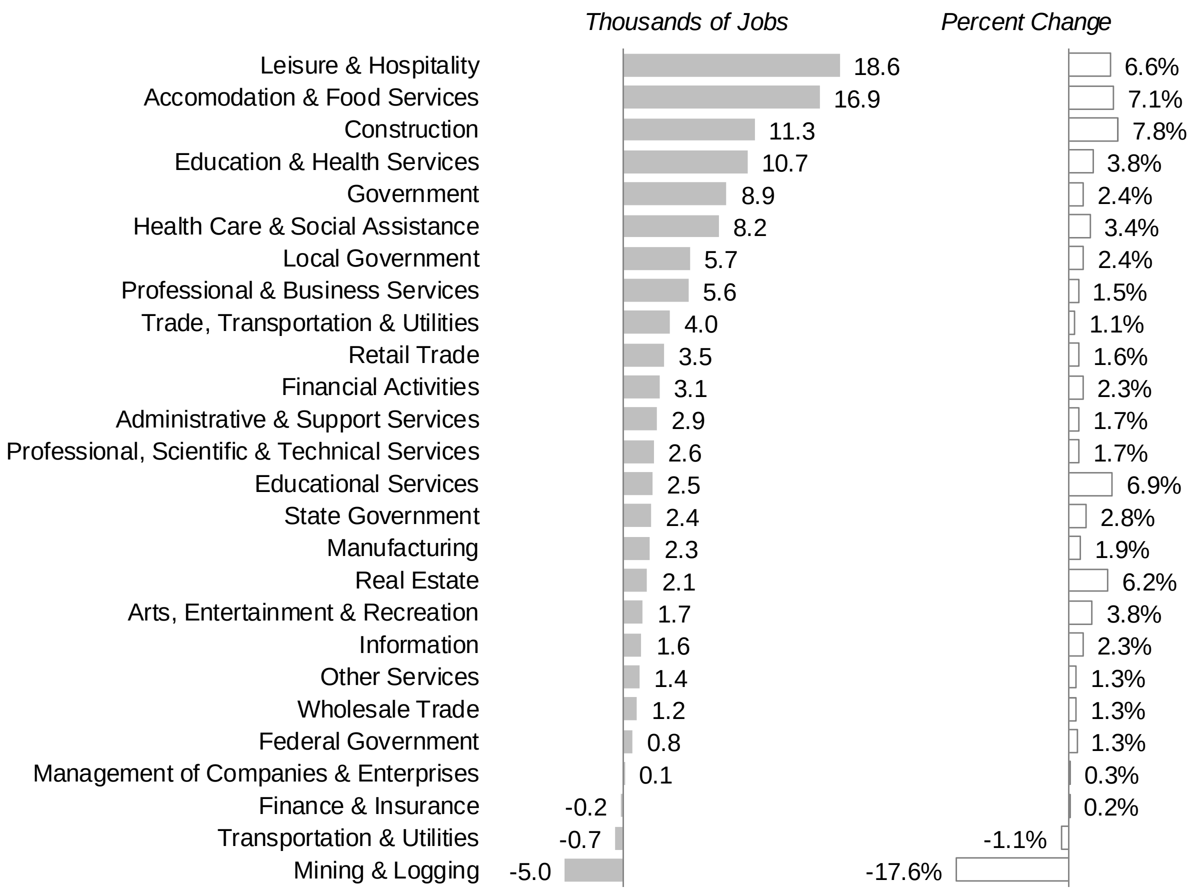


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Finally, average wages continue to grow modestly in both Colorado and the nation (Figure 13, bottom right). Wage growth nationwide is slowly picking up speed. Without adjusting for inflation, the average U.S. wage increased 2.5 percent in May over year-ago levels. Average wage growth was markedly stubborn for most of the recovery, averaging a relatively consistent 2.0 percent between 2010 and 2014. The pace began to pick up early in 2015, however, and growth has averaged 2.3 percent since. Colorado wage growth began growing at faster rates than the nation in 2012, but has recently lost some momentum and now more closely matches the national pace. This rate of growth remains low by historical standards; during the years leading up to the recession, wage growth was consistently growing at rates exceeding 3.0 percent. However, this earlier period was marked by higher inflation.

Opposing forces are affecting the rate of wage growth. In theory, wage growth is determined by the sum of inflation, productivity growth, and a third factor that captures the availability of qualified workers relative to the number of available jobs. Quickly rising housing costs have prompted many workers to ask for larger raises, but few have been successful with this argument because overall rates of inflation are low. Labor productivity is rising, but at sluggish rates relative to past expansions. Both inflation and gains in labor productivity are therefore applying relatively weak upward pressure on wages compared with prior expansions. The tight labor market is providing most of the upward pressure on wages. The strength of this pressure varies among industries and occupations; most is concentrated among positions requiring specialized skills.

Figure 16
Colorado Job Gains and Losses by Industry
Between April 2015 and April 2016



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.
Nonfarm employment estimates include revisions expected by Legislative council staff from the Bureau of Labor Statistic's annual re-benchmarking process.

Meanwhile, other factors are applying downward pressure on the average wage. Labor mobility, or the ease with which workers change jobs, has also been lower during this expansion than during past expansions. Since workers tend to gain larger pay increases by changing jobs than by remaining with the same employer, a lower rate of labor mobility is presumably depressing wage gains. Finally, the aging population is resulting in a younger, less experienced, and cheaper labor pool.

- Colorado will continue to add jobs at a faster rate than the nation throughout the forecast period. Colorado nonfarm employment will increase 2.4 percent in 2016 and 2.1 percent in 2017.

- Nationally, nonfarm employment will increase 1.7 percent in 2016 and 1.3 percent in 2017.

Households and Consumers

The U.S. consumer has played the starring role for economic growth for more than a year (see Figure 6 on page 34). Most measures of consumer spending continue to increase, although at a slower pace, which has slowed the pace of economic growth overall. Retail trade sales (Figure 17, top left) have been slowing nationwide for some time. After several years of growth rates exceeding 4.0 percent, U.S. retail trade sales increased 2.2 percent in 2015 and 2.7 percent year-to-date through May 2016 (1.7 percent after adjusting for inflation). Colorado retail trade sales increased 8.5 percent and 4.7 percent in 2014 and 2015, respectively.

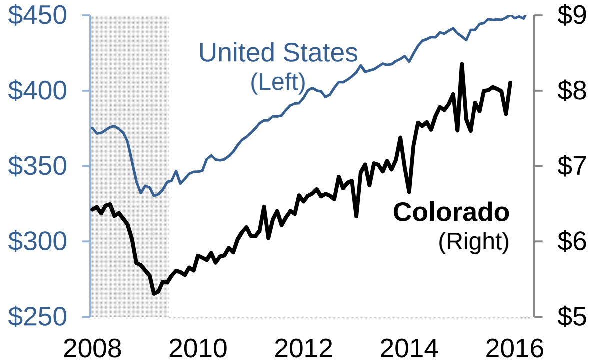
Meanwhile, sales taxes collected by the State of Colorado have been trending downward since April 2014 (Figure 17, top right). This reflects an increasing share of spending on services relative to tangible goods. Most services are not subject to the Colorado sales tax, while spending on services is included in the retail trade figures.

Although consumer sentiment is lower than it was a year ago, it remains at levels consistent with economic expansion (Figure 17, center left). Job growth and wage gains have sustained spending. In addition, household balance sheets have improved markedly since the end of the recession, with lower debt burdens, increased wealth, and higher income. U.S. personal income increased 4.4 percent in the first quarter of 2016 over year-ago levels, after growing 4.5 percent in 2015 (Figure 17, center right). U.S. wages and salaries grew at rates of 5.3 percent in the first quarter of 2016 and 4.8 percent in 2015. Personal income and wages and salaries in Colorado increased 5.1 percent and 5.6 percent, respectively, in 2015. Colorado has been outpacing the nation in personal income growth throughout the expansion.

The improvement in household balance sheets has begun to slow and even reverse. Recent volatility in the stock market (Figure 17, bottom left) has diminished the wealth effect for higher income consumers, which has likely had a significant impact on the pace of consumer spending overall. Households are no longer shedding consumer debt, but instead have begun to slowly accumulate debt at rates nearing historical averages (Figure 18, bottom). Meanwhile, the increase in the savings rate reflects the slowdown in consumer spending (Figure 18, top). Finally, after record sales in 2015, sagging demand for vehicles is expected to suppress retail trade growth through 2016 (Figure 17, bottom right).

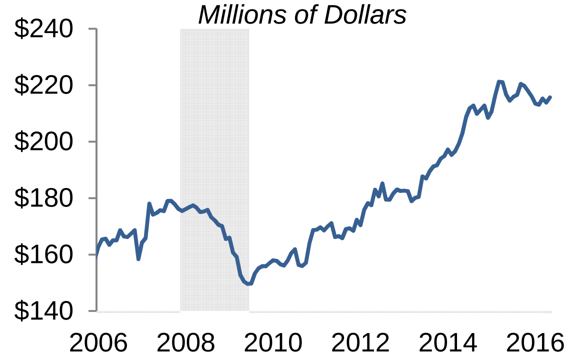
Figure 17
Selected Indicators of Consumer Spending

Retail Trade Sales
Billions of Dollars



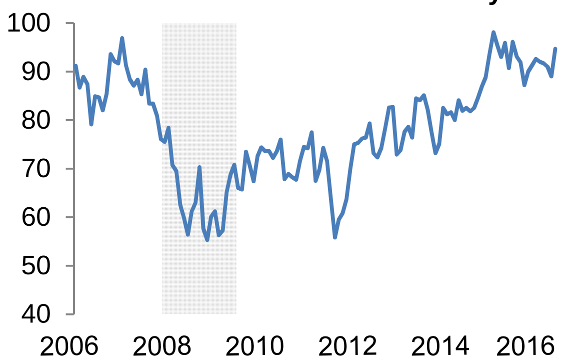
Sources: U.S. Census Bureau and Colorado Department of Revenue.

Colorado Sales Tax Collections
Three-Month Moving Averages
Millions of Dollars



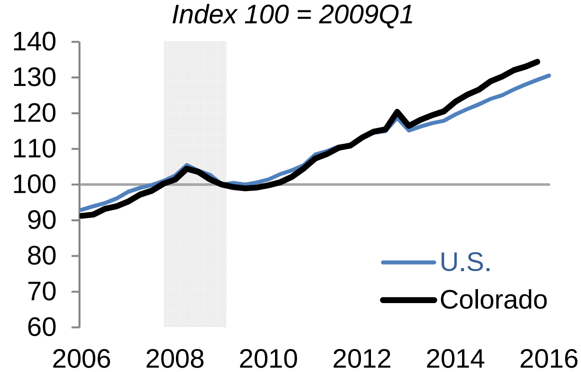
Sources: Colorado Department of Revenue, cash accounting basis. Data are seasonally adjusted but are not adjusted for inflation.

University of Michigan
Consumer Sentiment Survey



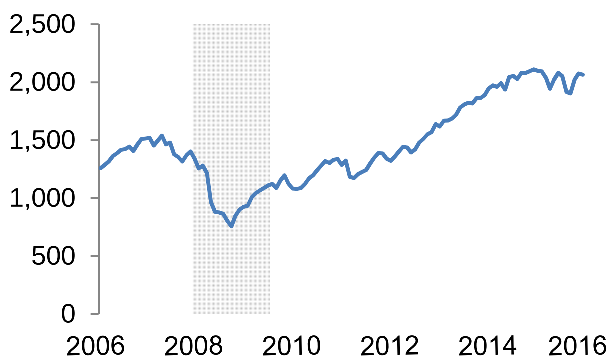
Sources: University of Michigan survey of consumers.

Personal Income
Index 100 = 2009Q1



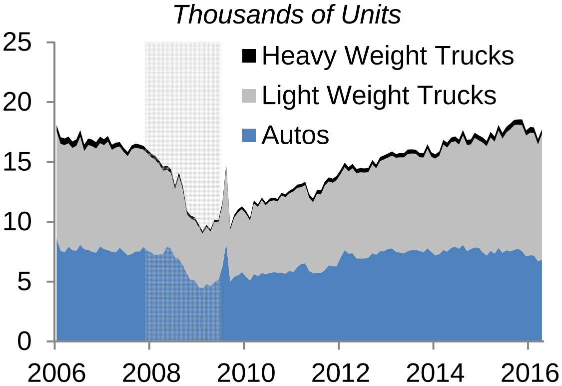
Sources: U.S. Bureau of Economic Analysis. Data are seasonally adjusted but are not adjusted for inflation.

