Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff
Economics Section

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The Legislative Council Staff is the nonpartisan research staff of the Colorado General Assembly.

Natalie Mullis, Chief Economist
Marc Carey
Larson Silbaugh
Louis Pino
Greg Sobetski
Alex Schatz
Debbie Grunlien

Legislative Council Staff
029 State Capitol Building
Denver, Colorado 80203
(303) 866-3521
www.colorado.gov/lcs
LCS.Economist@state.co.us

Photograph captures spring snow at the Capitol, courtesy of Suzanne Keim.

Highlights

- Economic growth in Colorado and the nation will remain strong. The health of households and businesses will continue to improve with gains in jobs, consumer demand, credit conditions, and real estate markets. While low oil prices will be an overall positive for the nation, they will moderate growth in Colorado somewhat with reductions in investment and production by the oil industry. Growth will also be constrained by tightening monetary policy and a weak global economy.

- In **FY 2014-15**, General Fund revenue is expected to be $49.1 million higher than the amount budgeted to be spent or retained in the statutory reserve. This figure is net of a $50 million increase in expectations for General Fund revenue, a $69.7 million set aside for a **TABOR Limit refund**, and changes in law resulting from the supplemental budget package.

- The $49.1 million surplus in FY 2014-15 does not incorporate the impact of a potential Proposition AA **TABOR election provision refund** estimated at $58.0 million.

- The General Assembly will have $831.4 million, or 8.7 percent, more to spend in **FY 2015-16** than is budgeted for FY 2014-15. This amount assumes the $49.1 million surplus is carried forward into FY 2015-16.

- State revenue will exceed the **Referendum C Cap** by $116.8 million in FY 2015-16 and $434.9 million in FY 2016-17.

- **Senate Bill 09-228 transfers** equal to $25.7 million to the Capital Construction Fund and $102.6 million to the Highway Users Tax Fund are expected to occur in FY 2015-16. Transfers are not expected in FY 2016-17 because of the size of the TABOR surplus.

EXECUTIVE SUMMARY

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

General Fund and TABOR Outlook

FY 2014-15. General Fund revenue will exceed the amount budgeted to be spent or retained in the reserve by $49.1 million in FY 2014-15. This is net of $69.7 million assumed to be set aside to refund money in excess of the Referendum C Cap and incorporates the supplemental budget package. It does not incorporate $1.9 million in supplemental appropriations pursuant to Senate Bill 15-161 and a potential $58.0 million Proposition AA TABOR election provision refund.

FYs 2015-16 and 2016-17. The General Assembly will have $831.4 million, or 8.7 percent, more to spend in FY 2015-16 than is budgeted to be spent this year, in FY 2014-15. If this year's $49.1 million surplus is saved and General Fund appropriations increase by 6.0 percent in FY 2015-16, there will be an estimated $252.6 million left in the fund at the end of FY 2015-16 above the required reserve. This amount is equal to 2.7 percent of budgeted expenditures in FY 2014-15. If that amount is saved and not spent in FY 2015-16, and appropriations increase 6.0 percent in FY 2016-17, there will be $339.7 million remaining in the fund at the end of FY 2016-17. This amount is 3.4 percent higher than the amount budgeted in FY 2014-15. These expectations net out the following anticipated General Fund obligations:

More information about the **General Fund budget overview** begins on page 5 and is summarized in Table 2 on page 6.

More information about the state's **TABOR outlook** begins on page 11 and is summarized in Table 6 on page 12.

The General Fund revenue forecast begins on page 17 and is summarized in Table 8 on page 20.

- TABOR refund set asides of $116.8 million and $434.9 million in FYs 2015-16 and 2016-17, respectively; and
- Half Senate Bill 09-228 transfers equal to $25.7 million and $102.6 million to the Capital Construction Fund and Highway Users Tax Fund, respectively, in FY 2015-16.

Senate Bill 09-228 transfers are not expected to occur in FY 2016-17 because the TABOR surplus is expected to exceed 3.0 percent of General Fund revenue.

Cash Fund Revenue Subject to TABOR

Cash fund revenue subject to TABOR is expected to increase slightly from $2.73 billion in FY 2013-14 to $2.80 billion in FY 2014-15. Increases will occur in all primary cash fund categories with the exception of the hospital provider fee and regulatory agencies. Total cash fund revenue subject to TABOR will remain constant at $2.80 billion in FY 2015-16 as a rebound in hospital provider fee revenue offsets a decline in severance tax revenue resulting from the fall in oil prices. Cash fund revenue is projected to grow another 7.0 percent to $3.00 billion in FY 2016-17, as severance tax revenue recovers with increased oil and gas activity.

The cash fund revenue forecasts begin on page 21. Forecasts for revenue subject to TABOR are summarized in Table 9 on page 22.

Economic Outlook

The economy is expected to grow at rates at or above its historical trend through the remainder of the forecast period. The labor market continues to improve with more jobs and fewer people looking for work. These labor market improvements have begun to put upward pressure on wages, giving households more money to save and spend. Healthier households will boost consumer spending and business activity, fueling more growth in earnings and investments. Because of momentum in the economy, the Federal Reserve is expected to begin to slowly raise short-term interest rates as early as this summer.

More information about the state and national economic outlook begins on page 31.

Summaries of economic conditions in nine regions around the state begin on page 51.

Economic growth will be moderated over the forecast period by tightening monetary policy and a weak global economy. Although low oil prices are expected to be a boost for the economy nationwide, the boost will be partially offset by lower production and income in the oil industry. Low oil prices are expected to moderate the pace of Colorado's expansion in 2015, primarily in the Denver Metropolitan area and the northern Front Range.

GENERAL FUND BUDGET OVERVIEW

Table 2 on page 6 presents the General Fund overview based on current law. Tables 3 and 5 on pages 7 and 10 provide estimates for General Fund rebates and expenditures (line 9 of Table 2) and detail for cash fund transfers to and from the General Fund (lines 3 and 10 of Table 2). This section also presents information on the outlook for Senate Bill 09-228 transfers to capital construction and transportation, revenue to the State Education Fund, and the availability of tax policies dependent on the collection of sufficient General Fund revenue.

FY 2014-15. General Fund revenue is expected to be $49.1 million, or 0.5 percent, higher than the amount budgeted to be spent or retained in the reserve in FY 2014-15. This amount, which represents the amount of money available in FY 2014-15 for legislation, is $141.1 million lower than that published in December 2014. Table 1 shows the components of this decrease, which include a $50.0 million increase in expectations for General Fund revenue, new expectations for a refund of excess TABOR revenue in FY 2014-15, and changes in law resulting from the supplemental budget package.

FY 2014-15 revenue available for legislation: $49.1 million

Incorporates:
- *the supplemental budget package; and*
- *a $69.7 million TABOR Limit refund*

Does not incorporate:
- *$1.9 million in supplemental appropriations to the Department of Revenue still under deliberation; and*
- *a $58.0 million Proposition AA TABOR election provision refund*

Table 1
Components of Change, FY 2014-15 General Fund Revenue Available for Legislation
December 2014 ($190.5 million) to March 2015 ($49.1 million)

Component	Amount	Note
Change in Revenue	**$57.0 million**	
Revenue Expectations	$50.0 million	
Transfers to/from Cash Funds	$7.0 million	Senate Bill 15-112, and Senate Bills 15-167, 15-168, and 15-169
Change in Expenditures	**$198.4 million**	
General Fund Appropriations	$103.2 million	Supplemental budget package, excluding Senate Bill 15-161 /A
6.5 Percent Statutory Reserve	$6.7 million	6.5 percent of $103.2 million
Transfer to Capital Construction	$23.0 million	Senate Bill 15-170
TABOR Surplus Obligation	$69.7 million	Refund of revenue above the TABOR Limit /B
Other	($4.1 million)	Miscellaneous forecast-driven changes
Total Change	**($141.4 million)**	

/A As introduced, Senate Bill 15-161 appropriates $1.9 million to the Department of Revenue.
/B This is the expected refund of revenue in excess of the Referendum C Cap plus $3.6 million in under-refunds from previous years. Excludes the estimated $58.0 million refund arising from Proposition AA pursuant to TABOR's election provisions.

Table 2
March 2015 General Fund Overview
(Dollars in Millions)

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
FUNDS AVAILABLE		**Preliminary**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$373.0	$435.9	$625.5	*
2	General Fund Revenue	$8,974.8	$9,658.5	$10,255.1	$10,933.9
3	Transfers from Other Funds *(Table 5)* /A	14.2	36.7	14.1	14.4
4	**Total Funds Available**	**$9,362.0**	**$10,131.1**	**$10,894.7**	*
5	Percent Change	0.1%	8.2%	7.5%	*
EXPENDITURES		**Budgeted**	**Budgeted**	**Estimate**	**Estimate**
6	General Fund Appropriations /A	$8,218.7	$8,868.4	*	*
7	Adjustments to Appropriations	32.4	*	*	*
8	TABOR Surplus Obligation /B /C	0.0	69.7	116.8	434.9
9	Rebates and Expenditures *(Table 3)*	250.2	254.5	268.2	283.3
10	Transfers to Other Funds /B *(Table 5)*	30.9	39.1	43.9	45.5
11	Transfers to the State Education Fund Pursuant to SB 13-234	45.3	25.3	25.3	25.3
12	Transfer for Highway Construction /D	0.5	0.0	102.6	0.0
13	Transfers to the Capital Construction Fund /A /D	186.2	248.5	61.7	46.0
14	**Total Expenditures**	**$8,764.2**	**$9,505.6**	*	*
15	Percent Change	10.8%	8.5%	*	*
16	Accounting Adjustments	53.1	*	*	*
RESERVE		**Preliminary**	**Estimate**	**Estimate**	**Estimate**
17	**Year-End General Fund Reserve**	$650.9	$625.5	*	*
18	Year-End Reserve As A Percent of Appropriations	7.9%	7.1%	*	*
19	**Statutorily-Required Reserve**	410.9	576.4	*	*
20	Transfers From the Reserve	215.0	NA	NA	NA
21	**Amount in Excess or (Deficit) of Statutory Reserve**	**$25.0**	**$49.1**	*	*
22	Excess Reserve as a Percent of Expenditures	0.3%	0.5%	*	*
ALTERNATIVE PERSPECTIVES ON UNBUDGETED YEARS				**Estimate**	**Estimate**
Perspective 1: Money Available in FY 2015-16 in Excess of FY 2014-15 Expenditures /E					
23	Amount in Excess of Statutory Reserve			$831.4	*
24	As a Percent of Prior-Year Expenditures			8.7%	*
Perspective 2: Assuming Appropriations Increase by the Historical Average Rate During Economic Expansions of 6.0% /F					
25	Amount in Excess or (Deficit) of Statutory Reserve			$252.6	$339.7
26	As a Percent of FY 2014-15 Expenditures			2.7%	3.4%
ADDENDUM		**Estimate**	**Estimate**	**Estimate**	**Estimate**
27	Percent Change in General Fund Appropriations	10.5%	7.5%	*	*
28	5% of Colorado Personal Income Appropriations Limit	$11,307.2	$12,017.5	$12,353.4	$13,008.2
29	Transfer to State Education Fund Per Amendment 23	$478.8	$507.0	$538.0	$576.0

Totals may not sum due to rounding.

** Not estimated. NA = Not applicable.*

/A Incorporates the full supplemental budget package, excluding Senate Bill 15-161.

/B TABOR surplus obligations are shown during the year they are collected. Pursuant to 24-75-201 (2), C.R.S., the TABOR surplus obligation is required to be set aside during the year it is collected to be refunded in the following fiscal year.

/C An estimated $58.0 million may need to be set aside in FY 2014-15 to be refunded in FY 2015-16 as a result of the TABOR election reporting requirements of Proposition AA. This has not been accounted for within these figures.

/D SB 09-228 transfers to the Highway Users Tax Fund and the Capital Construction Fund are expected to equal $102.6 million and $25.7 million, respectively, in FY 2015-16. These transfers will not occur in FY 2016-17, because the TABOR surplus is expected to exceed 3 percent of General Fund revenue.

/E This holds appropriations in FY 2015-16 equal to appropriations in FY 2014-15 to determine the total amount of money available above FY 2014-15 expenditures.

/F The average growth rate of appropriations over the last 15 years, only during years when the economy expanded: FY 2000-01, FYs 2003-04 through 2007-08, and FYs 2011-12 through 2014-15.

The $49.1 General Fund surplus estimate does not incorporate a $1.9 million appropriation to the Department of Revenue under deliberation by the General Assembly and a potential refund arising under TABOR's election provisions estimated at $58.0 million.

FYs 2015-16 and 2016-17 — Unbudgeted Years. Because a budget has not yet been enacted for FYs 2015-16 and 2016-17, lines 23 through 26 of Table 2 show two alternative perspectives on the General Fund budget situation for these years.

Perspective 1, shown in lines 23 and 24, assumes no growth in appropriations between FY 2014-15 and FY 2015-16 to illustrate the amount of money available to the General Assembly above that budgeted to be spent or retained in the reserve in FY 2014-15. This amount, estimated at $831.4 million, or 8.7 percent of budgeted expenditures in FY 2014-15, assumes that this year's $49.1 million surplus is carried forward into FY 2015-16.

Perspective 2, shown in lines 25 and 26, assumes a 6.0 percent growth rate for General Fund appropriations. This rate is the historic average growth rate for General Fund appropriations during economic expansions over the last 15 years: FY 2000-01; FYs 2003-04 through 2007-08; and FYs 2011-12 through 2014-15.

Revenue available for FY 2015-16:

$831.4 million (8.7 percent) more than the budget for FY 2014-15

$252.6 million (2.7 percent) more than needed for General Fund appropriations to increase by 6.0 percent

Both figures include the FY 2014-15 surplus of $49.1 million.

Table 3
General Fund Rebates and Expenditures
(Dollars in Millions)

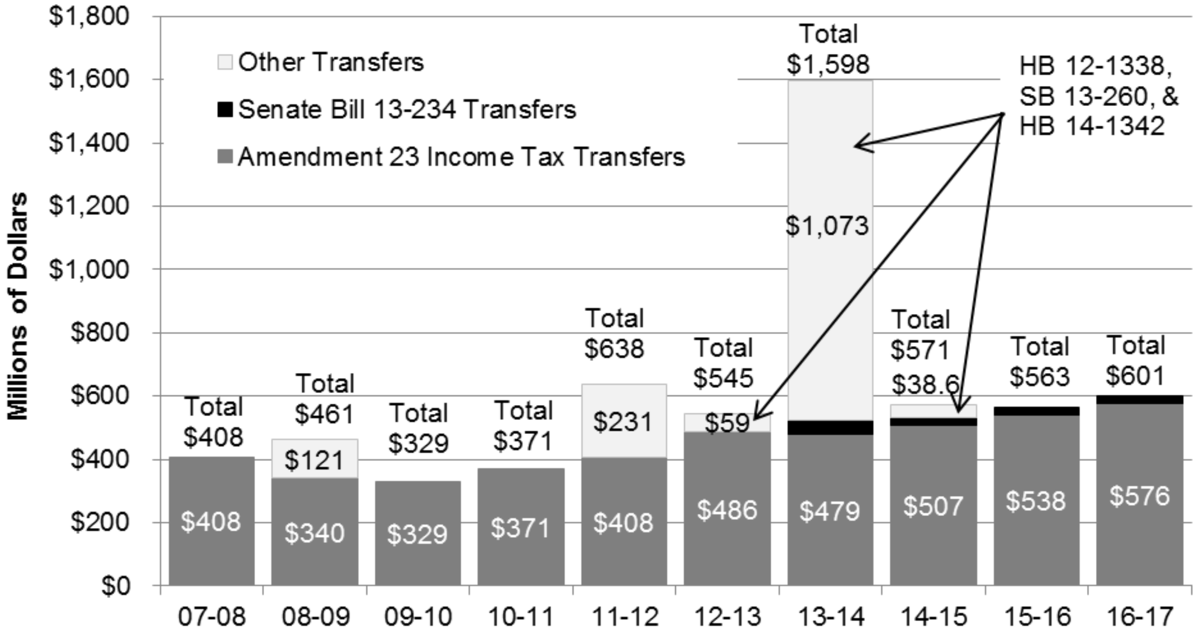
Category	Preliminary FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
Senior & Veterans Property Tax Exemptions /A	$109.8	$117.0	$126.0	$135.3
Percent Change	*6.9*	*6.6*	*7.7*	*7.3*
Cigarette Rebate	10.4	10.8	10.6	10.3
Percent Change	*-2.9*	*3.7*	*-1.9*	*-2.9*
Old-Age Pension Fund	106.9	98.2	102.1	107.2
Percent Change	*2.1*	*-8.2*	*4.0*	*5.0*
Aged Property Tax & Heating Credit /B	6.0	6.4	6.6	6.8
Percent Change	*-8.4*	*6.1*	*3.1*	*3.0*
Older Coloradans Fund	10.0	10.0	10.0	10.0
Percent Change	*25.0*	*0.0*	*0.0*	*0.0*
Interest Payments for School Loans	0.7	0.8	1.0	1.4
Percent Change	*-3.9*	*13.2*	*20.4*	*49.7*
Fire and Police Pension Association	4.1	4.7	4.7	4.7
Percent Change	*-97.2*	*14.1*	*0.0*	*0.0*
Amendment 35 Distributions	0.8	0.8	0.9	0.8
Percent Change	*-7.1*	*1.5*	*0.8*	*-1.6*
Marijuana Sales Tax Transfer to Local Govts	*1.4*	*5.7*	*6.3*	*6.7*
Percent Change		*324.7*	*9.9*	*6.6*
TOTAL REBATES & EXPENDITURES	**$250.2**	**$254.5**	**$268.2**	**$283.3**

Totals may not sum due to rounding.

A/ Includes the impact of House Bill 14-1373.

B/ Includes the impact of Senate Bill 14-014.

Figure 1
Revenue to the State Education Fund
(Dollars in Millions)



Source: Colorado State Controller's Office and Legislative Council Staff.

If the $49.1 million surplus expected at the end of this year is saved and General Fund appropriations increase by 6.0 percent in FY 2015-16, there will be an estimated $252.6 million left in the fund at the end of the year above the required reserve. This amount is equal to 2.7 percent of budgeted expenditures in FY 2014-15. If that amount is saved and not spent in FY 2015-16, and appropriations increase 6.0 percent in FY 2016-17, there will be $339.7 million remaining in the fund at the end of FY 2016-17. This amount is 3.4 percent higher than the amount budgeted to be spent this year, FY 2014-15. These expectations net out money set aside to refund revenue in excess of the Referendum C Cap and other expenditures listed in lines 8 through 13 of Table 2.

State Education Fund. The Colorado Constitution requires the State Education Fund to receive one-third of one percent of taxable income each year. 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 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.

Senate Bill 09-228 transfers. Senate Bill 09-228 requires a five-year block of transfers to capital construction and transportation as soon as personal income increases by at least 5.0 percent during or after calendar year 2012. The bill transfers 0.5 percent and 2.0 percent of General Fund revenue to the Capital Construction Fund and the Highway Users Tax Fund, respectively, during the first two years of the five-year period. However, if during any particular year the state incurs a large enough TABOR surplus, these transfers will either be cut in half or eliminated for that year. The transfers are cut in half if the TABOR surplus during that year is between 1 percent and 3 percent of General Fund revenue, and eliminated if the surplus exceeds 3 percent of General Fund revenue.

Colorado personal income is expected to increase 5.3 percent in 2014 (the U.S. Bureau of Economic Analysis will release the actual figure on March 25, 2015). Thus, the five-year block of transfers is expected to begin in FY 2015-16.

Expectations for the TABOR surplus equal 1.1 percent ($116.8 million) and 4.0 percent ($434.9 million) of General Fund revenue in FYs 2015-16 and 2016-17. Therefore, half transfers equal to $25.7 million and $102.6 million to the Capital Construction Fund and the Highway Users Tax Fund, respectively, are expected to be made in FY 2015-16. No transfers will occur in FY 2016-17, because the TABOR surplus is expected to be larger than 3 percent of General Fund revenue. It is important to note that very small errors 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. It is thus well within the bounds of reasonable forecast error for these transfers to occur in full during both years, or not to occur at all.

Senate Bill 09-228 Transfers:

FY 2015-16, half transfers equal to:

- *Capital Construction Fund: $25.7 million*
- *Highway Users Tax Fund: $102.6 million*

FY 2016-17

- *$0, because the TABOR surplus is expected to exceed 3.0 percent of General Fund revenue*

It is within reasonable forecast error for these transfers to occur in full during both FY 2015-16 and FY 2016-17, or not to occur 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 meet this requirement through at least the end of the forecast period in FY 2016-17. Table 4 lists and describes the availability of these tax benefits.

Table 4
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	December forecast immediately before the tax year when the credit becomes available.	Available in tax years 2013 through 2015. Expected to be available in tax years 2016 through 2017. Repealed tax year 2020.
Sales and use tax exemption for clean rooms	If the June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Currently available through at least June 2015. Expected to continue to be available through at least June 2017. Repealed July 1, 2018.

Table 5
Cash Fund Transfers /A
(Dollars in Millions)

Bill #	Cash Fund	2013-14	2014-15	2015-16	2016-17
Transfers to the General Fund					
HB 10-1325	Natural Resource Damage Recovery Fund	$0.16	$0.16	$0.16	$0.16
SB 11-225	Tobacco Litigation Settlement Funds	0.2	0.2	0.2	0.2
HB 13-1317 & SB 14-215	Marijuana Cash Fund	2.0			
SB 13-233	Repealed Health-Related Funds	0.01			
HB 14-1228	Defense Driving School Fund Balance		0.2		
SB 14-189	Controlled Maintenance Trust Fund		9.7		
SB 14-215 & SB 15-167	Marijuana Tax Cash Fund		5.1		
SB 15-168	Intellectual and Developmental Disability Fund		2.1		
SB 15-169	State Employee Reserve Fund		6.4		
SB 13-133	Limited Gaming Fund	11.8	12.9	13.7	14.0
Subtotal: Transfer from Other Funds		***$14.2***	***$36.7***	***$14.1***	***$14.4***
Transfers from the General Fund					
HB 12-1315	Clean Renewable Energy Fund	1.6	1.6	1.6	1.6
HB 13-1001 & HB 14-1011	Advanced Industries Acceleration Fund	5.0		5.0	5.0
HB 13-1193	Advanced Industries Export Acceleration Fund	0.3	0.3	0.3	0.3
HB 13-1317	85% of 10% Special Sales Tax Marijuana Cash Fund	7.7			
SB 14-215	Marijuana Tax Cash Fund		32.6	35.8	38.1
SB 13-235	Colorado State Veterans Trust Fund	3.9			
SB 13-269	Wildfire Risk Reduction Fund	9.8			
SB 13-270	Wildfire Emergency Response Fund	0.5			
HB 14-1016 /B	Procurement Technical Assistance Cash Fund			0.2	0.2
HB 14-1276	School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Fund		0.3		
HB 14-1300	State Fair Cash Fund		0.3		
HB 14-1341	Department of State Cash Fund	2.2			
HB 14-1368	Child Welfare Transition Cash Fund		2.8		
SB 14-011	Energy Research Cash Fund		1.0	1.0	
SB 15-112	Building Regulation Fund		0.3		0.2
Subtotal: Transfers to Other Funds		***$30.9***	***$39.1***	***$43.9***	***$45.5***
Net Impact on the General Fund		**($16.7)**	**($2.5)**	**($29.8)**	**($31.1)**

/A Excludes transfers from the FY 2013-14 General Fund excess reserve, which are shown in Table 1 and, and Senate Bill 14-104, which diverted disputed Tobacco Master Settlement Agreement payments away from the General Fund to the Tobacco Master Settlement Agreement Cash Fund.

/B This transfer is dependent on the receipt of at least $200,000 in gifts, grants, and donations by the relevant contractor.

TABOR OUTLOOK

This section presents the outlook for the state's TABOR situation through FY 2016-17. Table 6 on page 12 illustrates the current status of the TABOR limit and Referendum C cap through FY 2016-17, while Figure 2 on page 13 shows a history and forecast of revenue subject to TABOR, the TABOR limit base, and the Referendum C cap.

The **Referendum C cap** will equal $12.3 billion in FY 2014-15, $12.9 billion in FY 2015-16, and $13.4 billion in FY 2016-17. Revenue subject to TABOR is expected to exceed the cap in all three years, prompting **TABOR refunds of $69.7 million in FY 2015-16, $116.8 million in FY 2016-17, and $434.9 million in FY 2017-18**.

In addition, the General Assembly may need to set aside **$58.0 million from revenue collected in FY 2014-15 for a TABOR election provision refund in FY 2015-16.** According to a legal analysis by the Office of Legislative Legal Services regarding TABOR election provisions, if the FY 2014-15 revenue from the excise and special sales taxes on adult-use marijuana, or fiscal year spending for the year exceed the Proposition AA Blue Book estimates for the same, the combined excess must be refunded to the taxpayers in FY 2015-16. However, the amount of the refund is capped at the total amount of the Proposition AA taxes actually collected for the fiscal year, and no refund is required if the state receives voter approval to keep the revenue.

Fiscal Year Spending:

The legal term used by TABOR to denote the amount of revenue TABOR allows the state to keep and either save or spend.

State fiscal year spending is expected to exceed the Proposition AA Blue Book estimate for FY 2014-15 by $333.4 million. Meanwhile, revenue from the excise tax and special sales tax on adult-use marijuana is expected to total $58.0 million in FY 2014-15, an amount lower than the Blue Book estimate of $67.0 million. Based on these expected amounts, a refund of $58.0 million may be required during FY 2015-16. Although three mechanisms exist to refund money collected in excess of the Referendum C cap, there is no refund mechanism in statute that applies in the case of an election provision refund. It should also be noted that the forecast for marijuana tax revenue is uncertain.

Taxpayer's Bill of Rights (TABOR) constitutional revenue limit. 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 and population growth, plus any revenue changes approved by voters. Referendum C, approved by voters in 2005, is a voter approved change that raises the amount or revenue that may be saved or spent.

