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MEMORANDUM

September 20, 2004

TO: Members of the General Assembly

FROM: The Economics Staff, (303) 866-3521

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2004-2010*

This memorandum presents the current budget outlook with the September 2004 General Fund and Cash Fund revenue forecasts. Table 1 presents the results of the forecast on the General Fund overview based on current law.

Executive Summary

General Fund Revenue. FY 2003-04 General Fund revenue exceeded the June forecast by \$24.5 million. Higher-than-expected individual income tax receipts were responsible for the added revenue. The increased revenue, combined with budgetary savings in the General Fund and a large accrual adjustment, allowed the General Fund to end the year with \$122.3 million in reserve above the 4 percent reserve requirement. This money will be distributed to the Highway Users Tax Fund (\$81.5 million) and the Capital Construction Fund (\$40.8 million) as provided for in House Bill 02-1310 and Senate Bill 02-179.

The state will use 4.9 percentage points of the 6.0 percentage points available from the **population adjustment** to retain the extra revenue in FY 2003-04. The remaining 1.1 percentage points will be used in FY 2004-05. We project that revenue available in the General Fund below the TABOR limit will be sufficient to fund the current year's budget and the 4 percent reserve requirement. In addition, the General Fund will end FY 2004-05 with \$19.7 million in excess reserve that will be transferred to highways (\$13.1 million) and capital (\$6.6 million).

We increased the forecast for FY 2004-05 by \$23.0 million in recognition of the higher than expected individual income tax collections. However, increasing revenue does not allow the state to retain and spend additional money because of the refund requirements of TABOR. General Fund revenue that comes in higher than expected will add to the state's TABOR refund.

Table 1
September 2004 General Fund Overview
(Dollars in millions)

	Preliminary FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10
1 Beginning Reserve	\$225.0	\$345.9	\$251.7	\$235.4	\$241.9	\$256.4	\$271.8
2 Gross General Fund	5,766.5	6,028.9	6,457.3	6,903.4	7,337.7	7,777.0	8,167.3
3 Senate Bill 97-1 Diversion to the HUTF	0.0	0.0	0.0	0.0	-56.2	-51.0	0.0
4 Paybacks to Other Funds	-16.2	0.0	0.0	0.0	0.0	0.0	0.0
5 Transfers from Other Funds	12.4	26.5	31.2	30.5	30.1	34.1	34.1
6 Diversion of Sales Taxes to Older Coloradans Fund	-1.5	-1.5	-2.0	-2.0	-2.0	-2.0	-2.0
7 TABOR Surplus Liability (refunded in following year)	0.0	-114.1	-459.2	-674.6	-665.3	-722.9	-806.9
8 Total Funds Available	\$5,986.2	\$6,285.7	\$6,279.0	\$6,492.7	\$6,886.2	\$7,291.6	\$7,664.3
APPROPRIATIONS AND OBLIGATIONS:							
9 Allowable General Fund Appropriations	\$5,590.9	\$5,795.9	\$6,149.1	\$6,238.9	\$6,409.7	\$6,794.3	\$7,202.0
10 Additional Appropriations Approved by JBC	-\$0.7	\$5.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
11 Necessary Reductions to Balance Budget	\$0.0	\$0.0	-\$263.3	-\$192.0	\$0.0	\$0.0	-\$55.0
12 Actual Appropriations	\$5,590.2	\$5,801.0	\$5,885.8	\$6,046.9	\$6,409.7	\$6,794.3	\$7,147.0
13 Allowable App. At 6% Growth From 04-05 Budget	NA	NA	\$6,149.1	\$6,518.0	\$6,909.1	\$7,323.6	\$7,763.0
14 Cumulative Difference (Cuts Below 6%)	NA	NA	-\$263.3	-\$471.1	-\$499.4	-\$529.3	-\$616.0
15 Rebates and Expenditures	112.8	110.6	138.1	141.7	145.8	151.0	156.9
16 Reimbursement for Senior Property Tax Cut	0.0	0.0	0.0	54.8	54.3	55.1	55.1
17 Funds in Prior Year Excess Reserve to HUTF	5.6	81.5	13.1	0.0	0.0	0.0	0.0
18 Funds in Prior Year Excess Reserve to Capital Construction	2.8	40.8	6.6	0.0	0.0	0.0	0.0
19 Capital Construction Transfer	9.5	0.2	0.1	7.4	20.0	19.4	19.4
20 Federal Medicaid Assistance	-68.7	0.0	0.0	0.0	0.0	0.0	0.0
21 Accounting Adjustments	-11.9	NE	NE	NE	NE	NE	NE
22 Total Obligations	\$5,640.3	\$6,034.0	\$6,043.6	\$6,250.8	\$6,629.8	\$7,019.8	\$7,378.4
23 YEAR-END GENERAL FUND RESERVE:	\$345.9	\$251.7	\$235.4	\$241.9	\$256.4	\$271.8	\$285.9
24 STATUTORY RESERVE: 4.0% OF APPROPRIATIONS	223.6	232.0	235.4	241.9	256.4	271.8	285.9
25 GENERAL FUND EXCESS RESERVE	\$122.3	\$19.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
26 RESERVE AS A % OF APPROPRIATIONS	6.3%	4.3%	4.0%	4.0%	4.0%	4.0%	4.0%
TABOR RESERVE REQUIREMENT:							
27 General & Cash Fund Emergency Reserve Requirement	\$250.0	\$246.1	\$250.8	\$259.3	\$269.7	\$281.8	\$295.1
28 Appropriations Growth	\$167.6	\$210.8	\$84.8	\$161.1	\$362.8	\$384.6	\$352.7
29 Appropriations Growth Rate	3.10%	3.82%	1.46%	2.74%	6.00%	6.00%	5.19%
30 Addendum: Amount Directed to State Education Fund	\$278.7	\$297.1	\$318.9	\$344.2	\$368.1	\$391.6	\$414.6

Totals may not sum due to rounding.

The estimate of the state's *structural deficit*, the amount of allowable appropriations under the six percent spending limit less the amount of revenue available for appropriations, was increased in this forecast due to lower-than-expected inflation. Lower inflation reduces future expectations for growth in the TABOR revenue limit. A lower TABOR limit means that more revenue is refunded and less is retained in the General Fund each year. Therefore, the state has less revenue available to spend on an ongoing basis. On the positive side, we reduced the forecast for cash fund revenue subject to TABOR, thus reducing the amount of TABOR surplus that must be refunded each year. Since the refund is made with General Fund dollars, a reduction in the amount refunded without a corresponding reduction in General Fund revenue helps with the structural deficit.

However, the impact of the inflation change outweighs the impact from the reduced cash fund forecast, increasing the structural deficit. We expect that the FY 2005-06 budget will need to be reduced by \$263.3 million, followed by additional reductions of \$192 million in FY 2006-07. In addition, the state will need to cut \$55.0 million from the budget in FY 2009-10. Put another way, the state will be able to increase spending by \$84.8 million in FY 2005-06. Required increases in K-12 education alone will be greater than this amount.

It is important to note that, while the state will have less available to spend because of the lower-than-expected inflation, in some cases the state's needs are also reduced by having a lower inflation rate.

Cash Fund Revenue. Cash fund revenue subject to TABOR will be reduced by more than \$425 million in FY 2004-05 due to Senate Bill 04-189, under which the University of Colorado System will become an enterprise beginning in FY 2004-05. Excluding the University of Colorado, cash fund revenue will increase 5.4 percent in FY 2004-05 and at an average annual rate of 1.9 percent through FY 2009-10.

The forecast for cash fund revenue was almost unchanged for FY 2004-05, but decreased by \$297.6 million between FY 2005-06 and FY 2008-09. The decrease was almost entirely due to reductions in the forecasts for unemployment insurance and motor fuel tax collections. Lower unemployment insurance taxes are expected because the balance in the Unemployment Insurance Trust Fund is not expected to fall as much as was expected in June. In addition, the growing demand for motor vehicle hybrids will have a dampening effect on motor fuel taxes. Because the state is expected to have surplus revenue beginning in FY 2004-05, this decreases the amount we expect to be refunded out of the General Fund by \$295.0 million over the forecast period.

Table 2
September 2004 General Fund Revenue Estimates
(Dollars in millions)