S&P 500 Stock Market Index



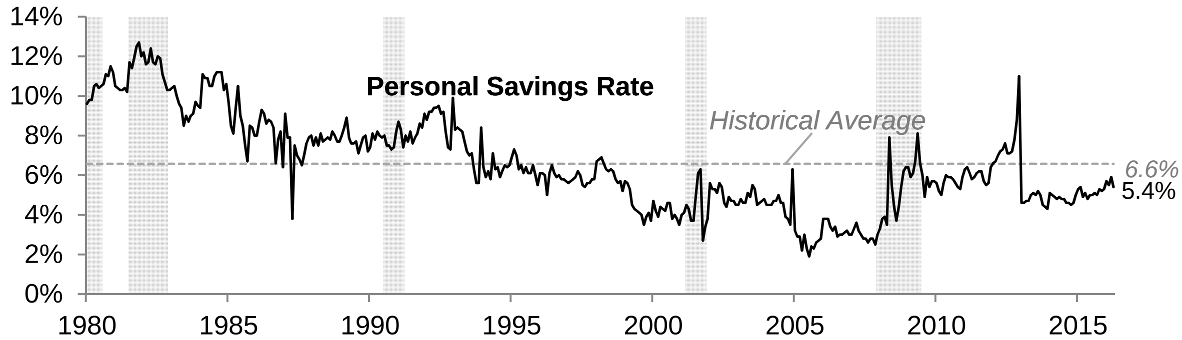
Sources: Standard & Poors.

Vehicle Sales
Thousands of Units

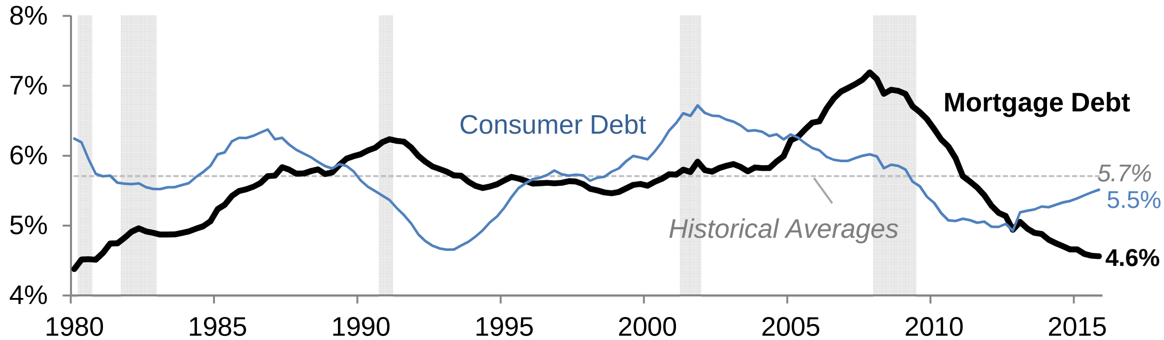


Sources: U.S. Bureau of Economic Analysis, supplemental estimates. Data are shown as seasonally adjusted annual rates.

Figure 18
U.S. Household Savings and Debt



Source: U.S. Bureau of Economic Analysis.
The personal savings rate is calculated as the ratio of personal savings to disposable personal income. Data are shown as seasonally adjusted annual rates.



Source: U.S. Bureau of Economic Analysis.
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.

Consumer spending has also been softened by low prices for commodities, including fuels, agricultural products, and metals. Low energy prices sap the value of spending on gasoline. Lower fuel prices will also pass through to prices for products transported by truck or by plane. Figure 19 shows U.S. retail and food service sales as estimated by the Census Bureau. Although the data in Figure 19 are not adjusted for inflation, adjustments for inflation reveal that growth in retail trade is slowing even after accounting for low transport costs.

- Colorado personal income is forecast to increase 5.1 percent in 2016 and 5.7 percent in 2017. Nationally, personal income is expected to increase 4.5 percent in 2016 and 5.3 percent in 2017.

- The largest component of personal income, wages and salaries, is expected to increase 5.4 percent in 2016 and 5.5 percent in 2017 in Colorado. For the U.S., wages and salaries are expected to increase 4.6 percent and 5.0 percent, respectively.

- Colorado retail sales will grow 4.1 percent in 2016 and 4.6 percent in 2017. Regional growth is expected to continue to outpace U.S. retail sales.

Figure 19
Year-over-Year Change in U.S. Retail Sales, May 2016

	Year-over-Year Change	Share of Sales
Total U.S. Retail Sales	**2.7%**	
Building, Garden & Supplies Dealers	7.5%	6.2%
Nonstore Retailers	9.8%	10.1%
Health & Personal Care Stores	6.6%	6.1%
Food Services & Drinking Places	6.4%	12.0%
Sporting Goods & Hobby	5.9%	1.7%
Furniture & Home Furnishings Stores	3.5%	2.0%
Motor Vehicle & Parts Dealers	3.4%	20.4%
Miscellaneous Store Retailers	4.1%	2.3%
Food & Beverage Stores	1.8%	12.9%
Clothing & Clothing Accessory Stores	0.2%	4.7%
General Merchandise Stores	0.0%	12.3%
Electronics & Appliance Stores	-2.6%	1.9%
Gasoline Stations	-10.8%	7.4%

Source: U.S. Census Bureau advanced monthly retail trade report.

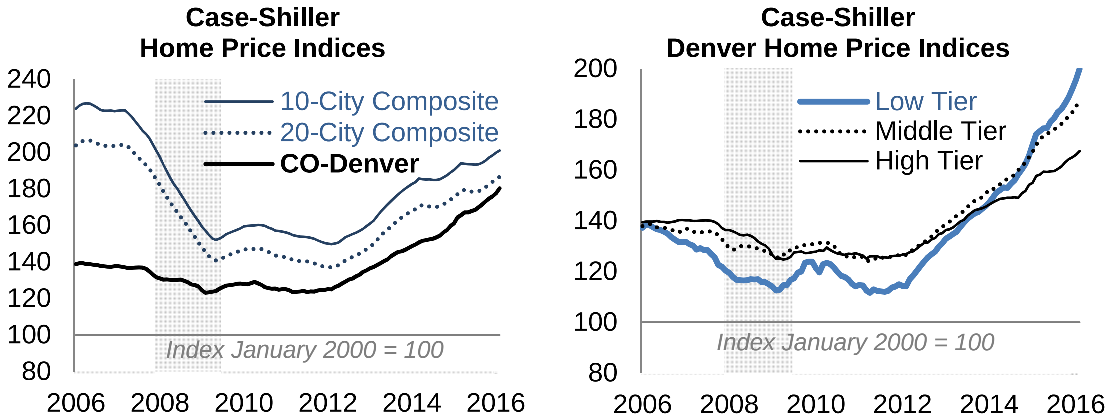
Residential Real Estate and Construction

Nationally, home price appreciation has slowed considerably, while Colorado home prices continue to rise at a near double-digit pace relative to prices a year ago. Demand for living spaces in the Denver metro area remains strong and supply constraints persist, preserving a market favorable to landlords and homeowners seeking to sell. Home prices in Denver were still climbing at a near double-digit pace in March 2016, up 9.9 percent over year-ago levels, while two composite indices for urban markets across the U.S. were both up at rates near 5.0 percent (Figure 20, top left).

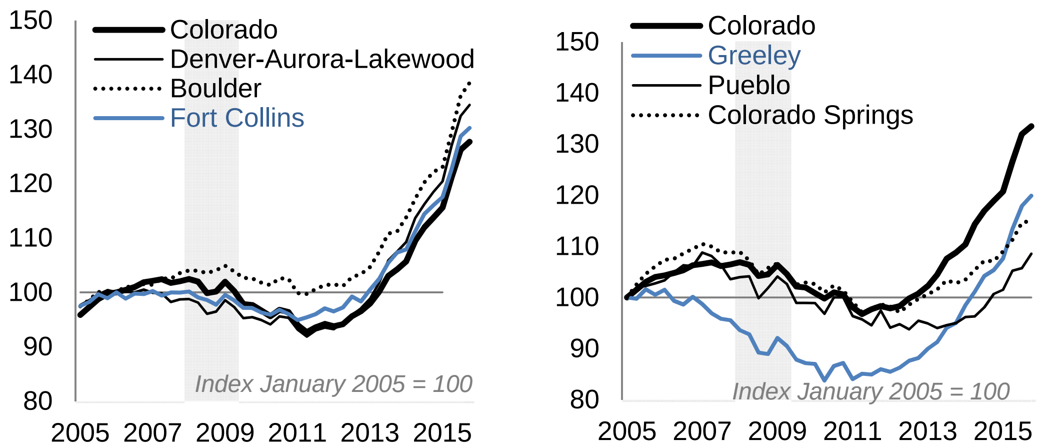
In Denver, household formation and in-migration of young adults is driving demand, particularly for inexpensive residential property. Appreciation in the cheapest third of houses and condominiums is outpacing price hikes for middle and upper tier properties (Figure 20, top right). Between March 2015 and March 2016, the price for a lower-tier home in the Denver area increased 15.8 percent, while prices of medium- and high-priced homes increased 10.8 percent and 6.7 percent, respectively.

Most areas of the state have followed a trend in home prices similar to the Denver area (Figure 20, bottom right and left). The northern front range cities, including Fort Collins, Greeley, and Boulder, have experienced housing price pressure on par with the Denver area over the last two years, while home prices along the southern front range, including Colorado Springs and Pueblo, have increased to a lesser extent. Home prices in the southern metro areas of the state have finally exceeded pre-recessionary levels.

Figure 20
Selected Indices of Home Price Appreciation



Source: S&P Dow Jones Indices LLC. Seasonally adjusted.



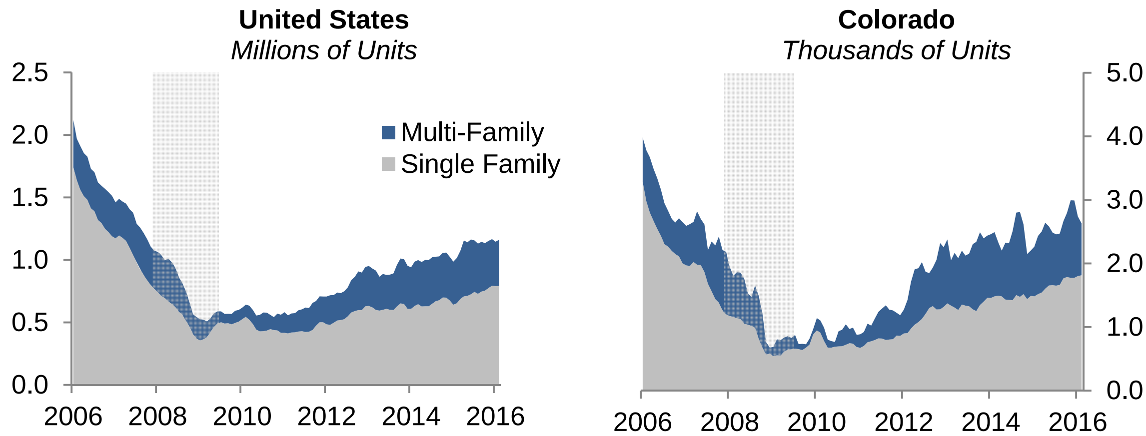
Source: U.S. Federal Housing Finance Agency.

Similarly, rents continue to rise. According to Apartment List, Inc, the median rent in Colorado increased 4.8 percent between in May 2016 over year-ago levels; May rents were $1,260 for one-bedroom apartments and $1,490 for two-bedroom apartments. Nationwide, rents increased by a more subdued 2.7 percent. Median two-bedroom rents in May were highest in Boulder ($1,830), Denver ($1,770), and Centennial ($1,690) and lowest in Aurora ($1,380), Fort Collins ($1,330), and Colorado Springs ($1,000).

Colorado housing construction activity continues to rise, supported by strong demand in most regions of the state (Figure 21). The total number of residential construction permits have risen by 16.7 percent year-to-date through April compared with year-ago levels, after growing 4.0 percent in 2015. Single and multi-family permits rose 19.1 percent and 12.3 percent through April in Colorado, respectively. Nationwide, permits rose 11.1 percent year-to-date through April after growing 10.7 percent in 2015, with strong gains in single family building and a slight decrease in multi-family building.

- Supported by the tight housing market in Colorado, total residential building permits will increase 6.0 percent in 2016 and 4.5 percent in 2017.

Figure 21
Building Permits Issued for New Residential Construction



Source: U.S. Census Bureau. Seasonally adjusted three-month moving averages.

Nonresidential Construction

Nationwide, nonresidential construction spending rose 8.5 percent year-to-date through April compared with year-ago levels. Growth was driven by spending on lodging, office, and commercial projects, though gains were broad-based across nearly all building types relative to a year prior. The American Institute of Architects semi-annual survey projects nonresidential construction spending will continue to grow in 2016. They expect consistent demand for hotel, office space, manufacturing, and amusement and recreation facilities.