Referendum C allowed the state to spend all revenue collected above the limit during a five-year timeout period beginning 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 was set to the highest total for state revenue for a fiscal year during the five-year timeout period, grown each year thereafter by inflation plus population growth. Because

Table 6
March 2015 TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

		Preliminary FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
	TABOR Revenue:				
1	General Fund /A	$8,962.6	$9,611.5	$10,204.3	$10,880.3
2	Cash Funds	2,729.3	2,802.0	$2,803.1	$2,999.5
3	**Total TABOR Revenue**	**$11,691.9**	**$12,413.4**	**$13,007.4**	**$13,879.8**
	Revenue Limit				
4	Allowable TABOR Growth Rate	3.3%	4.3%	4.4%	4.3%
5	Inflation (from prior calendar year)	1.9%	2.8%	2.8%	2.6%
6	Population Growth (from prior calendar year)	1.4%	1.5%	1.6%	1.7%
7	TABOR Limit Base	$9,566.6	$9,963.2	$10,401.6	$10,848.9
8	Voter Approved Revenue Change (Referendum C)	$2,125.3	$2,384.1	$2,489.0	$2,596.0
9	Total TABOR Limit / Referendum C Cap	$11,852.4	$12,347.3	$12,890.6	$13,444.9
10	TABOR Revenue Above (Below) Referendum C Cap /D	**($160.5)**	**$66.1**	**$116.8**	**$434.9**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C /B	$2,125.3	$2,384.1	$2,489.0	$2,596.0
12	**Total Available Revenue**	**$11,691.9**	**$12,347.3**	**$12,890.6**	**$13,444.9**
13	Revenue to be Refunded to Taxpayers /C /D /E	$0.0	$69.7	$116.8	$434.9
14	TABOR Reserve Requirement	$350.8	$370.4	$386.7	$350.8

Totals may not sum due to rounding.

/A These figures differ from the revenues reported in General Fund revenue summary table because of accounting adjustments across TABOR boundaries.

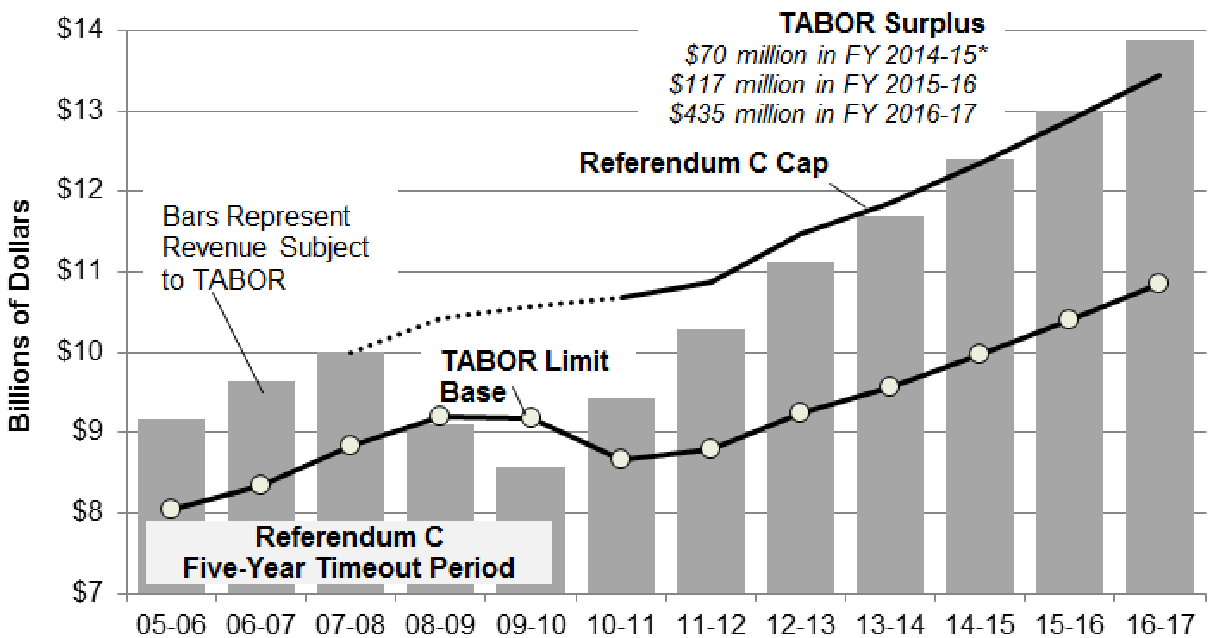
/B Revenue retained under Referendum C is referred to as “General Fund Exempt” in the budget and the General Fund overview.

/C Pursuant to 24-75-201 (2), C.R.S., the revenue above the Referendum C Cap is required to be set aside during the year it is collected to be refunded in the following fiscal year. For example, excess revenue collected in FY 2015-16 will be set aside within the FY 2015-16 budget and refunded in FY 2016-17 on income tax returns for tax year 2016.

/D An estimated $58.0 million may need to be refunded in FY 2015-16 from FY 2014-15 revenue as a result of the TABOR election reporting requirements of Proposition AA, an amount equal to expectations for new tax revenue. Current expectations for state fiscal year spending exceeds the amount reported in the 2013 Blue Book by an estimated $333.4 million.

/E Revenue to be refunded (line 13) exceeds revenue above the Referendum C Cap (line 10) by $3.6 million in FY 2014-15. This amount represents under-refunds of pre-Referendum C surpluses and other errors discovered in subsequent years that would have added to the last refund.

Figure 2
TABOR Revenue, the TABOR Limit Base, and the Referendum C Cap
(Dollars in Billions)



Source: Colorado State Controllers Office and Legislative Council Staff.
**FY 2014-15 surplus includes a $3.6 million adjustment for under-refunds of and other adjustments to pre-Referendum C TABOR surpluses.*

revenue collections peaked in FY 2007-08, that year became the starting base for the cap. The cap is adjusted annually for inflation, population growth, and changes in enterprise status exactly as the TABOR limit is adjusted. However, it is always grown from the prior year's cap, regardless of the level of revenue collected.

TABOR refunds. TABOR requires revenue collected above the Referendum C Cap to be refunded to taxpayers. Revenue is expected to exceed the Referendum C Cap by $66.1 million, $116.8 million, and $434.9 million in FY 2014-15, FY 2015-16, and FY 2016-17, respectively. Although state law requires this money to be set aside in the budget during year it is collected, TABOR requires the money to be refunded in the following fiscal year. In addition, a total of $3.6 million must be refunded along with the next TABOR surplus. This amount represents under-refunds of pre-Referendum C surpluses and other errors discovered in subsequent years that would have added to prior years' refunds.

Therefore, an estimated $69.7 million, $116.8 million, and $434.9 million will be refunded in FY 2015-16, FY 2016-17, and FY 2017-18, respectively. Figure 3 and Table 7 show how state law requires this money to be refunded. Current law contains three refund mechanisms: the six-tier sales tax refund, the earned income tax credit, and a temporary cut in the income tax rate from 4.63 percent to 4.50 percent. The size of the TABOR refund determines which refund mechanisms are available each year.

As a result of the FY 2014-15 TABOR surplus, the six-tier sales tax refund will be available during income tax year 2015. State law requires the sales tax refund to be distributed among six income tiers following the proportions in which the sales tax refund was distributed in tax year 1999. As shown in Table 7, taxpayers filing single returns with adjusted gross incomes of up to $36,500 will receive refunds of $15 each. Taxpayers filing single returns with adjusted gross incomes of $181,000 and up will receive refunds of $46 each. For taxpayers filing joint returns, these amounts are doubled.

TABOR Impact of Legislation:

Legislation that affects state revenue subject to TABOR affects the amount to be refunded to taxpayers. For example, legislation that decreases income tax revenue for FY 2015-16 decreases the amount to be refunded in tax year 2016.

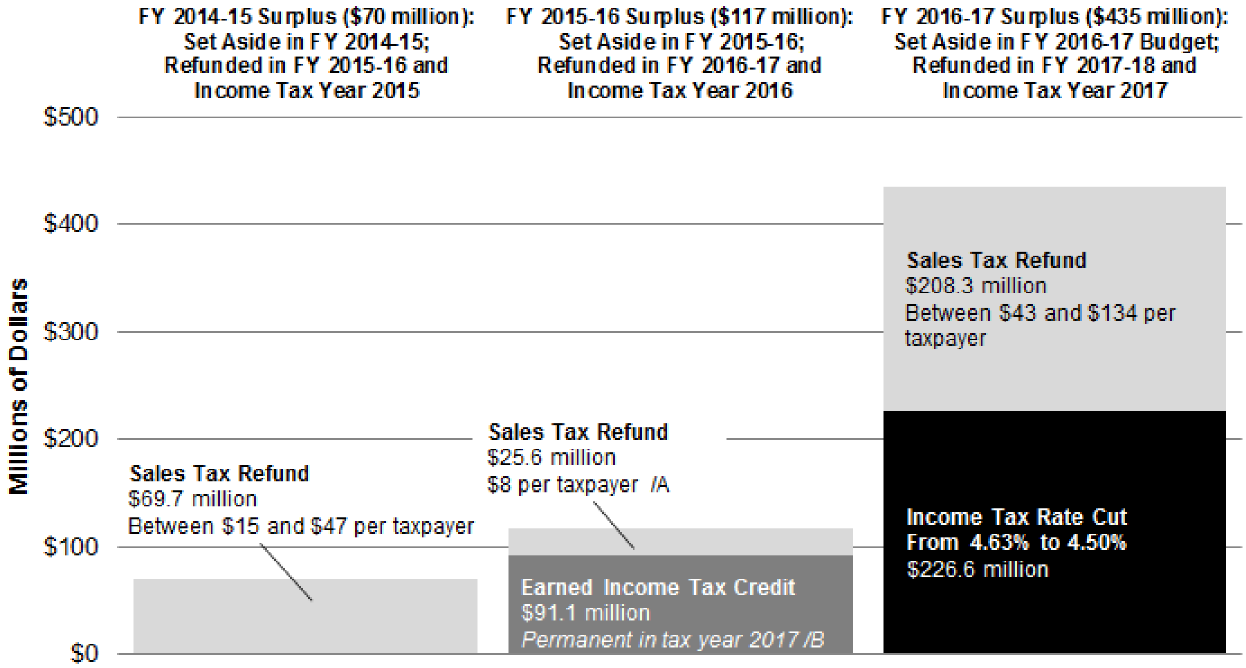
TABOR refunds are paid from the General Fund. However, refund amounts are dictated by total state revenue subject to TABOR, including revenue collected in cash funds. A bill that increases cash fund revenue increases the amount of General Fund revenue that must be expended for refunds, reducing the amount that would otherwise be available for General Fund obligations.

The FY 2015-16 surplus will be refunded via the earned income tax credit and the sales tax refund on returns filed for income tax year 2016. A total of $91.1 million is expected to be refunded via the earned income tax credit. In addition, each taxpayer filing an income tax return with the Department of Revenue will receive an $8 sales tax refund. If the average sales tax refund per taxpayer is $15 or less, state law requires each taxpayer to receive an equal amount. The refund will be claimed on an individual's income tax return, and will either reduce that individual's tax liability or increase his or her income tax refund by $8. Taxpayers filing joint returns will receive $16. Because this mechanism refunds state sales taxes, the refund will not be added to a taxpayer's federal taxable income. Table 7 combines the expected impact of the EITC and the sales tax refund for households receiving both.

The FY 2016-17 surplus will be refunded in FY 2017-18 on income tax returns filed for tax year 2017. The money will be refunded by reducing the state's income tax rate from 4.63 percent to 4.5 percent, which will refund an estimated $226.6 million, and through a six-tier sales tax refund of $208.3 million. Table 7 shows totals for the expected impact of the income tax rate reduction and the sales tax refund for each of the six projected income tiers. Although Table 7 shows the average taxpayer refund for individual income taxpayers who live in Colorado all year, nonresident and corporate income taxpayers will also benefit from the temporary income tax rate cut.

The earned income tax credit will no longer be a refund mechanism in tax year 2017, since state law converts the credit from a refund mechanism to a permanent tax credit once it has been used as a refund mechanism.

Figure 3
TABOR Refund Estimates /A



/A This figure illustrates refunds of revenue in excess of the Referendum C Cap. State law does not specify mechanisms for refunding a TABOR election provision refund, or a refund of money collected in excess of figures published in the Proposition AA Blue Book.

/B Section 39-22-2002 (2) (b), C.R.S. requires every taxpayer to receive an identical refund amount if the average sales tax refund is $15 or less. If the average exceeds $15, section 39-22-2003 (4) (a), C.R.S. requires the sales tax refund to be distributed proportionately to the 1999 sales tax refund.

Table 7
Average Taxpayer TABOR Refunds
Full-Time Resident Individual Income Taxpayers

Single Returns					Joint Returns					EITC	
Adjusted Gross Income	**Six-Tier Sales Tax**	**Income Tax Rate Cut**	**Total, Households Without EITC**	**Total, Households With EITC**	**Adjusted Gross Income**	**Six-Tier Sales Tax**	**Income Tax Rate Cut**	**Total, Households Without EITC**	**Total, Households With EITC**	**Number of Households**	**Average EITC**
FY 2014-15 Surplus, Tax Year 2015											
Up to $36,500	$15	$0	**$15**	**$15**	Up to $29,700	$30	$0	**$30**	**$30**	-	$0
$36,500 to $78,500	$20	$0	**$20**	**$20**	$29,700 to $73,100	$40	$0	**$40**	**$40**	-	$0
$78,500 to $114,100	$23	$0	**$23**	**$23**	$73,100 to $116,000	$46	$0	**$46**	**$46**	-	$0
$114,100 to $148,200	$27	$0	**$27**	**$27**	$116,000 to $156,400	$54	$0	**$54**	**$54**	-	$0
$148,200 to $181,100	$29	$0	**$29**	**$29**	$156,400 to $194,300	$58	$0	**$58**	**$58**	-	$0
$181,100 and up	$47	$0	**$47**	**$47**	$194,300 and up	$94	$0	**$94**	**$94**	-	$0
FY 2015-16 Surplus, Tax Year 2016											
Up to $37,500	$8	$0	**$8**	**$264**	Up to $30,600	$16	$0	**$16**	**$272**	312,940	$256
$37,500 to $80,700	$8	$0	**$8**	**$153**	$30,600 to $75,100	$16	$0	**$16**	**$161**	64,259	$145
$80,700 to $117,300	$8	$0	**$8**	**$8**	$75,100 to $119,200	$16	$0	**$16**	**$16**	-	$0
$117,300 to $152,300	$8	$0	**$8**	**$8**	$119,200 to $160,800	$16	$0	**$16**	**$16**	-	$0
$152,300 to $186,100	$8	$0	**$8**	**$8**	$160,800 to $199,700	$16	$0	**$16**	**$16**	-	$0
$186,100 and up	$8	$0	**$8**	**$8**	$199,700 and up	$16	$0	**$16**	**$16**	-	$0
FY 2016-17 Surplus, Tax Year 2017											
Up to $38,400	$43	$9	**$52**	**$52**	Up to $31,300	$86	$1	**$87**	**$87**	-	$0
$38,400 to $82,600	$57	$51	**$108**	**$108**	$31,300 to $76,900	$114	$27	**$141**	**$141**	-	$0
$82,600 to $120,100	$66	$99	**$165**	**$165**	$76,900 to $122,100	$132	$84	**$216**	**$216**	-	$0
$120,100 to $155,900	$78	$152	**$230**	**$230**	$122,100 to $164,600	$156	$142	**$296**	**$298**	-	$0
$155,900 to $190,600	$84	$198	**$282**	**$282**	$164,600 to $204,400	$168	$197	**$365**	**$365**	-	$0
$190,600 and up	$134	$548	**$682**	**$682**	$204,400 and up	$268	$568	**$836**	**$836**	-	$0

Source: Legislative Council Staff.

GENERAL FUND REVENUE

This section presents the Legislative Council Staff outlook for General Fund revenue. Table 8 on Page 20 illustrates preliminary General Fund revenue collections for FY 2013-14 and projections for FY 2014-15 through 2016-17.

The state's main source for general operating appropriations continued to improve in FY 2013-14, increasing 5.1 percent from the previous year to approximately $9.0 billion. Improving labor market conditions, higher consumer confidence, and a strong equity market all supported General Fund revenue growth.

General Fund revenue will increase 7.6 percent in FY 2014-15, totaling $9.7 billion. All major General Fund categories are expected to contribute to this growth. Individual income tax collections will grow as an improving labor market puts upward pressure on wages and salaries. Lower gas prices will boost consumer spending and retail sales. Corporate income taxes will continue to grow through the forecast period, although at a slightly slower pace from FY 2013-14 as corporations begin to face pressures from higher employee compensation.

In FY 2015-16, revenue will grow 6.2 percent before increasing another 6.6 percent in FY 2016-17. By FY 2016-17, total General fund revenue will be approximately $11.0 billion. Overall, General Fund revenue will increase by about $2.0 billion over the three -year forecast period.

Compared with the December forecast, expectations for General Fund revenue were increased by $50.0 million and $6.8 million, respectively, for FYs 2014-15 and 2015-16. A stronger economy and higher collections than previously anticipated in FY 2014-15 caused the upward revision. Revenue will continue to increase through the three-year forecast period, although at a slower pace than previously projected because of expectations that fewer oil and gas developments in the state will reduce personal income.

The following sections discuss the forecast for the main components of General Fund revenue.

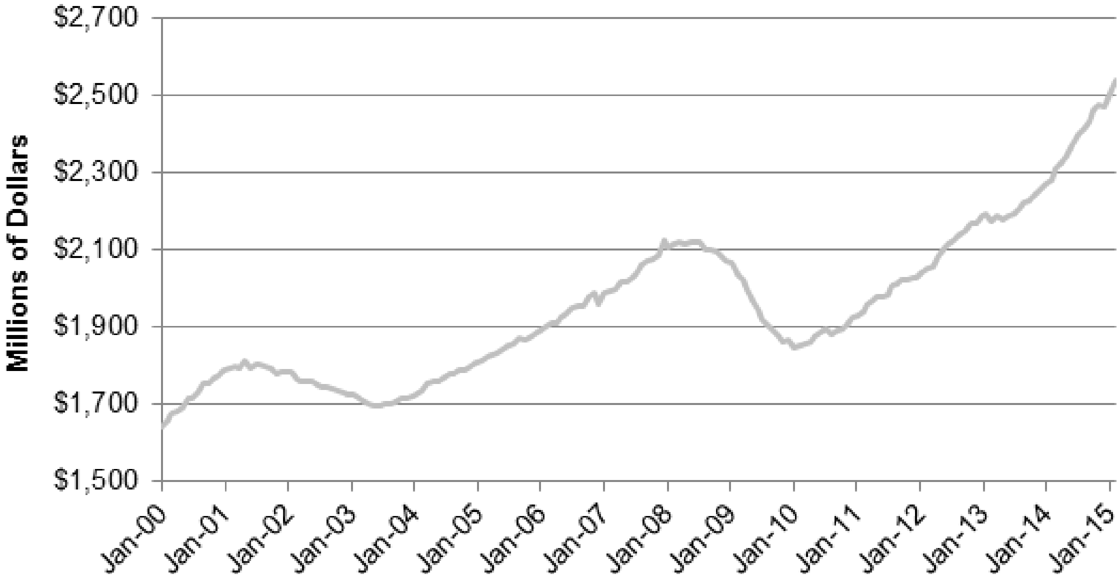
Individual income taxes. After a 1.8 percent increase in FY 2013-14, revenue from individual income taxes is expected to continue to expand through the current fiscal year and forecast period.

In FY 2014-15, total individual income tax collections will be just over $6.1 billion, a 7.8 percent increase over the prior fiscal year. Revenue will grow by another 6.7 percent in FY 2015-16, to just under $6.6 billion. However, the expected TABOR surplus will reduce individual income tax revenue beginning in FY 2015-16. The availability of both the earned income tax credit (EITC) and conservation easement tax credits, which become a refundable income tax credit in years with a TABOR surplus, will reduce individual income collections by $7.2 million in FY 2014-15, $12.5 in FY 2015-16, and $56.2 in FY 2016-17.

Compared with the December forecast, individual income tax revenue was increased by $78.1 million or 1.3 percent, in FY 2014-15 and $95.4 million, or 1.5 percent, in FY 2015-16. Expectations for future income tax collections were reduced by $73.6 for FY 2016-17.

Sales taxes. Sales tax collections are expected to total $2.6 billion in FY 2014-15, an increase of 9.0 percent over FY 2013-14

Figure 4
Colorado State Sales Tax Revenue



Source: Colorado Department of Revenue.
Cash-accounting basis. Data through February 2015.

collections, before growing 6.5 percent in FY 2015-16 and 5.4 percent in FY 2016-17. Sales tax collections have been growing faster than total retail sales because fuel is exempt from the state sales tax. Lower oil prices mean that consumers have more income to spend on taxable goods and services. As shown in Figure 4, sales tax collections are growing at a healthy rate.

Compared with the December forecast, FY 2014-15 collections were increased $5.1 million, or by 0.2 percent. In FY 2015-16 and FY 2016-17, expectations for sales tax revenue was reduced by $10.9 million and $34.2 million, respectively. Sales tax revenue was reduced based on the expectation that less oil and natural gas development will moderate the pace of economic growth through the forecast period.

Use taxes. Use tax collections are expected to increase 10.0 percent in FY 2014-15 to $265.6 million. The growth in use tax revenue will slow to 4.2 percent in FY 2015-16; a decline in the investment by oil and gas development firms will be offset by other sectors of the economy that will continue to invest. In FY 2016-17, use tax collections are expected to grow 6.0 percent. Compared with the December forecast, use tax revenue was reduced by $1.7 million in the current fiscal year and $21.7 million in FY 2015-16.

Corporate income taxes. Corporate profits are expected to continue to grow in the next several years, although at a much slower pace than previously anticipated. Profit margins are expected to shrink because of improving labor market conditions, coupled with an appreciating dollar that will constrain export growth. Energy company profits are also expected to grow more slowly or decline because of falling oil prices. In addition, revenue growth will be dampened by pent-up demand for a corporate income tax incentive that was capped during tax years 2011, 2012, and 2013. House Bill 10-1199 capped the amount of net operating losses a company could carry forward to $250,000. Corporations were allowed to carry forward whatever portion of this incentive they were unable to claim and begin claiming them in tax year 2014, subject to available tax liability.

In FY 2013-14, corporate income taxes increased 13.3 percent, totaling $720.7 million. In the following two years, corporate income taxes are expected to increase 1.6 percent and 2.6 percent, to $732.2 million and $751.2 million, respectively. Despite year-over-year growth, this forecast represents a downward revision compared with December. The corporate income tax forecast was reduced by about $30 million in FY 2014-15, to account for lower year-to-date collections, potentially reflecting the extension of some federal tax breaks. The outlook for FY 2015-16 and FY 2016-17 was also reduced compared with December to reflect emerging macroeconomic conditions.

Finally, some federal tax breaks expired at the end of tax year 2013, which were expected to exert a positive impact on corporate income taxes at the state level. In particular, bonus depreciation and increased expensing limits both expired at the end of 2013. However, these federal tax breaks were recently approved by Congress for just the 2014 tax year under H.R. 5771. The corporate income tax forecast reflects this federal tax law change.

Table 8
March 2015 General Fund Revenue Estimates
(Dollars in Millions)

	Category	Preliminary FY 2013-14	Percent Change	Estimate FY 2014-15	Percent Change	Estimate FY 2015-16	Percent Change	Estimate FY 2016-17	Percent Change
1	Sales	$2,424.6	9.6	$2,642.1	9.0	$2,814.3	6.5	$2,966.7	5.4
2	Use	241.5	-0.5	265.6	10.0	276.7	4.2	293.4	6.0
3	Cigarette	36.6	-4.5	36.9	1.0	36.3	-1.9	35.2	-2.9
4	Tobacco Products	16.9	8.4	18.4	8.9	18.9	2.9	14.3	-24.2
5	Liquor	40.3	2.9	45.5	12.7	42.6	-6.3	43.9	3.0
6	TOTAL EXCISE	$2,759.9	8.3	$3,008.6	9.0	$3,188.8	6.0	$3,353.5	5.2
7	Net Individual Income	$5,696.1	1.8	$6,142.8	7.8	$6,554.6	6.7	$7,040.0	7.4
8	Net Corporate Income	720.7	13.3	732.2	1.6	751.2	2.6	794.8	5.8
9	TOTAL INCOME TAXES	$6,416.8	3.0	$6,875.0	7.1	$7,305.8	6.3	$7,834.8	7.2
10	Less: Portion diverted to the SEF	-478.8	-1.6	-507.0	5.9	-538.0	6.1	-576.0	7.1
11	INCOME TAXES TO GENERAL FUND	$5,938.0	3.3	$6,368.0	7.2	$6,767.8	6.3	$7,258.8	7.3
12	Estate	0.4	NA	0.0	NA	0.0	NA	0.0	NA
13	Insurance	239.1	13.6	244.7	2.4	257.5	5.2	270.9	5.2
14	Pari-Mutuel	0.6	-8.8	0.6	-4.7	0.6	-3.7	0.5	-3.7
15	Investment Income	12.9	-26.1	14.6	13.2	17.6	20.4	26.3	49.7
16	Court Receipts	2.6	9.5	4.3	68.6	5.3	22.3	5.9	11.1
17	Other Income	21.3	17.9	17.7	-17.2	17.6	-0.5	18.0	2.6
18	TOTAL OTHER	$276.9	11.2	$281.9	1.8	$298.5	5.9	$321.7	7.8
19	**GROSS GENERAL FUND**	**$8,974.8**	**5.1**	**$9,658.5**	**7.6**	**$10,255.1**	**6.2**	**$10,933.9**	**6.6**

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

CASH FUNDS

Table 9 summarizes the forecast for revenue to cash funds subject to TABOR. The largest sources of this revenue are fuel taxes and other transportation-related revenue, the hospital provider fee, severance taxes, and gaming taxes. The end of this section also presents the forecasts for federal mineral leasing and unemployment insurance revenue, as well as the recently approved marijuana sales and excise tax revenue. These forecasts are presented separately because they are not subject to TABOR restrictions.