Category	FY 2003-04	Percent Change	Estimate FY 2004-05	Percent Change	Estimate FY 2005-06	Percent Change	Estimate FY 2006-07	Percent Change	Estimate FY 2007-08	Percent Change	Estimate FY 2008-09	Percent Change	Estimate FY 2009-10	Percent Change
Sales /A	\$1,771.0	4.0	\$1,844.1	4.1	\$1,920.8	4.2	\$2,017.0	5.0	\$2,120.9	5.1	\$2,239.8	5.6	\$2,367.5	5.7
Use /A	137.3	0.6	143.9	4.8	151.8	5.5	160.3	5.5	168.3	5.0	176.0	4.6	184.8	5.0
Cigarette	53.8	-1.0	52.4	-2.5	50.9	-2.9	50.1	-1.5	49.3	-1.5	48.6	-1.5	47.9	-1.5
Tobacco Products	12.0	15.3	12.4	3.5	12.8	2.9	13.5	5.9	14.2	5.1	14.9	5.0	15.5	3.8
Liquor	30.9	4.0	31.6	2.2	32.3	2.3	33.2	2.6	34.0	2.6	34.9	2.5	35.8	2.5
TOTAL EXCISE	\$2,005.0	4.7	\$2,084.4	4.0	\$2,168.6	4.0	\$2,274.1	4.9	\$2,386.8	5.0	\$2,514.2	5.3	\$2,651.4	5.5
Net Individual Income	\$3,449.9	10.5	\$3,627.4	5.1	\$3,920.4	8.1	\$4,227.5	7.8	\$4,522.0	7.0	\$4,810.9	6.4	\$5,099.3	6.0
Net Corporate Income	235.2	4.5	282.6	20.2	352.0	24.5	387.5	10.1	417.4	7.7	446.2	6.9	469.4	5.2
TOTAL INCOME TAXES	\$3,685.1	10.1	\$3,910.1	6.1	\$4,272.4	9.3	\$4,615.0	8.0	\$4,939.4	7.0	\$5,257.1	6.4	\$5,568.7	5.9
Less: Portion directed to the State Education Fund /B	-278.7	47.9	-297.1	6.6	-318.9	7.3	-344.2	7.9	-368.1	7.0	-391.6	6.4	-414.6	5.9
INCOME TAXES TO GENERAL FUND	\$3,406.4	7.8	\$3,613.0	6.1	\$3,953.5	9.4	\$4,270.8	8.0	\$4,571.3	7.0	\$4,865.5	6.4	\$5,154.1	5.9
Estate	\$47.2	-11.6	\$21.7	-53.9	\$4.4	-79.8	\$0.0	-100.0	\$0.0	NA	\$0.0	NA	\$0.0	NA
Insurance	175.9	2.7	184.9	5.1	189.7	2.6	200.5	5.7	212.4	6.0	225.0	5.9	238.3	5.9
Pari-Mutuel	4.4	-6.1	4.2	-3.4	4.0	-5.2	3.8	-5.2	3.6	-5.2	3.4	-5.2	3.2	
Investment Income	19.5	-61.7	27.6	41.3	39.5	43.3	52.3	32.3	56.9	8.7	57.4	1.0	61.1	6.4
Court Receipts	26.3	10.9	22.8	-13.0	23.7	3.6	24.5	3.6	25.4	3.6	26.3	3.6	27.3	3.6
Gaming /C	40.2	4.7	42.4	5.6	45.3	6.8	48.0	6.0	51.1	6.5	54.1	5.9	57.0	5.5
Other Income	41.5	-9.4	27.7	-33.2	28.5	2.9	29.4	2.9	30.2	2.8	31.0	2.7	31.9	2.7
TOTAL OTHER	\$355.0	-12.1	\$331.5	-6.6	\$335.2	1.1	\$358.5	7.0	\$379.6	5.9	\$397.3	4.7	\$361.8	-8.9
GROSS GENERAL FUND	\$5,766.4	5.3	\$6,028.9	4.6	\$6,457.3	7.1	\$6,903.4	6.9	\$7,337.7	6.3	\$7,777.0	6.0	\$8,167.3	5.0
REBATES & EXPENDITURES:														
Cigarette Rebate	\$14.9	-1.6	\$14.5	-2.5	\$14.1	-2.9	\$13.9	-1.5	\$13.7	-1.5	\$13.5	-1.5	\$13.3	-1.5
Old-Age Pension Fund	78.5	3.4	79.1	0.8	81.9	3.5	85.6	4.4	90.1	5.3	95.5	6.0	101.5	6.3
Aged Property Tax & Heating Credit	15.7	8.4	13.3	-15.1	13.0	-2.5	13.2	1.3	12.9	-1.8	13.0	0.5	13.0	0.3
Fire/Police Pensions	3.7	-87.4	3.6	-1.6	29.1	708.3	29.1	0.0	29.1	0.0	29.1	0.0	29.1	0.0
TOTAL REBATES & EXPENDITURES	\$112.8	-16.2	\$110.6	-2.0	\$138.1	24.9	\$141.7	2.6	\$145.8	2.9	\$151.0	3.6	\$156.9	3.9

Totals may not sum due to rounding.
NA: Not Applicable.

/A Sales and use taxes diverted to the Highway Users Tax Fund can be found on line 3 of the General Fund Overview on page 2 of this document.

/B In November 2000, Colorado voters approved Amendment 23 that deposits an amount equal to 0.33 percent of Colorado taxable income into the State Education Fund. These revenues are exempt from the TABOR revenue limit.

/C Includes only the amount credited to the General Fund.

General Fund Revenue

This section presents the Legislative Council Staff outlook for General Fund revenue. Table 2 illustrates revenue projections by category for FY 2004-05 through FY 2009-10. The Colorado economy slowed during the summer after showing signs of a jumpstart earlier in the year. We still believe that the economy is poised to pull out of the recession that has gripped the state for three years. Employment turned positive in February, but remains well below the peak employment level of December 2000. Consumer spending, while underperforming so far this year, should pick up as the job market turns around and consumers regain confidence during the next year. Meanwhile, inflation remains extremely low, which is a positive sign for consumer spending and the construction markets.

FY 2003-04 actual General Fund revenue exceeded our June forecast by \$24.5 million. The additional revenue, combined with a large accrual adjustment, leaves the state with \$122.3 million in excess of the General Fund reserve requirement. This amount will be transferred to the Highway Users Tax Fund (\$81.5 million) and the Capital Construction Fund (\$40.8 million).

The impact of lower than expected inflation and delays in the economic recovery caused us to reduce our forecast for FY 2004-05 revenue on a cash accounting basis by \$23.0 million. While we did increase the forecast for income taxes, other sectors of the forecast more than offset those gains.

Sales taxes have gotten off to a slow start so far in FY 2004-05. While we expect consumers to gain confidence by the end of the fiscal year, the lackluster growth thus far caused us to reduce the forecast for FY 2004-05 by \$14.1 million relative to the June forecast. We expect that the economy will continue to expand, though at a more moderate pace than previously anticipated. Use taxes were also revised slightly lower for FY 2004-05. The prolonged slowdown in the construction industry resulted in a less optimistic outlook for FY 2004-05 use tax receipts than previously expected.

Individual income taxes will increase 5.1 percent in FY 2004-05 after increasing 10.5 percent in FY 2003-04. Much of the difference between the growth rates are due to the accruals, which served to increase FY 2003-04 revenue and decrease FY 2004-05 revenue. Estimated payments are expected to show strong growth in FY 2004-05. Stability in the stock market has led to a return of some capital gains tax revenue and fewer individuals being able to offset earnings with capital losses. Individual income taxes will increase 8.1 percent in FY 2005-06 and 7.8 percent in FY 2006-07 as the employment recovery matures into an expansion.

The **State Education Fund (SEF)** receives one-third of one percent of taxable income from state income tax returns. This fund will see a growth pattern of revenue similar to income taxes. The SEF will receive \$278.7 million this year, followed by \$297.1 million during FY 2004-05.

Corporate income tax collections are expected to increase 20.2 percent in FY 2004-05 and 24.5 percent in FY 2005-06. Corporate profits are projected to increase dramatically in the coming two years as federal tax breaks expire and the economic recovery gains momentum. Federal tax legislation provided temporary assistance to companies in the form of accelerated depreciation allowances and higher expensing limits. In addition, the recent recession forced corporations to reduce and refinance debt, cut costs, and restructure operations to improve productivity.

While profits have improved substantially in the current fiscal year, tax revenues have been constrained by the temporary tax breaks. Also, as economic conditions continue to improve, corporations will generate even larger profits. As the tax breaks expire for tax years 2004 and 2005, income tax collections will accelerate. However, if Congress makes these corporate tax benefits permanent, the projected increase in corporate income taxes will not be realized.

Estate taxes continue to be affected by the federal phase-out of the state tax credit allowed on federal returns. Colorado's estate tax is equal to the value of the credit. When the credit disappears, state revenue from this source will end as well. We anticipate that the state will receive no revenue from this source beginning in FY 2006-07. While the state saw revenue from several large estates last fiscal year, the one-time nature of those events and the phase out of the tax will result in a significant reduction in estate tax revenue in FY 2004-05 and FY 2005-06. The state received \$47.2 million in estate taxes during FY 2003-04, but will only receive \$21.7 million in FY 2004-05 and \$4.4 million in FY 2005-06.

The Constitutional Revenue Limit—TABOR

Article X, Section 20 of the state Constitution (**TABOR**) requires that any revenue collected above the TABOR limit be refunded to taxpayers within one year after the fiscal year in which the revenue is collected. TABOR limits the aggregate annual increase in most state revenue to inflation plus the annual percentage change in state population. The limit is applied to either the prior year's limit or to actual TABOR revenue collected in the prior year, whichever is less.

The state first collected **surplus** TABOR revenue in FY 1996-97 and had surpluses for the next four years. Table 3 shows the actual and estimated TABOR surpluses and shortfalls from FY 1996-97 through FY 2009-10. As can be seen in the table, the state collected \$3.25 billion in surplus revenue through FY 2000-01. However, the state experienced a recession in FY 2001-02 and revenue fell \$365.7 million below the allowable amount that year. Continuing tough economic times, including stock market declines and significant job losses throughout the economy, caused state revenues to fall \$584.3 million below the limit in FY 2002-03. Because the TABOR limit grows from the lower of either the previous year's limit or actual revenue collected in the prior year, the limit "**ratchets down**" in years that the state does not collect revenue up to the allowable limit. The state's limit was reduced by almost \$1 billion from where it would have been without the ratchet down caused by low revenue collections. Because the base for the TABOR limit has ratcheted down, growth will again exceed the limit as the state begins to experience a recovery. However, the population adjustment amends the limit so that the state may retain \$460 million per year that would have otherwise become part of the surplus.

Table 3
History and Projections of
TABOR Surpluses
(Dollars in millions)

Actual	
1996-97	\$139.0
1997-98	\$563.2
1998-99	\$679.6
1999-00	\$941.1
2000-01	\$927.2
2001-02	\$0.0
2002-03	\$0.0
2003-04	\$0.0
Projections	
2004-05	\$114.1
2005-06	\$459.2
2006-07	\$674.6
2007-08	\$665.3
2008-09	\$722.9
2009-10	\$796.0

The **population adjustment** is the mechanism passed during the 2002 legislative session to adjust the TABOR limit because the U.S. Census Bureau underestimated the state's population during the 1990s. The underestimate caused the state to refund \$483 million more than would have been required under TABOR had the correct population estimates been made. To make up for the over-refund of surplus revenue, the legislation provided that the state could carry forward six percentage points of population growth that were available in the TABOR limit for FY 2001-02. The limit for FY 2001-02 was chosen because it incorporated the population growth from the 2000 Census, which included the population that had been undercounted during the 1990s. In FY 2001-02, revenue fell sufficiently below the limit so that none of the population portion of the limit was used. Therefore, the full six percentage points of population growth available in the FY 2001-02 TABOR limit were carried forward for future use.

Because revenue fell below the limit again in FY 2002-03, none of the population adjustment was used that year. However, since the state would have been \$374.8 million above its limit during FY 2003-04 without the population adjustment, 4.9 percentage points out of the six percentage points available are being used to raise the limit enough to retain the revenue received. The remaining 1.1 percentage points of the population dividend will be used in FY 2004-05. Use of the remaining population adjustment in FY 2004-05 will raise the limit by another \$89.0 million for a total of \$463.8 million plus growth in additional revenue kept under the limit that year. Because the population adjustment permanently increases the TABOR base, an additional \$463.8 million plus growth will be retained annually.

Despite the use of the population adjustment during FY 2003-04 and FY 2004-05, revenues will exceed the adjusted limit by \$114.1 million during FY 2004-05. Revenues will continue to grow at a faster pace than the TABOR limit, leading to surplus revenue collections of \$459.2 million in FY 2005-06 and \$674.6 million in FY 2006-07. Table 4 provides an overview of the TABOR refund, limit, and related factors, such as General and cash fund revenue collections subject to TABOR and the constitutionally-mandated emergency reserve. A total of \$3.4 billion will be refunded between FY 2005-06 and FY 2010-11.