The value of nonresidential construction in Colorado increased 24.7 percent year-to-date through May compared with year-ago levels. More valuable projects are planned for 2016 relative to those that received permits during the first five months of 2015, as the square footage for permitted projects increased 10.1 percent and the number of projects decreased 14.8 percent. Growth was led by the commercial, lodging, amusement, and warehouse sectors. The value of permits to build office and bank buildings fell 6.9 percent.

- Continued demand for retail and tourism-related projects will help nonresidential construction grow 8.3 percent in 2016 and 4.5 percent in 2017.

Global Economy

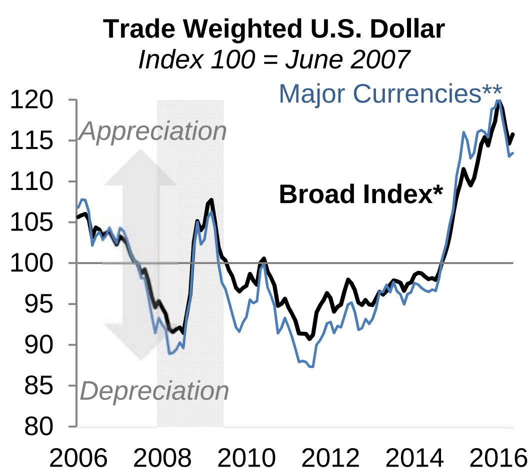
The global economic outlook remains subdued on the slowdown and rebalancing of China's economy, persistently low commodity prices, and political unrest in many emerging and developed economies. These forces have slowed and shifted global investment and trade. Since January, the value of the U.S. dollar has been depreciating relative to the currencies of major U.S. foreign trade partners (Figure 22, left). Though, the dollar remains elevated relative to the ten-year period between 2005 and 2014. Potential importers of U.S. goods have been turning to relatively cheaper foreign goods or forgoing purchases due to economic woes in their home countries.

Through March, the export value of U.S. goods continued to fall, while U.S. service exports remained stable (Figure 22, right). According to data published by WiserTrade, the export of U.S. goods fell 6.9 percent in the first quarter of the year relative to the same period last year. Canada, the U.S.'s largest trade partner, continues to lead the decline, followed by China and Brazil. Exports weakened across most commodities. Exports of mineral fuel and related products remained the weakest, primarily reflecting low crude oil prices. Industrial machinery, including computers, also contributed strongly to the decline.

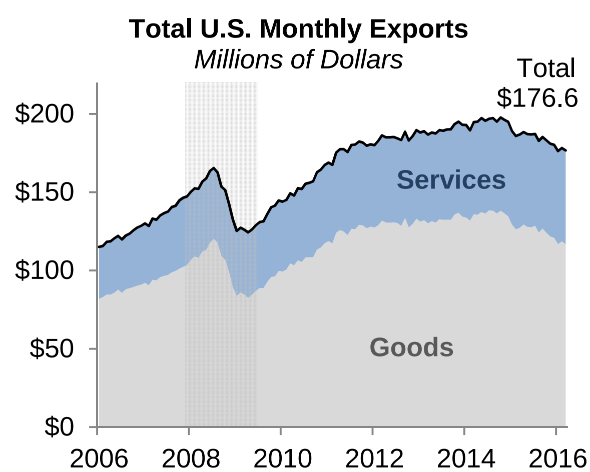
In 2015, Colorado fared slightly better than the nation, with exports down 4.3 percent relative to a 7.1 percent decline across the U.S. However, Colorado exports weakened significantly at the start of 2016. In the first quarter of the year, the value of exports fell 12.0 percent, nearly twice that of the U.S. Exports to Canada, Mexico, China, and Japan, Colorado's top four trade partners, were all down significantly. Declines were broad-based across commodities, though industrial machinery, including computers, aircraft and spacecraft, and pharmaceutical products contributed most to the weakness in exports.

Economies across the globe continue to underwhelm expectations. Market volatility in China has subsided in recent months relative to a rocky 2015. Uncertainty stemming from slower economic growth and structural reform has eased some among investors, stabilizing stock markets and capital outflows. Reorienting China from a manufacturing and export-based country toward service industries and domestic development continues to pose challenges. China faces a mounting debt burden, which could further slow growth if the country is not able to effectively deleverage.

Figure 22
Selected Global Economic 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: U.S. Bureau of Economic Analysis (balance of payments basis). Data are seasonally adjusted but not adjusted for inflation.

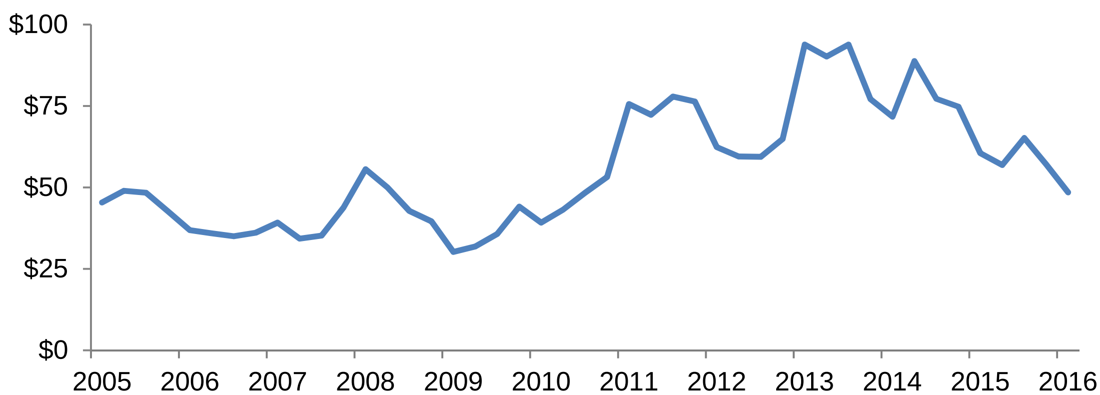
Political uncertainty has been rising across many regions of the world, posing a rising risk to global economic activity. Brazil remains steeped in recession as the country seeks to find new leadership in the wake of a corruption scandal surrounding the country's political and economic leadership. In Europe, Britain's potential exit from the European Union (EU), or "Brexit," has elicited warnings from leading economists and the International Monetary Funds (IMF) of a certain slowdown and possible recession resulting from the impact of a breakup on regional trade. Further, the Greek debt crisis continues to pose risks to the financial stability and cohesion of the EU.

Russia remains in recession as oil prices stay low, while Canada's economy has managed to expand modestly in spite of the headwinds from the energy industry. Japan continues to elude a technical recession. Early estimates suggest that Japan's economy grew at an annualized rate of 1.7 percent in the first quarter of the year following a fourth quarter contraction. Slow growth in China and other trade partners is expected to continue to dampen the outlook for the Japanese economy through the remainder of the year.

Agriculture

The U.S. agricultural industry continues to struggle. U.S. farm income (Figure 23) has fallen sharply in the last two years. In 2015, farm income was 33 percent lower than the post-recession peak in 2013, and 2016 has not had a good start. Thus far in 2016, farm income has fallen by almost 20 percent in the first quarter compared over year-ago levels. Stubbornly low agricultural prices resulting from rising global supply and waning global demand for agricultural goods continue to put pressure on farm earnings. Prices for soybeans, corn, and wheat have improved, but crop and animal prices remain below their level from one year ago. The U.S. Department of Agriculture expects farm income to continue to fall throughout 2016.

Figure 23
U.S. Farm Income
Millions of Dollars



Source: U.S. Bureau of Economic Analysis. Data are seasonally adjusted.

Declining income, low commodity prices, and low profit margins have hurt farm cash flows, prompting many farmers to take on short-term loans. According to a survey by the Federal Reserve Bank of Kansas City, farm loans to help pay for operating expenses and the costs of production increased 50 percent between 2012 and 2015. Loan repayment rates remain high, and concerns over farm credit are rising. Delinquency rates on farm real estate property and agricultural production loans were 1.5 percent and less than 1.0 percent, respectively, during the fourth quarter of 2015. In 2016, these conditions may deteriorate as the industry faces the prolonged impact of low commodity prices, rising loan demand, and tighter farm credit conditions.

Summary

Economic expansion is expected to progress at a relatively modest pace in both Colorado and the U.S. in 2016 and 2017. Low unemployment rates and slowing job growth are signaling full employment, which will contribute to upward wage pressure as labor becomes more difficult to find. The tourism, services, real estate, and construction sectors—industries that depend on the health of the labor market—continue to grow at healthy rates across the nation and in Colorado. More current indicators, including financial markets, consumer spending, and consumer debt, demonstrate economic expansion but at a slowing pace.

Meanwhile, leading indicators of what is to come, including corporate profits, business investment, business credit markets, and manufacturing activity, have weakened. Slow economic growth has left U.S. monetary policy makers with a delicate balance. Raising interest rates too quickly will slow growth further. Yet, maintaining low rates for an even longer period may distort equities markets and savings patterns, and further pinch financial industry earnings.

Much of the weakness in business and manufacturing activity is the result of low commodity prices and a strong U.S. dollar, stemming from turbulence in the global economy. Oil prices have reversed their downward trend, relieving some of the pressure on the U.S. energy industry. Yet, weak growth abroad is sapping economic momentum in the U.S., contributing to a rising risk of recession.

Risks for the Forecast

Several downside risks to the economic outlook are present. First, this forecast assumes that slower global economic growth will pose a drag on the U.S. economy. Yet, the global slowdown could be the prelude to a global recession, prompted by an emerging market debt crisis or other factors. Second, the impact of low commodity prices has been far reaching, directly affecting energy and agricultural industries, but also spilling over into manufacturing and export sectors. If prices remain low, production cuts are likely to bring the over-supply of goods in line with lackluster demand. Such a move will require affected businesses to restructure, possibly prompting additional wage cuts and layoffs in affected industries. This forecast assumes these trends will serve as headwinds to growth, but they could have more far-reaching impacts. Economic indicators point to a clear softening in U.S. economic activity at the end of 2015 through the first half of 2016. This forecast assumes that the softening signals slower growth. However, these indicators could instead be the start of a contraction in economic activity.

Upside risks to the forecast include stronger economic growth than expected due to demographic changes. The growing population and in-migration of highly-educated young professionals could fuel growth in high-tech or other industries at a more robust pace than assumed in this forecast. Additionally, population growth could bolster stronger job growth and consumer activity than expected.

Table 14
National Economic Indicators

Calendar Years	2011	2012	2013	2014	2015	Legislative Council Staff Forecast 2016	2017	2018
Real GDP (*Billions*)[1]	$15,020.6	$15,354.6	$15,583.3	$15,961.7	$16,348.9	$16,610.4	$16,909.4	$17,264.5
Percent Change	1.6%	2.2%	1.5%	2.4%	2.4%	1.6%	1.8%	2.1%
Nonfarm Employment (*Millions*)[2]	131.9	134.2	136.4	138.9	141.8	144.2	146.1	148.5
Percent Change	1.2%	1.7%	1.6%	1.9%	2.1%	1.7%	1.3%	1.6%
Unemployment Rate	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	5.0%	5.1%
Personal Income (*Billions*)[1]	$13,254.5	$13,915.1	$14,068.4	$14,694.2	$15,350.7	$16,041.5	$16,891.7	$17,820.7
Percent Change	6.2%	5.0%	1.1%	4.4%	4.5%	4.5%	5.3%	5.5%
Wage and Salary Income (*Billions*)[1]	$6,633.2	$6,930.3	$7,114.4	$7,477.8	$7,834.9	$8,195.3	$8,605.1	$9,087.0
Percent Change	4.0%	4.5%	2.7%	5.1%	4.8%	4.6%	5.0%	5.6%
Inflation[2]	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.3%