Cash fund revenue subject to TABOR is expected to increase slightly from $2.73 billion in FY 2013-14 to $2.80 billion in FY 2014-15. Increases will occur in all primary cash fund categories with the exception of hospital provider fee revenue and regulatory agencies. Revenue collected via the state's 2.9 percent sales tax on medical and retail marijuana is projected to add another $21.6 million to cash fund revenue subject to TABOR in FY 2014-15.

Total cash fund revenue subject to TABOR will remain constant at $2.80 billion in FY 2015-16 as a rebound in hospital provider fee revenue is offset by a decline in severance tax revenue resulting from the fall in oil prices. Cash fund revenue is projected to grow another 7.0 percent to $3.00 billion in FY 2016-17, as severance tax revenue recovers with increased oil and gas activity.

Transportation-related revenue subject to TABOR is forecast at $1,145.4 million for FY 2014-15, up $9.7 million or 0.8 percent from FY 2013-14. Growth is expected to be slower than last year, when revenue increased 3.4 percent, primarily because of reduced local government payments into the State Highway Fund. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 10 on page 23.

Most transportation revenue subject to TABOR is collected in the *Highway Users Tax Fund* (HUTF). HUTF revenue is forecast at $1,004.1 million for FY 2014-15, an increase of 3.6 percent from the previous fiscal year. Most of the anticipated growth is attributable to excise taxes on gasoline and diesel fuel. Motor fuel and special fuel tax revenues are expected to increase 3.6 percent in FY 2014-15. Because fuel taxes are assessed on a per-gallon rather than per-dollar basis, higher collections are indicative of increased fuel purchases resulting from a strengthening economy and low gas prices. Fuel tax revenue is expected to grow more modestly in FY 2015-16 and FY 2016-17.

Registration fees, including motor vehicle registration fees, the road safety surcharge, and late registration fees, are expected to total $348.2 million in FY 2014-15, a 3.6 percent increase from the previous fiscal year. Growth in registration revenue is consistent across all three components of the registration fee forecast.

A relatively small portion of the *State Highway Fund* (SHF) balance comes from revenue subject to TABOR. The largest sources of TABOR revenue to the SHF are local government grants and interest earnings on the fund balance, both of which are difficult to forecast. SHF revenue subject to TABOR is expected to decrease by $20.9 million, or 38.3 percent, in FY 2014-15. If realized, this decrease will negate the 32.1 percent increase in SHF TABOR revenue during FY 2013-14, when local governments paid more money into the SHF in order to repair roads damaged by the fall 2013 floods.

Other transportation cash fund revenue subject to TABOR is expected to fall by 3.9 percent to $107.6 million in FY 2014-15. The decrease is attributable to falling revenue

Table 9
March 2015 Cash Fund Revenue Subject to TABOR Estimates
(Dollars in Millions)

	Preliminary FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17	FY 13-14 to FY 16-17 CAAGR *
Transportation-Related	**$1,135.7**	**$1,145.4**	**$1,170.7**	**$1,192.4**	
% Change	3.4%	0.8%	2.2%	1.9%	**1.6%**
Hospital Provider Fee	**$566.7**	**$532.7**	**$689.2**	**$728.0**	
% Change	-13.2%	-6.0%	29.4%	5.6%	**8.7%**
Severance Tax	**$268.7**	**$342.6**	**$125.2**	**$225.2**	
% Change	93.9%	27.5%	-63.4%	79.9%	**-5.7%**
Gaming Revenue /A	**$98.3**	**$101.0**	**$102.9**	**$104.1**	
% Change	0.2%	2.7%	1.9%	1.2%	**1.9%**
Insurance-Related	**$20.7**	**$21.8**	**$22.4**	**$23.0**	
% Change	-21.7%	5.6%	2.6%	2.6%	**3.6%**
Regulatory Agencies	**$68.5**	**$64.0**	**$65.7**	**$67.4**	
% Change	5.3%	-6.5%	2.6%	2.6%	**-0.5%**
Capital Construction Related - Interest /B	**$2.4**	**$3.7**	**$4.2**	**$3.9**	
% Change	139.3%	52.4%	13.8%	-5.7%	**17.8%**
2.9% Sales Tax on Marijuana /C	**$14.5**	**$21.6**	**$23.4**	**$24.6**	
% Change			8.6%	4.8%	**19.1%**
Other Cash Funds	**$568.3**	**$590.8**	**$622.8**	**$655.3**	
% Change	22.2%	4.0%	5.4%	5.2%	**4.9%**
Total Cash Fund Revenue Subject to the TABOR Limit	**$2,729.3** 7.2%	**$2,802.0** 2.7%	**$2,803.1** 0.0%	**$2,999.5** 7.0%	**3.2%**

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

/A Gaming revenue in this table does not include revenue from Amendment 50, which expanded gaming limits, because it is not subject to TABOR.
/B Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from certain enterprises into TABOR.

/C Includes revenue from the 2.9 percent sales tax subject to TABOR on medical and retail marijuana.

Table 10
Transportation Funds Revenue Forecast by Source, March 2015
(Dollars in Millions)

	Preliminary FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17	FY 13-14 to FY 16-17 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor Fuel and Special Fuel Taxes	$573.5	$594.2	$606.7	$615.8	**2.4%**
% Change	3.8%	3.6%	2.1%	1.5%	
Total Registrations	$336.0	$348.2	$355.5	$362.6	**2.6%**
% Change	2.7%	3.6%	2.1%	2.0%	
Registrations	*$197.6*	*$205.7*	*$210.1*	*$214.3*	
Road Safety Surcharge	*$120.6*	*$124.4*	*$127.0*	*$129.5*	
Late Registration Fees	*$17.7*	*$18.1*	*$18.5*	*$18.8*	
Other HUTF Receipts /A	$59.8	$61.7	$63.1	$64.7	**2.7%**
% Change	5.7%	3.2%	2.3%	2.5%	
Total HUTF	**$969.3**	**$1,004.1**	**$1,025.3**	**$1,043.1**	**2.5%**
% Change	3.5%	3.6%	2.1%	1.7%	
State Highway Fund /B	$54.5	$33.6	$30.1	$28.5	**-19.4%**
% Change	32.1%	-38.3%	-10.7%	-5.0%	
Other Transportation Funds	$111.9	$107.6	$115.3	$120.8	**2.6%**
% Change	-7.6%	-3.9%	7.2%	4.8%	
Aviation Fund /C	*$36.9*	*$31.5*	*$36.2*	*$38.1*	
Law-Enforcement-Related /D	*$11.0*	*$11.0*	*$11.0*	*$11.0*	
Registration-Related /E	*$64.0*	*$65.1*	*$68.1*	*$71.6*	
Total Transportation Funds	**$1,135.7**	**$1,145.4**	**$1,170.7**	**$1,192.4**	**1.6%**
% Change	3.4%	0.8%	2.2%	1.9%	

Totals may not sum due to rounding.
**CAAGR: Compound Average Annual Growth Rate.*

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

/B Includes only SHF revenue subject to Article X of the Colorado Constitution (TABOR).

/C Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

/D Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

/E Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and P.O.S.T. board registration fees.

Addendum: TABOR-Exempt FASTER Revenue

	Preliminary FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17
Bridge Safety Surcharge	$101.1	$104.2	$106.4	$108.5
% Change	3.9%	3.1%	2.1%	2.0%

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.

collected in the Aviation Fund, which consists mostly of aviation fuel taxes. Aviation fuel taxes are assessed on a hybrid per-gallon and per-dollar basis. While the quantity of aviation fuel purchased is increasing, lower prices have triggered a drop in the per-dollar portion of aviation fuel tax revenue.

Revenue to the *Statewide Bridge Enterprise* is not subject to TABOR and is shown as an addendum to Table 10. Revenue to this enterprise is expected to total $104.2 million in FY 2014-15, an increase of 3.1 percent. Bridge safety surcharge fee collections increase with vehicle registrations.

The downward trend in ***Hospital Provider Fee (HPF)*** collections is projected to continue in FY 2014-15 with revenue falling to $532.7 million. HPF payments are declining as a result of **Senate Bill 13-200**, which allows the state to collect additional federal Medicaid funds following the implementation of the Patient Protection and Affordable Care Act (ACA). However, increased Medicaid caseload also attributable to the ACA will trigger a one-time jump in HPF payments in FY 2015-16, when revenue is projected to jump 29.4 percent to $689.2 million. The forecast for FY 2015-16 includes a 3.6 percent upward revision from the December forecast. The revision is based on an agreement between the Department of Health Care Policy and Financing and state hospitals regarding HPF assessment levels for FY 2015-16 and subsequent years. Fee collections in FY 2016-17 and beyond are expected to grow 5.6 percent.

Total ***severance tax*** revenue, including interest earnings, is projected to be $342.6 million in FY 2014-15, a slight upward revision from the December forecast. Projected oil and gas collections increased slightly relative to the December forecast due to higher than anticipated collections to date. Projected coal receipts and molybdenum and metallic mineral receipts for FY 2014-15 were slightly lower. In FY 2015-16, total severance tax collections are projected to decline 63.4 percent to $125.2 million, representing a significant downward revision from the December forecast. The revision was largely due to the continued drop in oil prices this winter and the assumption that prices will remain in the $50 to $60 range for the remainder of 2015. In FY 2016-17, collections are projected to rise to $225.2 million. The increase is the result of a projected increase in the price of both oil and natural gas and the resulting increase in production. Table 11 on page 25 presents the forecast for severance tax revenue by mineral source.

Although the price of natural gas has been the largest determinant of state severance tax collections over the last decade, the industry has changed. Oil production has increased rapidly over this period, while growth in natural gas production slowed, and actually declined for the first time in 2013. Colorado oil and natural gas production were roughly equivalent in terms of overall production value in 2013, and would have been in 2014, were it not for the sharp decline in oil prices.

Colorado oil prices have continued to fall this winter from $69 per barrel in November to $44 per barrel in February. Oil prices have begun to tick slightly upwards, however, and are expected to gradually rise through the remainder of 2015 as a result of the expanding economy. However, prices will remain below $60 per barrel in 2015 due to the significant pool of reserves that have accumulated. The decline in oil prices that has occurred will reduce expected severance tax collections in FY 2015-16, and will reduce future drilling activity to some degree. Colorado oil drilling activity, especially in Weld County, has been exceptionally strong over the last few years. Weld County is now responsible for over 85 percent of the state's oil production, and monthly production in the county averaged 6.0 million barrels through the first eleven months of 2014. The impact of the price drop on future drilling activity will depend on the length of time that prices remain at or below current levels. This forecast assumes that oil prices will begin to rise gradually through 2015, and that oil production in Weld County and the broader Niobrara formation will remain strong, though at a somewhat reduced level, throughout the forecast period.

Table 11
Legislative Council Staff
Severance Tax Revenue Forecast by Source, March 2015
(Thousands of Dollars)

	Actual FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	FY 2013-14 to FY 2016-17 CAAGR*
Oil and Gas	$241,353	$322,764	$106,378	$207,488	**-5.0%**
% Change	**104.1%**	**33.7%**	**-67.0%**	**95.0%**	
Coal	$8,052	$7,479	$7,249	$7,174	**-3.9%**
% Change	**-9.4%**	**-7.1%**	**-3.1%**	**-1.0%**	
Molybdenum and Metallics	$1,835	$1,845	$1,856	$1,866	**0.5%**
% Change	**-27.1%**	**0.5%**	**0.5%**	**0.5%**	
Total Severance Tax Revenue	**$251,241**	**$332,088**	**$115,483**	**$216,527**	**-5.0%**
% Change	**93.7%**	**32.2%**	**-65.2%**	**87.5%**	
Interest Earnings	$9,399	$10,475	$9,731	$8,681	**-2.6%**
% Change	**5.5%**	**11.4%**	**-7.1%**	**-10.8%**	
Total Severance Tax Fund Revenue	$260,640	$342,564	$125,214	$225,209	**-4.9%**
% Change	**88.1%**	**31.4%**	**-63.4%**	**79.9%**	

**CAAGR: Compound Average Annual Growth Rate.*

Regional natural gas prices have also fallen through the winter. Prices at regional hubs fell from around $4.00 per Mcf (thousand cubic feet) in the first week of December to around $2.30 per Mcf in the beginning of February before ticking up to nearly $3.20 per Mcf in the beginning of March. Prices are expected to remain relatively stable at this level through the spring. For FY 2014-15, oil and gas severance tax collections are expected to total $322.8 million. Collections are expected to fall to $106.4 million in FY 2015-16 due to relatively low oil prices and an increase in the ad valorem tax credits taken by operators. Collections will then increase to $207.5 in FY 2016-17.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas, and is expected to account for $7.5 million in collections in FY 2014-15. Relative to the December forecast, March's projected coal severance taxes are down 0.4 percent. This was largely due to the continued drop in production, in part caused by the pullback at the Bowie #2 mine near Paonia. Colorado coal production declined 5.3 percent in 2014 compared with 2013. Of Colorado's top seven producing mines, four had year-over-year production increases in 2014, while three had production declines of between 1 and 27 percent. The Elk Creek mine in Gunnison County remains closed. The market is soft as electric utilities continue to transition from coal to natural gas. In FY 2015-16 and FY 2016-17, collections are expected to drop to $7.2 million and $7.2 million, respectively.

Finally, projected interest earnings for FY 2014-15 have been revised upward to $10.5 million from the December forecast. Over the remainder of the forecast period, interest earnings are expected to fall to $9.7 million in FY 2015-16, and to $8.7 million in FY 2016-17.

Limited gaming revenue includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. Total gaming tax and fee revenue is projected to reach $110.9 million in FY 2014-15, representing an increase of 2.5 percent from FY 2013-14. The September 2013 floods dampened gaming revenue collections below their historical trend for FY 2013-14. As collections rebound, growth is occurring at a quicker pace than normal for FY 2014-15 and is expected to decelerate in FY 2015-16 and FY 2016-17. Table 12 summarizes the forecast for gaming revenue and its distribution, both subject to and exempt from TABOR.

The bottom half of Table 12 shows the distribution of tax revenue collected from both limited gaming subject to TABOR and extended limited gaming authorized by **Amendment 50**. Revenue from extended limited gaming is distributed to community colleges and local governments in the five gaming communities: Gilpin and Teller counties, and the cities of Black Hawk, Central City, and Cripple Creek. Amendment 50 distributions are expected to reach $9.9 million in FY 2014-15. Community colleges received $6.5 million in gaming tax revenue in FY 2013-14 and are expected to receive a similar amount annually through the remainder of the forecast period.

Under legislation passed to implement Amendment 50, an amount of gaming tax revenue adjusted from taxes collected in FY 2008-09 is considered "*Pre-Amendment 50*" revenue and is subject to TABOR. Pre-Amendment 50 revenue for distribution is expected to reach $97.7 million in FY 2014-15. After administrative expenses are paid, half of the remaining revenue is distributed to the State Historical Fund and local governments in the five gaming communities. The other half is set aside for appropriation at the discretion of the General Assembly. Under **Senate Bill 13-133**, $30.1 million is set aside annually to fund various economic development programs, including the Travel and Tourism Promotion Fund, the Advanced Industries Acceleration Fund, and the Creative Industries Cash Fund. Additionally, $5.0 million of the $30.1 million is appropriated to the Local Government Limited Gaming Impact Fund, which provides financial assistance to local governments to offset documented gaming impacts and is used to combat gambling addiction. The remaining portion of the state share is transferred to the General Fund at the end of each fiscal year.

Total tax revenue from ***medical and adult-use marijuana*** are expected to total $79.6 million in FY 2014-15 and $87.3 million in FY 2015-16, as shown in Table 13. The forecast for total marijuana tax revenue is very similar to the December forecast; excise tax revenue was raised slightly and sales taxes were lowered slightly. These changes were based on the most recent three months of tax collections.

Revenue from the 10 percent sales tax and the 15 percent excise tax is expected to be $58.0 million in FY 2014-15, the first full year of Proposition AA tax collections. Based on a legal opinion from the Office of Legislative Legal Services, this amount needs to be refunded to taxpayers. The General Assembly can ask voters to keep this $58.0 million or determine a method to refund it.

Tax revenue from the state 2.9 percent sales tax on medical and adult-use marijuana is subject to TABOR. This is expected to be $21.6 million in FY 2014-15 and $23.5 million in FY 2015-16. Prior forecasts have included growth in the sales tax revenue from medical marijuana. In November, sales tax collections from medical marijuana started to decline on a month-over-month basis. In 2014, there was an average of 114,775 medical marijuana users. By January 2015, the number of medical marijuana users had fallen to 113,453. This trend is reflected in the forecast, as sales tax revenue from medical marijuana is expected to decline 2.9 percent in FY 2015-16 and 2.0 percent in FY 2016-17.

All *other cash fund revenue* subject to TABOR is expected to increase 4.0 percent to $590.8 million in FY 2014-15. This category includes revenue to a large number of sources credited to various other cash funds, such as revenue from court fines and fees and fees paid

Table 12
March 2015 Gaming Revenue and Distributions
(Dollars in Millions)

	Final FY 2013-14	Estimate FY 2014-15	Estimate FY 2015-16	Estimate FY 2016-17
Gaming Revenue				
Gaming Taxes				
Pre-Amendment 50 *(Subject to TABOR)*	95.2	97.6	99.3	100.2
Amendment 50 Revenue *(TABOR Exempt)*	9.9	9.9	10.1	10.2
Total Gaming Taxes	**$105.1**	**$107.5**	**$109.4**	**$110.4**
Fees and Interest Earnings *(Subject to TABOR)*				
To Limited Gaming Fund	1.0	1.2	1.4	1.6
To State Historical Fund	2.1	2.1	2.2	2.3
Total Gaming Revenue	**$108.2**	**$110.9**	**$113.0**	**$114.3**
% change	**0.4%**	**2.5%**	**1.9%**	**1.2%**
Total Gaming Revenue Subject to TABOR	$98.3	$101.0	$102.9	$104.1
Distributions of Gaming Tax Revenue /A				
Amendment 50 Distributions				
Community Colleges	6.5	6.5	6.5	6.6
Gaming Counties and Cities	1.8	1.8	1.8	1.9
Amendment 50 Administrative Expenses	1.5	1.5	1.5	1.6
Total Amendment 50 Distributions	**$9.9**	**$9.9**	**$9.9**	**$10.1**
Pre-Amendment 50 Distributions				
State Historical Fund	23.5	24.1	24.5	24.7
Gaming Counties	10.1	10.3	10.5	10.6
Gaming Cities	8.4	8.6	8.8	8.8
General Fund	11.8	12.9	13.7	14.0
Economic Development Programs	30.1	30.1	30.1	30.1
Pre-Amendment 50 Administrative Expenses	11.4	11.6	11.9	12.2
Total Amendment 50 Distributions	**$95.2**	**$97.7**	**$99.5**	**$100.3**
Total Gaming Distributions	**$105.1**	**$107.5**	**$109.4**	**$110.4**

/A Distributions are made from gaming tax revenue, not total gaming revenue.

Table 13
Tax Revenue from the Marijuana Industry
Millions of Dollars

	Preliminary FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17
Total Taxes on Marijuana	**$30.0**	**$79.6**	**$87.3**	**$92.5**
15% Excise Tax	$4.0	$19.7	$21.7	$23.1
State Share of 10% Special Sales Tax	$9.8	$32.6	$35.8	$38.1
Local Share of 10% Special Sales Tax	$1.7	$5.7	$6.3	$6.7
Total 10% Sales Tax	$11.5	$38.3	$42.1	$44.8
Proposition AA Taxes	**$15.5**	**$58.0**	**$63.8**	**$67.9**
2.9% Sales Tax on Medical Marijuana	$11.1	$10.5	$10.2	$10.0
2.9% Sales Tax on Adult-Use Marijuana*	$3.4	$11.1	$13.3	$14.6
Taxes Subject to TABOR	**$14.5**	**$21.6**	**$23.5**	**$24.6**

for services provided by the Secretary of State's office. For FY 2015-16 and FY 2016-17, this total is expected to increase 5.4 percent to $622.8 million and 5.2 percent to $655.3 million, respectively.

Table 14 presents the March 2015 forecast for ***federal mineral leasing*** (FML) revenue. FML revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production. Since FML revenue is not deposited into the General Fund and is exempt from TABOR, the forecast is presented separately from other sources of state revenue.

For FY 2014-15, FML revenue is anticipated to total $173.2 million, representing a 3.8 percent decrease from the December forecast. The decrease is primarily the result of smaller than expected collections to date. Between early December and mid-February, natural gas prices at Colorado hubs have fell from roughly $4.00 per Mcf to about $2.30 per Mcf. Although prices have rebounded somewhat since then, they are still lower than the level they maintained throughout most of the fall. Prices are expected to increase slightly through the spring and summer but will remain below $4.00 per Mcf over this period. In addition, Colorado coal production continues to decline, and roughly 75 percent of this production occurs on federal lands. Although production was down only 5.3 percent in 2014 compared with 2013, it is expected to continue to decline through the forecast period. The layoffs and reduction in production of nearly 30 percent at the Bowie #2 mine will further dampen growth in FML revenue.

FML revenue is expected to decline slightly to $168.0 million in FY 2015-16 before rebounding to $174.6 million in FY 2016-17. These totals are both slight downward revisions from the December forecast, resulting from an agreement between the state and the Bureau of Land Management (BLM) where the BLM will withhold $7.8 million in FML revenue annually in each of the next three fiscal years beginning in FY 2015-16. This money will be used to reimburse the BLM for the state's share of $50 million in bonus payments on cancelled leases that must be refunded.

Forecasts for ***Unemployment Insurance (UI) Trust Fund*** revenue, benefit payments, and year-end balance are shown in Table 15. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and

Table 14
Federal Mineral Leasing Revenue
(Dollars in Millions)

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
March 2015 Forecast	$173.6	$173.2	$168.0	$174.6
% Change	**43.7%**	**-0.2%**	**-3.2%**	**0.8%**

Note: FML distributions are federal funds and therefore not subject to TABOR.

is therefore excluded from Table 9 on page 22. 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 9.

In FY 2013-14, the ending balance for the UI Trust Fund was $599.1 million, a 9.6 percent increase from the previous year. The improvement occurred despite a decline in contributions to the fund from employers. The amount an employer pays to the fund is dependent on the solvency of the fund. As the solvency of the fund improves, employers shift to lower premium rate schedules. The fund's ending balance in FY 2012-13 was sufficient to shift the employer's schedule to a lower premium rate beginning on January 1, 2014. The fund gained because of an increase in the chargeable wage base and a decline in benefits paid. State law requires the chargeable wage base to increase annually by the percentage change in average weekly earnings.

An improving economy will continue to support the UI Trust Fund through the forecast period. The UI Trust Fund ending balance will total $699.6 million in FY 2014-15. Because of the higher year-end balances, the amount of revenue received from employers will continue to decline through the forecast period. On average, revenue to the fund is expected to decline by 2.5 percent each year through FY 2013-14 to FY 2016-17.

Initial claims for unemployment insurance continued to decline in 2014, reducing the amount of benefits paid from the fund by 7.9 percent. The amount of benefits will continue to decline through the forecast period as the labor market continues to improve.

Principal Repayment of UI Bonds. In order to restore the UI Trust Fund balance to a desired level of solvency and repay outstanding federal loans, the Colorado Housing and Finance Authority issued $640 million in bonds on behalf of the Colorado Unemployment Insurance Trust Fund in 2012. The proceeds were used to pay back all outstanding federal loans, with the remaining balance deposited into the UI Trust Fund. On June 28, 2012 the UI Trust Fund had paid all remaining federal debt. The terms of finance are five years at 1.4 percent total annual interest. There will be two interest payment assessments per year; the first payment of $4.2 million was paid on November 15, 2012, and the second payment of $4.5 million was paid on May 15, 2013. There will be five principal repayments of approximately $125 million each due May 15 every year through 2017. The principal will be repaid through a bond principal surcharge assessed against employers and incorporated into their base UI premium rate beginning in 2013.

Table 15
Legislative Council Staff
Unemployment Insurance Trust Fund Forecast, March 2015
Revenue, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Estimate FY 13-14	Estimate FY 14-15	Estimate FY 15-16	Estimate FY 16-17	FY 13-14 to FY 16-17 CAAGR*
Beginning Balance	$546.8	$599.1	$699.6	$823.5	
Plus Income Received					
UI Premium & Premium Surcharge /A	$705.9	$686.2	$660.6	$649.0	-2.8%
Interest	$13.7	$18.0	$19.1	$18.7	
Total Revenues	**$719.6**	**$704.2**	**$679.7**	**$667.7**	-2.5%
% Change	-3.9%	1.0%	-9.2%	-1.0%	
Less Benefits Paid	($534.8)	($478.7)	($430.8)	($418.2)	-7.9%
% Change	-6.3%	-10.5%	-10.0%	-2.9%	
UI Bonds Principal Repayment	($125.0)	($125.0)	($125.0)	($125.0)	
Accounting Adjustment	($7.6)	$0.0	$0.0	$0.0	
Ending Balance	**$599.1**	**$699.6**	**$823.5**	**$948.0**	16.5%
Solvency Ratio /B					
Fund Balance as a Percent of Total Annual Private Wages	0.63%	0.69%	0.87%	0.87%	

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*
/A This includes the regular UI premium, 30 percent of the premium surcharge, penalty receipts, and the accrual adjustment on premiums.
/B When the solvency ratio exceeds 0.5 percent of total annual private wages, the solvency surcharge is triggered off.
Note: The Unemployment Insurance Trust Fund is no longer subject to TABOR starting in FY 2009-10.