Any surplus TABOR revenue must be refunded to the taxpayers. Currently, the state has 19 refund methods to execute the necessary refunds. Each of these methods, except for the sales tax refund, has a threshold trigger amount that indicates when they are in effect. There must be enough surplus TABOR revenue to exceed a method's threshold for that method to be used in a particular year. The methods' thresholds are increased by the growth in Colorado's personal income each year. The sales tax refund does not have a trigger because it acts as a "catch-all" refund method and refunds any revenue that is not refunded through the other 18 methods. Only the earned income tax credit refund mechanism will be used in addition to the sales tax refund during FY 2005-06 to refund the \$114.1 million surplus collected during FY 2004-05.

Table 4
September 2004 Forecast for the TABOR Revenue Limit and Emergency Reserve
(Dollars in millions)

	Preliminary FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08	Estimate FY 2008-09	Estimate FY 2009-10
TABOR Revenues:							
General Fund /A	\$5,719.1	\$5,972.5	\$6,398.0	\$6,841.4	\$7,272.6	\$7,708.9	\$8,153.3
Cash Funds	2,613.0	2,345.8	2,421.3	2,477.5	2,382.8	2,408.7	2,489.9
Total TABOR Revenues	\$8,332.1	\$8,318.3	\$8,819.3	\$9,318.9	\$9,655.4	\$10,117.6	\$10,643.2
LIMIT:							
Allowable TABOR Growth Rate	8.5%	3.3%	1.9%	3.4%	4.0%	4.5%	4.7%
Inflation (from prior calendar year)	1.9%	1.1%	0.7%	2.0%	2.5%	2.8%	2.9%
Population Growth (from prior calendar year)	1.7%	1.1%	1.2%	1.4%	1.5%	1.7%	1.8%
Population Adjustment for Growth Dividend (6% Carried Forward)	4.9%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Allowable TABOR Limit /B	\$8,332.1	\$8,204.2	\$8,360.1	\$8,644.3	\$8,990.1	\$9,394.7	\$9,836.3
Revenues Above / (Below) TABOR Limit	0.0	\$114.1	\$459.2	\$674.6	\$665.3	\$722.9	\$806.9
EMERGENCY RESERVE:							
TABOR Emergency Reserve /C	\$250.0	\$246.1	\$250.8	\$259.3	\$269.7	\$281.8	\$295.1

Totals may not sum due to rounding.

Note: TABOR broadly defines spending such that expenditures are equal to revenues. The statutory 6 percent limit applies to the General Fund appropriations only. Thus, the two concepts are not directly comparable.

/A These figures differ from the General Fund revenues reported in other tables because they net out revenues that are already in the Cash Funds to avoid double counting. For instance, the General Fund gaming revenues are netted out.

/B The TABOR Limit was adjusted for the exclusion of the University of Colorado System and the Brand Board in the Department of Agriculture, both of which became enterprises in FY 2004-05. This also includes an adjustment of \$31.3 million in FY 2002-03 for the disqualification of the State Nursing Homes and the State Fair. We expect the State Fair to re-qualify for enterprise status in FY 2003-04.

/C In years where the projected revenues exceed the amount allowed by the Constitution, the reserve is calculated based on the limit, rather than on projected receipts. Given that the state will only retain the maximum allowed by the Constitution, it need only reserve three percent.

Cash Fund Revenue

Total cash fund revenue subject to the TABOR spending limit will decrease 10.2 percent in FY 2004-05. This decrease is occurring because the University of Colorado System will become an enterprise under TABOR as a result of Senate Bill 04-189. Excluding higher education, cash fund revenue subject to TABOR will increase 6.2 percent in FY 2004-05 and at an average annual rate of 1.6 percent over the forecast period. Table 5 summarizes the forecasts for cash fund revenue subject to TABOR.

While the forecast for cash fund revenue did not change materially for FY 2004-05, it was lowered by a total of \$297.6 million between FY 2005-06 and FY 2008-09. The forecast for unemployment insurance revenue was reduced by \$159.4 million during this time period. Lower unemployment insurance taxes are expected because taxes are increasing faster and benefits to claimants are decreasing faster than expected, and thus the balance in the Unemployment Insurance Trust Fund is not expected to fall as much as was expected in June. In addition, the forecast for motor fuel revenue was reduced by a total of \$115.5 million between FY 2005-06 and FY 2008-09. We expect that growing demand for motor vehicle hybrids will have a dampening effect on motor fuel taxes.

Higher education revenue increased a record 10.9 percent in FY 2003-04, after increasing 7.6 percent in FY 2002-03. This strong growth was due to the recent trend of record student enrollment as Coloradans sought to improve their job skills in light of poor employment prospects. In the last three years, higher education enrollment jumped an average of 4.6 percent, while enrollment grew at a 1.1 percent average annual rate during the economic boom years of the 1990s. Enrollment will increase 1.8 percent in FY 2004-05, after increasing 3.6 percent in FY 2003-04 and 6.3 percent in FY 2002-03. The FY 2002-03 enrollment gain was the largest in 20 years.

As the economy recovers and job growth improves, enrollment and revenue growth will moderate to more typical levels. Over the six-year forecast period, higher education revenue will grow at a 3.3 percent average annual growth rate. Meanwhile, public higher education enrollment will increase at an average annual pace of 1.3 percent through FY 2009-10.

Senate Bill 04-189 authorized governing boards to grant enterprise status to institutions that receive less than ten percent of total funding from the General Fund. The University of Colorado was granted enterprise status beginning in FY 2004-05. While other governing boards are discussing enterprise status for FY 2005-06, no other institution has been approved as an enterprise. Therefore, this forecast assumes that all revenue collected by other higher education institutions will be counted under TABOR throughout the forecast period. Due to the University of Colorado enterprise exemption, higher education revenue subject to TABOR will decrease to half its FY 2003-04 levels in FY 2004-05. Excluding the University of Colorado system, however, higher education revenue increased 9.2 percent in FY 2003-04 and will increase 1.3 percent in FY 2004-05.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund, and several smaller funds. Revenue to the transportation-related cash funds will

Table 5
Cash Fund Revenue Estimates by Category, September 2004
(Dollars in Millions)

	Preliminary FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	Estimate FY 08-09	Estimate FY 09-10	FY 03-04 to FY 09-10 CAAGR *
Transportation-Related /A								
% Change	\$838.7 4.9%	\$842.4 0.4%	\$869.5 3.2%	\$898.0 3.3%	\$930.9 3.7%	\$949.0 1.9%	\$963.3 1.5%	2.3%
Higher Education /B								
% Change	\$757.8 10.9%	\$375.5 -50.5%	\$384.8 2.5%	\$397.1 3.2%	\$411.9 3.7%	\$429.9 4.4%	\$449.2 4.5%	-8.3%
Unemployment Insurance /C								
% Change	\$342.1 58.5%	\$487.4 42.5%	\$514.1 5.5%	\$498.8 -3.0%	\$335.2 -32.8%	\$297.0 -11.4%	\$310.7 4.6%	-1.6%
Limited Gaming Fund								
% Change	\$102.7 2.7%	\$108.6 5.7%	\$114.9 5.8%	\$122.3 6.4%	\$130.0 6.3%	\$137.7 6.0%	\$145.7 5.8%	6.0%
Capital Construction - Interest								
% Change	\$1.7 -59.9%	\$2.1 26.0%	\$2.4 10.9%	\$2.3 -3.1%	\$2.6 14.3%	\$2.8 7.5%	\$3.0 4.9%	9.7%
Controlled Maintenance Trust Fund - Interest								
	\$2.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Insurance-Related								
% Change	\$52.6 -14.2%	\$56.1 6.6%	\$59.7 6.3%	\$64.3 7.8%	\$69.2 7.5%	\$74.1 7.1%	\$79.5 7.2%	7.1%
Regulatory Agencies								
% Change	\$50.2 -6.1%	\$51.4 2.2%	\$52.3 1.9%	\$53.9 3.1%	\$55.3 2.6%	\$56.6 2.3%	\$58.0 2.5%	2.4%
Severance Tax /D								
% Change	\$125.1 283.7%	\$89.3 -28.6%	\$73.9 -17.2%	\$72.9 -1.5%	\$74.6 2.4%	\$76.4 2.4%	\$78.2 2.4%	-7.5%
Employment Support Fund								
% Change	\$20.1 3.1%	\$21.1 5.1%	\$22.0 3.9%	\$23.1 5.1%	\$24.1 4.6%	\$25.2 4.3%	\$26.3 4.5%	4.6%
Petroleum Storage Tank Fund								
% Change	\$28.3 41.5%	\$24.8 -12.2%	\$25.5 2.9%	\$26.3 2.9%	\$13.5 -48.7%	\$6.9 -48.8%	\$3.5 -48.8%	-29.3%
Other Cash Funds								
% Change	\$291.7 -3.3%	\$287.1 -1.6%	\$302.2 5.2%	\$318.5 5.4%	\$335.4 5.3%	\$353.1 5.3%	\$372.6 5.5%	4.2%
Total Cash Fund Revenues	\$2,613.0	\$2,345.8	\$2,421.3	\$2,477.5	\$2,382.8	\$2,408.7	\$2,489.9	
Subject to the TABOR Limit	14.0%	-10.2%	3.2%	2.3%	-3.8%	1.1%	3.4%	-0.8%

Totals may not sum due to rounding.

* CAAGR: Compound Average Annual Growth Rate.

/A This includes the Highway Users Tax Fund, the State Highway Fund, and other transportation-related funds.

/B The University of Colorado will be an enterprise for the purposes of TABOR beginning in FY 2004-05.

/C Includes the solvency tax that will be in effect during calendar years 2004 through 2007.

/D This figure includes total severance tax revenue and interest earnings before distribution to the Local Government Severance Tax Fund.

increase 0.4 percent in FY 2004-05 and at an average annual rate of 2.3 percent over the forecast period. Revenue to the HUTF will increase 1.9 percent in FY 2004-05, with a large decrease in interest earnings offsetting a modest increases in other transportation-related funds. Slower-than-expected economic expansion for the state caused us to decrease the forecasts for motor fuel taxes and vehicle registration fees compared with the June forecast. Also, over the next several years, an increase in the availability of alternative fuel and electric-hybrid cars and SUVs is expected to temper growth. HUTF revenues will increase at an average annual rate of 2.6 percent over the forecast period.

State Highway Fund revenue, which includes interest earnings on the fund balance and matching funds from local governments, will decrease in FY 2004-05, but is expected to increase slightly over the forecast period as projects are initiated. SHF revenue was boosted in FY 2003-04 by a sharp increase in interest earnings.