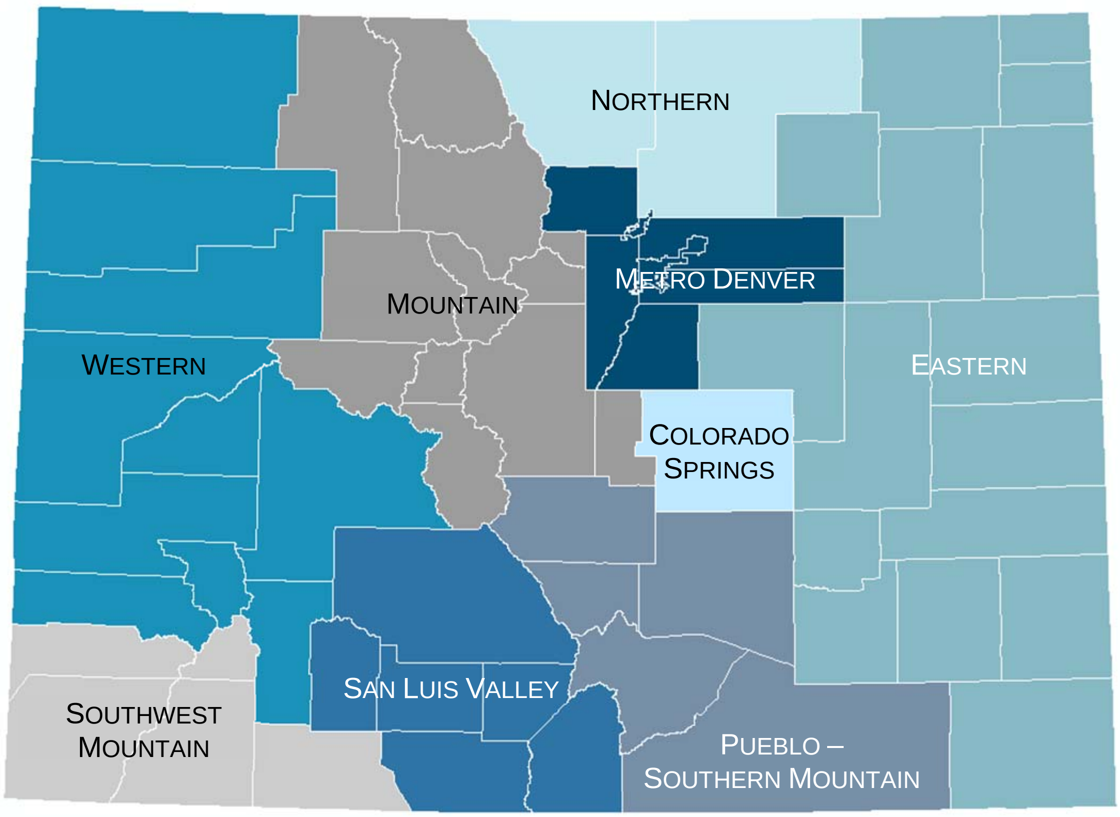
Sources
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas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

Table 15
Colorado Economic Indicators

Calendar Years	2011	2012	2013	2014	2015	2016	2017	2018
						Legislative Council Staff Forecast		
Population (*Thousands, as of July 1*)[1]	5,119.7	5,191.7	5,272.1	5,355.9	5,456.6	5,551.8	5,649.3	5,762.3
Percent Change	1.4%	1.4%	1.5%	1.6%	1.9%	1.7%	1.8%	2.0%
Nonfarm Employment (*Thousands*)[2]	2,259.0	2,313.2	2,382.3	2,464.7	2,541.7	2,602.7	2,657.4	2,723.8
Percent Change	1.7%	2.4%	3.0%	3.5%	3.1%	2.4%	2.1%	2.5%
Unemployment Rate[2]	8.3	7.8	6.7	4.9	3.8	3.3	3.4	3.7
Personal Income (*Millions*)[3]	$227,052	$240,905	$246,448	$261,735	$275,107	$289,138	$305,619	$323,344
Percent Change	7.4%	6.1%	2.3%	6.2%	5.1%	5.1%	5.7%	5.8%
Wage and Salary Income (*Millions*)[3]	$118,558	$125,014	$129,509	$138,654	$146,397	$154,303	$162,789	$172,882
Percent Change	4.2%	5.4%	3.6%	7.1%	5.6%	5.4%	5.5%	6.2%
Retail Trade Sales* (*Millions*)[4]	$75,548	$80,073	$83,569	$90,653	$94,920	$98,812	$103,357	$108,732
Percent Change	6.8%	6.0%	4.4%	8.5%	4.7%	4.1%	4.6%	5.2%
Housing Permits (*Thousands*)[1]	13.5	23.3	27.5	28.7	31.9	33.8	35.3	37.2
Percent Change	16.5%	72.6%	18.1%	4.3%	11.1%	6.0%	4.5%	5.5%
Nonresidential Building (*Millions*)[5]	$3,923	$3,695	$3,617	$4,312	$4,792	$5,190	$5,424	$5,722
Percent Change	24.7%	-5.8%	-2.1%	19.2%	11.1%	8.3%	4.5%	5.5%
Denver-Boulder-Greeley Inflation[2]	3.7%	1.9%	2.8%	2.8%	1.2%	2.4%	2.4%	2.4%

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 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.*
[5]*F.W. Dodge.*

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 is based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data is based on the surveys received at the time of data publication and data is 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 has few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year reflects reported construction activity, which is revised the following year to reflect actual construction activity.

Metro Denver Region

The seven-county Denver Metropolitan Area is the state's economic powerhouse. The region is home to 56 percent of Colorado residents and 62 percent of Colorado jobs, its highest share since the early 1990s. Workers and businesses from outside the state have been flocking to Denver, attracted in part by the city's favorable perception nationally and internationally. Along with household formation among long-time Coloradans, the surging population of new residents has heated demand for homes, and builders are responding. While growth in retail sales slowed in 2015, the regional economy remains the state's strongest. Economic indicators for Metro Denver are presented in Table 16.

Diversity among Metro Denver employers has allowed the region to add jobs consistently even when individual sectors struggle. Regional employment increased by 3.5 percent in 2015, a slight downtick from the previous year's rate as businesses coped with the consequences of low oil prices. Data through April indicate that the number of jobs has increased by 2.9 percent in 2016 relative to the same period during the prior year. Ongoing job growth, along with an expanding labor force, is expected to stabilize the region's unemployment rate at or near its current 3.0 percent level. Metro Denver employment is shown in Figure 24.

Denver consumers spent 5.5 percent more on retail items through November 2015 than during the January through November period in 2014. Growth in retail trade was slower than in 2014 and slower than expected given the contributions from inflation and population growth. Despite this, per capita inflation-adjusted spending continues to increase, suggesting healthier household balance sheets and improved consumer confidence. Regional retail trade during the current business cycle is indexed against Colorado and the United States in Figure 25.

Table 16
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2012	2013	2014	2015	YTD 2016
Employment Growth [1]	2.9%	3.6%	3.7%	3.5%	2.9%
Unemployment Rate [2]	7.6%	6.5%	4.7%	3.6%	2.8%
Housing Permit Growth [3]					
Denver-Aurora MSA Single-Family	58.5%	18.9%	16.3%	17.8%	20.4%
Boulder MSA Single-Family	29.0%	22.5%	17.7%	74.2%	48.5%
Nonresidential Construction Growth [4]					
Value of Projects	14.2%	22.2%	3.9%	39.9%	30.7%
Square Footage of Projects	-8.6%	-9.1%	10.5%	21.4%	71.9%
Level (*Millions*)	2,471	2,246	2,482	3,014	1,587
Number of Projects	6.1%	22.4%	25.1%	15.8%	-18.9%
Level	611	748	936	1,084	314
Retail Trade Sales Growth [5]	8.0%	4.6%	8.6%	5.5%	N/A

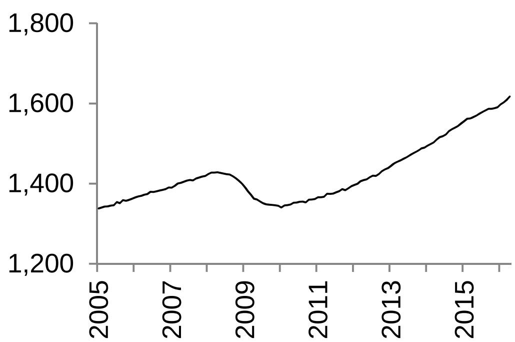
MSA = Metropolitan statistical area. NA = Not Available.
[1]Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2016.
[2]Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through March 2016.
[3]U.S. Census. Growth in the number of residential building permits. Data through April 2016.
[4]F.W. Dodge. Data through April 2016.
[5]Colorado Department of Revenue. Data through November 2015.

Denver's housing market is hot. Demand is high and supply is scarce, and prices in many neighborhoods are at record highs. High home values, short sale times, and tight credit conditions are conspiring to keep would-be homebuyers in rental properties.

While demand is expected to remain high for at least the next year, price gains could slow depending on the rate at which new supply becomes available. Figure 26 shows residential building permits issued in the region by nominal dollar value and number of units. Single-family home permits have shown significant increases throughout the region thus far in 2016, suggesting that a lot of new housing supply will come online during the current forecast period.

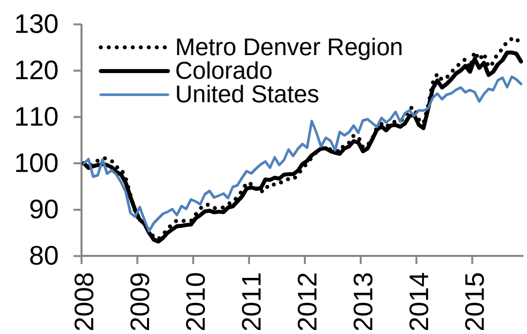
Strong demand and low vacancy rates continue to support the region's commercial real estate market. While nonresidential building permits indicate that the number of permitted projects decreased somewhat through April relative to the same period in 2015, the decrease is more than offset by significant growth in the size and value of projects. Nonresidential permits are tracked by square footage in Figure 27.

Figure 24
Metro Denver Employment
Thousands of Jobs



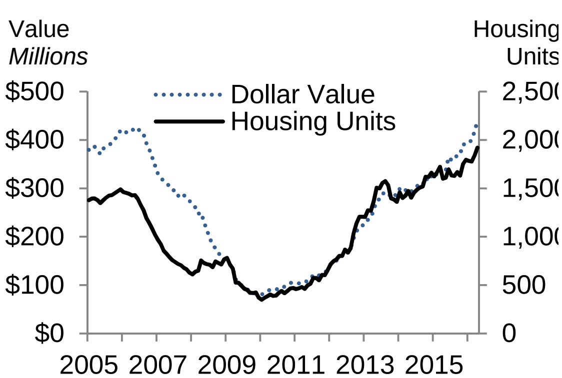
Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through April 2016.

Figure 25
Retail Trade Trends
Index 100=January 2008



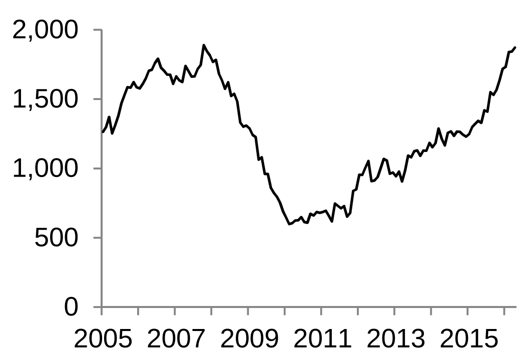
Source: Colorado Department of Revenue and U.S. Census Bureau. Seasonally adjusted data through November 2015 shown as three-month moving averages.

Figure 26
Metro Denver Residential Building Permits



Source: F.W. Dodge. Data through April 2016 shown as three-month moving averages.

Figure 27
Metro Denver Nonresidential Building Permits
Thousands of Square Feet



Source: F.W. Dodge. Data through April 2016 shown as three-month moving averages.

Northern Region

While the economy of the northern region, including Larimer and Weld Counties, continues to be among the strongest in the state, the decline in oil and natural gas prices is clearly resulting in adverse economic impacts for the region. In Larimer County, growth in employment held steady in 2015 on a year-over-year basis and has continued apace in the first four months of 2016. In oil-dependent Weld County, employment growth slowed in 2015, and has almost completely stalled thus far in 2016. Accordingly, while the Larimer County unemployment rate remains among the lowest in the state, the Weld County rate has begun to tick upward. Residential construction permits in both Larimer and Weld counties declined in 2015 and thus far in 2016, that decline has continued. Growth in Weld County retail sales has completely stalled after several consecutive strong years. While oil and gas prices at regional hubs have rebounded somewhat since March, continuing low prices will maintain downward pressure on the regional economy, especially in Weld County. Table 17 shows economic indicators for the northern region.