The economy is strong. Colorado's expansion grew out of a recovery into a mid-cycle expansion nearing full employment in 2014. Although the national economy lagged Colorado's throughout the recovery, it is expected to hit mid-cycle this year. Low oil prices are expected to slow the pace of Colorado's expansion in 2015. Nationwide, low oil prices will be a net positive outside of the oil producing states, boosting growth. The expansion and inflationary pressure will be moderated over the forecast period by tightening monetary policy.

The biggest risk to expectations for Colorado's economy is the trajectory of oil prices and its impact on employment and income growth in Denver and the northern Front Range. Figure 5 on page 32 shows trends in selected oil industry statistics, including prices, inventories, production, and rig count. Oil prices decreased precipitously in the second half of 2014, from more than $100 per barrel in June to less than $50 per barrel in January, 2015.

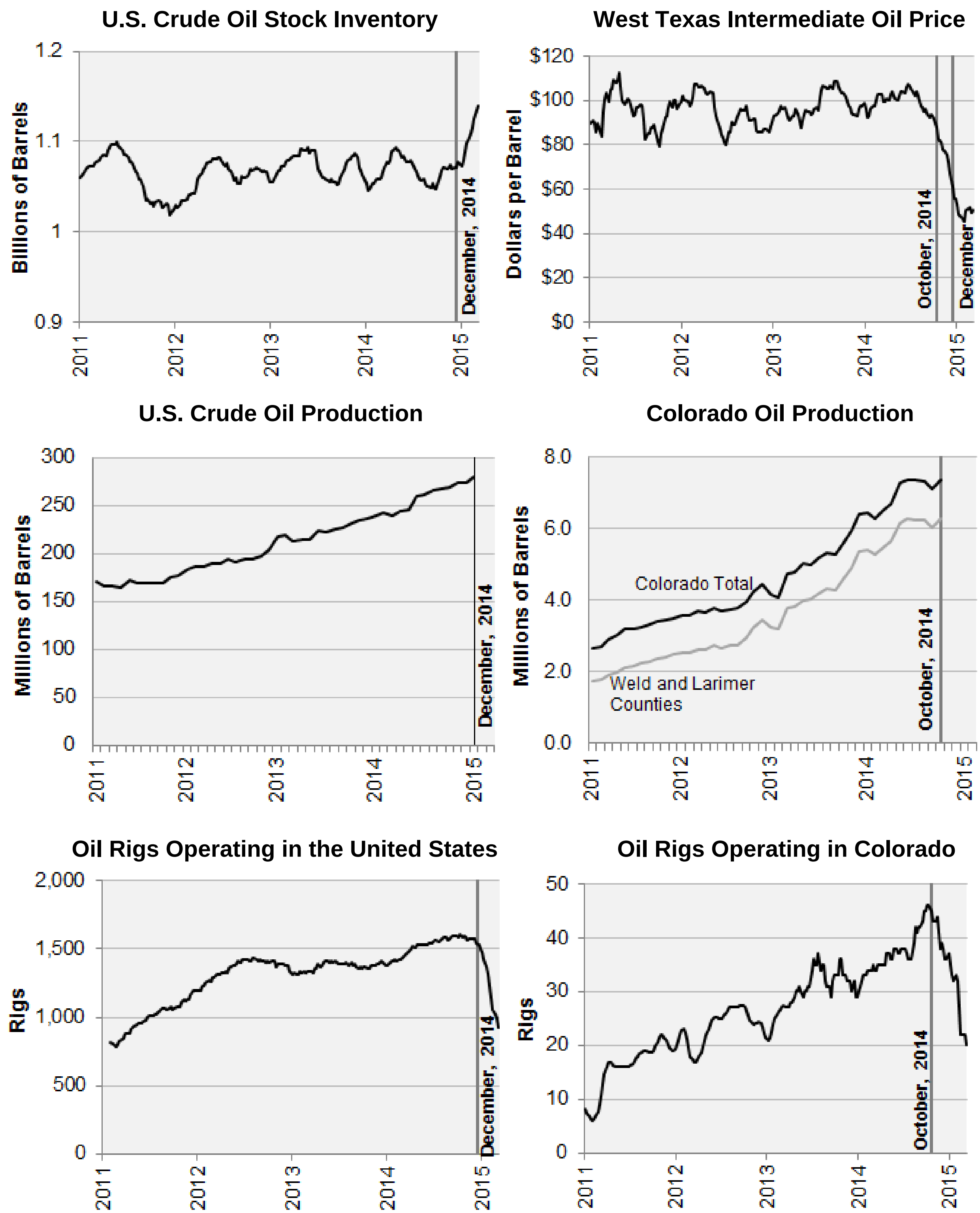
The impact of the price drop on future drilling activity in Colorado will depend on the length of time that prices remain at or below current levels. This forecast assumes that oil prices will begin to rise gradually through 2015, and that oil production in Weld County and the broader Niobrara formation will remain strong, though at a somewhat reduced level, throughout the forecast period.

The biggest impact on the Colorado economy will come in the form of reduced investment and capital expenditures by the oil industry. The Denver Post has reported that nine oil companies recently announced a combined total of $2 billion in reduced capital expenditures within Colorado. Other sectors of the economy, including the financial and banking sectors, construction, manufacturing, professional and business services, and health care have strong momentum, with low debt, strong earnings, and growing consumer demand. Cutbacks in the oil industry, therefore, are expected to be a moderating influence in employment, wages, and income gains in the Denver metropolitan area and the northern Front Range.

History shows that economists and financial markets are dismally bad at predicting even the direction of oil prices. Forecasts published by prominent economists expect a wide variation in prices for the rest of the year, with some predicting them to fall to less than $30 before summer, and others expecting them to steadily recover to $80 by the end of the year. Those predicting that oil prices will continue to fall point to a continuously building oversupply of oil, evidenced by the recent surge in the nation's stock inventories of crude oil (see the top left of Figure 5). Figure 5 also shows that oil production continued at high levels through at least October in Colorado and December nationwide — the most recent data available. Production is likely to have fallen off as the number of oil rigs operating in both Colorado and the nation has dropped. Those predicting steady gains in oil prices point to a rebalancing of the market, as a slowly strengthening global economy increases demand, while reductions in global production reduce supply.

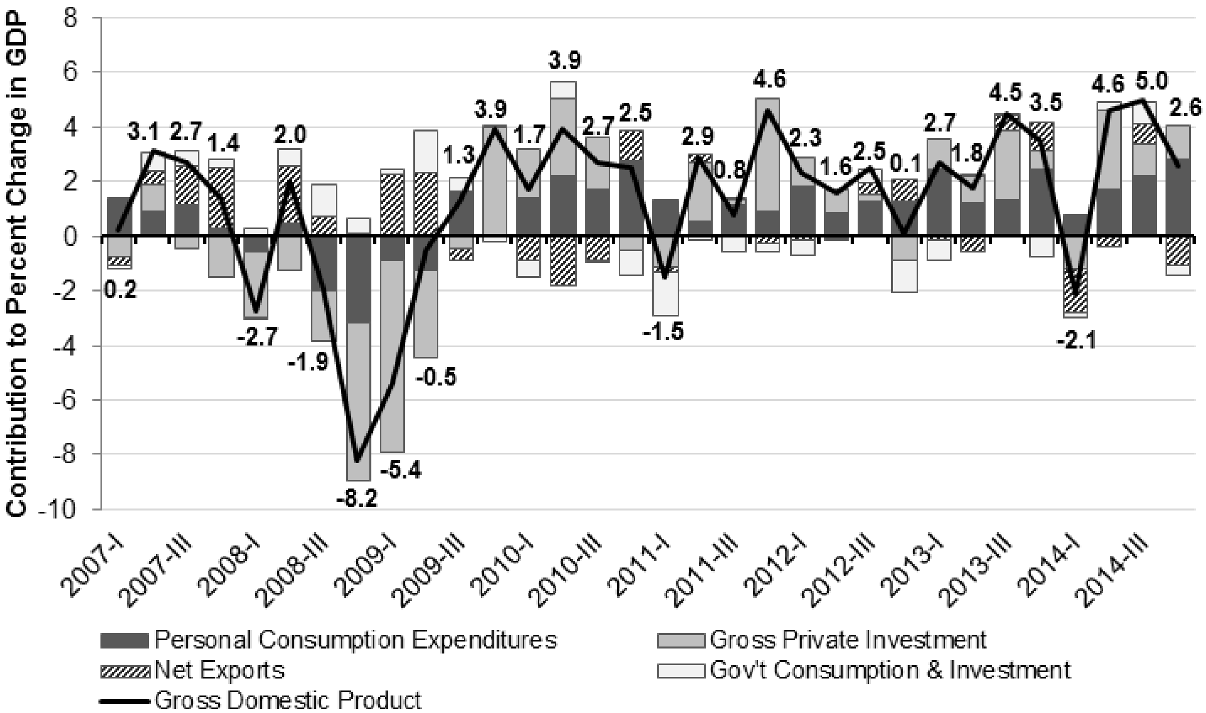
Many of the improvements in Colorado's economy have been concentrated in the Denver area and along the northern portion of the Front Range. Other regions have grown more slowly and are lagging behind. In Colorado Springs, Pueblo, Grand Junction, and rural areas of the state, average home prices remain below their pre-recession peaks. Agricultural production has been slow in some southern areas of the state, which still

Figure 5
Selected Oil Industry Statistics



Source: Colorado Oil and Gas Commission (production data through October, 2014); Energy Information Association (inventory and prices data through March 6, 2015); Baker Hughes (rig count data through March 6, 2015).

Figure 6
Contributions to Gross Domestic Product
Inflation Adjusted, Seasonally Adjusted Annual Rates



Source: Bureau of Economic Analysis.

suffer from drought. Expectations for the national and Colorado economies are summarized in Tables 16 and 17 on pages 48 and 49.

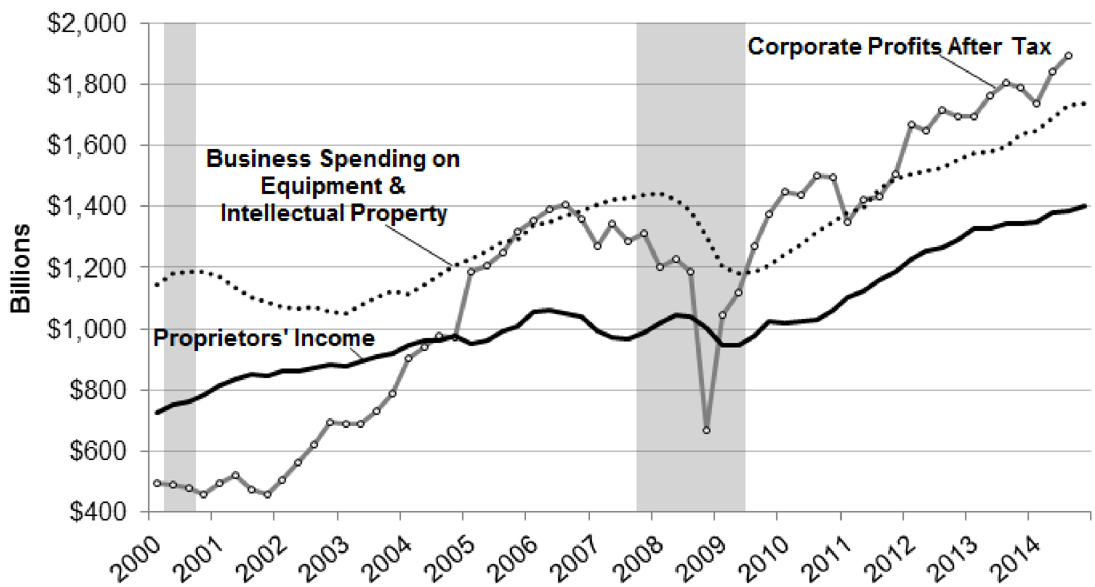
Gross Domestic Product

The nation's *gross domestic product*, the broadest measure of economic activity, grew at an annualized rate of 2.6 percent in the fourth quarter of 2014, down from 5.0 percent growth during the previous quarter. Consumer spending added an annualized 2.9 percent to GDP, its largest contribution since the Great Recession. Growth in private investment was comparable to that attained during the previous quarter, though most investment growth was attributable to a buildup in business inventories.

The deceleration in the fourth quarter was caused by declines in government spending and net exports. Federal defense spending fell by 3.3 percent, its largest decline in a single quarter since early 2011 when troops returned home following the end of Operation Iraqi Freedom. A strong dollar and a weak global economy outside of the United States contributed to 2.2 percent growth in imports, outpacing a negligible increase in exports. Quarterly contributions to economic growth since 2007 are shown in Figure 6.

For 2014, national economic output grew 2.5 percent, down from 3.1 percent growth during the previous year. The slowdown reflects an anomalous contraction during the first quarter of 2014, a result of cold weather, below-trend net exports, and a buildup in business inventory at the end of 2013. National economic output is expected to accelerate in 2015, with business growth enticing investment and added employees spurring additional consumer spending.

Figure 7
Business Income and Spending
Seasonally Adjusted Annualized Data



Source: U.S. Bureau of Economic Analysis. Corporate profits through the third quarter of 2014; proprietor's income and business spending through the fourth quarter of 2014.

Performance in the first quarter may be weaker than during the rest of the year, owing to an unusually strong dollar and another unusually cold winter.

- Growth in the nation's economy will trend at or above 3.0 percent for the remainder of the forecast period. Growth will average 3.2 percent in 2015 before growing 3.0 percent in 2016.

Business Income and Activity

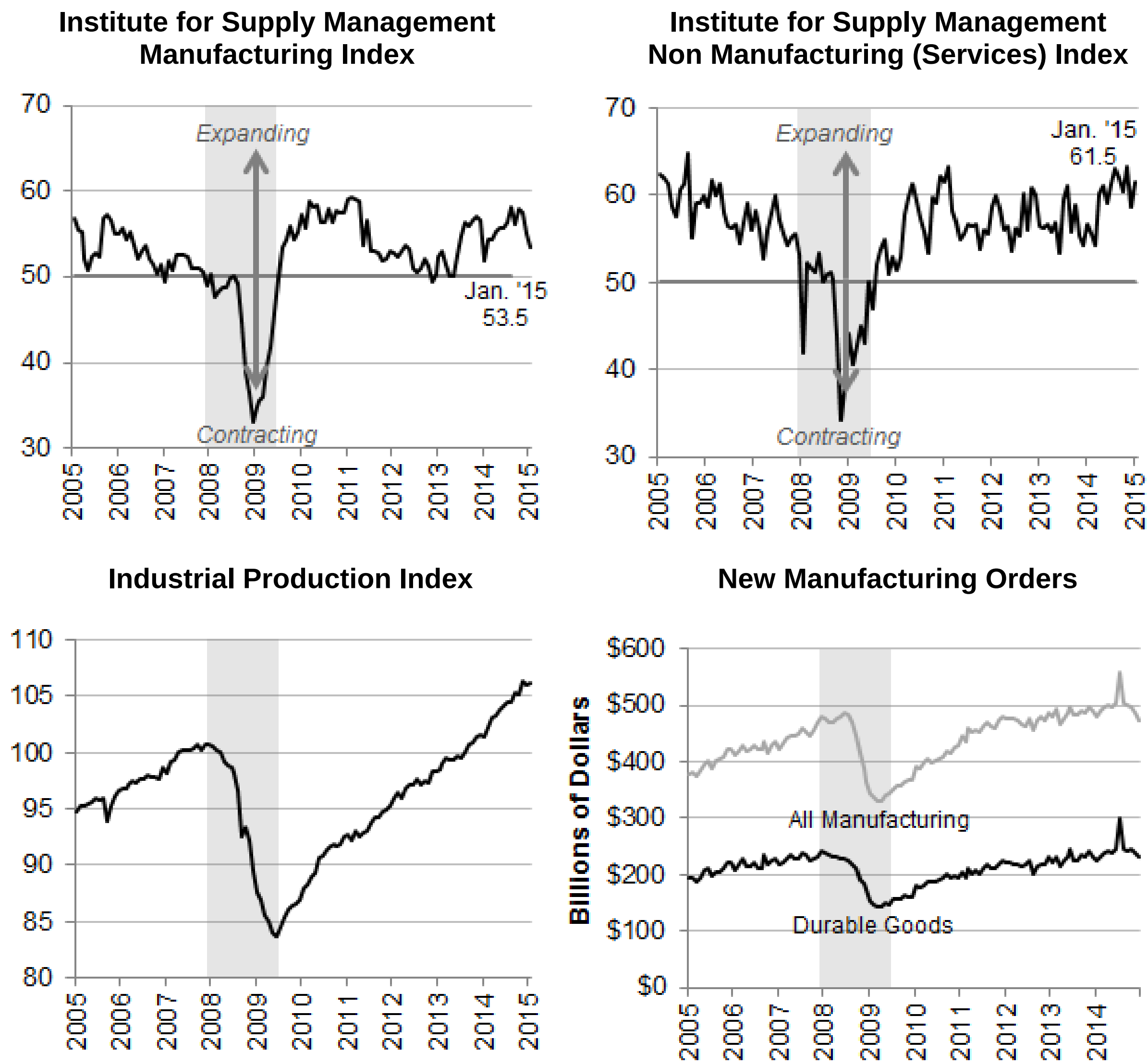
Business activity continues to drive the recovery in other areas of the economy. As shown in Figure 7, corporate profits and proprietor's income continue to set all-time highs. Profits are being augmented by favorable corporate credit conditions and accelerating growth in consumer spending, although profit margins are expected to narrow because of tightening labor market conditions. Additionally, businesses are investing in themselves, with spending on equipment and intellectual property growing at above-trend rates.

Businesses are healthy across most sectors. Figure 8 shows three indicators of conditions in manufacturing: the Institute for Supply Management's (ISM) manufacturing index, the Federal Reserve's industrial production index, and new manufacturing and durable goods orders. All three metrics indicate healthy industrial activity, though manufacturing orders declined in late 2014 after spiking during the summer. Manufacturing drives supply for wholesale and retail trade, and increased production reflects stronger consumer demand. Also included in Figure 8 is the ISM's non-manufacturing index, which reflects the health of the service industries. Conditions for service providers continue to improve; for both ISM indices, a value above 50 represents expansion.

Monetary Policy and Inflation

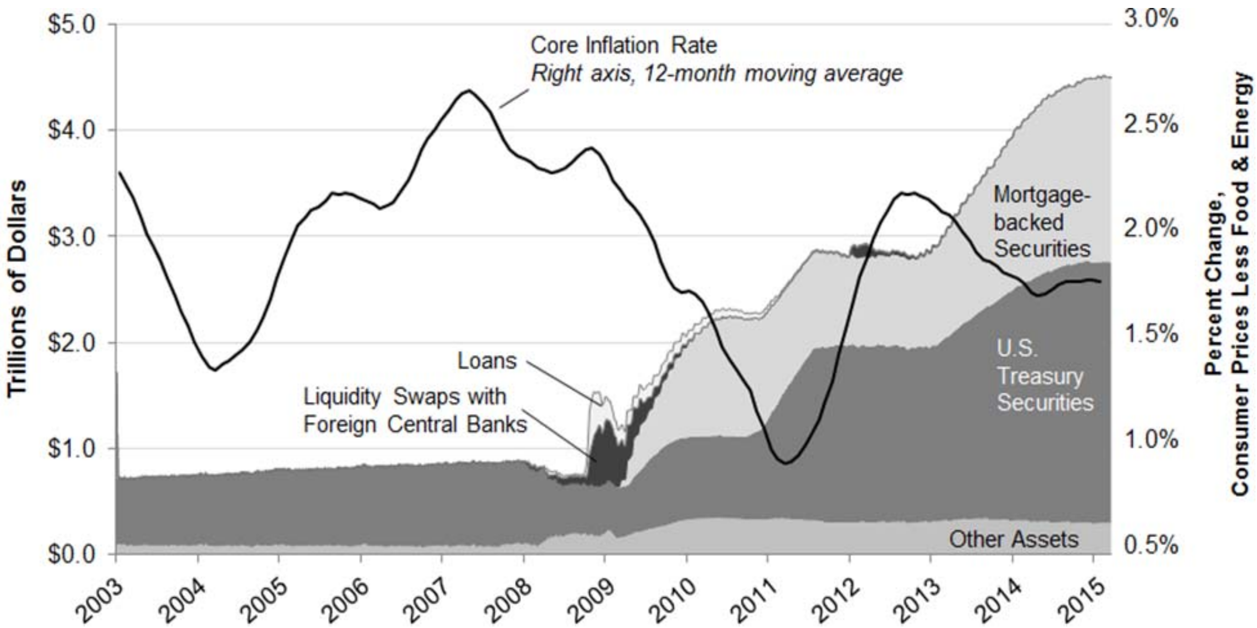
The Federal Open Market Committee (FOMC) has two goals: to promote both full employment and price stability nationwide. Over the last five years, low inflationary

Figure 8
Indicators of Business Activity



Source: Institute for Supply Management, Federal Reserve, and U.S. Census Bureau. Data through December 2014 (new orders) and January 2015 (all others). Shaded areas represent periods of recession.

Figure 9
Federal Reserve Assets and U.S Core Inflation Rate
(Core Consumer Price Index Excludes Food and Energy Prices)



Source, Federal Reserve Assets: Federal Open Market Committee, nominal data through February 18, 2015.
Source, Consumer Price Index: U.S. bureau of Labor Statistics, data through December 2014.

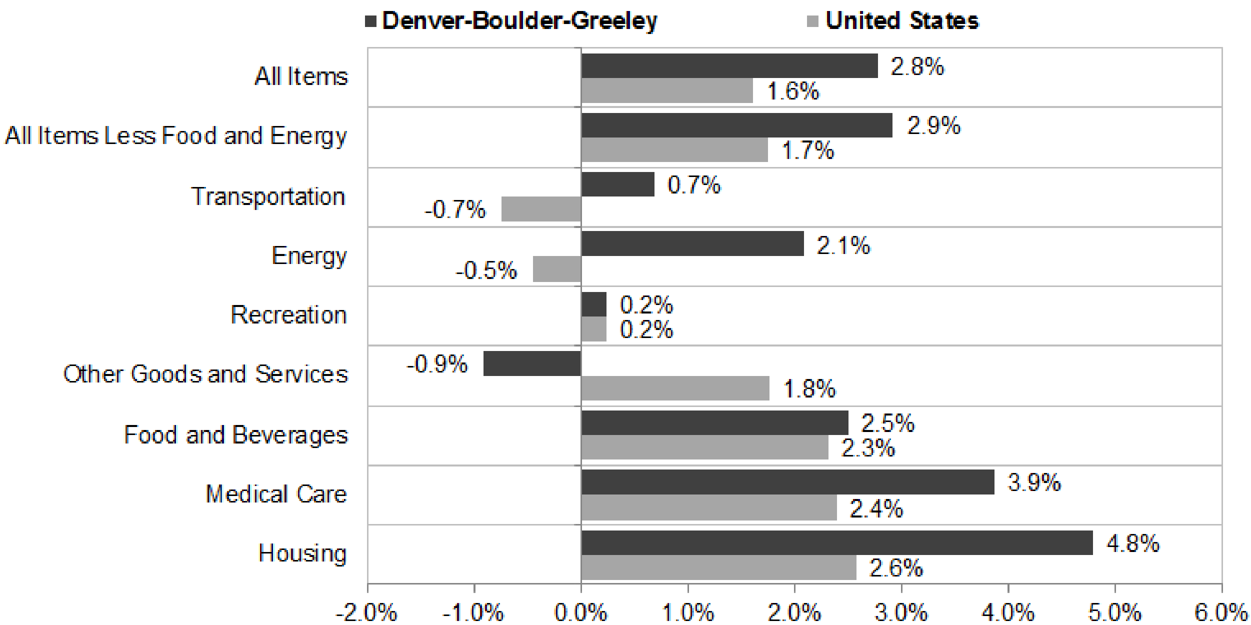
pressure has allowed it to focus on restoring full employment following the Great Recession. It has done this by holding both short- and long-run interest rates very low and expanding the assets on its balance sheet to spur recovery in the broader economy.

As shown in Figure 9, the Federal Reserve expanded its assets from less than $1 trillion in early 2009 to more than $4 trillion in 2014 through three rounds of "quantitative easing," or the purchase of long-term U.S. treasuries and mortgage-backed securities. These purchases, which resulted in an unprecedented expansion of the U.S. money supply, were in response to an unprecedented event in U.S. credit markets, which seized up in the fall of 2008.

The purchases reduced long-term interest and mortgage rates and put money into the U.S. banking system, allowing it to rebuild within a constrained credit environment while meeting increased demands from its regulators. Over the last few years, a healing credit market translated into gradual improvements in the real economy, as household and business balance sheets improved and access to credit for credit-worthy households and businesses slowly thawed.

However, as the imbalances in the real economy continue to slowly heal, the FOMC has begun to transition away from these very loose policies and to carefully communicate its plans for future tightening to prevent price instability. After increasing its balance sheet by purchasing long term securities at a pace of $85 billion a month in 2013, the Federal Reserve gradually reduced monthly purchases in 2014 and eventually ended the quantitative easing program in October. Although the FOMC is no longer expanding its balance sheet, it is expected to maintain current asset levels by purchasing securities to replace those that mature through early 2016, after which it is expected to allow assets to fall as securities mature.

Figure 10
Selected Components of Inflation, 2014
Change in the Denver-Boulder-Greeley and U.S. Consumer Price Index



Source: U.S. Bureau of Labor Statistics.

The quantitative easing program targeted long run interest rates. However, the FOMC also influences short term interest rates by adjusting the Federal Funds rate. This is the rate banks charge to lend money to each other overnight and influences the cost of credit throughout the economy. The FOMC is paying close attention to the balance between inflation and economic growth, especially growing strength in the nation's labor market. Although employment has begun to grow at rates consistent with a decrease in the Federal Funds rate, wages nationwide have yet to show strong gains. In general, as long as wage pressure remains muted and the nation's inflation rate remains below or near 2 percent, the Federal Reserve will have flexibility as it looks toward raising rates. The Federal Reserve is expected to begin open market operations to raise the Federal Funds rate at some point during the summer or fall of 2016.