After increasing 10.2 percent in FY 2002-03 and 58.5 percent in FY 2003-04, total **unemployment insurance** (UI) revenue, which includes UI taxes and interest earnings, will increase 42.5 percent in FY 2004-05 and 5.5 percent in FY 2005-06. UI tax rates are responding to the substantial draw-down of the fund's reserves. A low fund balance will cause a higher tax rate schedule to be in effect from 2004 to 2006 than has been in effect in recent years. In addition, the solvency tax, which is levied when the fund balance falls to below 0.9 percent of total private wages, will be in effect during calendar years 2004 through 2007. The solvency tax will generate a total of \$587.9 million over this four-year period. After increasing 24.1 percent in FY 2002-03 and 78.0 percent in FY 2003-04, total UI taxes will increase 43.7 percent in FY 2004-05 and 2.4 percent in FY 2005-06. Tax revenues will decline during the next three years of the forecast period as the fund balance recovers. Despite the high rates of growth estimated here, this forecast was reduced by \$33.0 million for FY 04-05, \$61.8 million for FY 05-06 and by a total of \$192.4 million through FY 2008-09 compared with the June forecast.

Limited gaming revenue, which includes gaming taxes, licenses, and fees, increased 2.7 percent in FY 2003-04 after increasing a scant 0.9 percent in FY 2002-03. Gaming taxes alone increased 1.1 percent in FY 2003-04, the lowest rate since limited gaming began in 1992. The recession had a negative effect upon spending at casinos over the past few years. In FY 2003-04, adjusted gross proceeds from gaming remained unchanged from FY 2002-03. As the state's economy gains steam in the next few years, gaming revenues will recover. Over the six-year forecast period, total gaming revenues will increase at an average annual rate of 6.0 percent.

As a result of rising natural gas prices and non-recurring one-time gains, total **severance tax** collections amounted to \$125.1 million in FY 2003-04. Severance tax collections from oil and gas production accounted for \$110 million of this total. Natural gas prices have more than doubled in the last two years, going from \$2.42 per thousand cubic feet (Mcf) to \$5.25 per Mcf. Oil and gas tax collections are projected to fall to \$73.0 million in FY 2004-05 and \$55.1 million in FY 2005-06 as companies claim higher ad valorem property tax credits and as natural gas prices fall slightly to \$4.50 per Mcf. In subsequent fiscal years, severance taxes are expected to stabilize under the assumption that natural gas prices will hold steady.

All *other cash fund revenue* will decrease 0.9 percent in FY 2004-05 and increase at an average annual rate of 3.3 percent over the forecast period. Part of the reason for the decrease in FY 2004-05 was Senate Bill 04-211, which reclassified an estimated \$16 million each year from TABOR to TABOR exempt revenue and transfers the revenue from the Unclaimed Property Trust Fund to the CoverColorado Trust Fund, beginning in FY 2004-05. In addition, cash fund revenue subject to TABOR was reduced by about \$3.4 million in FY 2004-05 and each year thereafter by House Bill 04-1351, which granted enterprise status to the Brand Board in the Department of Agriculture.

National Economy

This section reviews the recent performance of the U.S. economy and describes the national economic forecast. This section also briefly discusses the major risks to the national economic forecast.

Recent Data. Recently released economic data have not met expectations. Growth rates for output, employment, and personal income have all slowed considerably. In particular, output growth, measured by inflation-adjusted gross domestic product, slowed from 4.5 percent in the first quarter of 2004 to 2.8 percent in the second quarter. The slowdown was mostly attributable to a deceleration in consumer spending and business inventory spending, and an acceleration in import spending. An increase in imports reduces gross domestic product.

Since consumer spending accounts for two-thirds of the economy, a slowdown in consumption is particularly troubling. In the second quarter of 2004, consumer spending increased by only 1.6 percent, down from 4.1 percent in the first quarter. The recent rise in mortgage rates from 5.5 percent to 6.0 percent has caused refinancing activity to slow markedly, and home refinancing was an easy way for households to raise cash for additional spending. Wage and salary gains and job gains have also been listless, which has further constrained consumer spending. As a result, monthly increases in personal income slowed to 0.2 percent growth in June and 0.1 percent growth in July; in the previous three months personal income had increased at an average monthly rate of about 0.5 percent. Moreover, record levels of consumer debt have increased foreclosures, bankruptcies, and loan delinquencies, especially among lower income households. The combination of these developments has effectively limited new spending.

On the positive side, investment spending remains strong. Business investment spending on buildings and equipment increased 7.1 percent and 13.6 percent, respectively, in the second quarter of 2004. Both grew faster than in the first quarter of 2004. Increases in corporate profits and improved company balance sheets fueled the increase in business investment. In addition, residential investment in housing increased 14.7 percent in the second quarter, compared to 5.0 percent in the first quarter. A continuation of relatively low mortgage rates is keeping housing activity strong.

In the international trade sector, U.S. exports increased 6.1 percent in the second quarter of 2004, while U.S. imports increased 14.1 percent. A decline in the value of the U.S. dollar and positive economic growth abroad, especially in Asia, contributed to the increase in exports. However, the increase in exports was more than offset by rising imports, which caused the trade deficit to balloon to almost \$590 billion in the second quarter of 2004. The growing trade deficit will continue to put downward pressure on the value of the U.S. dollar, which may serve to lower the trade deficit. Further depreciation of the dollar may also fuel inflationary pressures in the U.S.

Employment growth has gone from robust to lethargic in the past several months. While job gains averaged 295,000 per month in March, April and May, employment growth averaged only 104,000 jobs per month in June, July, and August. Continuing productivity advances have allowed businesses to produce more with fewer workers, and on-going uncertainty about the strength of the economic recovery has dampened business confidence. Job growth has suffered as a result. Moreover, the slight reduction in the national unemployment rate, from 5.6 percent in May to 5.4 percent in

August, was the combined result of more workers becoming discouraged and dropping out of the labor force and slightly higher employment levels.

In the manufacturing sector, jobs have finally started to rebound. Approximately 25,000 manufacturing jobs were created since May 2004, which is a 0.2 percent gain. In addition, the Institute for Supply Management (ISM) reported that manufacturing activity grew for the 15th consecutive month in August, as its manufacturing index registered 59.0 (a score above 50 indicates expansion). Moreover, 17 of 20 manufacturing industries in the ISM survey reported growth in August and the manufacturing employment index registered 55.7, which was a slight drop from July. These indicators suggest that manufacturing activity will continue to grow and that job growth will be positive in the coming months.

National Economic Forecast

This section presents the forecast for the national economy. The detailed forecast can be found in Table 6.

- Inflation-adjusted GDP is expected to increase 3.7 percent in 2004, which is a slight reduction from the June forecast. The economy is expected to grow slower in 2005 and 2006, with GDP projected to increase 3.4 percent each year.
- Nonfarm employment is projected to grow 1.1 percent in 2004 and 1.9 percent in 2005. Even though corporate profits have improved dramatically, businesses are not yet hiring workers at a sustained pace. In many cases, productivity gains have allowed companies to increase output without a corresponding increase in employment. Moreover, many of the job gains have been for part-time and temporary workers. The unemployment rate is expected to average 5.6 percent in 2004 and 2005, and decline slightly in subsequent years.
- Income growth is projected to remain weak as employers hold down wage and salary gains given soaring health insurance costs and pension expenses. Personal income will increase 3.7 percent in 2004, followed by 4.0 percent growth in 2005 and 2006. Sustained job growth, resulting in healthier personal income gains, will be required to maintain the economic recovery.
- Consumer inflation, measured by the consumer price index, is expected to remain low by historical standards. After increasing 2.3 percent in 2003, the forecast is for prices to increase 2.6 percent in 2004 and 2.0 percent in 2005. Excess capacity and productivity gains are expected to constrain price increases in the near term. However, rising energy costs and a continued depreciation of the dollar could cause prices to accelerate.

While the national economic recovery is expected to continue, several downside risks exist. Most importantly, consumer spending could slow further if energy costs remain high or if there is an unexpected surge in interest rates. Since consumer spending has been largely supported by mortgage refinancing and higher debt levels, a surge in interest rates could curtail new spending by households. Moreover, a continuation of high energy costs for gasoline and natural gas could further pinch consumer spending. The baseline forecast assumes a gradual increase in interest rates and a gradual

reduction in gasoline and natural gas prices from historically high levels. In addition, any new terrorist attacks or a deteriorating security situation in Iraq could cause consumer and business confidence to fall unexpectedly. This may jeopardize an already weak economic recovery.

Table 6
National Economic Indicators, September 2004 Forecast
(Dollars in billions)

	1999	2000	2001	2002	2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008
Inflation-adjusted GDP percent change	\$9,470.3 4.1%	\$9,817.0 3.7%	\$9,866.6 0.5%	\$10,083.0 2.2%	\$10,398.0 3.1%	\$10,782.7 3.7%	\$11,149.3 3.4%	\$11,528.4 3.4%	\$11,943.4 3.6%	\$12,361.4 3.5%
Nonagricultural Employment (millions) percent change	129.0 2.4%	131.8 2.2%	131.8 0.0%	130.3 -1.1%	129.9 -0.3%	131.3 1.1%	133.8 1.9%	135.8 1.5%	137.7 1.4%	139.5 1.3%
Unemployment Rate	4.2%	4.0%	4.8%	5.8%	6.0%	5.6%	5.6%	5.5%	5.3%	5.1%
Personal Income percent change	\$7,802.4 5.1%	\$8,429.7 8.0%	\$8,713.1 3.4%	\$8,910.3 2.3%	\$9,208.0 3.3%	\$9,548.7 3.7%	\$9,930.6 4.0%	\$10,327.8 4.0%	\$10,761.6 4.2%	\$11,202.8 4.1%
Wage and Salary Income percent change	\$4,466.3 6.8%	\$4,829.2 8.1%	\$4,942.9 2.4%	\$4,974.6 0.6%	\$5,100.2 2.5%	\$5,329.7 4.5%	\$5,596.2 5.0%	\$5,876.0 5.0%	\$6,175.7 5.1%	\$6,503.0 5.3%
Inflation (Consumer Price Index)	2.2%	3.4%	2.8%	1.6%	2.3%	2.6%	2.0%	2.4%	2.6%	3.0%
10-year Treasury Note	5.6%	6.0%	5.0%	4.6%	4.0%	4.5%	5.0%	5.7%	5.7%	5.5%

Colorado Economy

This section reviews the recent performance of Colorado's economy and provides the economic outlook for the state. The detailed Colorado economic forecast can be found in Table 7. A table with more historical data may be found in the appendix. In 2003, non-agricultural employment in Colorado declined by 1.5 percent, though personal income grew by 2.5 percent. Low inflation continued to be a large positive for the economy in the first half of 2004, while the construction sector appears to be rebounding slightly. Employment and retail sales gains have characterized much of 2004 thus far.