Table 17
Northern Region Economic Indicators
Weld and Larimer Counties

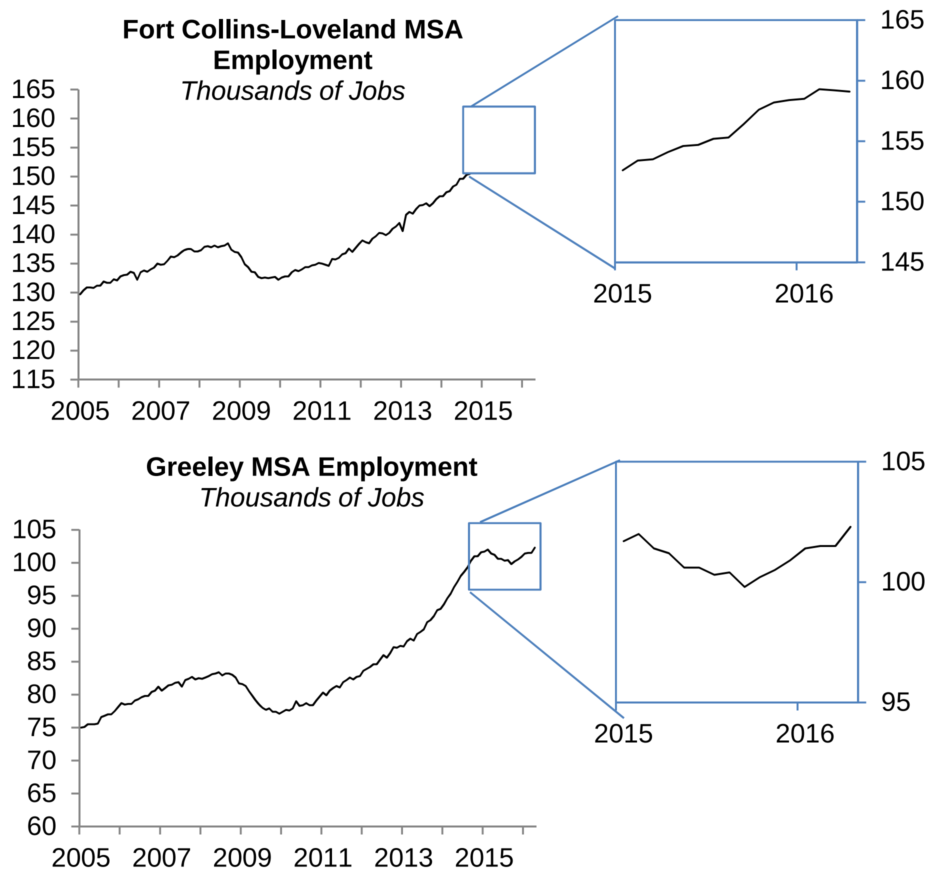
	2012	2013	2014	2015	YTD 2016
Employment Growth[1]					
Fort Collins-Loveland MSA	2.7%	3.2%	3.4%	3.9%	3.7%
Greeley MSA	4.8%	5.4%	8.9%	2.8%	0.1%
Unemployment Rate[2]					
Fort Collins-Loveland MSA	6.7%	5.8%	4.2%	3.3%	2.6%
Greeley MSA	7.8%	6.5%	4.4%	3.8%	3.2%
State Cattle and Calf Inventory Growth[3]	-3.4%	-8.7%	-4.2%	-4.4%	N/A
Natural Gas Production Growth[4]	14.1%	12.5%	27.0%	47.4%	20.7%
Oil Production Growth[4]	36.6%	44.5%	52.4%	41.1%	5.7%
Housing Permit Growth[5]					
Fort Collins-Loveland MSA Total	59.3%	28.8%	8.7%	-8.1%	-15.7%
Fort Collins-Loveland MSA Single Family	63.3%	31.3%	10.2%	1.3%	-6.5%
Greeley MSA Total	54.6%	45.6%	41.1%	-3.5%	-1.9%
Greeley MSA Single Family	58.8%	37.7%	18.5%	3.8%	-10.0%
Nonresidential Construction Growth[6]					
Value of Projects	12.0%	55.0%	31.1%	23.4%	0.7%
Square Footage of Projects	42.1%	40.4%	45.5%	16.0%	-21.2%
Level (*Thousands*)	273,779	424,437	556,538	686,782	213,985
Number of Projects	23.3%	-2.5%	66.5%	-8.5%	16.4%
Level	159	155	258	236	78
Retail Trade Sales Growth[7]					
Larimer County	5.8%	6.3%	8.3%	6.2%	N/A
Weld County	5.2%	8.0%	11.8%	0.4%	N/A

MSA = Metropolitan statistical area. NA = Not Available.
[1]Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2016.
[2]Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through March 2016.
[3] National Agricultural Statistics Service. Cattle and calves on feed through December 2015.
[4]Colorado Oil and Gas Conservation Commission. Natural gas production data through August 2015. Oil production data through February 2016.
[5]U.S. Census Bureau. Growth in the number of residential building permits. Data through April 2016.
[6]F.W. Dodge. Data through April 2016.
[7]Colorado Department of Revenue. Data through November 2015.

Over the last seven years, the northern region has been the epicenter of oil and natural gas production in the state, and that concentration of activity is only increasing. Surprisingly, the recent plunge in oil prices, and to a lesser extent natural gas prices, has not negatively impacted production. Operators have been able to take advantage of increased efficiencies to increase production, and because the Wattenburg field remains one of the safest bets in the country, operators have transferred resources from other parts of the country to pursue plays in the region. In 2015, regional natural gas production increased by 47.4 percent and regional oil production grew 41.1 percent compared with a similar period in 2014. Preliminary data for 2016 indicate increased production from 2015 levels.

While the labor market remains strong in Larimer County, employment growth in Weld County is clearly decelerating with the drop in energy prices. Figure 28 shows employment trends for Larimer and Weld counties, with the pull-out boxes highlighting growth that occurred in 2015 and the first four months of 2016. The figure shows continued employment growth in Larimer Counties while growth in Weld County has plateaued. Overall, in the first four months of 2016, employment grew 3.7 percent in Larimer County but only 0.1 percent in Weld County on a year-over-year basis, after growing 3.9 percent and 2.8 percent, respectively, in 2015.

Figure 28
Fort Collins – Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted Data

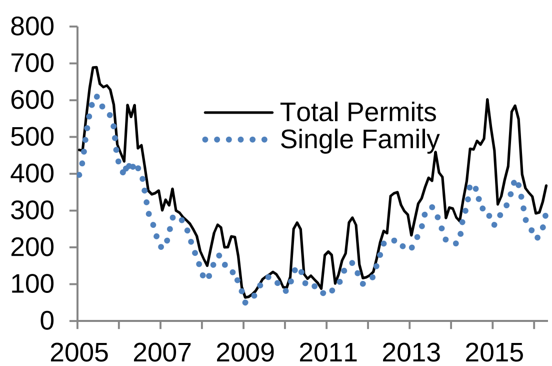


Source: U.S. Bureau of Labor Statistics, CES, Data through April 2016.

The regional housing market, however, is definitely slowing in response to the decline in energy prices. In the first four months of 2016, the number of housing permits in Larimer County declined 15.7 percent on a year-over-year basis, following an 8.1 percent drop in 2015. Growth in construction activity has also tapered in Weld County, with residential permits declining 1.9 percent through April 2016, after falling 3.5 percent in 2015. This comes after three consecutive years with permit growth in Weld County above 40 percent. In addition, regional non-residential construction appears to be refocusing on smaller projects. While the number of projects started through April is up relative to the same period in 2015, the square footage is down 21.2 percent for roughly the same overall value. Figure 29 shows the three-month moving average of residential construction permits in the northern region.

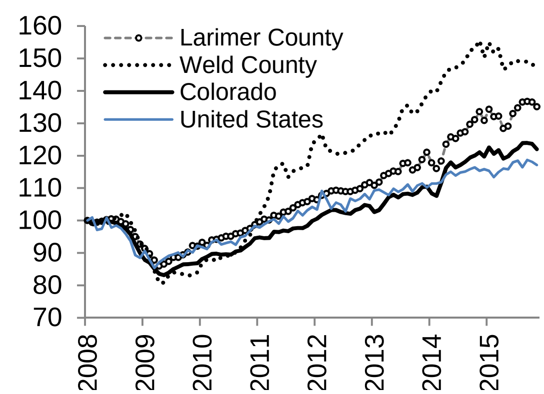
Through the first eleven months of 2015, growth in retail sales decelerated in both Larimer and Weld counties compared with 2014. The degree to which the deceleration occurred, however, varied markedly between the counties. In Larimer County, sales increased 6.2 percent between January and November of 2015 compared with the same period in 2014, after growing 8.3 percent in 2014. In contrast, sales in Weld County increased only 0.4 percent for this eleven month period on a year-over-year basis after growing 11.8 percent in 2014. Figure 30 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 29
Northern Region
Residential Building Permits
Three-Month Moving Average; Non-Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2016.

Figure 30
Northern Region Retail Sales Indexed to January 2008
Seasonally Adjusted Data



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

Colorado Springs Region

Data revisions show that the Colorado Springs economy performed stronger in recent years than previous data suggested. The region enjoyed moderate job growth throughout 2015, and at the start of 2016 area labor market conditions continue to improve. The area unemployment rate dipped below pre-recessionary rates, driven primarily by growing area employment opportunities. Consistent with statewide trends, consumer spending rose in 2015. Residential construction activity improved at the start of 2016, while nonresidential construction activity was mixed. Indicators for the Colorado Springs region are shown in Table 18.

Year-to-date through April, the number of jobs in the Colorado Spring region rose 2.7 percent over the same four months last year (Figure 31). Regional data were revised upward as a part of the Bureau of Labor Statistics rebenchmarking process, reflecting stronger growth than previously published for 2015. Regional job growth has been broad-based across all major industry groups except manufacturing.

At the start of 2016, the region's unemployment rate dipped below the 2007 pre-recessionary rate (Figure 32). In March 2016, the area rate fell to 3.7 percent, compared to a statewide rate of 2.9 percent. A stable labor force and growing job opportunities has brought down the unemployment rate from a recessionary high of 9.9 percent.

Consumer spending, as measured by retail trade sales, grew 3.9 percent between January and November 2015, compared with the same period in 2014. Area consumer spending has been consistent with statewide trends, and has out-performed nationwide trends in recent years (Figure 33).

Table 18
Colorado Springs Region Economic Indicators
El Paso County

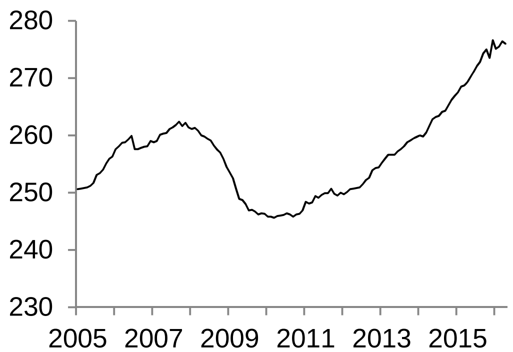
	2012	2013	2014	2015	YTD 2016
Employment Growth[1]					
Colorado Springs MSA	1.0%	2.3%	2.2%	3.2%	2.7%
Unemployment Rate[2]	8.8%	7.8%	6.0%	4.6%	3.6%
Housing Permit Growth[3]					
Total	33.0%	17.2%	3.8%	-0.4%	54.7%
Single-Family	50.1%	19.2%	-7.7%	13.3%	33.4%
Nonresidential Construction Growth[4]					
Value of Projects	-1.6%	25.2%	-12.0%	-0.2%	2.1%
Square Footage of Projects	0.5%	6.5%	-4.2%	24.8%	-60.9%
Level (*Thousands*)	479,770	510,809	489,589	611,233	59,612
Number of Projects	-11.7%	-1.7%	-5.9%	11.7%	-5.2%
Level	361	355	334	373	110
Retail Trade Sales Growth[5]	5.5%	4.1%	4.4%	3.9%	N/A

MSA = Metropolitan statistical area. NA = Not Available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2016.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through March 2016.
[3]U.S. Census. Growth in the number of residential building permits. Data through April 2016.
[4]F.W. Dodge. Data through April 2016.
[5]Colorado Department of Revenue. Data through November 2015.

Colorado Springs residential construction activity picked up at the start of 2016. Rising demand for housing is supporting growth in residential building. Total housing permits rose 54.7 percent through April, relative to the same period last year on strong growth in both single and multi-family construction (Figure 34). In spite of new building, the residential vacancy rate for the area remains low, maintaining upward pressure on home prices and rents.

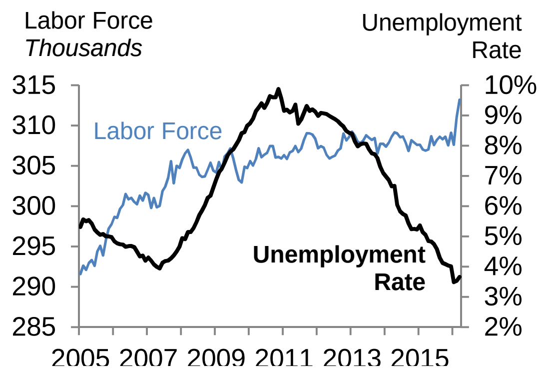
Nonresidential construction was mixed at the start of the year. The value of projects rose a modest 2.1 percent in the first four months of 2016 over the same period last year. The square footage and number of projects fell, however. Relative to pre-recessionary levels, nonresidential construction activity remains subdued.

Figure 31
Colorado Springs Employment
Thousands of Jobs



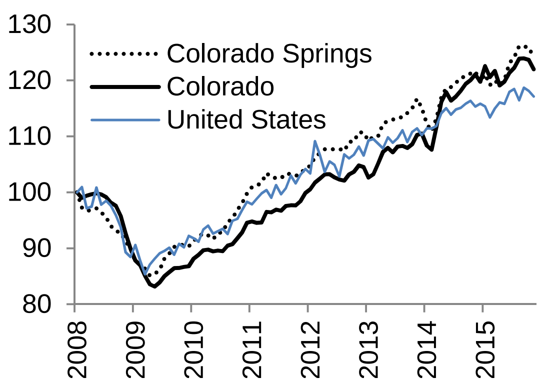
Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through April 2016.