A twelve-month moving average of the nation's core inflation rate, or the change in prices excluding the volatile food and energy sectors, is also plotted in Figure 10. In addition, Figure 10 shows selected components of inflation for 2014 for both the nation and the Denver-Boulder-Greeley metropolitan statistical area. The full index for the nation increased 1.6 percent in 2014, while the core index (excluding food and energy) increased 1.7 percent. Meanwhile, the full and core indices in the Denver-Boulder-Greeley area increased 2.8 percent and 2.9 percent, respectively. Gains in the overall economy and real estate markets in the central and northern Front Range were much stronger than gains nationwide in 2014, which contributed to stronger gains in most consumer prices, but especially the cost of housing.

- Increasing faster than the nation's, Colorado's consumer prices are exhibiting inflation rates closer to the historical norm for periods of economic expansion. The Denver-Boulder-Greeley consumer price index is expected to increase 2.6 percent in 2015. Fixed costs, especially utilities, rent, and housing, are the largest contributors to the state's inflation rate. Continued economic growth and wage pressure is expected to offset reduced energy prices. Nationwide, consumer prices are expected to increase 1.5 percent in 2015.

International Economy

World economic output expanded 3.3 percent in both 2013 and 2014. Global growth continues to be driven by *emerging economies*, particularly those in Asia. However, the share of expansion attributable to emerging economies is declining, as growth in these countries decelerates while growth in *advanced economies*, particularly the United States, gains speed. In 2014, emerging economies grew at an aggregate rate of 4.4 percent, down from 4.7 percent in 2013, while advanced economies grew at 1.8 percent, up from 1.3 percent the previous year.

Acceleration is expected this year. The International Monetary Fund and the Organization for Economic Co-operation and Development forecast global growth at 3.5 percent and 3.7 percent, respectively, for 2015. However, most of the anticipated acceleration will be confined to a relatively small group of countries, particularly the United States.

Lower oil prices are expected to contribute to growth, on balance, while dampening prospects for major oil exporters, including Russia and members of the Organization of Petroleum Exporting Countries. However, growth below expectations has stifled investment in several key economies, including Japan, Russia, Brazil, and to a lesser extent, China. Russia will endure a severe recession in 2015, with low oil prices, scarce investment, and a rapid depreciation of the ruble all culpable for the contraction.

The *euro area* grew 0.8 percent in 2014, after contracting by 0.5 percent the previous year. Prospects for growth in Europe have been buoyed slightly by increasingly reliable output from Germany and a more earnest recovery in Spain in the wake of its recession. As bailouts to Greece were set to expire in mid-February, European finance ministers reached an agreement with the Greek government to extend bailouts for four months in exchange for a package of structural reforms. The compromise suggests that a Greek exit from the Euro currency is less likely, especially in 2015, and contributes to a marginal improvement in expectations for Europe this year.

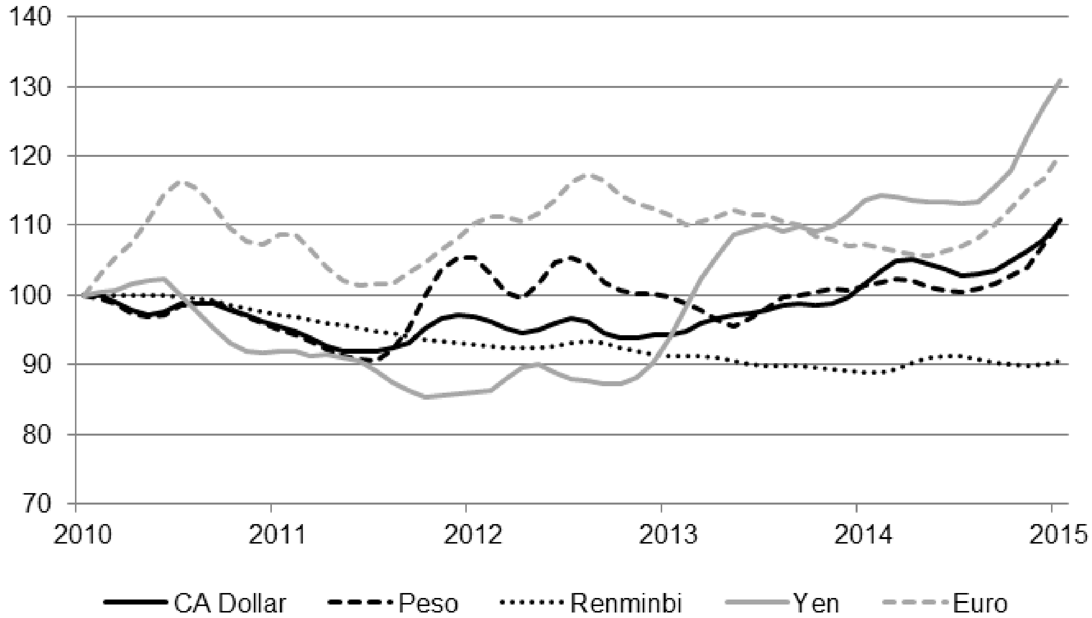
Exports

US exports to foreign countries grew 3.7 percent between the third quarter of 2013 and the third quarter of 2014, after growing at rates below 3.0 percent during each of the prior two years. Most of the acceleration is attributable to increasing output from US businesses, especially durable goods manufacturers. Exports, however, continue to grow modestly relative to other areas of the domestic economy. This trend is expected to continue for as long as the global economy remains sluggish.

International trade is highly dependent on foreign exchange markets. Because US goods and services are priced in US dollars, consumers in foreign countries will find these products more expensive when the US dollar appreciates relative to their local currencies. Figure 11 indexes the US dollar, priced in the currencies of its primary trading partners, to January 2010. Since the fall of 2014, the US dollar has appreciated quickly relative to the Canadian dollar, Mexican peso, Japanese yen, and the Euro. Among the currencies compared to the dollar in Figure 11, only the Chinese renminbi is gaining ground.

Colorado's exports to foreign countries fell 2.9 percent year-to-date through November 2014 compared with the same period in 2013. Most of the decrease is attributable to falling exports to the state's most important foreign market, Canada, as a result of currency conditions. Colorado's export industry is highly concentrated in the Denver, Greeley, Colorado Springs, Boulder, and Fort Collins metropolitan

Figure 11
Index of Exchange Rates, US Dollar to Selected Foreign Currencies
Index 100 = January 2010, Three Month Moving Average



Source: Federal Reserve Board of Governors. Data through January 2015.

statistical areas; in 2013, nearly 96 percent of the state's exports originated in these cities.

Labor Market

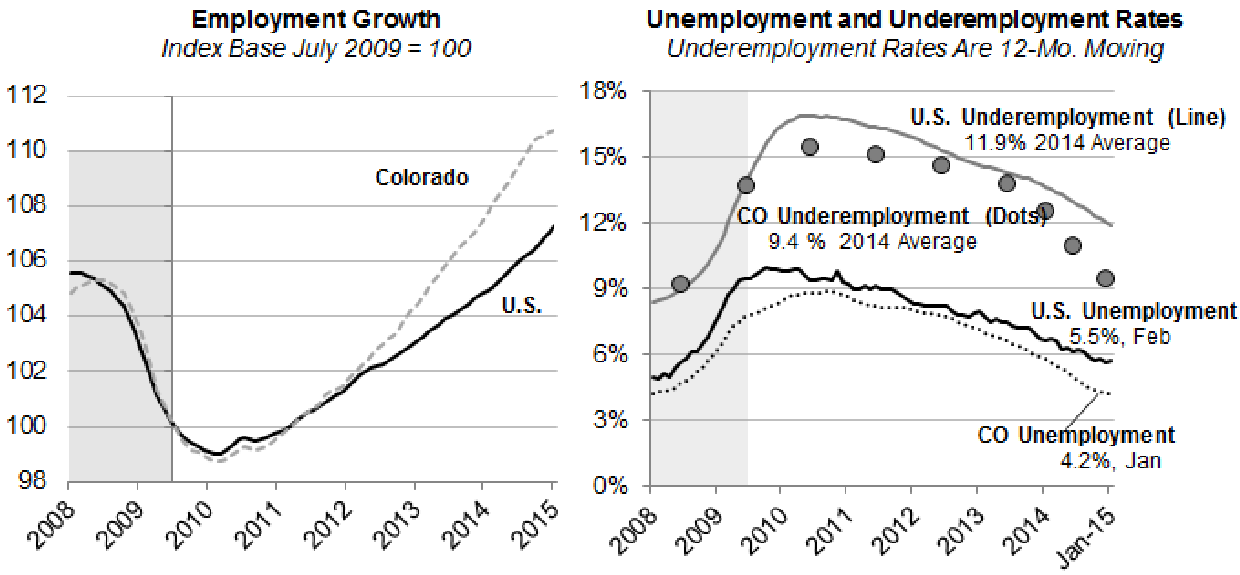
The labor market is generally the last sector of the economy to fully recover following a recession precipitated by a financial crisis. The labor market in Colorado and the nation improved in 2014, with accelerating job growth and unemployment falling to levels at or near rates that historically would have indicated strong economic expansion. However, considerable slack remains nationally. In particular, the number of discouraged workers and people working part time for economic reasons remains high amidst a stubbornly high duration of unemployment for those still looking for work. Until this slack is eliminated, wage pressure will be muted.

Figure 12 compares Colorado's employment growth and unemployment rates with the nation as a whole. Since the end of the recession in June 2009, both the nation and Colorado have regained and exceeded all of the jobs lost during the Great Recession. National employment exceeded its pre-recession peak in April 2014, while Colorado exceeded its pre-recession peak in March 2013.

The nation added 3.1 million nonfarm jobs between December 2013 and December 2014, an average of 260,000 per month. In January and February of 2015, employment growth has averaged 267,000 per month. Growth has been widespread, with gains in all private employment sectors and every region of the country. While federal government employment declined by 5,000 jobs in 2014, state and local government employment increased, resulting in an overall increase in government employment by 47,000, or 0.2 percent.

The labor market in Colorado began to improve earlier than the national economy and is therefore farther along in the business cycle. On average, Colorado firms

Figure 12
Labor Market Improvement in Colorado and the Nation
Seasonally Adjusted



Source: Bureau of Labor Statistics. Nonfarm employment and Colorado unemployment data through January 2015. U.S. unemployment data through February 2015.

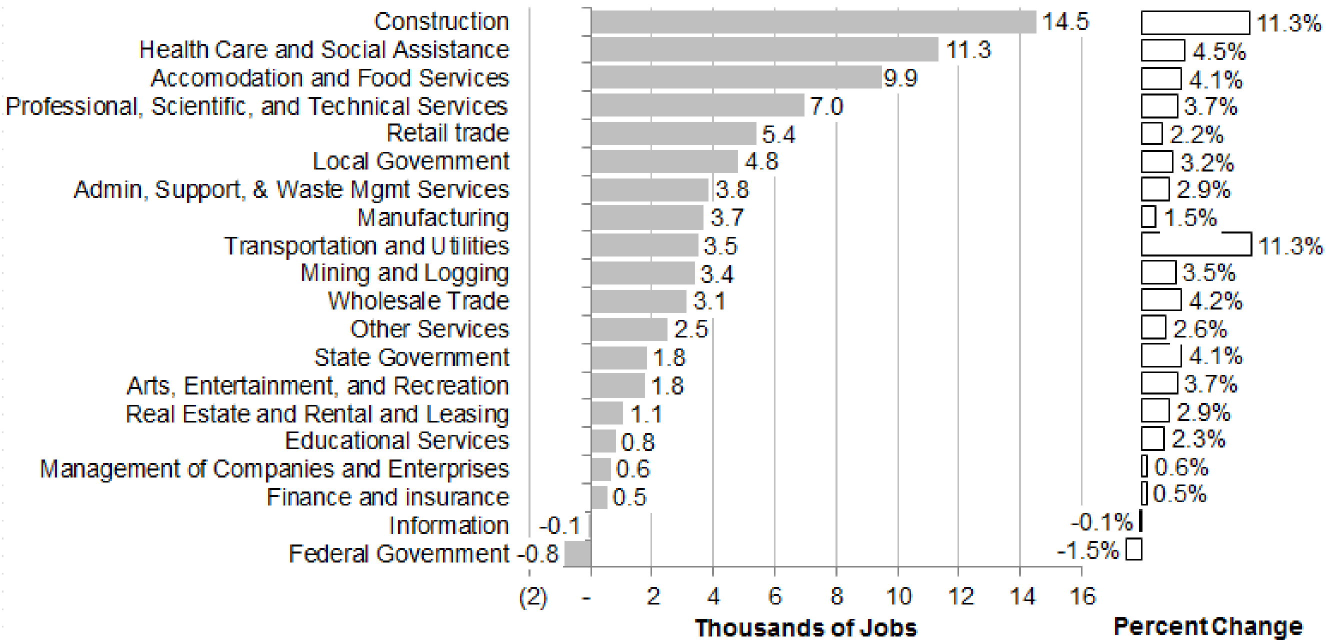
added 79,100 jobs between in 2014, representing growth of 3.3 percent. Employment growth of 3.3 percent would be the fastest growth rate since 2000, when employment grew 3.8 percent and population growth was 2.4 percent.

Colorado's unemployment rate was 4.2 percent in December 2014 and January 2015, the lowest rate since January 2008. Nationwide, the unemployment rate fell to 5.5 percent in February 2015, down from 6.7 percent a year before. The Bureau of Labor Statistics' (BLS) primary unemployment rate considers people who do not have a job and who have sought one during the previous four weeks. The BLS also publishes an underemployment rate, which measures the percentage of people who do not have a job but have sought one during the previous 12 months, and people working part time for economic reasons. As illustrated in Figure 12, the Colorado underemployment rate averaged 9.4 percent in 2014, down from an average of 12.5 percent in 2013. The nation's underemployment rate averaged 11.9 percent in 2014, and was 11.0 percent in January 2015, down from 12.6 percent a year earlier.

The gap between the headline unemployment and underemployment rates is a valuable indicator of slack in the labor market, and tends to be about 4 percentage points when the economy is at full employment. In Colorado, this gap has narrowed from 7.2 percentage points in FY 2009-10 to 5.1 percentage points in 2014. Nationwide, the gap has fallen, though not as much as in Colorado. The headline unemployment rate will fall more slowly in 2015 than in 2014, but the underemployment rates should continue to fall quickly. Colorado's gap has fallen to levels indicative of a healthy job market that would be expected to produce wage pressure. This is expected to happen nationwide by the end of 2015.

Employment growth in Colorado has been broad based. Figure 13 shows employment growth in 2014 by industry in Colorado. The construction industry added the most jobs (14,500 positions) and grew at

Figure 13
Colorado Nonfarm Employment Growth by Sector, 2014



Source: U.S. Bureau of Labor Statistics.

the fastest rate (11.3 percent). Although employment in the mining and logging industry also grew 11.3 percent in 2014, the decline in oil prices is expected to reduce employment in this sector in 2015. The information industry and the Federal government were the only sectors to lose employment in 2014. The information industry is primarily comprised of book and newspaper publishers, media outlets, and telecommunications firms.

- The labor market will continue to improve in the nation and the state throughout 2015 and 2016. Slack in the oil and gas industry is expected to slow Colorado job growth from 3.3 percent in 2014 to 2.6 percent in 2015. Nationally, nonfarm employment is expected to grow 2.3 percent in 2015 and 2.2 percent in 2016.

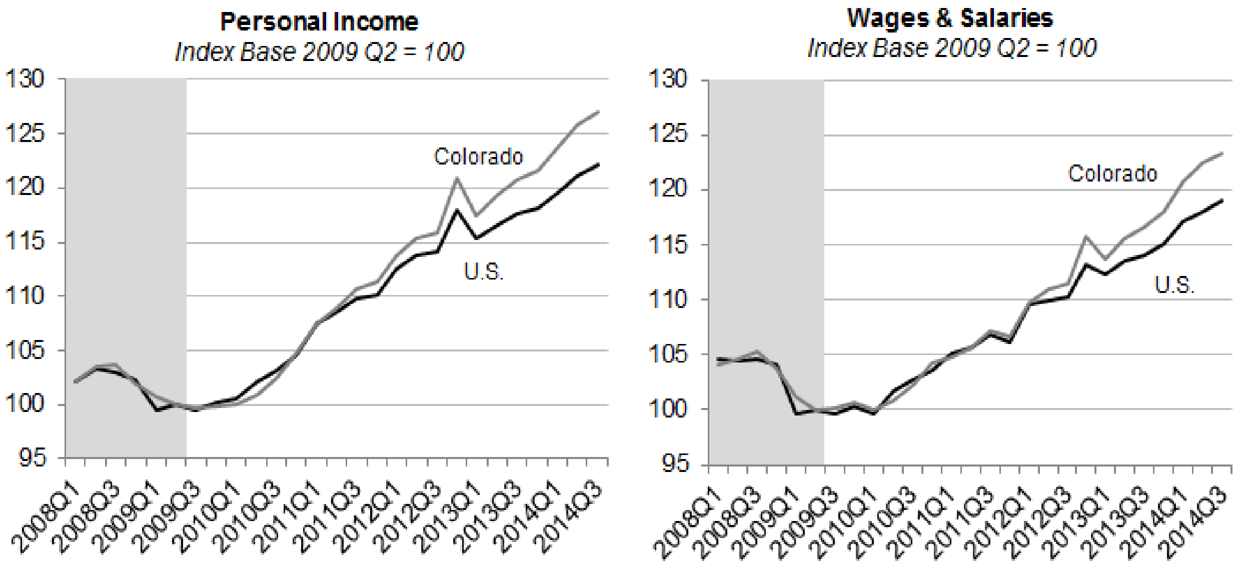
- The unemployment rate in Colorado will average 4.2 percent in 2015 and 4.1 percent in 2016. The unemployment rate in Colorado is expected to moderate in 2015 and 2016 because more people will enter the labor force or move into the state as jobs become available. Nationally, the unemployment rate will decline as more people find jobs, averaging 5.4 percent in 2015 and 5.0 percent in 2016.

Households and Consumers

Household income and consumption is increasing as the economy improves. Figure 14 compares personal income and wages and salaries between Colorado and the nation as a whole. Since 2010, both personal income and wages and salaries in Colorado have outpaced national growth. Through the first three quarters of 2014, personal income in Colorado increased 5.4 percent compared with 3.8 percent nationally. The largest contributor to personal income is wages and salaries, which increased 6.0 percent and 4.2 percent in Colorado and the nation, respectively.

Because households have more income, they have increased consumption.

Figure 14
Personal Income and Wages and Salaries
Indexed Data Through Third Quarter 2014



Source: Bureau of Economic analysis, data through third quarter 2014.

Retail trade, one measure of consumption, increased 4.0 percent in 2014 for the nation. Retail trade in Colorado increased 7.4 percent in the first six months of 2014 compared with the same period in 2013. Figure 15 shows retail sales at stores and restaurants in Colorado and the nation. Lower sales at gas stations reflect the lower price of gas, which declined 2.8 percent between 2013 and 2014; the declines were even larger in November and December. Because consumers were spending less on gas, they were able to increase consumption in other retail sectors, like automobiles and hardware stores. In addition to spending more on other goods, it appears that consumers are using their increased disposable income from lower fuel costs to save or pay down debt.

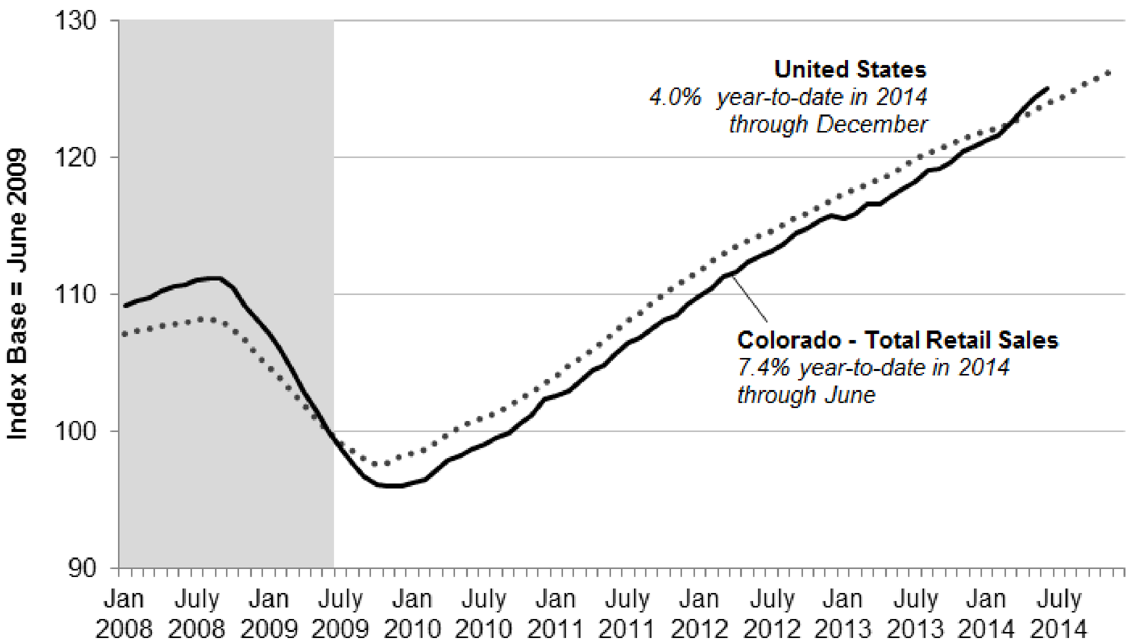
- The improving labor market will help boost Colorado personal income 5.4 percent in 2014 and 5.4 percent in 2015. The combination of a healthy labor market, slow gains in oil prices and production, and rising interest rates on savings will help personal income growth accelerate to 6.6 percent growth in 2016.

- Colorado retail sales are expected to grow 7.1 percent in 2014. Growth is expected to remain healthy, but slow to 5.9 percent in 2015 as households and consumers in the broader economy enjoy continued economic growth amidst lower oil prices.

Residential Housing Market and Construction

In Colorado, the housing market has recovered to become an important driver of economic growth. Falling unemployment, low mortgage interest rates, and a limited inventory of homes for sale are all factors contributing to higher home prices and increased levels of construction. The increase in home prices, however, is not uniform nationwide. Unlike many other large cities nationwide where lower home prices mean that a number of mortgages remain

Figure 15
Retail Sales in Colorado and the Nation
Indexed to June 2009



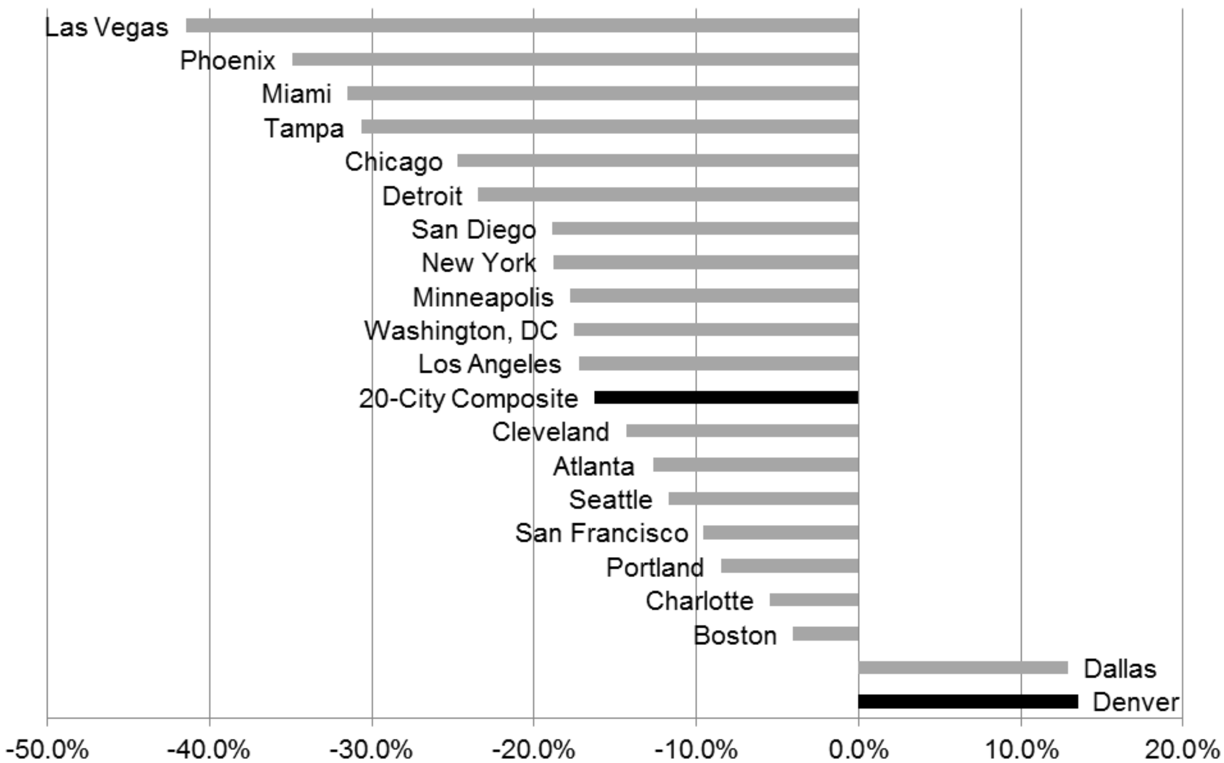
Source: U.S. Census Bureau, Colorado Department of Revenue. U.S. data through December 2014, Colorado data through June 2014.

underwater, values for most Colorado homes are above their pre-recession peak. Figure 16 shows that as of December 2014, Denver home prices were 13.5 percent above pre-recession peak levels. In contrast, home prices in 18 of the other cities comprising the 20-city Case Schiller index ranged from 4 percent to 41 percent below these peak levels. Overall, the 20-city composite index remained 16.3 percent lower than its pre-recession peak.