Employment

According to data from the Colorado Department of Labor and Employment, employment has picked up significantly since hitting bottom in February. Colorado lost 32,000 jobs in 2003, on top of 43,000 jobs lost in 2002. The losses in 2002 and 2003 were the most severe in any reported period during the past sixty years. The decline continued in January and February, but then turned upward, as the state added nearly 38,000 jobs from March through July. Most recently, growth has flattened out, but is expected return to moderate gains through the end of the year and beyond. Nearly half of all new jobs created in the last six months have occurred in the professional services sector. Every other sector, with the exceptions of the information services and construction sector, showed moderate gains. Employment still remains almost 80,000 jobs below the peak level in De-

ember 2000. The most significant losses since December 2000 occurred in the manufacturing and information sectors, which have both seen employment drop by more than 20 percent.

Colorado is lagging slightly behind the national economy. However, encouraging trends in corporate profits and business confidence will lead to an improving Colorado job market.

- *Nonfarm employment* is expected to increase by 0.7 percent in 2004, resulting in more than 14,000 new jobs. Employment is expected to continue to increase moderately in 2005 and 2006 as the national economy expands, increasing by 2.0 percent and 2.7 percent, respectively.
- The *unemployment rate* will average 5.0 percent in 2004, following an average level of 6.1 percent in 2003. The unemployment rate will gradually descend to 4.7 percent in 2005 and 4.5 percent in 2006.

Personal Income and Wages

Personal income increased by 2.5 percent in 2003, as recent downward revisions lowered figures since the June forecast. Wage and salary income grew by 0.9 percent for the year. First quarter personal income figures for 2004 show 3.7 percent growth over the first quarter of 2003. Though first quarter figures represented higher income growth than was seen in 2003, the rate of growth remained at historically low levels. We estimate that personal income will increase by more significant levels throughout the forecast period.

- *Personal income and wages and salaries* will continue to rebound in 2004. Pent-up wage pressure will accelerate as employment steadily increases. Consequently, we estimate that personal income will increase by 4.9 percent, while wages and salaries will increase by 4.8 percent.
- A sustained national economic recovery will slowly be realized in Colorado, as 2005 growth in personal income and wages and salaries will reach 5.7 percent and 6.3 percent, respectively. It is unlikely that we will see growth comparable with the late 1990's during the forecast period.

Consumer Spending

Retail trade sales are showing encouraging signs, as tourism remains solid and the national economy expands. Though the latest data have been underwhelming, the overall trend appears solid. Some uncertainty surrounding the election and terrorism fears may limit growth in the near term. However, expected growth in employment and wages will fuel consistent growth in consumer spending.

- *Consumer spending* will increase 4.1 percent in 2004, followed by pre-recessionary levels, hovering in the 4.2 to 5.4 percent range throughout the forecast period.

Construction

The building sector is slowly rebounding from the economic slowdown that crippled much of the local market. Speculative over-building, especially in the metro-Denver office market, led to a correction that resulted in consecutive decreases of more than 15 percent in nonresidential construction the last two years. Low mortgage rates helped buoy the single family market, though that has also leveled off. Despite a slight increase thus far in 2004 for the multi-family market, construction levels remain among the lowest in more than 10 years.

- The construction industry will see only modest expansion in 2004, and then fluctuate around current building levels through the forecast period. The multi-family sector has likely seen the bottom, though historically high vacancy rates continue to plague the market. Possible increases in mortgage rates could prolong the slowdown in the single family market while increasing demand for multi-family housing.
- The high vacancy rates in office buildings has abated slightly, but will continue to hinder nonresidential construction. However, the rebounding economy will raise demand for goods and services, while demographic changes are creating increased demand for health services. We estimate that *nonresidential construction* will be relatively flat in 2004 and increase by 6.9 percent in 2005.

Inflation

Denver-Boulder-Greeley inflation reversed itself slightly in the first half of 2004, *decreasing* 0.7 percent over the first half of 2003, after growing by a mere 1.1 percent in 2003. Denver's index in the first half of 2004 was the lowest in the western states. The biggest factor was housing, where large concessions in the apartment market overwhelmed increases in energy prices.

- We expect that inflation will rebound slightly in the second half of 2004 and approach more historical norms as the national and state economies expand during the forecast period. The rate will be 0.7 percent in 2004 and 2.0 percent in 2005, with slightly higher rates during the remainder of the forecast period.

Population

A weak labor market helped lead to lower migration in 2003, as the 1.1 percent population growth was the lowest since 1990. Though we expect population to increase at a greater pace throughout the forecast period, it will not reach levels seen in the late 1990s. As of July 1, 2003, the state's population was 4,550,688.

- Colorado's *population* will grow at more modest rates compared with average annual increases of 2.7 percent in the 1990s — increasing by 1.2 percent in 2004 and 1.4 percent in 2005.

Overall, the Colorado economy is on the mend, though certainly lagging the national recovery. Modest increases in employment and spending will characterize the near-term, with more robust growth through the end of the forecast period. Personal income figures have been encouraging with increasing growth rates through the first quarter of 2004. Continuing fears over rising mortgage rates, as well as the election and terrorist fears present potential obstacles to sustained long term growth.

Table 7
Colorado Economic Indicators, September 2004 Forecast
 (Calendar Years)

	1999	2000	2001	2002	2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009
Population (thousands), July 1 percent change /A	4,226.0 2.7%	4,326.9 2.4%	4,428.8 2.2%	4,501.1 1.7%	4,550.7 1.1%	4,605.3 1.2%	4,669.8 1.4%	4,739.8 1.5%	4,820.4 1.7%	4,907.2 1.8%	5,000.4 1.9%
Nonagricultural Employment (thousands) percent change	2,131.5 3.6%	2,212.9 3.8%	2,225.4 0.6%	2,182.5 -1.9%	2,150.4 -1.5%	2,165.5 0.7%	2,208.8 2.0%	2,268.4 2.7%	2,331.9 2.8%	2,387.9 2.4%	2,445.2 2.4%
Unemployment Rate	2.9%	2.8%	3.7%	5.7%	6.1%	5.0%	4.7%	4.5%	4.2%	4.2%	3.9%
Personal Income (millions) percent change	\$128,860 8.7%	\$144,394 12.1%	\$150,594 4.3%	\$151,790 0.8%	\$155,572 2.5%	\$163,195 4.9%	\$172,497 5.7%	\$182,847 6.0%	\$194,367 6.3%	\$205,834 5.9%	\$217,567 5.7%
Wage and Salary Income (millions) percent change	\$76,283 9.8%	\$85,909 12.6%	\$88,307 2.8%	\$86,889 -1.6%	\$87,681 0.9%	\$91,890 4.8%	\$97,679 6.3%	\$104,126 6.6%	\$111,102 6.7%	\$117,879 6.1%	\$124,716 5.8%
Retail Trade Sales (millions) percent change	\$52,609 9.2%	\$57,955 10.2%	\$59,014 1.8%	\$58,864 -0.3%	\$58,662 -0.3%	\$61,067 4.1%	\$63,632 4.2%	\$66,432 4.4%	\$69,488 4.6%	\$73,170 5.3%	\$77,122 5.4%
Home Permits (thousands) percent change	49.3 -3.6%	54.6 10.7%	55.0 0.8%	47.9 -13.0%	39.6 -17.3%	45.7 15.4%	42.6 -6.8%	42.9 0.7%	46.9 9.3%	50.1 6.9%	52.2 4.2%
Nonresidential Building (millions) percent change	\$3,544 35.4%	\$3,339 -5.8%	\$3,373 1.0%	\$2,613 -22.5%	\$2,204 -15.6%	\$2,270 3.0%	\$2,427 6.9%	\$2,626 8.2%	\$2,763 5.2%	\$2,931 6.1%	\$3,072 4.8%
Denver-Boulder Inflation Rate	2.9%	4.0%	4.7%	1.9%	1.1%	0.7%	2.0%	2.5%	2.8%	2.9%	2.9%

/A Colorado's population on April 1, 2000, was 4,301,261 according to the U.S. Census Bureau. The changes that are shown in this table for 1999 and 2000 are based on the intercensal estimates by the Census Bureau and do not reflect the original estimates.

Colorado Economic Regions

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

Metro Denver

The Metro-Denver region, comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties, is home to roughly half of the state's population. As a result, the region drives much of the economic activity for the state, and its role as a regional commercial hub makes it particularly susceptible to national economic trends. Though lagging the national expansion, the Metro-Denver region is improving.

Table 8 summarizes major economic indicators for the region. Following consecutive years of job losses, regional employment appears to have stabilized. Similarly, the unemployment rate has dropped from 6.3 percent in 2003 to 5.1 percent in July 2004.

Table 8			
Metro-Denver Region Economic Indicators			
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson counties			
	2002	2003	Year-to-date Thru July 2004
Employment Growth /1	-3.1%	-2.3%	-0.6%
Unemployment Rate 2004 rate is for July only	5.9%	6.3%	5.1%
Housing Permit Growth /2	-19.7%	-22.5%	24.9%
Growth in Value of Nonresidential Const. /3	-27.8%	-20.8%	-7.1%
Retail Trade Sales Growth /4 YTD thru June 2004	-0.5%	1.4%	3.5%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data is from the Current Employment (establishment) Survey.
2/ U.S. Census Metropolitan Statistical Area Data
3/ F.W. Dodge
4/ Colorado Department of Revenue. Includes food services.

The construction industry is also rebounding with housing permits up 24.9 percent through July 2004, compared with the first seven months of 2003. Meanwhile, due to a dramatic decrease in Boulder, nonresidential construction values have decreased more than 7 percent compared

with a year ago. Both construction sectors are coming off two years of roughly 20 percent declines. Finally, the improved economy is yielding a significant increase in retail trade sales, which were up 3.5 percent through June. The improvement was led by Douglas County, which saw a 12.5 percent increase, as more retail establishments were built to meet the ever-expanding population base in the south metro county.