Figure 32
Unemployment Rate and Labor Force



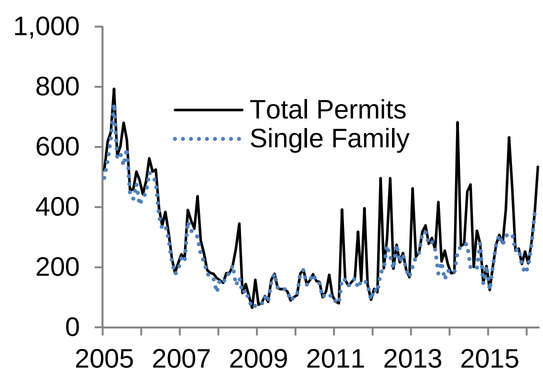
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2016.

Figure 33
Retail Trade Trends
Index 100 = January 2008



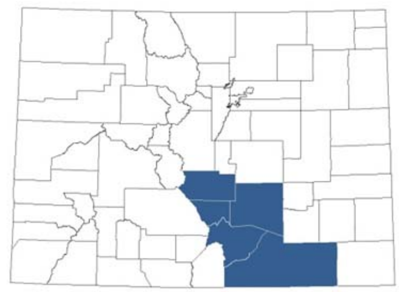
Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through November 2015.

Figure 34
Colorado Springs MSA
Residential Building Permits
Number of Units



Source: U.S. Census Bureau. Data shown as three month moving averages. Data are not seasonally adjusted and are through April 2016.

Pueblo – Southern Mountains Region



Economic activity in the Pueblo – Southern Mountains region, which consists of Pueblo, Fremont, Custer, Huerfano and Las Animas counties, improved in early 2016. Regional employment has increased thus far in 2016 over year-ago levels and the unemployment rate has fallen, although the decrease is due in large part to a contracting labor force. Retail sales rose slightly, and construction activity remained at low levels. Table 19 shows several economic indicators for the region.

Employment growth in 2015 has continued through April 2016 (Figure 35). The Pueblo Metropolitan Statistical Area (MSA), which includes Pueblo County, added jobs at a pace of 2.3 percent, while employment in the larger five-county Pueblo region increased 2.9 percent in the first four months of 2016.

The unemployment rate in the region fell to 4.7 percent in March 2016, even with an increase in the labor force in the first three months of the year. The increase in jobs has allowed new entrants into the labor market to find employment, although the area unemployment rate remains above the statewide rate of 3.1 percent.

Area retail trade rose 2.0 percent between January and November 2015 over the same period in 2014. Despite an improving labor market and an increase in construction, area consumer spending has underperformed statewide trends in 2015 (Figure 36).

Table 19
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

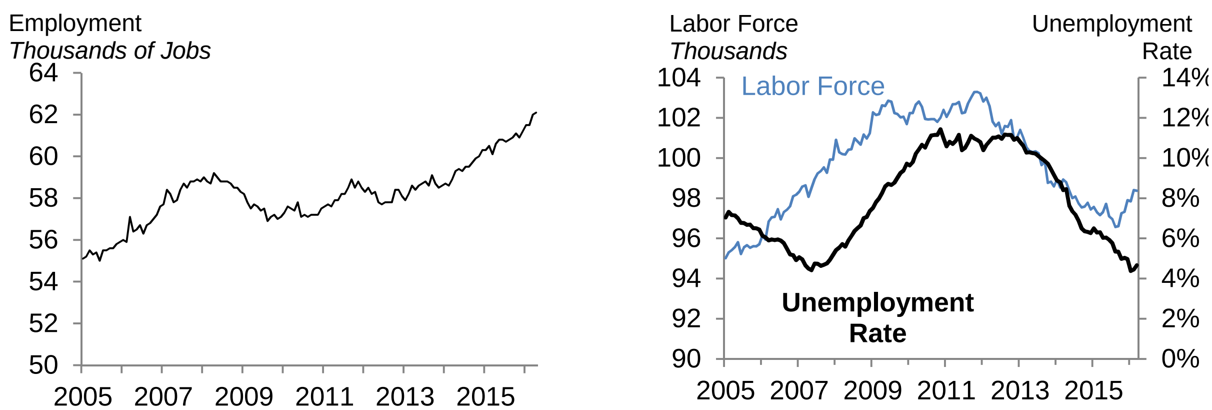
	2012	2013	2014	2015	YTD 2016
Employment Growth					
Pueblo Region[1]	-1.0%	-0.8%	1.0%	0.9%	2.9%
Pueblo MSA[2]	-0.2%	0.8%	1.5%	2.2%	2.3%
Unemployment Rate[1]	10.9%	10.1%	7.4%	5.7%	4.5%
Housing Permit Growth[3]					
Pueblo MSA Total	125.4%	-40.6%	-0.6%	69.4%	47.1%
Pueblo MSA Single-Family	50.9%	-8.1%	-0.6%	29.9%	47.1%
Nonresidential Construction Growth[4]					
Value of Projects	717.4%	-75.3%	192.7%	14.6%	-70.8%
Square Footage of Projects	390.8%	-72.2%	197.9%	2.3%	-10.0%
Level (*Thousands*)	109,397	30,389	90,527	92,620	5,596
Number of Projects	-31.7%	7.1%	96.7%	-22.0%	22.2%
Level	28	30	59	46	11
Retail Trade Sales Growth[5]	2.9%	1.4%	5.1%	2.0%	N/A

MSA = Metropolitan statistical area. NA = Not Available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2016.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through March 2016.
[3]U.S. Census. Growth in the number of residential building permits. Data through April 2016.
[4]F.W. Dodge. Data through April 2016.
[5]Colorado Department of Revenue. Data through November 2015.

Residential construction activity picked up in 2015 and has continued to improve in the first part of 2016 (Figure 37). The number of single and multi-family housing permits rose in the first four months of 2016.

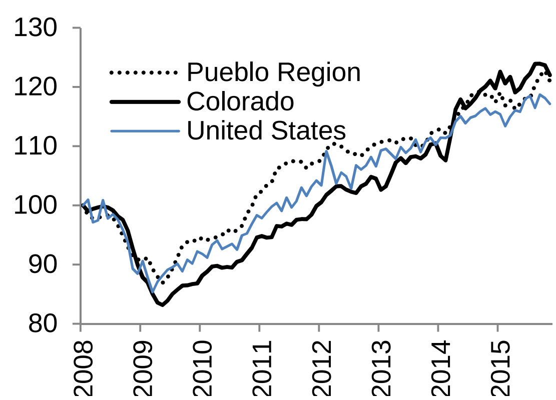
After growth in 2015, nonresidential construction has declined in the first four months of 2016. More projects are under construction, but they are smaller and cheaper than those in 2015. Several business plans announced in 2015 offer optimism for future economic activity in the region. New developments in the region include a new research and development office for United Launch Alliance, construction of the nation's largest hemp oil processing facility, and the development of the state's largest solar farm.

Figure 35
Pueblo MSA Employment Labor Market Indicators



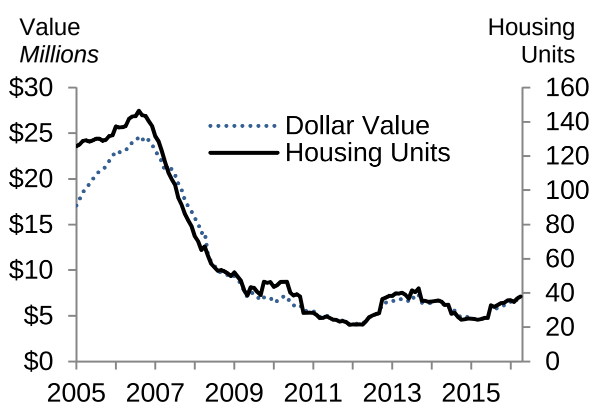
Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through March 2016.

Figure 36
Pueblo Region Retail Trade
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 November 2015.

Figure 37
Pueblo Region Residential Building Permits



Source: F.W. Dodge. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through April 2016.

San Luis Valley Region

The San Luis Valley holds Colorado's smallest regional economy, accounting for just 0.9 percent of the state population. The region produces agricultural commodities, principally barley and potatoes, while also providing regional services and welcoming tourists. By most available metrics, the regional economy improved in 2015 and the first few months of 2016. Employers added jobs, the unemployment rate fell, agricultural conditions improved, and retail trade accelerated. Economic indicators for the region are presented in Table 20.

Agriculture is the most important industry in the San Luis Valley. The region produces barley, potatoes, alfalfa hay, vegetables, and quinoa, while also furnishing grazing land to livestock producers. In 2015, regional producers harvested over 52,000 acres of barley worth an average of $878.50 per acre, both increases of over 20 percent relative to the prior year. Potato cultivation acreage dropped by 3.9 percent in 2015. However, while potato prices dropped statewide during the year, the value of an acre of San Luis Valley potatoes ticked up slightly. Additional moisture brought to southern Colorado during the El Niño winter is expected to carry favorable farming and ranching conditions through 2016.

Regional nonagricultural employment grew by 7.3 percent in the first quarter of 2016 compared with year-ago levels, building on progress in the labor market during 2015. Major employers in this region are various government agencies and the San Luis Valley Medical Center. The labor force population does not appear to be declining despite the region's relatively advanced average age. Together, these factors have applied downward pressure on the regional unemployment rate, which averaged 5.7 percent in 2015 and fell to 4.2 percent in in the first quarter. Regional labor market indicators are illustrated in Figure 38.

Table 20
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

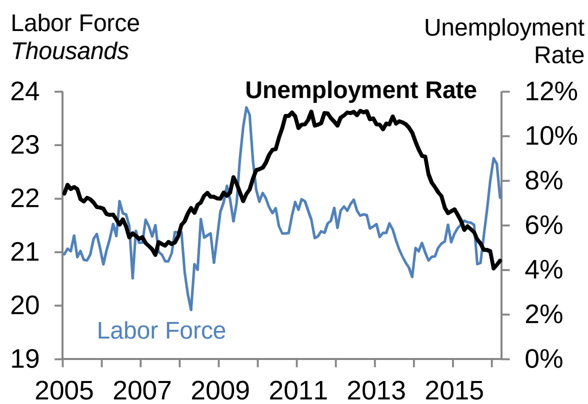
	2012	2013	2014	2015	YTD 2016
Employment Growth [1]	0.2%	-2.2%	2.6%	4.4%	7.3%
Unemployment Rate [1]	10.9%	10.3%	8.0%	5.7%	4.2%
San Luis Valley Agriculture District [2]					
Barley					
Acres Harvested	43,100	46,600	42,900	52,100	N/A
Crop Value ($/Acre)	$ 904.6	$ 824.4	$ 730.1	$ 878.5	N/A
Potatoes					
Acres Harvested	54,000	49,600	53,900	51,800	N/A
Crop Value ($/Acre)	$ 2,668	$ 3,614	$ 3,218	$ 3,234	N/A
Housing Permit Growth [3]	41.5%	15.0%	-25.0%	21.5%	10.2%
Retail Trade Sales Growth [4]	2.9%	0.5%	3.5%	12.2%	N/A

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 March 2016.
[2]National Agricultural Statistics Service. Barley through December 2015; potatoes through November 2015.
[3]F.W. Dodge. Data through April 2016.
[4]Colorado Department of Revenue. Data through November 2015.

The San Luis Valley economy was buoyed by healthy growth in retail trade in 2015. Between January and November 2015, the latest data available, San Luis Valley retail sales increased by 12.2 percent relative to the same period during 2014. Retail trade indices for the nation, state, and San Luis Valley region are presented in Figure 39.

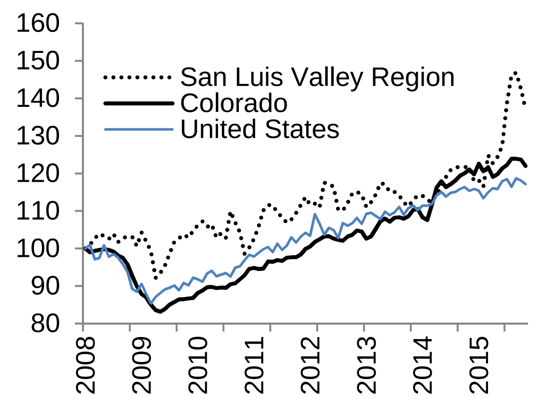
The number of new housing permits issued in the region grew by 21.5 percent or 31 new residential units in 2015 reversing the 25 percent decline from the previous year. Because of the region's small size, double-digit percentage increases and decreases in this statistic are normal.