Recent data on distressed sales provides further evidence that home prices nationwide have not fully recovered. Nationally, distressed sales accounted for 12.8 percent of total home sales in December, 2014. This compares to the pre-recession level of about 2.0 percent. The four cities with the largest share of distressed sales (Miami at 24.7 percent, Tampa at 24.0 percent, Chicago at 23.6 percent, and Las Vegas at 19.8 percent) are among the five cities with the largest decrease in home prices from their pre-recession peak shown above.

While the Colorado housing market is strong, it is not improving at equal rates across the state. Figure 17 tracks changes in housing prices over both the past year and relative to pre-recession peak prices for all of the state's metropolitan statistical areas (MSAs) and non-MSA regions. The horizontal axis measures annual growth in housing prices, with cities farther to the right exhibiting higher year-over-year growth rates. Average prices increased in every MSA in the state over the past year. The vertical axis measures housing prices as a percent of pre-recession peak levels. Residential construction and the housing market have improved the most in Denver and the northern parts of the Front Range. Home prices in the Boulder, Denver, Fort Collins and Greeley MSAs are all above these peak levels. In other regions, particularly southern Colorado and the

Figure 16
Percent Change in Home Prices from Pre-Recession Peak



Source: Standard and Poor's. Data through December 2014.

Western Slope, lower demand has resulted in a slower recovery in housing prices. In particular, housing prices in Grand Junction remain at only about 80 percent of pre-recession peak levels.

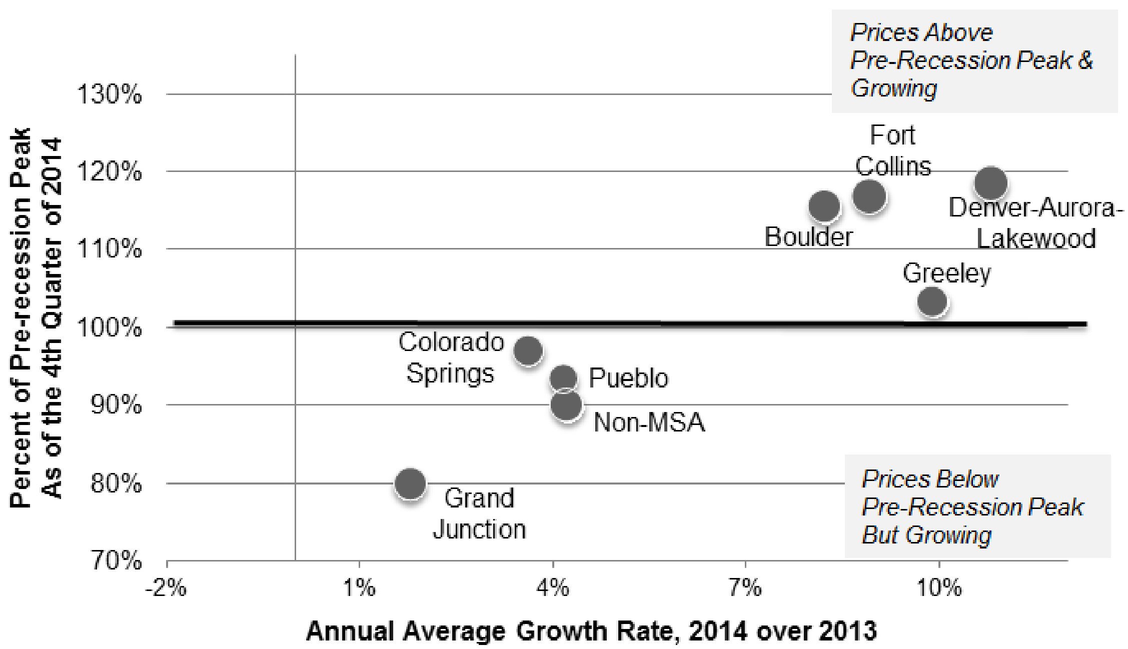
Residential construction in Colorado is outpacing the nation, particularly in single family homes, and multi-family construction is brisk both in Colorado and the nation. Figure 18 shows U.S. housing starts and permits for residential construction in Colorado. Single family home starts increased 4.7 percent nationwide through December, while the number of permits granted in Colorado for single family homes increased 11.6 percent through October over year ago levels. Multi-family starts nationally increased 17.1 percent through December, while multi-family permits in Colorado increased 13.6 percent through October compared with year ago levels.

- The housing market will benefit from gradual improvements in mortgage lending standards and a strengthening labor market both nationwide and in Colorado through the forecast period. In Colorado, permits for residential construction rose 6.7 percent in 2014, and are expected to increase 9.0 percent in 2015 and 7.4 percent in 2016.

Nonresidential Construction

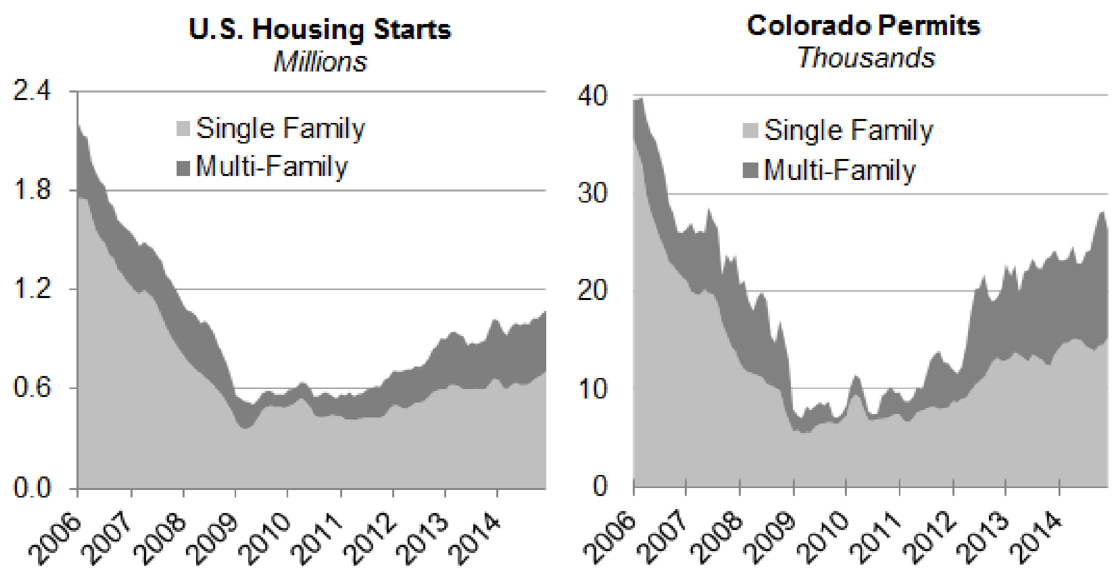
Despite a slowdown in the last two months of 2014 that was primarily caused by severe weather conditions in many parts of the country, nonresidential construction continued to expand in 2014. Spending on nonresidential construction projects increased 11 percent nationwide in 2014. Low vacancy rates and lower input costs, specifically oil and

Figure 17
Colorado Home Prices
Federal Housing Authority Home Price Index—All Transactions



Source: Federal Housing Finance Authority. Data through the fourth quarter of 2014.

Figure 18
Residential Construction
Seasonally Adjusted, Annualized, Three-Month Moving Averages



Source: U.S. Census Bureau. Data through December 2014.

copper prices, have helped the industry. The number of new public construction projects remains low, but many areas are still recovering from a large pullback from the impact of federal stimulus programs. A shortage of skilled workers remains a concern for many in the nonresidential construction industry.

The value of nonresidential construction in Colorado increased 18.3 percent in 2014. Nonresidential construction was buoyed by several large projects in the downtown Denver area. Over 600,000 square feet of office space was added and the $350 million dollar mixed-use Union Station development project was completed last year. Construction will continue to improve as the absorption rate for office and commercial properties continue to increase. In addition, nonresidential construction will benefit from several school construction bonds passed last November. The Boulder Valley School District's $576.5 million capital construction bond issue is the largest bond for a school district in Colorado history.

- Nonresidential development will continue to grow throughout the forecast period, both in Colorado and the nation. In Colorado, the dollar value of nonresidential construction is expected to increase 7.3 percent in 2015.

Agriculture

The agriculture industry benefited from good weather in 2014, which helped boost production of field crops. Increased production drove down costs, so farm profits were stable nationally. Lower prices for feed like corn and hay helped livestock producers lower their costs.

Similar to national trends, Colorado farmers and ranchers experienced good weather and were able to increase production. After extremes of the drought and then a flood in 2013, soil moisture levels were more normal in most parts of the state in 2014. This helped to boost corn production in Colorado by 14.9 percent, hay production by 21.3 percent, and wheat production by 116.5 percent on a year-over-year basis. Prices for these commodities fell by between 11.1 percent and 32.7 percent. The net effect of the increased production and lower prices was a 2.2 percent increase in the value of corn produced in Colorado in 2014, a 7.5 percent increase in the value of hay, and a 85.9 percent increase in the value of wheat produced.

Animals and animal products account for more exports from Colorado than crops. The inventory of cattle and calf in the state decreased 14.8 percent between January 1, 2014 and January 1, 2015. Higher prices have led to a 30.0 percent increase in the value of cattle and calf between the same period in time.

Above average temperatures in the state through February 2015 are helping the winter wheat crop in Colorado. There was some concern that little snow cover in January allowed roots to be exposed, but those concerns have abated with snowfall in the second half of February. As of March 2, 2015, statewide snowpack levels were 88 percent of average, but some areas of the state were below that. The San Luis Valley and Southwest snowpack levels were 84 percent and 69 percent of normal, respectively. The winter snowpack helps to determine the moisture in the soil and the water available for irrigation during spring and summer when the majority of crops are grown.

Summary

The Colorado economy is expected to grow at rates at or above its historical trend through the remainder of the forecast period. The labor market continues to improve with more jobs and fewer people looking for work. These labor market improvements have begun to put upward pressure on wages, giving households more money to save and spend. Healthier households will boost consumer spending and business activity, fueling more growth in earnings and investments. Because of momentum in the economy, the Federal Reserve is expected to begin to slowly raise short-term interest rates as early as this summer.

Economic growth will be moderated over the forecast period by tightening monetary policy and a weak global economy. Although low oil prices are expected to be a boost for the economy nationwide, the boost will be offset by lower production and income in the oil industry. Low oil prices are expected to moderate the pace of Colorado's expansion in 2015, primarily in the Denver Metropolitan area and the northern Front Range.

Risks to the Forecast

Upside risks. Most current measures of economic growth, including Gross Domestic Product and labor market data, are based on surveys and statistical methodologies. Initial releases of these data can be skewed toward underestimating the pace of economic expansion. Actual momentum in the economy could be understated relative to the amount assumed in this forecast. In addition, consumers and businesses could respond more favorably to the improving economy than anticipated in this forecast. Further, oil prices could improve faster than expected or the oil industry could weather low prices better than anticipated.

Downside risks. There have been several periods during the recovery and now expansion when the labor market seemed to be improving and then loses momentum. This forecast assumes that the economy will continue to build momentum and that the improvement in the labor market will translate into increases in wages and salaries. However, the strength in the economy could dissipate as it did during prior periods in the recovery. In addition, the Federal Open Market Committee continues to signal future tightening in monetary policy. This will require balancing the need to maintain price stability and economic growth.

The biggest risk to expectations for Colorado's economy is the trajectory of oil prices and its impact on employment and income growth in Denver and the northern Front Range. This impact will depend on the length of time that prices remain at or below current levels. This forecast assumes that oil prices will begin to rise gradually through 2015, and that oil production in Weld County and the broader Niobrara formation will remain strong, though at a somewhat reduced level, throughout the forecast period. If oil prices fall further or do not recover as quickly, economic growth in Colorado may be slower than currently anticipated.

Table 16
National Economic Indicators, March 2015 Forecast
(Calendar Years, Dollar Amounts in Billions)

	2010	2011	2012	2013	2014	Forecast 2015	Forecast 2016	Forecast 2017
Inflation-adjusted GDP	$ 14,783.8	$15,020.6	$15,369.2	$ 15,710.3	$16,055.9	$16,569.7	$17,066.8	$17,578.8
percent change	2.5%	1.6%	2.3%	2.2%	2.2%	3.2%	3.0%	3.0%
Nonagricultural Employment (millions)	130.3	131.8	134.1	136.4	138.8	142.0	145.2	148.1
percent change	-0.7%	1.2%	1.7%	1.7%	1.8%	2.3%	2.2%	2.0%
Unemployment Rate	9.6%	8.9%	8.1%	7.4%	6.2%	5.4%	5.0%	4.8%
Personal Income	$12,429.3	$13,202.0	$13,887.7	$14,166.9	$14,733.6	$15,470.3	$16,367.5	$17,382.3
percent change	2.8%	6.2%	5.2%	2.0%	4.0%	5.0%	5.8%	6.2%
Wage and Salary Income	$6,377.5	$6,633.2	$6,932.1	$7,124.7	$7,431.1	$7,824.9	$8,294.4	$8,833.5
percent change	2.0%	4.0%	4.5%	2.8%	4.3%	5.3%	6.0%	6.5%
Inflation (Consumer Price Index)	1.6%	3.1%	2.1%	1.5%	1.8%	1.5%	2.1%	2.3%

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve Board, and Legislative Council Staff.

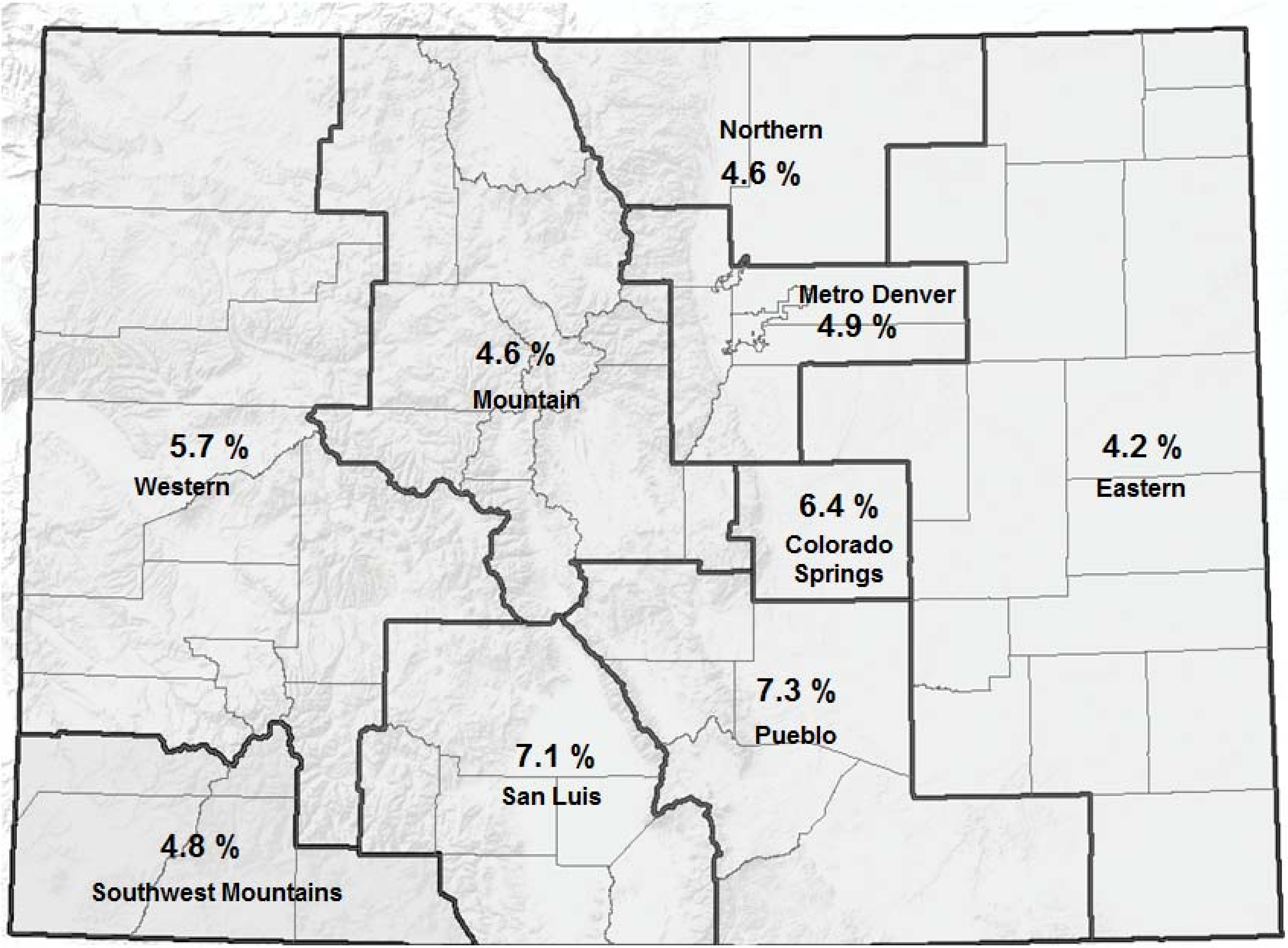
Table 17
Colorado Economic Indicators, March 2015 Forecast
(Calendar Years)

	2010	2011	2012	2013	2014	Forecast 2015	Forecast 2016	Forecast 2017
Population (thousands, July 1)	5,048.6	5,119.7	5,191.7	5,272.1	5,355.9	5,444.7	5,537.5	5,633.7
percent change	1.5%	1.4%	1.4%	1.5%	1.6%	1.7%	1.7%	1.7%
Nonagricultural Employment (thousands)	2,222.3	2,258.7	2,313.1	2,382.2	2,461.3	2,525.3	2,590.9	2,650.5
percent change	-1.0%	1.6%	2.4%	3.0%	3.3%	2.6%	2.6%	2.3%
Unemployment Rate	8.8	8.2	7.7	6.5	4.9	4.2	4.1	4.0
Personal Income* (millions)	$210,454	$226,145	$240,350	$247,069	$260,163	$274,212	$292,310	$311,310
percent change	1.9%	7.5%	6.3%	2.8%	5.3%	5.4%	6.6%	6.5%
Wage and Salary Income* (millions)	$113,790	$118,559	$125,135	$129,597	$136,984	$144,929	$154,640	$165,155
percent change	1.3%	4.2%	5.5%	3.6%	5.7%	5.8%	6.7%	6.8%
Retail Trade Sales* (millions)	$70,738	$75,548	$80,073	$83,569	$89,503	$94,783	$100,565	$106,398
percent change	6.6%	6.8%	6.0%	4.4%	7.1%	5.9%	6.1%	5.8%
Home Permits (thousands)	11.6	13.5	23.3	27.5	29.2	31.8	34.2	36.6
percent change	23.9%	16.5%	72.6%	18.1%	6.2%	9.0%	7.4%	6.9%
Nonresidential Building (millions)	$3,147	$3,923	$3,692	$3,610	$4,269	$4,581	$4,837	$5,031
percent change	-6.2%	24.7%	-5.9%	-2.2%	18.3%	7.3%	5.6%	4.0%
Denver-Boulder Inflation Rate	1.9%	3.7%	1.9%	2.8%	2.8%	2.6%	2.6%	2.4%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, F.W. Dodge, Colorado State Demography Office, and Legislative Council Staff.

**2014 figures for personal income, wage and salary income, and retail trade sales are forecasts because actual data are not yet available for the full year.*

Figure 19
Unemployment Rate by Region in December 2014



Source: U.S. Bureau of Labor Statistics; LAUS

Colorado Economic Regions

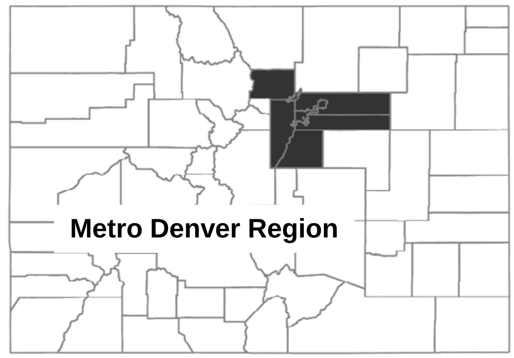
Metro Denver Region
Northern Region
Colorado Springs Region
Pueblo — Southern Mountains Region
San Luis Valley Region
Southwest Mountain Region
Western Region
Mountain Region
Eastern Region

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 this 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 effect 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 Denver area economy is one of the healthiest in the state. In 2014, a robust regional labor market boosted disposable income and consumer spending. The region also boasts a thriving construction sector, as 2014 brought growth in housing permits and nonresidential building measured by the number, size, and value of projects. Regional indicators for the Denver area are shown in Table 18.



Denver's labor market has finally returned to its pre-recession strength. The region added another 48,200 jobs in 2014, up about 5,000 from the number of jobs added the previous year. New employment opportunities helped to drop the unemployment rate to 3.8 percent in December. The unemployed population at the end of the year exceeded the number of jobs added during 2014 by just 28 percent, the lowest differential since at least 2000 during periods of economic expansion. This ratio suggests that Denver's unemployed population has rarely been this low while momentum in the labor market remains this strong. Denver area jobs are charted in Figure 20.

The labor market has contributed to improved consumer spending. Figure 21 indexes Denver region, Colorado, and U.S. retail trade to January 2008. For the first time since the Great Recession, the regional and state indices surpassed the national index in early summer 2014.

Table 18
Metro Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

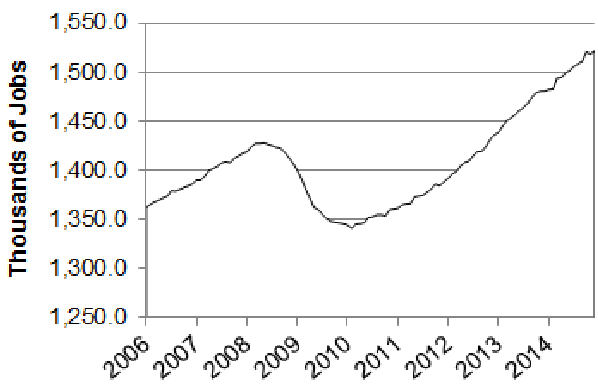
	2010	2011	2012	2013	2014
Employment Growth /1	-0.5%	1.8%	2.9%	3.5%	2.8%
Unemployment Rate /2	8.8%	8.3%	7.6%	6.4%	4.9%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	35.5%	-0.4%	58.5%	18.9%	16.3%
Single-Family (Boulder)	101.0%	-5.2%	29.0%	22.5%	17.7%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-1.5%	24.7%	14.2%	22.2%	4.3%
Square Footage of Projects	8.4%	36.5%	-8.6%	-9.1%	9.7%
Level (1,000s)	1,981,058	2,703,545	2,470,892	2,246,899	2,463,913
Number of Projects	-35.8%	-2.5%	5.6%	22.8%	19.5%
Level	591	576	608	749	895
Retail Trade Sales Growth /5	6.9%	4.3%	8.0%	4.6%	8.2%

MSA = Metropolitan statistical area. NA = Not Available.
1/ U.S. Bureau of Labor Statistics. CES (establishment). Seasonally adjusted. Data through December 2014.
2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.
3/ U.S. Census. Growth in the number of residential building permits. Data through December 2014.
4/ F.W. Dodge. Data through December 2014.
5/ Colorado Department of Revenue. Seasonally adjusted. Data through June 2014.

Denver's labor market is tightening, which is expected to contribute to upward wage pressure and additions to household disposable income. Consumer spending will thus continue to grow.

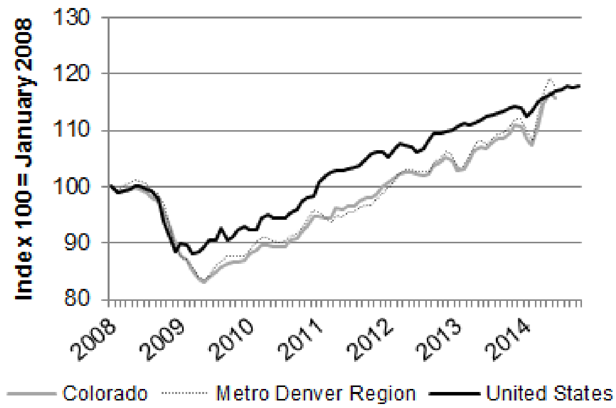
Denver's housing market has recovered better than that of any other large city in the country. Figure 16 on page 44 shows percent changes in home prices compared with pre--recession peaks for 20 of the largest metropolitan areas nationwide. Since the recession, only two markets have seen residential property values increase beyond their pre-recession peaks, with Denver's 14 percent growth leading the way. High demand is driving residential construction, which increased 16.3 percent in 2014 for Denver and Aurora and 17.7 percent for Boulder. Nonresidential construction also continues to trend up. Figure 22 shows nonresidential construction projects by square footage since 2008.

Figure 20
Metro Denver Nonfarm Employment
Seasonally Adjusted



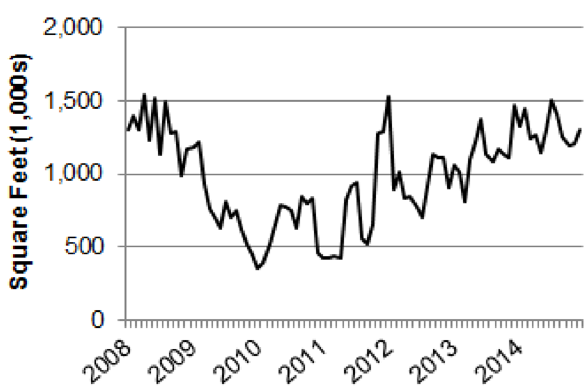
Source: U.S. Bureau of Labor Statistics; CES.
Data through December 2014.

Figure 21
Retail Trade Trends Since January 2008
Three-Month Moving Average; Seasonally



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through June 2014; U.S. data through October 2014.

Figure 22
Metro Denver Nonresidential Projects by Square Feet
Three-Month Moving Average



Source: F.W. Dodge. Data through December 2014.