Other economic news:

- The office market continues to be weak throughout the metro area. According to a PriceWaterhouseCoopers report, downtown vacancy rates increased to 20.5 percent in the second quarter of 2004 from 18.5 percent a year earlier.
- According to the Apartment Association of Denver, apartment vacancy rates dipped below 10 percent in the second quarter of 2004, a significant decrease from the nearly 14 percent vacancy a year ago. However, the association reports that most of the improvement has resulted from large concessions, leaving the market relatively weak.
- Metro area home sales were up 14.5 percent through August, while prices were flat, according to a RE/MAX study. The median price in August was \$240,000, up only slightly from August 2003 figures.
- According to the Rocky Mountain Lodging Report, July hotel occupancy in Denver reached its highest level since August 2000 with 76.9 percent of room nights occupied.
- The Holtze Executive Village Hotel in the Denver Tech Center is being converted to one- and two-bedroom condominiums that will be priced under \$200,000.

Colorado Springs

The Colorado Springs employment situation has improved, based on data from the Colorado Department of Labor and Employment establishment survey. Through July 2004, employment grew 0.6 percent over the first seven months of 2003. Although this growth rate represents the addition of approximately 1,400 jobs, it suggests an improvement over the last two calendar years in which employment declined (-2.1 percent in 2002 and -1.1 percent in 2003). As of July 2004, the county unemployment rate was 5.7 percent, lower than the rates seen in the last two years. Table 9 summarizes major economic indicators for the region.

	2002	2003	Year-to-date Thru July 2004
Employment Growth /1	-2.1%	-1.1%	0.6%
Unemployment Rate 2004 rate is for July only	6.6%	6.0%	5.7%
Housing Permit Growth /2	-4.1%	-20.2%	21.3%
Growth in Value of Nonresidential Const. /3	25.0%	19.3%	-32.0%
Retail Trade Sales Growth /4 YTD thru June 2004	1.6%	0.2%	8.6%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data is from the Current Employment (establishment) Survey.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue. Includes food services.

Residential construction is rebounding with housing permits up 21.3 percent through July 2004, compared with the first seven months of 2003. This growth is on pace for a record year for residential construction after two years of declines in permits. Meanwhile, nonresidential construction values have fallen 32 percent compared with a year ago. This suggests a market slowdown after two years of double-digit growth in value.

Retail sales are also showing signs of a regional recovery. Through June of 2004, retail trade grew 8.6 percent over the first half of 2003. This is a significant positive shift, as annual retail growth was flat over the last two years. As a result of stronger retail growth, sales tax figures have also recovered. El Paso sales tax revenue increased 4 percent through June 2004 while growth rates for tax revenue declined approximately 12 percent in each of the prior two calendar years.

Recent economic news:

- Intel Corporation announced plans in July to expand its chip manufacturing plant. The company will spend nearly \$400 million to add a second chip manufacturing area, adding 160,000 square feet. The renovation will begin producing chips in late 2005.
- MCI announced in June that it will close its Colorado Springs telemarketing call center, eliminating 650 local jobs. However, Progressive Insurance announced plans to add as many as 250 workers at its new call center over the next four years. The new call center will occupy a recently completed 300,000-square-foot facility in northeast Colorado Springs.
- Progressive Auto Insurance also announced plans to construct a 150,000-square-foot building for a new central data network near its new call center. Progressive will hire at least 40 software developers and programmers to staff the operation. At capacity, the building will be able to hold about 130 workers. Construction will begin this fall with estimated completion and operation in 2006.

Pueblo—Southern Mountains

The economy in the five-county Pueblo region has shown considerable improvement in 2004. Table 10 shows annual economic indicators for the region since 2002, and year-to-date results through July. Employment, retail trade, and both residential and nonresidential construction are expanding this year in the region.

Table 10			
Pueblo Region Economic Indicators			
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties			
	2002	2003	Year-to-date Thru July 2004
Employment Growth /1	-0.9%	-0.9%	2.0%
Unemployment Rate 2004 rate is for July only	6.3%	6.3%	6.2%
Housing Permit Growth /2 Pueblo County Only	-6.3%	-1.6%	7.6%
Growth in Value of Nonresidential Const. /3 Pueblo County Only	-26.7%	213.3%	67.3%
Retail Trade Sales Growth /4 YTD thru June 2004	1.0%	0.8%	7.1%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data is from the Current Population (household) Survey.
2/ U.S. Census
3/ F.W. Dodge
4/ Colorado Department of Revenue. Includes food services.

Through July, employment has increased 2.0 percent after decreasing for two years. The unemployment rate has edged down, but has not improved substantially because more people have entered the labor force and are looking for work.

Based on data from F.W. Dodge, nonresidential construction activity in Pueblo County continues to show strong growth in 2004 after more than tripling in value in 2003. The value of nonresidential construction increased 67.3 percent year-to-date through July. Most of the increase was for hospital and health treatment facilities, retail stores, and office and bank buildings.

Residential construction has shown considerable improvement in 2004, with a 7.6 percent increase through July in the number of permits granted after two full years of decreases. Most of the improvement is due to multi-family housing. Permits for multi-family and single-family homes increased 27.3 percent and 4.8 percent, respectively, through July.

Retail trade has rebounded substantially through June, increasing 7.1 percent compared with the first half of 2003. The largest increase occurred in Las Animas County, where retail trade increased 18.8 percent through the first half of the year. The slowest increase occurred in Custer County, where retail trade increased at a relatively anemic pace of 0.9 percent.

Recent economic news:

- Deneen & Co., a manufacturer and distributor of food products, will move its firm from Sante Fe, New Mexico, to Pueblo by the end of the year. The firm will employ 40 people in Pueblo.

San Luis Valley

The economy in the six-county San Luis region has shown considerable improvement in 2004. Table 11 shows annual economic indicators for the region since 2002, and year-to-date results through July. Employment, retail trade, and nonresidential construction are expanding. However, residential construction is not expanding. According to F.W. Dodge, the number of permits granted in Alamosa County decreased from 36 single-family home permits through July 2003 to 15 single-family home permits through July 2004.

Table 11			
San Luis Region Economic Indicators			
Saguache, Mineral, Rio Grande, Alamosa, Conejos, and Costilla Counties			
	2002	2003	Year-to-date Thru July 2004
Employment Growth /1	0.5%	2.7%	8.4%
Unemployment Rate 2004 rate is for July only	7.4%	6.7%	6.3%
Statewide Crop Price Changes /2			
Barley /a	11.4%	0.3%	-28.9%
Oats	31.8%	-27.6%	Unavailable
Alfalfa Hay /b	12.9%	-21.1%	1.2%
Potatoes /a	-31.6%	-24.2%	22.8%
State Crop Production Growth /2			
Barley (bushels) /c	-15.9%	24.1%	-6.5%
Oats (bushels) /c	-79.2%	143.8%	Unavailable
Alfalfa Hay (tons) /c	-37.3%	13.2%	-0.2%
Potatoes (Cwt) /c	29.0%	-13.1%	Unavailable
Housing Permit Growth /3 Alamosa County Only	-6.6%	-5.3%	-58.3%
Growth in Value of Nonresidential Alamosa County Only	-38.6%	-59.4%	*
Retail Trade Sales Growth /4 YTD thru June 2004	-0.8%	1.2%	5.8%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data is from the Current Population (household) Survey.

2/ Colorado Agricultural Statistics Service.

a/ Year-to-date figures reflect July 2004 over August 2003.

b/ Year-to-date figures reflect August 2004 over August 2003.

c/ 2004 production forecast by the Colorado Agricultural Statistics Service.

3/ F.W. Dodge

4/ Colorado Department of Revenue. Includes food services.

*A value of \$3 million was contracted in 2004, up from \$467,000 in 2003.

According to the Colorado Department of Labor and Employment, the number of jobs in the San Luis Region increased at a heady pace of 8.4 percent through July. Rio Grande County contributed the most to the job increase, adding an

average of 676 jobs over that time period and increasing 11.5 percent. Employment in Saguache County increased the fastest with 11.9 percent growth and 373 new jobs. Alamosa County added 548 jobs and increased 6.6 percent, while Conejos County added 240 jobs and increased 6.5 percent. Meanwhile, Costilla and Mineral Counties increased 5.2 percent and 4.0 percent and added 77 and 19 jobs, respectively. The unemployment rate in the six-county region decreased somewhat from an average of 6.7 percent in 2003 to 6.3 percent in July.

Based on data from F.W. Dodge, nonresidential construction activity in Alamosa County has increased from \$467,000 through July 2003 to \$3 million during the first seven months of 2004. The \$3 million is the value of a 35,000-square-foot hotel built during the first half of this year.

Retail trade is showing strength with a 5.8 percent increase through June. Statewide, retail trade increased 4.9 percent during the same time period. The largest increase occurred in Saguache County, where retail trade increased 15.5 percent through the first half of the year. The slowest increase occurred in Rio Grande County, where retail trade increased at a relatively anemic pace of 0.9 percent.

Recent economic news:

- The Colorado Agricultural Statistics Service reported that, as of September 12, the fall potatoes crop was 14 percent harvested and was mostly in good to fair condition.
- The number of acres planted with barley in the San Luis Valley is expected to fall from 53,000 acres in 2003 to 50,000 in 2004, according to the Colorado Agricultural Statistics Service. In 2004, more than three quarters of the acres are planted with Moravian 14, a malt barley. Statewide, barley prices decreased nearly 29 percent between July 2004 and August 2003, and production is expected to decrease 6.5 percent in 2004.

Western Region

The western region weathered the state's economic recession relatively well. Employment and retail trade continued to grow in 2002 and 2003, albeit at slow rates, and housing permits grew significantly in 2003. Table 12 shows annual economic indicators for the region since 2002, and year-to-date results through July. The most recent data show the region is experiencing increases in jobs, nonresidential construction, and retail trade.

Table 12			
Western Region Economic Indicators			
Moffat, Rio Blanco, Garfield, Mesa, Delta, Montrose, San Miguel, Ouray, Hinsdale, Archuleta, La Plata, Dolores, San Juan, and Montezuma counties			
	2002	2003	Year-to-date Thru July 2004
Employment Growth /1	1.0%	0.6%	3.8%
Unemployment Rate 2004 rate is for June only	4.9%	5.0%	4.1%
Housing Permit Growth /2			
Mesa County	-7.7%	13.9%	25.2%
Montrose County	-1.4%	23.0%	34.0%
La Plata County	5.7%	27.6%	-1.6%
Growth in Value of Nonresidential Const. /2			
Mesa County	-23.6%	-31.7%	62.6%
Montrose County	201.4%	-16.7%	531.5%
La Plata County	582.5%	457.4%	97.6%
Retail Trade Sales Growth /3 YTD thru June 2004	0.7%	2.6%	7.8%
1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data is from the Current Population (household) Survey.			
2/ F.W. Dodge			
3/ Colorado Department of Revenue. Includes food services.			