Figure 38
San Luis Valley Labor Market Indicators



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2016.

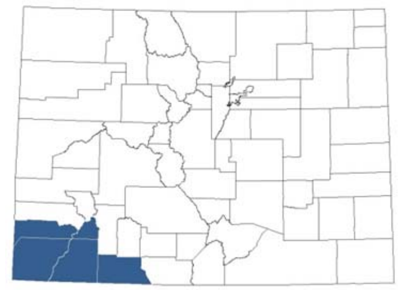
Figure 39
Retail Trade Trends
Colorado, San Luis Valley, and United States
Index 100 = January 2008



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 November 2015.

Southwest Mountain Region

The southwest mountain region boasts a varied economy, with tourism, agriculture, and natural resource extraction each playing important roles. Low commodity prices for agriculture and natural resources are taking their toll on the region's economy. However, the region's tourism industry remains healthy. Economic indicators for the region are summarized in Table 21.



Tourism in the region continues to increase. Visits to Mesa Verde National Park and Hovenweep National Monument (Figure 40) increased 10.4 percent in the first four months of 2016, after gaining 10.2 percent in 2015. Low commodity prices for agriculture, metals, and energy have slowed economic growth around the state. In the Southwest Mountain region, the value of natural gas production in La Plata and Montezuma counties is expected to remain low throughout 2016.

Employment growth in the region slowed to 1.1 percent in 2015, but has rebounded to 3.0 percent in the first three months of 2016. The region's unemployment rate continues to decline year-to-date, falling to 3.3 percent in March 2016 from 4.0 percent in 2015. If this trend continues, 2016 will be the seventh straight year the unemployment rate has declined (Figure 41). Early in the recovery, the unemployment rate was improving because the labor force was shrinking. In more recent months, the decline in the unemployment rate was due to more jobs being added to the area economy – a signal of improving economic health.

Regional consumer spending data are not encouraging. After a lackluster performance in 2014, retail trade sales grew just 1.5 percent through the first eleven 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 weakest performance of any region in the state. Growth in regional 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 42.

Table 21
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2012	2013	2014	2015	YTD 2016
Employment Growth [1]	0.7%	0.8%	3.2%	1.1%	3.0%
Unemployment Rate[1]	7.6%	6.6%	4.8%	4.0%	3.3%
Housing Permit Growth [2]	2.4%	44.7%	14.2%	-6.1%	21.2%
Retail Trade Sales Growth [3]	6.1%	5.5%	2.0%	1.5%	N/A
National Park Recreation Visits[4]	-13.8%	-5.9%	8.9%	10.2%	10.4%

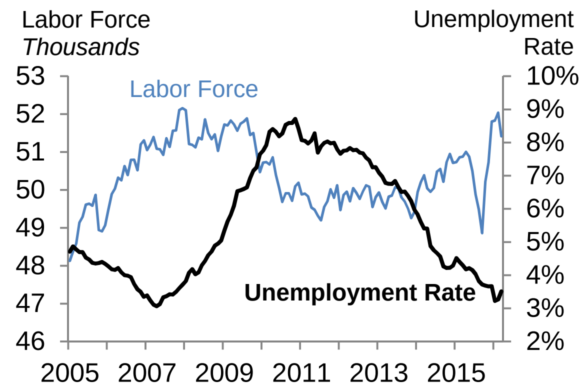
NA = Not Available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through March 2016.
[2]F.W. Dodge. Data through April 2016.
[3]Colorado Department of Revenue. Data through November 2015.
[4]National Park Service. Data through April 2016. Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

Residential construction activity slowed in the region in 2015, falling 6.1 percent in 2015 after double-digit gains in both 2013 and 2014. Year-to-date, residential construction in the region increased 21.2 percent compared with the same period last year. Meanwhile, 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.

Figure 40
Visitation at Mesa Verde and Hovenweep National Parks
Thousands of Recreational Visits

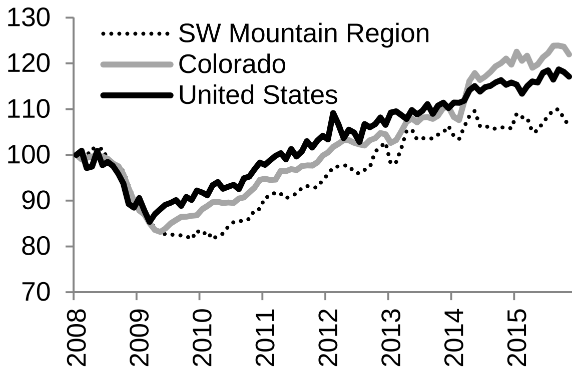
Source: National Park Service. Data through April 2016.

Figure 41
Unemployment Rate and Labor Force



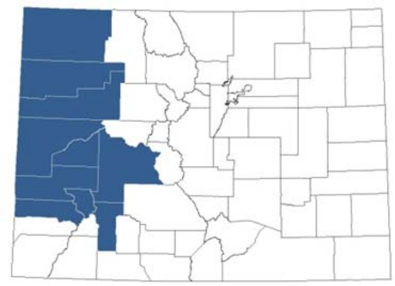
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2016.

Figure 42
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 November 2015.

Western Region



The western region, which is heavily dependent on energy extraction services and tourism, showed mixed performance in 2015 that has continued into 2016. Persistently low natural gas prices and a struggling coal industry have impeded economic growth in many parts of the region, particularly in Garfield, Rio Blanco, and Delta counties. On the other hand, popular tourist destinations, such as Ouray and San Miguel counties, continued to buoy employment growth for the region. Economic indicators for the region are summarized in Table 22.

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 February 2016, regional gas production was down 11.0 percent compared with the same period in 2015. Natural gas production in the western region has declined each year since 2013. While statewide natural gas production has remained relatively stable, production in the western region has steadily declined since its peak in 2012 (Figure 44).

Meanwhile, low prices and low demand continue to affect the coal industry. 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. Bowie Resources Partners LLC announced they would close the Bowie #2 mine in Delta County. After laying off 150 people in 2014, the company expects to lay off another 108 full-time workers. Finally, Arch Coal, the owner of the nearby West Elk Mine, reported a $2 billion loss in the third quarter of 2014 and filed for bankruptcy protection in January 2016. The company announced that they would lay off about 80 of the mine's 350 employees.

Table 22
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2012	2013	2014	2015	YTD 2016
Employment Growth					
Western Region[1]	0.3%	-0.6%	2.1%	-0.2%	2.4%
Grand Junction MSA[2]	0.8%	0.6%	2.5%	0.0%	0.2%
Unemployment Rate[1]	9.2%	8.2%	5.9%	4.9%	4.2%
Natural Gas Production Growth[3]	3.5%	-8.8%	-5.3%	-11.1%	-11.0%
Housing Permit Growth [4]	22.4%	-1.0%	7.9%	21.2%	52.0%
Nonresidential Construction Growth [4]					
Value of Projects	13.2%	-24.7%	221.9%	-37.9%	107.8%
Square Footage of Projects	26.0%	-42.0%	157.9%	-41.0%	50.5%
Level (*Thousands*)	682	396	1,021	602	96
Number of Projects	16.7%	-28.6%	21.8%	-17.9%	45.5%
Level	77	55	67	55	16
Retail Trade Sales Growth [5]	1.0%	3.5%	3.9%	6.9%	N/A

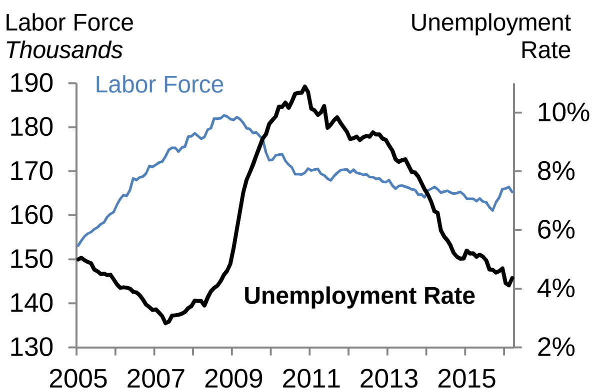
MSA = Metropolitan statistical area. NA = Not Available.
[1] U.S. Bureau of Labor Statistics, LAUS (household survey). Data prior to 2010 adjusted by Legislative Council Staff. Seasonally adjusted. Data through March 2016.
[2] U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2016.
[3] Colorado Oil and Gas Conservation Commission. Data through February 2016.
[4] F.W. Dodge. Data through April 2016.
[5] Colorado Department of Revenue. Seasonally adjusted. Data through November 2015.

Regional residential construction continued to accelerate through the first four months of 2016, as housing permits increased by 52.0 percent. Approximately half of this improvement is within Mesa County. Improving labor market conditions and relatively affordable housing costs are supporting the residential real estate market in the Grand Junction area.

Nonresidential construction in the region has also increased in the first four months of 2016, following declines in 2015. While there are few projects started so far in 2016, the number and square footage of projects increased 107.8 percent and 50.5 percent, respectively, through April compared with the first four months of 2015.

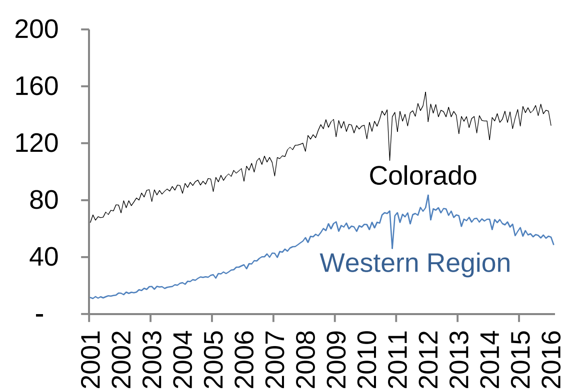
Consumer spending, as measured by retail trade sales, increased 6.9 percent in 2015 through November compared with the same time period in 2014. This represents a small uptick from the 3.9 percent growth rate experienced in 2014. Retail sales continue to lag well behind other areas of the state. As shown in Figure 45, retail trade sales in the western region fell further than sales statewide during the recession and have yet to reach pre-recession levels.

Figure 43
Unemployment Rate and Labor Force



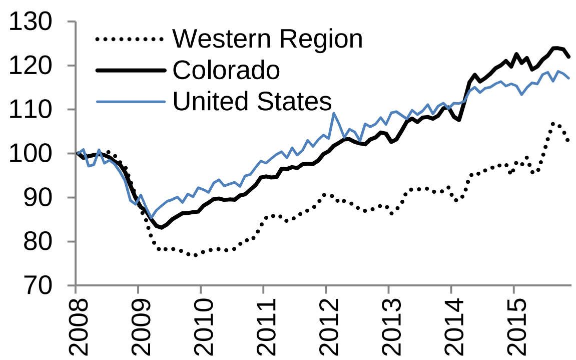
Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2016.

Figure 44
Natural Gas Production
Millions of BCF



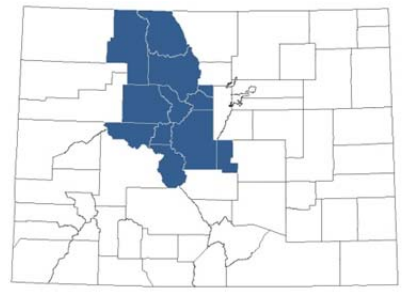
Source: Colorado Oil and Gas Commission. Data through February 2016.

Figure 45
Retail Trade Trends
Index 100 = January 2008



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

Mountain Region



Tourism in Colorado's mountain communities continued to support economic expansion in 2016. Good snow conditions and an improving state and national economy helped to boost visitation to Colorado's mountains. Visitor spending on area goods and services boosted retail sales and employment in the region. Economic indicators for the mountain region are presented in Table 23.

After growing 1.8 percent in 2015, employment has increased 4.9 percent through the first four months of 2016 compared with the same period last year. The growth has been uneven, with the fastest growth in Summit, Lake, and Grand counties. According to Colorado Ski Country USA, skier visits at its member resorts increased 10 percent through the end of 2015 compared with the same time period in 2014.

Meanwhile, after strong growth in 2014 and the first half of 2015, employment has been falling since July in Jackson County, where the oil and gas industry is an important economic driver. In the first three months of 2016, employment in Jackson County declined 1.0 percent compared with the same period in 2015.

The region's unemployment rate fell to levels not seen since before the recession in 2015 (Figure 46), averaging 3.3 percent in 2015. The unemployment rate has continued to decline in the first three months of 2016, falling to 2.7 percent as of March.

Regional growth in consumer spending, as measured by retail trade, was 6.2 percent through November 2015 compared with the same period during the previous year. This indicator is of particular importance to this heavily tourism-dependent region. Figure 47 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.