Northern Region

The northern region, which encompasses Larimer and Weld Counties, continues to boast one of the strongest regional economies in the state. The employment level continues to increase and the unemployment rate, already among the lowest in the state, continues to fall. Growth in retail sales is accelerating while the growth in residential and nonresidential construction continues to be strong. A potential downside is the recent drop in oil prices, which appears to have slowed the pace of oil development in the region. Table 19 shows economic indicators for the northern region.

Table 19
Northern Region Economic Indicators
Weld and Larimer Counties

	2010	2011	2012	2013	2014
Employment Growth /1					
Fort Collins-Loveland MSA	0.4%	1.9%	2.7%	3.1%	2.6%
Greeley MSA	-0.6%	4.0%	4.9%	5.1%	4.9%
Unemployment Rate /2					
Fort Collins-Loveland MSA	7.4%	6.9%	6.2%	5.4%	4.1%
Greeley MSA	10.2%	9.5%	8.5%	7.1%	5.1%
State Cattle and Calf Inventory Growth /3	-1.2%	10.2%	-3.4%	-8.7%	-3.8%
Natural Gas Production Growth /4	1.1%	10.7%	14.6%	13.6%	13.6%
Oil Production Growth /4	7.7%	30.6%	32.3%	46.1%	12.8%
Housing Permit Growth /5					
Fort Collins-Loveland MSA Total	154.5%	1.0%	59.3%	28.8%	8.7%
Fort Collins-Loveland MSA Single-Family	32.1%	45.7%	63.3%	31.3%	10.2%
Greeley MSA Total	10.4%	-3.1%	54.6%	45.6%	41.1%
Greeley MSA Single-Family	2.7%	-2.6%	58.8%	37.7%	18.5%
Growth in Value of Nonresidential Construction/ 6					
Value of Projects	-48.8%	-11.8%	12.0%	55.0%	25.3%
Square Footage of Projects	-11.6%	-36.4%	42.1%	40.4%	38.4%
Level (1,000s)	277,193	244,493	273,779	424,437	531,790
Number of Projects	-15.5%	-5.1%	23.3%	-2.5%	53.5%
Level	136	129	159	155	238
Retail Trade Sales Growth /7					
Larimer County	7.8%	8.0%	5.8%	6.3%	6.4%
Weld County	10.1%	26.6%	5.2%	8.0%	12.3%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through October 2014.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.

3/ National Agricultural Statistics Service. Cattle and calves on feed through July 2014.

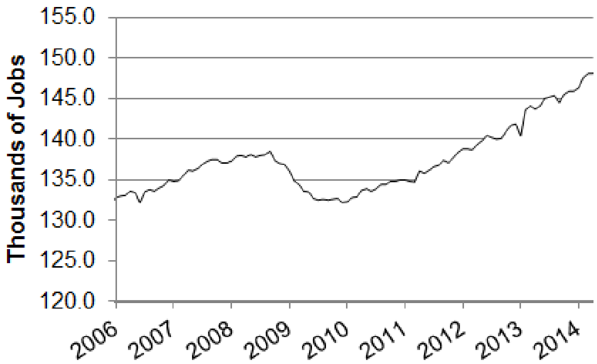
4/ Colorado Oil and Gas Conservation Commission. Data through October 2014.

5/ U.S. Census Bureau. Growth in the number of residential building permits. Data through December 2014.

6/ F.W. Dodge. Data through December 2014. Prior forecasts reported Weld and Larimer Counties separately.

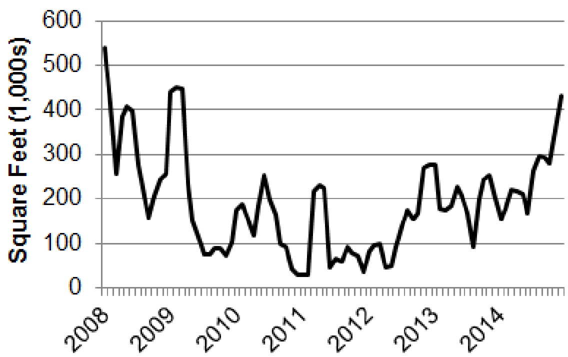
7/ Colorado Department of Revenue. Data through June 2014.

Figure 23
Fort Collins—Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted Data



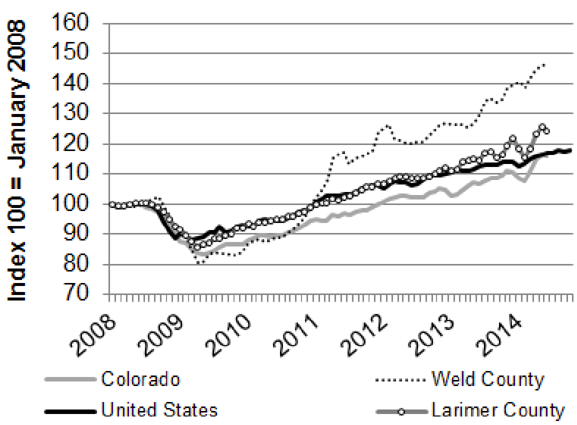
Source: U.S. Bureau of Labor Statistics, CES. Data through December 2014.

Figure 24
Northern Region Nonresidential Building Permits: Square Feet
Three-Month Moving Average; Non Seasonally Adjusted Data



Source: F.W. Dodge. Data through December 2014.

Figure 25
Northern Region Retail Sales Indexed to January 2008
Seasonally Adjusted Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through June 2014; U.S. data through October 2014.

The regional labor market continues to be the strongest in the state, with employment growing 2.6 percent in Larimer County and 4.9 percent in Weld County in 2014 on a year-over-year basis. The healthy rate of job growth kept the regional unemployment rate among the lowest in the state, averaging 4.1 percent in Larimer County and 5.1 percent in Weld County. Figure 23 shows trends in employment for the Greeley and Fort Collins metropolitan statistical areas.

Regional construction activity continues to grow at a healthy rate. In 2014, residential permits increased 10.2 percent in Larimer County and 18.5 percent in Weld County. There were 238 nonresidential construction projects started in 2014, an increase of 53.5 percent on a year-over-year basis. During this same period, the total value and square footage of projects increased 25.3 percent and 38.4 percent, respectively. Figure 24 shows the three-month moving average of the square footage of residential construction permits in the northern region.

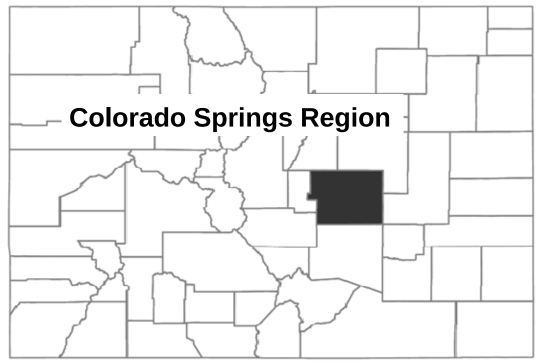
The growth rate for retail sales in the northern region accelerated slightly in the first half of 2014 compared with 2013. In Weld County, sales increased 12.3 percent between January and June of 2014 compared with the same period in 2013, while sales in Larimer County increased 6.4 percent. Figure 25 shows that the growth in indexed retail sales in each county in the northern region is outpacing both the state and the nation as a whole.

The northern region has become the epicenter of oil and natural gas production in the state. While the growth in natural gas production continued apace in the first ten months of 2014, the growth in regional oil production appears to be decelerating. After growing 46.1 percent in 2013, oil production increased only 12.8 percent between January and October 2014 compared with the same period in 2013. Because a good portion of the recent decline in oil prices happened after October, the price decline is unlikely to be the sole cause of this deceleration. However, oil prices remaining in the $50-55 per barrel range for any length of time will decrease regional drilling activity and oil development.

Colorado Springs Region

The Colorado Springs regional economy made little progress in 2014. The regional labor market improved only marginally, with exits from the labor force responsible for a much greater share of the declining unemployment rate than new jobs. Consumer spending grew at a relatively slow rate over the first half of the year, and nonresidential and single-family home construction both regressed according to key metrics. Indicators for the Colorado Springs economy are recorded in Table 20.

Underperformance in the regional labor market is disproportionately attributable to federal government spending, as personnel levels at the regional military installations - Fort Carson, Peterson and Schriever Air Force Bases, NORAD, and the Air Force Academy - have considerable effects on the region's economy as a whole. Although the number of unemployed persons fell 6,553 in 2014, a shrinking labor force population was responsible for 79 percent of the decline. The region's labor force and unemployment rate are shown in Figure 26.



Regional construction, particularly nonresidential construction, does not appear to be recovering. Figure 27 tracks nonresidential construction projects by square footage since the beginning of 2005. Relative to output prior to 2008, nonresidential construction has recovered only slightly since the Great Recession. Figure 28 tracks residential building permits for the Colorado

Table 20
Colorado Springs Region Economic Indicators
El Paso County

	2010	2011	2012	2013	2014
Employment Growth /1					
Colorado Springs MSA	-1.0%	1.3%	1.0%	2.0%	0.6%
Unemployment Rate /2	9.8%	9.5%	9.2%	8.0%	6.4%
Housing Permit Growth /3					
Total	27.9%	29.1%	33.0%	17.2%	3.8%
Single-Family	23.2%	-3.8%	50.1%	19.2%	-7.7%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-35.2%	17.5%	-1.6%	24.9%	-13.6%
Square Footage of Projects	-12.7%	16.8%	0.5%	6.3%	-7.5%
Level (1,000s)	408,452	477,253	479,770	510,119	471,913
Number of Projects	24.6%	10.5%	-11.7%	-2.2%	-9.6%
Level	370	409	361	353	319
Retail Trade Sales Growth /5	7.9%	8.2%	5.5%	4.1%	4.0%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment). Seasonally adjusted. Data through December 2014.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.

3/ U.S. Census Bureau. Growth in the number of residential building permits. Data through December 2014.

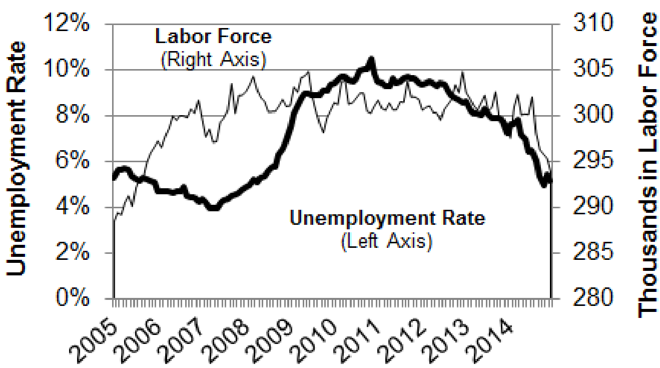
4/ F.W. Dodge. Data through December 2014.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through June 2014.

Springs metropolitan statistical area over the same period. Most of the volatility among regional residential building permits is attributable to multifamily construction, which has recovered in Colorado Springs and nationwide to a much more significant degree than single-family home construction.

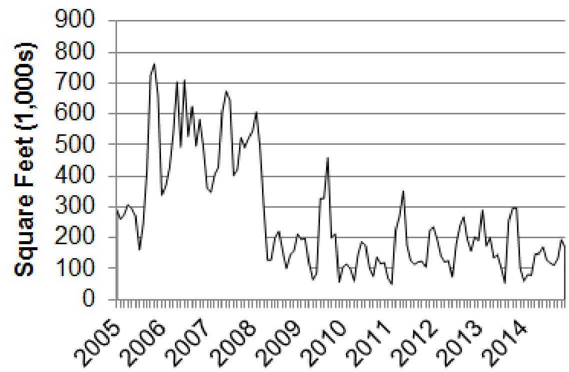
Consumer spending in the Colorado Springs region is growing, but at considerably slower rates than the other Front Range regions. Colorado Springs retail trade grew 4.0 percent through June 2014. With a declining labor force population and little upward pressure on wages, growth in household disposable income and consumer spending is expected to remain slow through the end of the year.

Figure 26
Colorado Springs
Labor Force and Unemployment Rate
Seasonally Adjusted



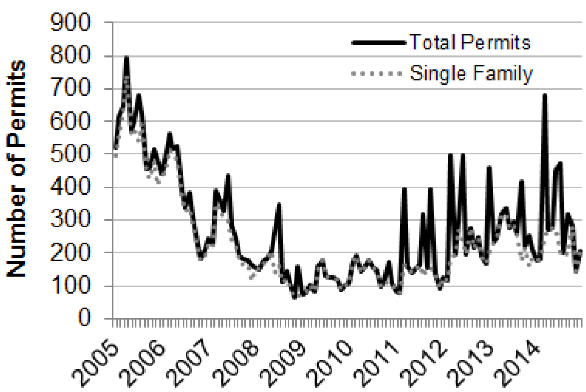
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through December 2014.

Figure 27
Colorado Springs
Nonresidential Projects by Square Feet
Three-Month Moving Average



Source: F.W. Dodge. Data through December 2014.

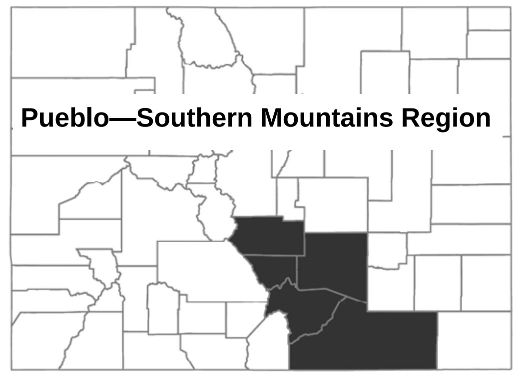
Figure 28
Colorado Springs MSA
Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted



Source: U.S. Census Bureau. Data through December 2014.

Pueblo — Southern Mountains Region

Economic conditions in the Pueblo region improved considerably in 2014. The region added jobs at its fastest rate since the recession and cut its average unemployment rate by 2.2 percentage points. Retail trade accelerated through June after two very weak years of growth, and nonresidential construction rebounded after an especially weak 2013. While recovery remains slow relative to most of the state, the region is beginning to show some signs of life. Economic indicators for the Pueblo region are shown in Table 21.



The Pueblo region's labor market has turned a corner. The region added more than 4,000 jobs in 2014 after adding no more than 400 in any previous year since the Great Recession. Job growth is especially pronounced in the primarily agricultural regions outside of the Pueblo metropolitan statistical area. Job growth, combined with a relatively flat labor force population, cut the regional unemployment rate to 5.5 percent by the end of the year, down from 8.6 percent in December 2013. Regional employment is charted in Figure 29, and the unemployment rate and labor force population are shown in Figure 30.

Consumer spending, as measured by retail trade, grew 3.6 percent through June. This rate is well below the state average but more than double the regional growth rate for 2013. With strong job growth over the second half of the year indicating the creation or expansion of businesses and

Table 21
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2010	2011	2012	2013	2014
Employment Growth					
Pueblo Region /1	-1.3%	0.1%	-1.1%	-1.0%	2.7%
Pueblo MSA /2	-0.1%	1.5%	-0.2%	1.1%	1.7%
Unemployment Rate /1	10.4%	10.4%	10.3%	9.5%	7.3%
Housing Permit Growth /3					
Pueblo MSA Total	-37.9%	-49.6%	125.4%	-40.6%	-0.6%
Pueblo MSA Single-Family	13.6%	-45.5%	50.9%	-8.1%	-0.6%
Growth in Value of Nonresidential Construction /4					
Value of Projects	-62.2%	-58.1%	717.4%	-75.3%	185.0%
Square Footage of Projects	-71.5%	3.9%	386.2%	-72.0%	192.6%
Level (1,000s)	21,454	22,288	108.358	30,389	88,917
Number of Projects	-20.4%	5.1%	-34.1%	11.1%	83.3%
Level	39	41	27	30	55
Retail Trade Sales Growth /5	6.8%	9.5%	2.9%	1.4%	3.6%

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through December 2014.

3/ U.S. Census Bureau. Growth in the number of residential building permits. Data through December 2014.

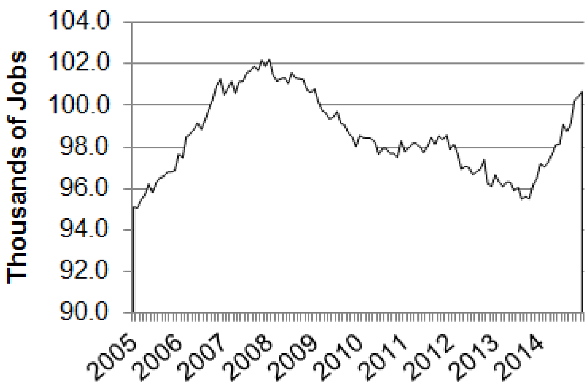
4/ F.W. Dodge. Data through December 2014.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through June 2014.

additions to household income, retail trade growth between July and December likely outpaced growth between January and June. Figure 31 indexes Pueblo region, Colorado, and U.S. retail trade to January 2008.

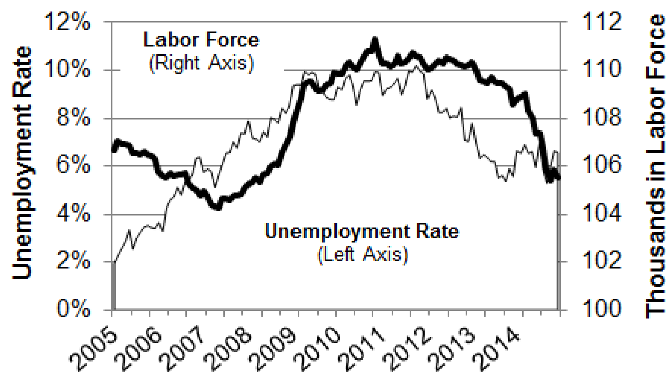
Pueblo's housing market remains one of the weakest in the state. In the Pueblo metropolitan statistical area, the number of housing permits issued stagnated in 2014 after declining by about 40 percent in 2013. Demand for new homes will remain weak until household income grows with more resolve. However, the region is constructing an increased number of nonresidential buildings. The Pueblo region built 55 nonresidential projects in 2014, its most since the Great Recession. Some of this growth is attributable to the legalization of adult-use marijuana on January 1, 2014, which allowed for the construction of new marijuana greenhouses in Pueblo and Huerfano counties.

Figure 29
Pueblo Region Nonfarm Employment
Seasonally Adjusted



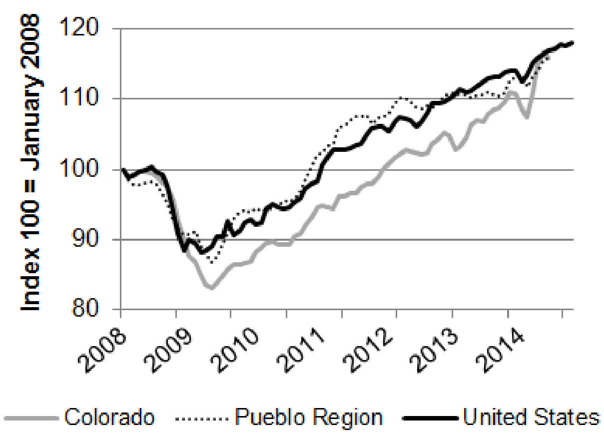
Source: U.S. Bureau of Labor Statistics; LAUS. Data through December 2014.

Figure 30
Pueblo Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through December 2014.

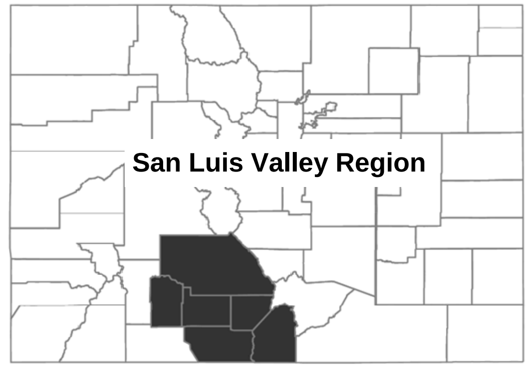
Figure 31
Retail Trade Trends Since January 2008
Three-Month Moving Average;
Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through June 2014; U.S. data through October 2014.

San Luis Valley Region

The San Luis Valley economy has not improved as much as the rest of the state. While employment increased for the first time in five years, the unemployment rate remains high. Growth in housing construction and retail sales are below the statewide average. Economic data for rural areas of the state can be volatile because of small sample sizes. Table 22 shows economic indicators for the San Luis Valley region.



After declining in the previous four years, employment grew 5.5 percent in 2014. This employment growth helped to reduce the unemployment rate to 7.1 percent. The 7.1 percent unemployment rate is the lowest rate in the region since 2008, but it is still the second highest regional unemployment rate in the state. Figure 32 shows the unemployment rate and the labor force in the San Luis Valley region of the state.

The agricultural sector is an important component of the San Luis Valley economy. Total agricultural acreage was similar between 2014 and 2013, but there was a shift between the two primary crops; potato acreage increased 8.7 percent while barley decreased 7.9 percent.

Housing construction declined in 2014 compared with 2013. There were 148 housing permits issued in 2014, a 22.9 percent decrease from 2013.

Table 22
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2010	2011	2012	2013	2014
Employment Growth /1	-2.0%	-1.5%	-0.6%	-2.6%	5.5%
Unemployment Rate /1	8.7%	9.4%	9.4%	9.1%	7.1%
Statewide Crop Price Changes /2					
Barley					
Acres Harvested	49,100	48,700	43,100	46,600	42,900
Crop Value ($/Acre)	551.6	702.9	904.6	824.4	NA
Potatoes					
Acres Harvested	55,200	53,900	54,000	49,600	53,900
Crop Value ($/Acre)	4,905	4,304	2,668	3,833	NA
Housing Permit Growth /3	14.0%	-9.2%	41.5%	15.0%	-22.9%
Retail Trade Sales Growth /4	3.6%	5.8%	2.9%	0.5%	0.6%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.

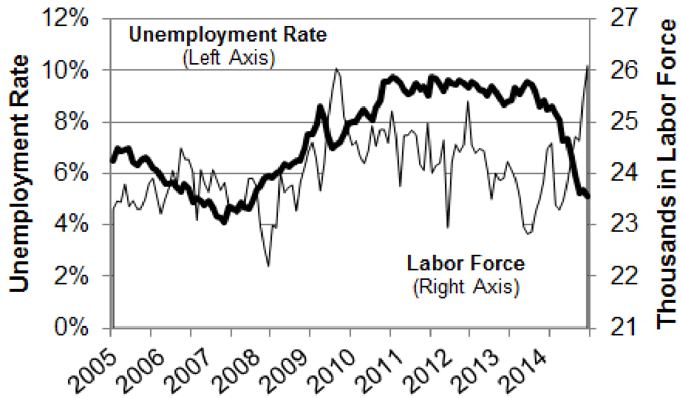
2/ National Agricultural Statistics Service. Barley through December 2014; potatoes through November 2014.

3/ F.W. Dodge. Data through December 2014.

4/ Colorado Department of Revenue. Data through June 2014.

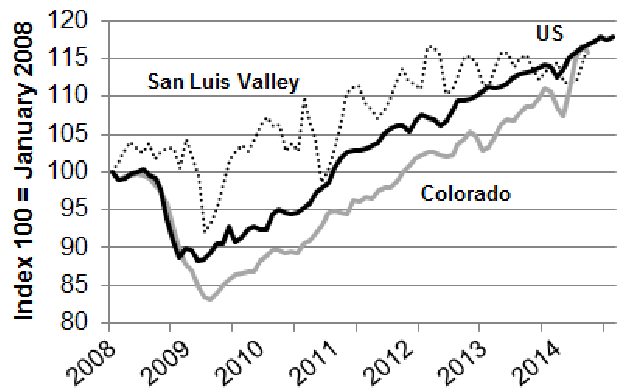
Retail sales in the region declined 0.6 percent in the first six months of 2014 compared with the same period in 2013. The San Luis Valley was the only region in the state with declines in retail sales. Figure 33 indexes retail sales in the nation, the state, and the San Luis Valley region of the state.

Figure 32
San Luis Valley
Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS.
Data through December 2014.

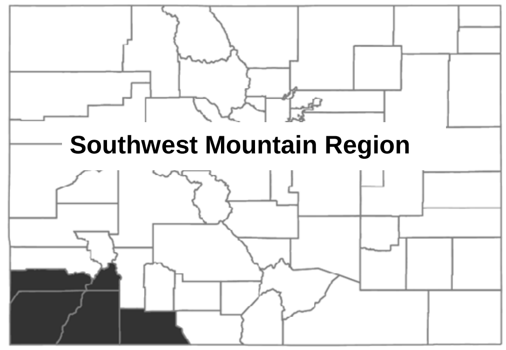
Figure 33
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted
Nominal Data



Source: U.S. Census Bureau, Colorado Department of Revenue.
U.S. Data through December 2014, Colorado data through June 2014.

Southwest Mountain Region

Much of the economic activity in the southwest mountain region of Colorado is tied to recreational opportunities in the region, including National Parks and ski areas. An improving state and national economy has helped increase visitors, which helps boost employment, residential construction, and retail sales. Economic indicators for the Southwest Mountain region are shown in Table 23.



The labor market in the region, which has lagged behind the state as a whole, improved in 2014. Employment grew 5.9 percent in 2014, while the unemployment rate averaged 4.8 percent in 2014. Employment in the region hit its pre-recession peak in December 2014. That peak occurred in November 2007, seven years ago. Figure 34 shows the unemployment rate and the size of the labor force in the Southwest Mountain region of the state.

Some of this improvement in the labor market was due to increases in employment in the construction industry. In 2014, the number of housing permits grew 13.2 percent. While growth in residential housing permits slowed since the 44.7 percent growth in 2013, the level of residential construction permits in 2014 is the highest since 2008.

Retail sales in the region increased 3.4 percent in the first six months of 2014. Some of this growth came from visitors to Hovenweep National Monument and Mesa Verde National Park. Visitation at these parks increased 8.9 percent in 2014. Figure 35 shows the visitation to these National Park units since 2005.