Employment is up 3.8 percent in the first seven months of 2004, compared to the same period in 2003. This follows two years of relatively listless growth in 2002 and 2003. The region's dependence on tourism and oil and natural gas production is responding to nationwide increases in spending as well as recent price hikes for oil and natural gas. The overall increase in jobs

caused the region's unemployment rate to fall from an average rate of 5.0 percent in 2003 to 4.1 percent in July 2004, although the latter is not seasonally adjusted to account for part-time summer workers.

Based on data from F.W. Dodge, nonresidential construction is up dramatically. In the first seven months of 2004, the value of nonresidential construction almost doubled in Mesa County and was up 63 percent in La Plata County. Moreover, nonresidential construction in Montrose County increased more than sixfold. Most of the increases were for hospitals and health treatment facilities or service stations.

Retail trade improved in each county within the western region through June, except for Ouray County. For the entire region, retail trade is up 7.8 percent, which is higher than the statewide growth rate of 4.9 percent. Double-digit increases were reported in Dolores, La Plata, San Miguel, and Moffat counties for the first six months of the year. Most of the other counties reported retail trade growth of between 3.0 and 10.0 percent.

In other related economic news:

- The Durango Tourism Office reported that visits to Mesa Verde National Park in the first seven months of 2004 were up 3.2 percent compared to the same period last year. In addition, riders on the Silverton Narrow Gauge Railroad increased 6.0 percent through July.

Mountain Region

The mountain region finally appears to be rebounding. Table 13 shows annual economic indicators for the region since 2002, and year-to-date results through July. The most recent data indicate that the region is experiencing positive growth in employment, the value of nonresidential construction, and retail trade. In addition, while housing permits are down in the first seven months of 2004, the value of housing permits is up 24 percent in Routt County and 22 percent in Eagle, Pitkin, and Summit counties.

Table 13			
Mountain Region Economic Indicators			
Routt, Jackson, Grand, Eagle, Summit, Pitkin, Lake, Park, Teller, Clear Creek, Gilpin, Chaffee, and Gunnison counties			
	2002	2003	Year-to-date Thru July 2004
Employment Growth /1	-1.4%	-2.2%	1.0%
Unemployment Rate 2004 rate is for July only	4.5%	4.5%	3.7%
Housing Permit Growth /2			
Eagle, Pitkin, & Summit counties	0.5%	25.8%	-15.7%
Routt County	3.3%	16.2%	-11.0%
Growth in Value of Nonresidential Const. /2			
Eagle, Pitkin, & Summit counties	-9.0%	-54.6%	115.9%
Routt County	-64.8%	-16.8%	-0.7%
Retail Trade Sales Growth /3 YTD thru June 2004	-2.7%	0.2%	6.7%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data is from the Current Population (household) Survey.

2/ F.W. Dodge

3/ Colorado Department of Revenue. Includes food services.

On the jobs front, employment is up an estimated 1.0 percent in the first seven months of 2004, compared to the same period in 2003. This follows two years of decreasing employment in 2002 and 2003. The region's tourism-related jobs are beginning to respond to nationwide increases in spending, which have boosted visits to the area by both out-of-state and in-state tourists. The increase in employment caused the unemployment rate to drop from an average rate of 4.5 percent in

2003 to 3.7 percent in July 2004, although the latter is not seasonally adjusted to account for part-time summer workers.

Based on data from F.W. Dodge, nonresidential construction activity in some counties is up considerably. In the first seven months of 2004, the value of nonresidential construction more than doubled in Eagle, Pitkin, and Summit counties, but was flat in Routt County. In the former counties, most of the increases were reported in Pitkin County for grocery stores, office buildings, service stations, and health care facilities.

In the first six months of 2004, retail trade improved in each county within the mountain region. This follows a year in which there was almost no growth in the region, and many counties experienced declines in retail trade. For the entire region, retail trade is up 6.7 percent through June, which is higher than the statewide growth rate of 4.9 percent. Double-digit increases were reported in Gilpin, Clear Creek, and Gunnison counties. Moreover, the slowest growth rate was recorded for Summit County, at 2.5 percent; the remaining counties had retail trade growth of between 3.0 and 10.0 percent.

In other regional economic news:

- Construction will begin on a new medical complex in Eagle Ranch, about 20 miles west of Beaver Creek. The first phase of construction will cost \$20 million to complete and will include doctors' offices, diagnostic imaging services, and physical therapy services. Future construction plans include more hospital and assisted living facilities.
- Natural gas development is beginning in the White River National Forest (WRNF) near Carbondale and Rifle. The recent completion of WRNF's management plan has revived interest in exploratory drilling activity, especially by Laramie Energy and EnCana Oil and Gas. In the next 10 to 15 years, the plan estimates the drilling of 20 gas wells and three oil wells in the WRNF.

Northern Region

The economy in Weld and Larimer counties is rebounding. Table 14 shows annual economic indicators for the region since 2002, and year-to-date results through July. Employment, retail trade, and both residential and nonresidential construction are expanding this year.

Table 14			
Northern Region Economic Indicators			
Weld and Larimer Counties			
	2002	2003	Year-to-date Thru July 2004
Employment Growth /1			
Larimer County	-0.4%	-1.1%	1.2%
Weld County	1.2%	0.3%	3.3%
Unemployment Rate (2004 rate is for July only)			
Larimer County	5.2%	5.2%	4.7%
Weld County	6.0%	6.4%	6.0%
State Cattle and Calf Inventory Growth /2			
	-3.6%	-24.1%	2.3%
Housing Permit Growth /3			
Larimer County	-17.1%	-1.1%	11.0%
Weld County	2.6%	-10.2%	23.8%
Growth in Value of Nonresidential Const. /4			
Larimer County	8.0%	-35.8%	117.7%
Weld County	-33.8%	33.3%	82.1%
Retail Trade Sales Growth /5 (YTD thru June 2004)			
Larimer County	1.7%	0.2%	3.3%
Weld County	7.8%	5.1%	14.8%
1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data is from the Current Population (household) Survey.			
2/ Colorado Agricultural Statistics Service.			
Year-to-date figures reflect August 2004 over August 2003.			
3/ U.S. Census			
4/ F.W. Dodge			
5/ Colorado Department of Revenue. Includes food services.			

Employment has increased 1.2 percent and 3.3 percent in Larimer and Weld Counties, respectively, through July, while the unemployment rate has edged down from 2003 levels in both counties. In addition, according to a survey from Manpower Inc., employment could continue to improve in the fourth quarter. The survey found that 20 percent of companies surveyed in Northern Colorado plan to hire in the fourth quar-

ter, while 13 percent expect to reduce their workforce. The survey indicated that new jobs are likely to be in the services and construction sectors, while the manufacturing and finance sectors will likely lose jobs.

Based on data from F.W. Dodge, the value of nonresidential construction has rebounded considerably in 2004. The value of nonresidential construction more than doubled in Larimer County and increased 82.1 percent in Weld County through July, compared with the first seven months of 2003. Much of the increase in Larimer County occurred in the education and the hospital and health treatment sectors. In Weld County, most of the increase was for educational buildings and manufacturing plants.

While retail trade has improved in both Larimer and Weld counties, Weld County has shown the greatest improvement with 14.8 percent growth through the first half of the year. Retail trade increased 3.3 percent in Larimer County during the same time period. Weld County has experienced relatively healthy growth in retail trade throughout the recession. Some of this may be attributable to a rebirth of Downtown Greeley, where several new restaurants, retail, and housing units have appeared in recent years.

Recent Economic News:

- Telephone directory publisher RR Donnelly & Sons Co. announced plans to hire 50 people to staff a 15,000-square-foot expansion of its Greeley plant.
- Entertainment center Alpine Frontier in Fort Collins closed early this month as a result of bad economic conditions. The center employed 25 workers year round and 60 part-time workers during the summer.
- Construction is expected to begin this month on "The Shops at Centerra," a 668,000-square-foot lifestyle shopping center in Loveland near I-25. More than 61 percent of the space has already been leased by retailers.

Eastern Plains

The Eastern Plains employment situation has improved in 2004, based on data from the Colorado Department of Labor and Employment household survey. Through July 2004, employment grew 5.3 percent compared to the first seven months of 2003. This compares with household survey growth rates of 3.0 percent and 3.9 percent for 2002 and 2003, respectively. However, it is important to note that the more accurate measure of employer tax reporting (ES-202 filings, only available through December 2003) showed regional employment declines of -0.1 percent and -0.5 percent in 2002 and 2003, respectively. As of July 2004, the regional unemployment rate was 3.5 percent, lower than the 4 percent rate experienced in 2003 and in 2002. Table 15 summarizes major economic indicators for the region.

Table 15			
Eastern Region Economic Indicators			
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties			
	2002	2003	Year-to-date Thru July 2004
Employment Growth /1	-0.1%	-0.5%	5.3%
Unemployment Rate 2004 rate is for July only	4.0%	4.0%	3.5%
Crop Price Changes /2			
Winter Wheat	33.5%	-7.7%	-9.2%
Corn for Grain	18.8%	0.8%	13.7%
Alfalfa Hay	12.9%	-21.1%	1.2%
State Crop Production Growth /2			
Winter Wheat (mil. bushels) /a	-45.0%	112.1%	-38.6%
Corn for Grain (mil. bushels) /a	-25.0%	7.0%	2.0%
Alfalfa Hay (thousand tons)	-37.3%	13.2%	NA
State Cattle and Calf Inventory Growth /2			
	-3.6%	-24.1%	2.3%
Retail Trade Sales Growth /3 YTD thru June 2004			
	-4.6%	-0.5%	2.7%

1/ Colorado Department of Labor and Employment. Annual data are from the ES-202 program. 2004 YTD data is from the Current Population (household) Survey.
2/ Colorado Agricultural Statistics Service. Year-to-date figures reflect August 2004 over August 2003.
a/ 2004 production forecast by the Colorado Agricultural Statistics Service.
3/ Colorado Department of Revenue. Includes food services.

Retail sales are also showing signs of a regional recovery. Through June 2004, retail trade grew 2.7 percent over the first half of 2003. This is a significant positive shift, as sales of retail goods declined in each of the last two calen-

dar years. As a result of stronger retail growth, sales tax collections are also recovering in 2004. Regional taxable sales increased 8 percent through June 2004 and state sales tax revenue increased 9 percent over the same time frame. In 2002 and 2003, taxable sales and tax revenue were flat or declined.