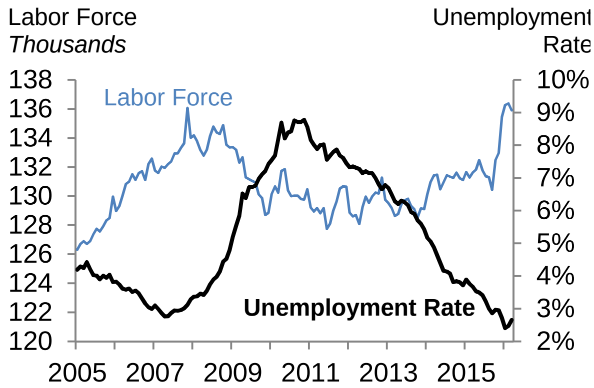
Table 23
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2012	2013	2014	2015	YTD 2016
Employment Growth [1]	1.0%	0.8%	3.4%	1.8%	4.9%
Unemployment Rate[1]	7.1%	6.1%	4.3%	3.3%	2.5%
Housing Permit Growth[2]	6.9%	63.6%	2.2%	-17.5%	22.6%
Nonresidential Construction Growth [2]					
Value of Projects	-57.4%	-8.6%	84.8%	33.4%	-70.1%
Square Footage of Projects	-29.6%	-19.6%	206.5%	-46.5%	8.8%
Level (*Thousands*)	548	441	1,352	723	161
Number of Projects	11.4%	2.0%	20.0%	-33.3%	100.0%
Level	49	50	60	40	10
Retail Trade Sales Growth[3]	5.8%	6.3%	8.3%	6.2%	N/A

NA = Not Available.
[1]Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff. Data through March 2016.
[2]F.W. Dodge. Data through April 2016.
[3]Colorado Department of Revenue. Seasonally adjusted. Data through November 2015.

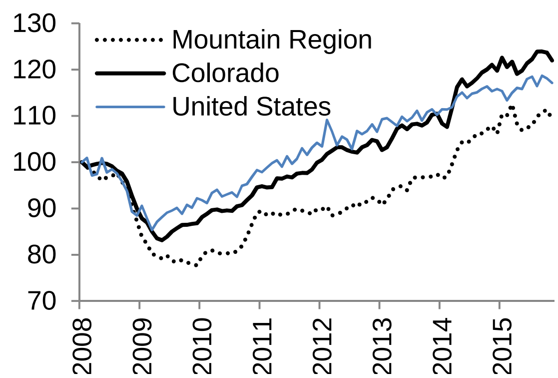
Because of the region's relatively small size, gleaning economic insight from construction indicators can be difficult. On a year over year basis, housing permit issuances declined 17.5 percent in 2015 but have increased 22.6 percent in the first four months of 2016 (Figure 48). Nonresidential construction was mixed in both 2015 and so far in 2016. In many mountain communities, construction is constrained by a lack of readily buildable lots and high infrastructure costs.

Figure 46
Mountain Region Employment
Index January 2014 = 100



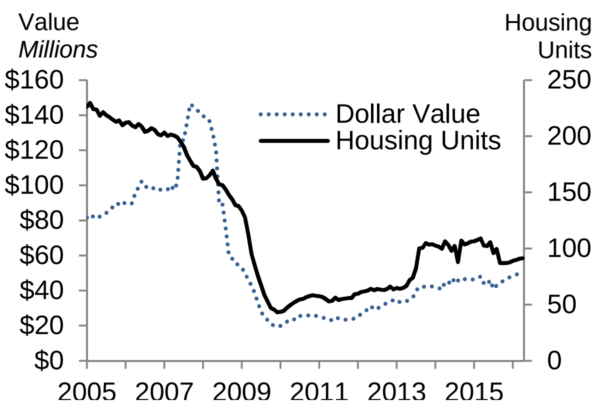
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2015.

Figure 47
Retail Trade Trends
Index 100 = January 2008



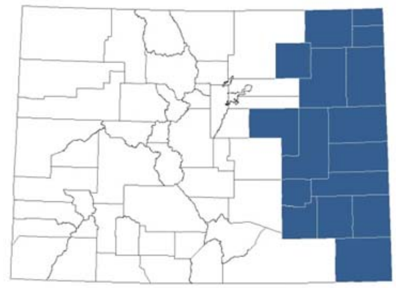
Source: Colorado Department of Revenue and U.S. Census Bureau. Data shown as a three-month moving averages. Data are seasonally adjusted and are through November 2015.

Figure 48
Mountain Region Residential Building



Source: U.S. Census Bureau. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through April 2016.

Eastern Region



The sixteen counties that comprise the Eastern plains region are largely reliant on the agricultural sector. Stubbornly low commodity prices, specifically for corn and cattle, continue to drag down farm profits. Nevertheless, the dairy industry in the northeastern section of the region has partly offset some of these losses. In addition, several counties have recently been working to diversify their economic base. These efforts are beginning to show positive signs in the nonfarm sector of the economy. Economic indicators for the region are presented in Table 24.

Farmers and ranchers in the Eastern region produce a myriad of crops and livestock products, including primarily beef, wheat, and corn. Figure 49 shows the prices received for Colorado wheat, corn, and alfalfa hay, which have fallen consistently since mid-2013. Falling crop prices reflect excess production and weak demand, the latter of which is sensitive to trade conditions with Canada, Mexico, and, particularly for meat products, Asia. However, the dairy industry has offset some of these loses. Higher demand for dairy products, especially from local based international cheese manufacturer Leprino Foods, has buoyed the industry in the region. Leprino announced at the beginning of the year that it would move forward on its Phase 3 expansion. The operation will require the milk of about 80,000 dairy cows every day.

The region's nonfarm economy is relatively healthy. Through the first quarter of 2016, regional employers added approximately 1,100 jobs, or an increase of 4.5 percent compared with the same period one year ago. The average regional unemployment rate through the first quarter of 2016 was 2.6 percent, down 1.0 percent from the same period last year. In recent years, several counties in the region have been working to diversify their nonagricultural base, especially in the development of renewable energy sources. Logan County has 527 wind turbines in operation and Lincoln and Kit Carson counties have announced several plans for additional wind farms. Labor market indicators for the Eastern Region are shown in Figure 50.

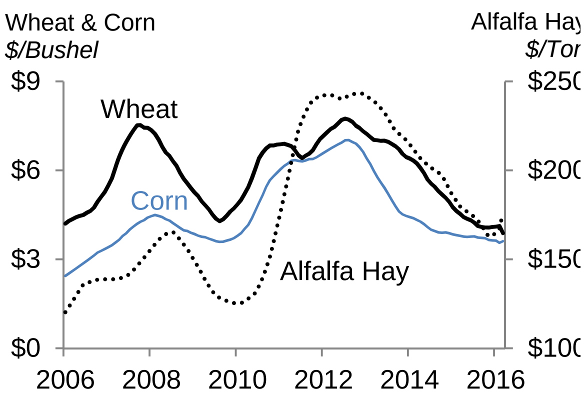
Table 24
Eastern Region Economic Indicators
Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2012	2013	2014	2015	YTD 2016
Employment Growth [1]	-0.8%	-1.3%	3.0%	2.4%	4.5%
Unemployment Rate [1]	6.7%	6.1%	4.4%	3.5%	2.9%
Crop Price Changes [2]					
Wheat ($/Bushel)	4.2%	0.8%	-11.5%	-25.6%	-24.6%
Corm ($/Bushel)	9.2%	-2.8%	-31.0%	-13.1%	-7.8%
Alfalfa Hay (Baled, $/Ton)	37.0%	-0.1%	-11.3%	-13.9%	-15.6%
Livestock [3]					
State Cattle and Calf Inventory Growth	-3.4%	-8.7%	-4.2%	-4.4%	-1.5%
Milk Production	7.1%	3.5%	7.9%	3.9%	6.5%
Retail Trade Sales Growth [4]	4.1%	2.4%	10.2%	-6.2%	N/A

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 March 2016.
[2]National Agricultural Statistics Service. Price data through March 2016.
[3]National Agricultural Statistics Service. Data through March 2016.
[4]Colorado Department of Revenue. Data through November 2015.

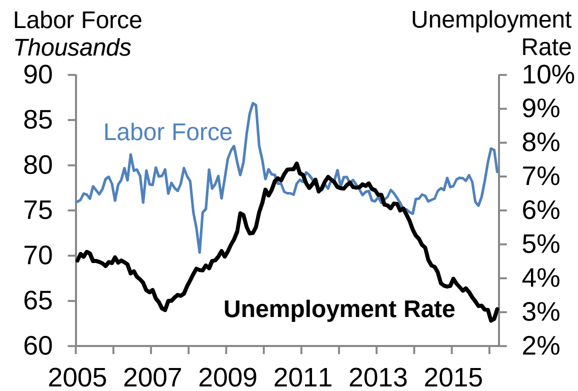
Regional retail sales were up down 6.2 percent through November 2015 compared with the same period last year. Declining retail trade may reflect weaker household incomes, particularly for farm proprietors. Retail trade indices for the Eastern region, the state, and the nation are shown in Figure 51.

Figure 49
Prices Received for Colorado Crops



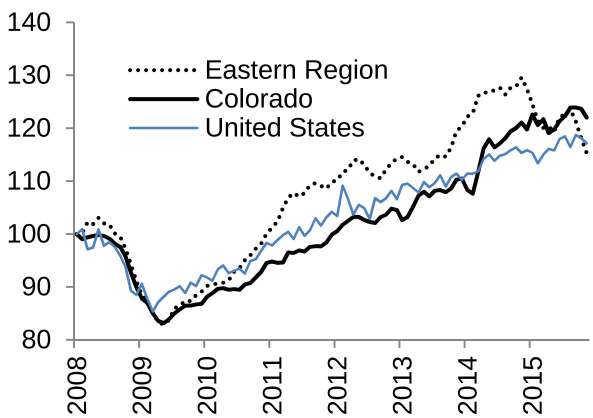
Source: National Agricultural Statistics Service. Twelve-month moving averages. Data through March 2015.

Figure 50
Eastern Region Labor Market Indicators



Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2016.

Figure 51
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 November 2015.

APPENDIX: HISTORICAL DATA

National Economic Indicators

Calendar Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP ($ *Billions*) [1]	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	17,947.0
Percent Change	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%	3.5%
Real GDP ($ *Billions*) [1]	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	16,348.9
Percent Change	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%	2.4%
Unemployment Rate [2]	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%	5.3%
Inflation [2]	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%	0.1%
10-Year Treasury Note [3]	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%	2.1%
Personal Income ($ *Billions*) [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	15,350.7
Percent Change	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%	4.5%
Wage & Salaries ($ *Billions*) [1]	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	7,834.9
Percent Change	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%	4.8%
Nonfarm Employment (*Millions*) [2]	132.1	130.6	130.3	131.8	134.0	136.5	138.0	137.2	131.3	130.4	131.9	134.2	136.4	138.9	141.8
Percent Change	0.0%	-1.1%	-0.2%	1.1%	1.7%	1.8%	1.1%	-0.5%	-4.3%	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Nonfarm Employment (*Thousands*) [1]	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	2,259.0	2,313.2	2,382.3	2,464.7	2,541.7
Percent Change	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.7%	2.4%	3.0%	3.5%	3.1%
Unemployment Rate [1]	3.8	5.6	6.0	5.5	4.9	4.2	3.8	4.9	7.6	8.8	8.3	7.8	6.7	4.9	3.8
Personal Income ($ *Millions*) [2]	$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	$275,107
Percent Change	5.3%	0.8%	2.0%	4.6%	6.7%	7.3%	5.7%	5.1%	-3.3%	2.4%	7.4%	6.1%	2.3%	6.2%	5.1%
Per Capita Personal Income ($) [2]	$35,247	$35,002	$35,412	$36,676	$38,665	$40,709	$42,265	$43,631	$41,508	$41,877	$44,349	$46,402	$46,746	$48,869	$50,410
Percent Change	3.0%	-0.7%	1.2%	3.6%	5.4%	5.3%	3.8%	3.2%	-4.9%	0.9%	5.9%	4.6%	0.7%	4.5%	3.2%
Wage & Salary Income ($ *Millions*) [2]	$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	$146,397
Percent Change	3.1%	-1.2%	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.2%	5.4%	3.6%	7.1%	5.6%
Retail Trade Sales ($ *Millions*) [3]	$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	$94,920
Percent Change	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%	4.7%
Residential Housing Permits [4]	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	28,698	31,871
Percent Change	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%	4.3%	11.1%
Nonresidential Construction (*Millions*) [5]	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,695	$3,617	$4,312	$4,792
Percent Change	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-2.1%	19.2%	11.1%
Denver-Boulder-Greeley Inflation [1]	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%	1.2%
Population (*Thousands, July 1*) [4]	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	5,457
Percent Change	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%	1.9%

NA = Not available.

[1]Bureau of Labor Statistics. Nonfarm employment estimates include revisions to 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.

[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.