Table 23

Southwest Mountain Region Economic Indicators

Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2010	2011	2012	2013	2014
Employment Growth /1	-3.2%	-0.9%	0.8%	0.4%	5.9%
Unemployment Rate /1	8.3%	7.9%	7.3%	6.4%	4.8%
Housing Permit Growth /2	38.0%	-29.5%	2.4%	44.7%	13.2%
Retail Trade Sales Growth /3	1.9%	9.0%	6.1%	5.5%	3.4%
National Park Recreation Visits /4	1.5%	1.9%	-13.8%	-5.9%	8.9%

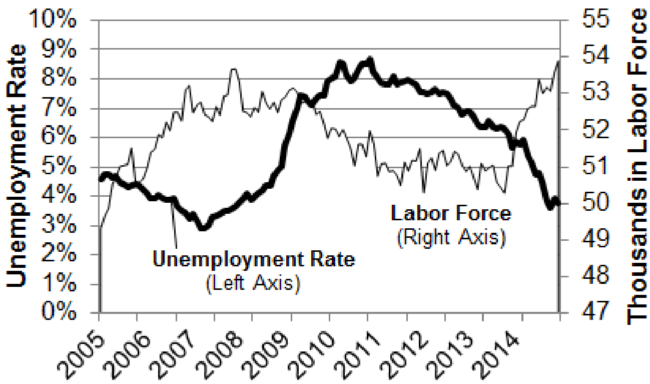
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.

2/ F.W. Dodge. Data through December 2014.

3/ Colorado Department of Revenue. Data through June 2014.

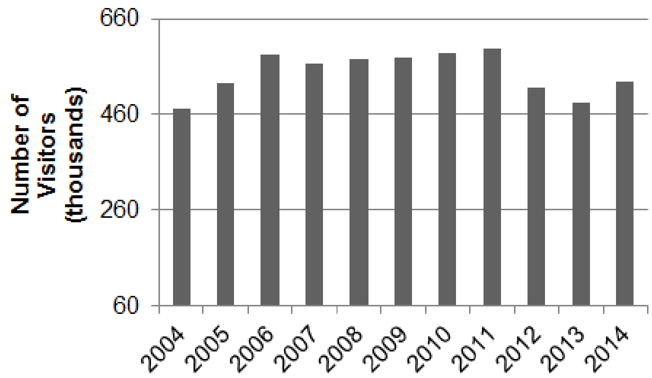
4/ National Park Service. Data through December 2014. Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

Figure 34
Southwest Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; LAUS. Data through December 2014.

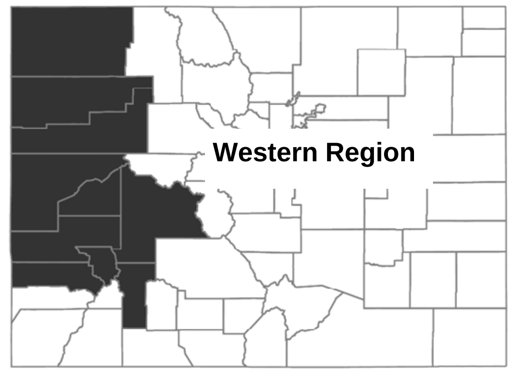
Figure 35
Visitors to Mesa Verde National Park and Hovenweep National Monument
Number of Visitors, thousands



Source: National Park Service, Data through December 2014.

Western Region

In 2014, the western region showed the first signs of consistent economic recovery since the Great Recession. Regional job growth increased at a considerably faster pace than in 2012, the only other year of growth since 2008. Strong growth in both the number of housing permits and non-residential construction give indications of economic recovery in the region, even as the recovery in consumer spending continues to lag behind other areas of the state. The decline in regional natural gas production has also slowed. Economic indicators for the western region are shown in Table 24.



Due to the diversity of the economic drivers, employment trends within the region vary widely. For example, while regional employment grew 3.3 percent on a year-over-year basis in 2014, a survey of Grand Junction employers indicates employment levels grew by only 0.6 percent during that period. Regional employment averages are buoyed by areas such as Garfield County, which contains a good portion of the region's natural gas production, and resort destinations in the Roaring Fork Valley and Ouray and San Miguel counties. In contrast, the struggling coal mining communities in Delta County dampen regional employment growth. In 2014, the regional unemployment rate averaged 5.7 percent and fell to 4.3 percent in December. While this rate is still slightly above the statewide average, it has been falling steadily since 2010. The western region's unemployment rate and labor force are plotted in Figure 36.

Table 24

Western Region Economic Indicators

Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2010	2011	2012	2013	2014
Employment Growth					
Western Region /1	-5.5%	-0.6%	0.3%	-0.7%	3.3%
Grand Junction MSA /2	-4.5%	0.6%	0.9%	0.5%	0.6%
Unemployment Rate /1	10.1%	9.4%	8.5%	7.6%	5.7%
Natural Gas Production Growth /3	5.2%	6.7%	5.7%	-9.0%	-2.9%
Housing Permit Growth /4	2.0%	-20.8%	22.4%	-1.0%	18.5%
Growth in Value of Nonresidential Construction /4					
Value Projects	19.0%	-60.1%	13.2%	-26.2%	228.1%
Square Footage of Projects	28.4%	-59.2%	26.0%	-43.5%	164.2%
Level (1,000s)	1,329	542	682	385	1,018
Number of Projects	-29.5%	-32.7%	16.7%	-32.5%	30.8%
Level	139	98	66	77	52
Retail Trade Sales Growth /5	2.2%	8.8%	1.0%	3.5%	3.1%

MSA = Metropolitan statistical area. Na = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.

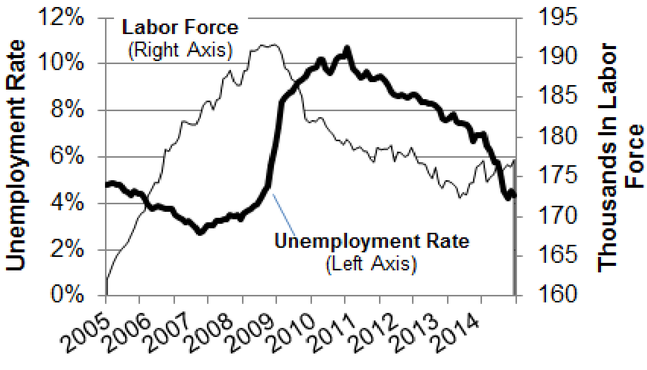
2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through December 2014.

3/ Colorado Oil and Gas Conservation Commission. Data through June 2014.

4/ F.W. Dodge. Data through December 2014.

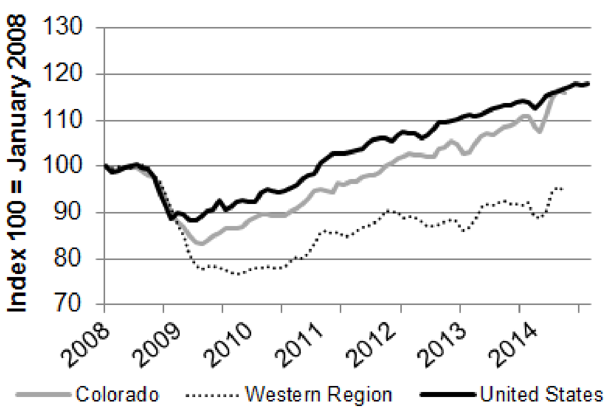
5/ Colorado Department of Revenue. Seasonally adjusted. Data through June 2014.

Figure 36
Western Region Unemployment Rate and Labor Force
Seasonally Adjusted



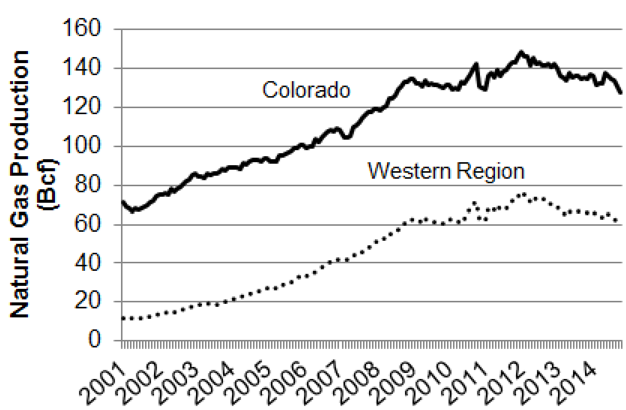
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through December 2014.

Figure 37
Trends in U.S., Colorado, and Western Region Retail Trade Since January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through June 2014; U.S. data through October 2014.

Figure 38
Colorado and Western Region Natural Gas Production
Three-Month Moving Average; Seasonally Adjusted Data



Source: Colorado Oil and Gas Conservation Commission. Data through October 2014.

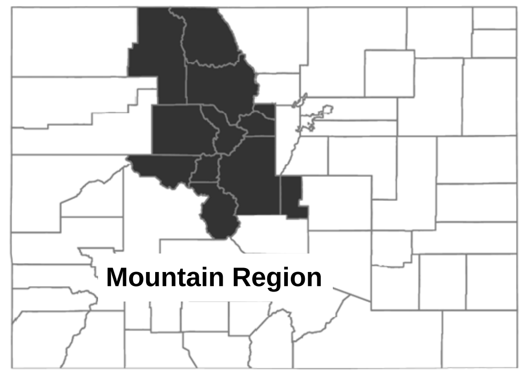
After a slow year in 2013, construction in the western region picked up in 2014. Issuance of housing permits increased 18.5, an encouraging sign after the number of permits issued stalled last year. Similarly, nonresidential construction in the region accelerated in 2014 after a decline in the prior year. However, the region's triple digit increases in nonresidential construction, including 228.1 percent growth in the value of nonresidential construction projects and 164.2 percent growth in square footage, reflect progress on four large projects in Mesa County and likely will not be sustained after these projects' completion.

Through June, consumer spending, as proxied by retail trade sales, grew 3.1 percent compared with the same period in 2013. This would represent a deceleration from last year's 3.5 percent retail trade growth rate. As shown in Figure 37, during the recession retail trade in the western region fell to a lower point than other areas in the state, and has recovered at a slower rate. In contrast to other areas in the state, nominal retail trade sales remain well below their pre-recession peak.

The western region's natural gas production is concentrated in the Piceance Basin, primarily in Garfield County. Through October, gas production was down 2.9 percent compared with the same period in 2013. While gas production is down, the trend has improved since last year, when western region gas production fell 9.0 percent. Figure 38 compares a three-month moving average of western region natural gas production to production in the rest of the state.

Mountain Region

The economy in the mountain region is buoyed by increased visitation to the region's recreational areas and the resulting spending by tourists. Regional employment growth is strong, while the regional unemployment rate is among the lowest in the state. Although residential construction slowed somewhat in 2014, the pace of non-residential construction remains brisk. Growth in retail trade sales within the region is also among the fastest in the state. Table 25 shows various economic indicators for the region.



Regional employment continues to increase at a healthy rate, growing 5.1 percent in 2014 on a year-over year basis. The unemployment rate in the region averaged 4.6 percent in 2014, and had dropped to 3.6 percent by December. The rate was down from an average of 6.4 percent in 2013, the fourth consecutive year that the rate has declined. This decline happened even though the regional labor force has grown 4.5 percent since the end of 2013. Figure 39 shows the labor force and the unemployment rate in the mountain region.

Growth in residential construction permits has slowed from 52.3 percent in 2013 to 1.2 percent in 2014. Even with the slow growth exhibited in 2014, the number of residential construction permits issued in the region is well above the low levels seen from 2009 through 2012 during the recession. Figure 40 shows the number and the value of residential construction permits in the mountain region.

Table 25

Mountain Region Economic Indicators

Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2010	2011	2012	2013	2014
Employment Growth /1	-3.7%	-0.4%	1.0%	1.1%	5.1%
Unemployment Rate /1	9.1%	8.3%	7.4%	6.4%	4.6%
Housing Permit Growth /2	-10.0%	5.9%	17.6%	52.3%	1.2%
Growth in Value of Nonresidential Construction /2					
Value of Projects	76.2%	169.1%	-29.6%	-19.6%	71.3%
Square Footage of Projects	33.4%	195.4%	-57.4%	-8.6%	29.8%
Level (1,000s)	87,845	259,490	110,518	101,044	131,181
Number of Projects	2.0%	-13.7%	11.4%	2.0%	4.0%
Level	51	44	49	50	52
Retail Trade Sales Growth /3	7.8%	8.0%	5.8%	6.3%	6.4%

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.

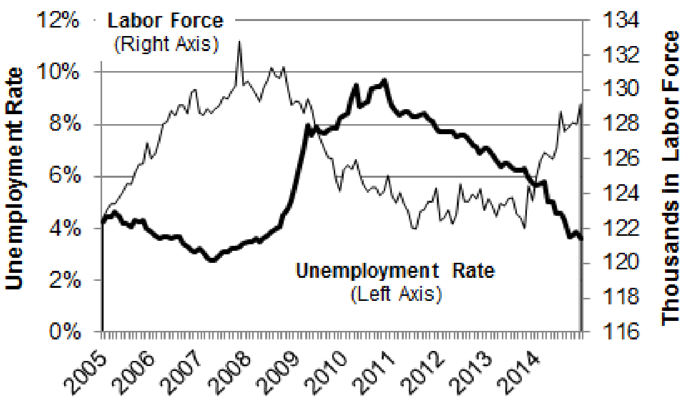
2/ F.W. Dodge. Data through December 2014.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through June 2014.

Growth rates for regional nonresidential construction in 2014 outstripped growth rates for residential construction. In 2014, the number of nonresidential projects increased 4.0 percent compared with 2013. The value and size of those projects increased 71.3 percent and 29.8 percent, respectively.

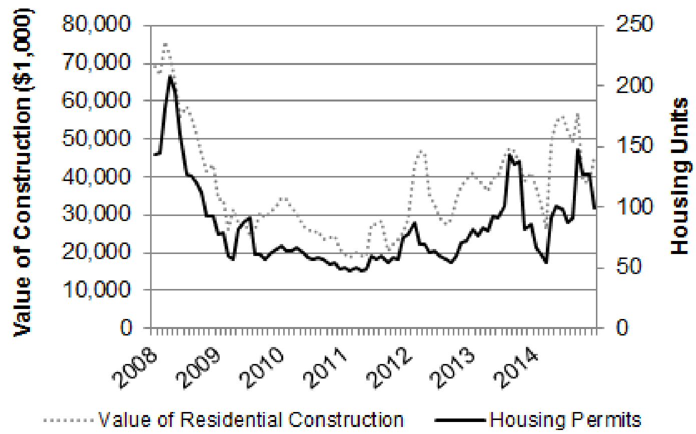
Retail sales increased 7.9 percent between January and June of 2014, compared with the same period in 2013. This was the second highest growth rate among regions for this period. Increased visitation levels to the region and the accelerating economy suggest that the strong growth in regional retail sales likely continued through the remainder of 2014. Figure 41 shows indexed retail sales in the mountain region, Colorado, and the nation.

Figure 39
Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted Data



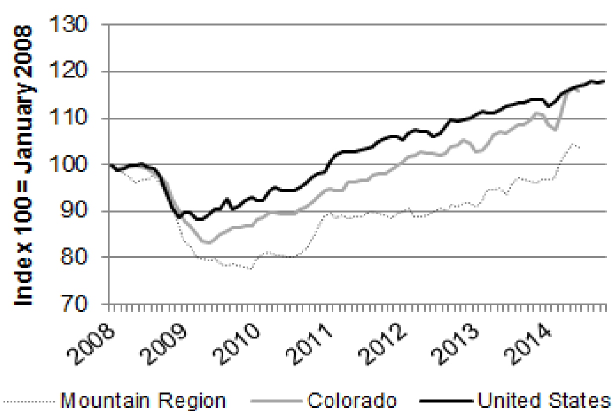
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through December 2014.

Figure 40
Value and Number of Residential construction Permits



Source: F.W. Dodge. Data through October 2014.

Figure 41
Retail Trade Trends Since January 2008
Index 100 = January 2008

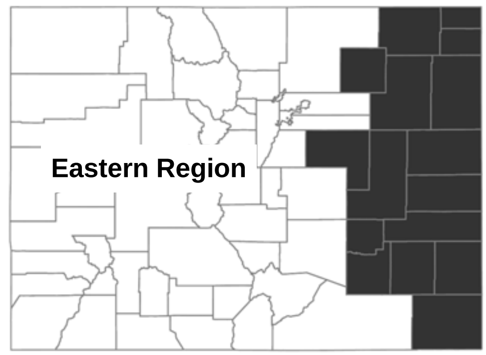


Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through June 2014; U.S. data through October 2014.

Eastern Region

Agriculture is a major source of economic activity in the eastern region. The labor market improved in 2014, which helped to support retail trade. Prices for agricultural goods declined because good weather helped increase production. Economic indicators for the region are shown in Table 26.

The number of jobs in the region increased 8.0 percent in 2014, the fastest growth since 2005. This helped the average unemployment rate fall from 5.8 percent in 2013 to 4.2 percent in 2014, second lowest rate in the state. Figure 42 shows the unemployment rate and the labor force in the eastern region.



Good weather and more water storage led to high yields for agricultural commodities in the eastern region. The increased production caused the prices of field crops to fall. The price received for a bushel of wheat in 2014 was 11.8 percent below the 2013 price, while prices for corn fell 32.7 percent and 11.1 percent, respectively. Lower hay and feed costs make it cheaper to raise livestock. Milk production in the eastern region increased 8.3 percent between 2013 and 2014, while the number of calf and cattle decreased 3.8 percent.

Table 26
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2010	2011	2012	2013	2014
Employment Growth /1	-3.7%	1.0%	-1.8%	-2.5%	8.0%
Unemployment Rate /1	6.7%	6.4%	6.3%	5.8%	4.2%
Crop Price Changes /2					
Wheat $/bushel	-7.6%	41.7%	4.2%	0.8%	-11.8%
Corn $/bushel	-1.5%	59.3%	9.2%	-2.8%	-32.7%
Alfalfa Hay (Baled) $/ton	-15.9%	40.9%	37.0%	-0.1%	-11.1%
Livestock /3					
State Cattle and Calf Inventory Growth	-1.2%	10.2%	-3.4%	-8.7%	-3.8%
Milk Production	-0.8%	6.5%	7.1%	3.5%	8.3%
Retail Trade Sales Growth /4	10.1%	13.7%	4.1%	2.4%	11.9%

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through December 2014.

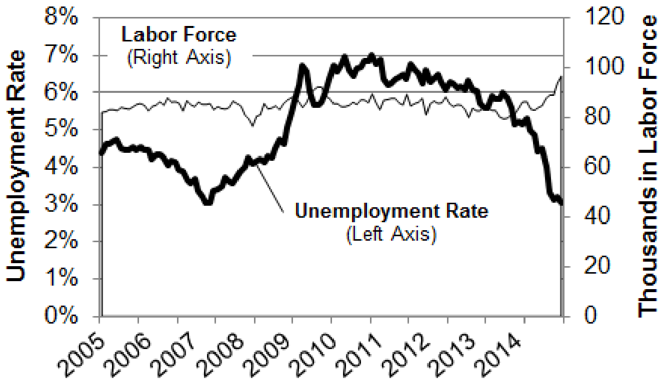
2/ National Agricultural Statistics Service. Price data through November 2014.

3/ National Agricultural Statistics Service. Data through November 2014.

4/ Colorado Department of Revenue. Data through June 2014.

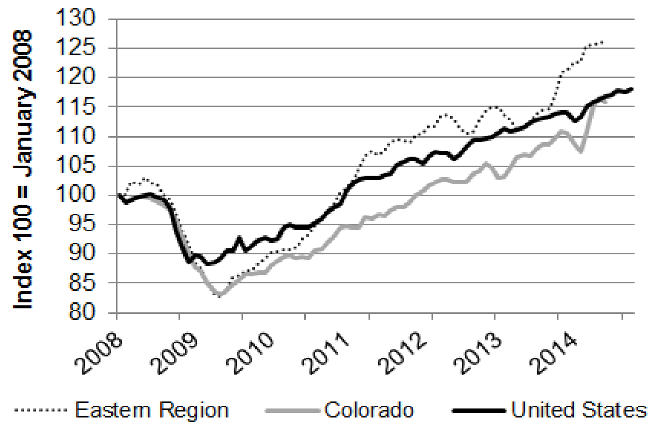
In the first six months of 2014, retail trade in the region grew 11.9 percent compared with the same period in 2013. This growth is much faster than the statewide average of 7.5 percent and faster than growth in the Eastern region in 2012 and 2013, which grew 4.1 percent and 2.4 percent, respectively. Figure 43 shows retail trade in the Eastern region compared with the state and the nation.

Figure 42
Labor Force and Unemployment Rate



Source: Bureau of Labor Statistics, LAUS.
Data through December 2014.

Figure 43
Retail Sales in Eastern Plaines Region
Index January 2008 = 100



Source: U.S. Census Bureau, Colorado Department of Revenue. U.S. Data through December 2014, Colorado data through June 2014.

Appendix A
Historical Data

National Economic Indicators

(Dollar Amounts in Billions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Domestic Product	$10,284.8	$10,621.8	$10,977.5	$11,510.7	$12,274.9	$13,093.7	$13,855.9	$14,477.6	$14,718.6	$14,418.7	$14,964.4	$15,517.9	$16,163.2	$16,768.1	$17,418.3
percent change	6.5%	3.3%	3.3%	4.9%	6.6%	6.7%	5.8%	4.5%	1.7%	-2.0%	3.8%	3.7%	4.2%	3.7%	3.9%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$12,559.7	$12,682.2	$12,908.8	$13,271.1	$13,773.5	$14,234.2	$14,613.8	$14,873.7	$14,830.4	$14,418.7	$14,783.8	$15,020.6	$15,369.2	$15,710.3	$16,085.3
percent change	4.1%	1.0%	1.8%	2.8%	3.8%	3.3%	2.7%	1.8%	-0.3%	-2.8%	2.5%	1.6%	2.3%	2.2%	2.4%
Unemployment Rate	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%
Inflation (Consumer Price Index)	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%	1.6%
10-Year Treasury Note	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.3%	2.5%
Personal Income	$8,632.8	$8,987.1	$9,149.5	$9,486.6	$10,048.3	$10,609.3	$11,389.0	$11,994.9	$12,429.6	$12,087.5	$12,429.3	$13,202.0	$13,887.7	$14,166.9	$14,729.1
percent change	8.1%	4.1%	1.8%	3.7%	5.9%	5.6%	7.3%	5.3%	3.6%	-2.8%	2.8%	6.2%	5.2%	2.0%	4.0%
Wage and Salary Income	$4,825.9	$4,954.4	$4,996.4	$5,137.8	$5,421.9	$5,692.0	$6,057.4	$6,395.2	$6,531.9	$6,251.4	$6,377.5	$6,633.2	$6,932.1	$7,124.7	$7,445.9
percent change	8.3%	2.7%	0.8%	2.8%	5.5%	5.0%	6.4%	5.6%	2.1%	-4.3%	2.0%	4.0%	4.5%	2.8%	4.5%
Nonfarm Employment (millions)	132.0	132.1	130.6	130.3	131.7	134.0	136.4	137.9	137.2	131.2	130.3	131.8	134.1	136.4	139.0
percent change	2.2%	0.0%	-1.1%	-0.2%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.7%	1.9%

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve Board.

Colorado Economic Indicators

(Dollar Amounts in Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nonagricultural Employment (thous.)	2,214.2	2,227.1	2,184.7	2,152.6	2,179.4	2,225.9	2,279.7	2,331.1	2,350.6	2,245.5	2,222.3	2,258.7	2,313.1	2,382.2	2,461.3
percent change	3.8%	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.3%
Unemployment Rate (%)	2.7	3.8	5.6	6.0	5.5	4.9	4.2	3.8	4.9	7.5	8.8	8.2	7.7	6.5	4.9
Personal Income (millions)	$148,099	$155,918	$156,032	$159,330	$166,625	$177,819	$191,699	$202,599	$212,102	$206,438	$210,454	$226,145	$240,350	$247,069	NA
percent change	11.7%	5.3%	0.1%	2.1%	4.6%	6.7%	7.8%	5.7%	4.7%	-2.7%	1.9%	7.5%	6.3%	2.8%	
Per Capita Income	$34,227	$35,230	$34,748	$35,182	$36,421	$38,390	$40,611	$42,174	$43,377	$41,518	$41,689	$44,183	$46,315	$46,897	NA
percent change	9.0%	2.9%	-1.4%	1.2%	3.5%	5.4%	5.8%	3.8%	2.9%	-4.3%	0.4%	6.0%	4.8%	1.3%	
Wage and Salary Income (millions)	$86,412	$89,130	$88,089	$89,281	$93,569	$98,787	$105,664	$112,506	$116,682	$112,301	$113,790	$118,559	$125,135	$129,597	NA
percent change	12.8%	3.1%	-1.2%	1.4%	4.8%	5.6%	7.0%	6.5%	3.7%	-3.8%	1.3%	4.2%	5.5%	3.6%	
Retail Trade Sales (millions)	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569	NA
percent change	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	
Housing Permits	54,596	55,007	47,871	39,569	46,499	45,891	38,343	29,454	18,998	9,355	11,591	13,502	23,301	27,517	29,212
percent change	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%	6.2%
Nonresidential Construction (millions)	$3,498	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,114	$3,354	$3,147	$3,923	$3,692	$3,610	$4,269
percent change	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.9%	-2.2%	18.3%
Denver-Boulder Inflation Rate	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.8%	2.8%
Population (thousands, July 1)	4,326.9	4,425.7	4,490.4	4,528.7	4,575.0	4631.9	4,720.4	4,803.9	4,889.7	4,972.2	5,048.6	5,119.7	5,191.7	5,272.1	5,355.9
percent change	2.4%	2.3%	1.5%	0.9%	1.0%	1.2%	1.9%	1.8%	1.8%	1.7%	1.5%	1.4%	1.4%	1.5%	1.6%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and F.W. Dodge.

NA = Not Available.