Recent economic news:

- Home Depot announced plans to build a new store in Sterling, scheduled to be open by 2005. The new outlet will be just over 100,000 square feet and will cost an estimated \$5.5 million.
- Dean Pickle and Specialty Products added a 200,000 square foot warehouse in La Junta in April. When fully operational there will be about 20 trucks a day transporting goods to and from 11 other plants.
- The state 2004 wheat production is expected to be one of the smallest in over 30 years. The Colorado Association of Wheat Growers blamed the prolonged drought and other weather related conditions for the small harvest. Colorado winter wheat production in 2004 is estimated at 47.25 million bushels, down nearly 40 percent from the 10-year average crop of 78.6 million bushels and the second smallest crop since 1969.
- While this year's corn production is forecast to be slightly higher than last year's harvest, the yield per acre is estimated to be 2.2 percent lower than last year. As a result, the corn prices received by Colorado farms in August averaged \$2.65 a bushel, up 13.7 percent from the prior year.
- While the August 2004 number of cattle and calves on feed for slaughter was down 6 percent from one month ago, inventory was up 2 percent from a year ago. Meanwhile, commercial red meat production was down 5.1 percent through July 2004, compared with the first six months of 2003.

Appendix
Historical Data

National Economic Indicators
(Dollar amounts in billions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product percent change	\$5,484.4 7.5%	\$5,803.1 5.8%	\$5,995.9 3.3%	\$6,337.7 5.7%	\$6,657.4 5.0%	\$7,072.2 6.2%	\$7,397.7 4.6%	\$7,816.9 5.7%	\$8,304.3 6.2%	\$8,747.0 5.3%	\$9,288.4 6.0%	\$9,817.0 5.9%	\$10,100.8 2.9%	\$10,480.8 3.8%	\$10,987.9 4.8%
Real Gross Domestic Product (inflation-adjusted, chained to 2000) percent change	\$6,981.4 3.5%	\$7,112.5 1.9%	\$7,100.5 -0.2%	\$7,336.6 3.3%	\$7,532.7 2.7%	\$7,835.5 4.0%	\$8,031.7 2.5%	\$8,328.9 3.7%	\$8,703.5 4.5%	\$9,066.9 4.2%	\$9,470.3 4.4%	\$9,817.0 3.7%	\$9,866.6 0.5%	\$10,083.0 2.2%	\$10,398.0 3.1%
Unemployment Rate	5.3%	5.6%	6.9%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.8%	5.8%	0.6%
Inflation (Consumer Price Index)	4.8%	5.4%	4.2%	3.0%	3.0%	2.6%	2.8%	3.0%	2.3%	1.6%	2.2%	3.4%	2.8%	1.6%	2.3%
10-Year Treasury Note	8.5%	8.6%	7.9%	7.0%	5.9%	7.1%	6.6%	6.4%	6.4%	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%
Personal Income percent change	\$4,587.8 7.9%	\$4,878.5 6.3%	\$5,051.0 3.5%	\$5,362.0 6.2%	\$5,558.6 3.7%	\$5,842.5 5.1%	\$6,152.3 5.3%	\$6,520.6 6.0%	\$6,915.2 6.1%	\$7,423.0 7.3%	\$7,802.4 5.1%	\$8,429.7 8.0%	\$8,713.1 3.4%	\$8,910.3 2.3%	\$9,208.0 3.3%
Wage and Salary Income percent change	\$2,596.4 5.8%	\$2,754.0 6.1%	\$2,823.0 2.5%	\$2,980.3 5.6%	\$3,082.7 3.4%	\$3,232.1 4.8%	\$3,419.3 5.8%	\$3,619.6 5.9%	\$3,877.6 7.1%	\$4,183.4 7.9%	\$4,466.3 6.8%	\$4,829.2 8.1%	\$4,942.9 2.4%	\$4,974.6 0.6%	\$5,100.2 2.5%
Nonfarm Wage and Salary Employment (millions) percent change	108.0 2.6%	109.5 1.4%	108.4 -1.0%	108.7 0.3%	110.8 1.9%	114.3 3.2%	117.3 2.6%	119.7 2.0%	122.8 2.6%	125.9 2.5%	129.0 2.5%	131.8 2.2%	131.8 0.0%	130.3 -1.1%	129.9 -0.3%

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

Colorado Economic Indicators
(Dollar amounts in millions)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Nonagricultural Employment (thous.) percent change	1,482.3 3.2%	1,520.9 2.6%	1,544.9 1.6%	1,596.9 3.4%	1,670.7 4.6%	1,755.9 5.1%	1,834.4 4.5%	1,900.4 3.6%	1,979.5 4.2%	2,056.7 3.9%	2,131.5 3.6%	2,212.6 3.8%	2,225.4 0.6%	2,182.5 -1.9%	2,150.4 -1.5%
Unemployment Rate	5.8%	5.0%	5.1%	6.0%	5.3%	4.2%	4.2%	4.2%	3.3%	3.8%	2.9%	2.7%	3.7%	5.7%	6.0%
Personal Income percent change	\$60,652 8.5%	\$64,748 6.8%	\$68,283 5.5%	\$73,794 8.1%	\$79,697 8.0%	\$85,671 7.5%	\$92,704 8.2%	\$100,233 8.1%	\$107,873 7.6%	\$118,493 9.8%	\$128,860 8.7%	\$144,394 12.1%	\$150,594 4.3%	\$151,790 0.8%	\$156,010 2.8%
Per Capita Income percent change	\$18,515 8.1%	\$19,575 5.7%	\$20,160 3.0%	\$21,109 4.7%	\$22,054 4.5%	\$23,004 4.3%	\$24,226 5.3%	\$25,570 5.5%	\$26,846 5.0%	\$28,784 7.2%	\$30,492 5.9%	\$33,371 9.4%	\$34,003 1.9%	\$33,723 -0.8%	\$34,283 1.7%
Wage and Salary Income percent change	\$34,666 5.5%	\$37,119 7.1%	\$39,548 6.5%	\$42,678 7.9%	\$45,736 7.2%	\$48,912 6.9%	\$52,782 7.9%	\$57,091 8.2%	\$62,364 9.2%	\$69,462 11.4%	\$76,263 9.8%	\$85,909 12.6%	\$88,307 2.8%	\$86,889 -1.6%	\$88,106 1.4%
Retail Trade Sales percent change	\$26,160 5.1%	\$27,544 5.3%	\$28,932 5.0%	\$31,298 8.2%	\$34,180 9.2%	\$38,100 11.5%	\$39,955 4.9%	\$42,629 6.7%	\$45,142 5.9%	\$48,131 6.6%	\$52,209 8.5%	\$58,018 11.1%	\$58,947 1.6%	\$58,634 -0.5%	\$58,662 -0.3%
Housing Permits percent change	11,131 -13.5%	11,897 6.9%	14,071 18.3%	23,484 66.9%	29,913 27.4%	37,229 24.5%	38,622 3.7%	41,135 6.5%	43,053 4.7%	51,156 18.8%	49,313 -3.6%	54,596 10.7%	55,007 0.8%	47,871 -13.0%	39,569 -17.3%
Nonresidential Construction percent change	\$946 -2.8%	\$939 -0.7%	\$1,610 71.4%	\$1,539 -4.4%	\$1,578 2.6%	\$1,581 0.2%	\$1,841 16.4%	\$2,367 28.6%	\$2,986 26.2%	\$2,617 -12.4%	\$3,544 35.4%	\$3,339 -5.8%	\$3,373 1.0%	\$2,613 -22.5%	\$2,204 -15.6%
Denver-Boulder Inflation Rate	1.8%	4.4%	3.9%	3.7%	4.2%	4.4%	4.3%	3.5%	3.3%	2.4%	2.9%	4.0%	4.7%	1.9%	1.1%
Population (thousands, July 1) percent change	3,284.5 0.4%	3,307.6 0.7%	3,387.1 2.4%	3,495.9 3.2%	3,613.7 3.4%	3,724.2 2.7%	3,826.7 2.8%	3,920.0 2.0%	4,018.3 2.0%	4,116.6 2.4%	4,226.0 2.7%	4,326.8 2.4%	4,431.0 2.4%	4,506.5 1.7%	4,550.7 1.1%

Sources: Colorado Department of Labor and Employment; U.S. Department of Commerce, Colorado Department of Revenue, U.S. Bureau of the Census, U.S. Bureau of Labor Statistics, F.W. Dodge.

Comparative Economic Growth 2003

State	Nonfarm Employment		Personal Income		Unemployment Rate		State	Nonfarm Employment		Personal Income		Unemployment Rate	
	Growth Rate	Rank	Growth Rate	Rank	Growth Rate	Rank		Growth Rate	Rank	Growth Rate	Rank	Growth Rate	Rank
Alabama	-0.4%	33	3.6%	27	6.0	8	Montana	1.0%	7	5.2%	6	4.8	27
Alaska	1.6%	3	3.5%	29	7.6	1	Nebraska	-0.2%	25	6.1%	4	3.6	44
Arizona	1.1%	6	4.4%	9	4.4	37	Nevada	3.4%	1	5.8%	5	4.0	41
Arkansas	-0.2%	27	3.9%	18	5.4	17	New Hampshire	-0.3%	30	3.2%	37	3.7	42
California	-0.3%	31	3.7%	21	5.8	10	New Jersey	-0.1%	21	3.2%	36	4.8	27
Colorado	-1.5%	46	2.8%	44	5.1	20	New Mexico	1.2%	5	4.1%	12	5.4	17
Connecticut	-1.3%	45	2.4%	49	4.6	33	New York	-0.7%	37	2.4%	48	5.6	12
Delaware	-0.2%	26	3.7%	22	3.6	44	North Carolina	-0.9%	41	2.9%	41	5.0	23
Florida	1.5%	4	4.3%	10	4.5	34	North Dakota	0.8%	9	8.7%	2	3.3	48
Georgia	-0.3%	29	3.8%	19	4.2	39	Ohio	-1.0%	43	2.8%	42	6.3	5
Hawaii	1.9%	2	4.9%	7	2.9	50	Oklahoma	-2.4%	50	3.4%	32	4.1	40
Idaho	0.6%	11	3.5%	30	5.0	23	Oregon	-0.7%	38	3.0%	39	7.4	2
Illinois	-1.1%	44	2.5%	46	6.1	7	Pennsylvania	-0.7%	39	3.1%	38	5.6	12
Indiana	-0.1%	24	3.3%	33	5.1	20	Rhode Island	0.9%	8	4.2%	11	5.5	14
Iowa	-0.5%	34	3.7%	24	4.5	34	South Carolina	0.4%	12	3.6%	28	6.4	4
Kansas	-1.7%	48	4.0%	15	4.8	27	South Dakota	0.2%	14	9.0%	1	3.2	49
Kentucky	-0.3%	32	3.7%	25	5.1	20	Tennessee	0.1%	18	4.0%	16	4.9	26
Louisiana	0.4%	13	3.6%	26	5.0	23	Texas	-0.5%	35	2.9%	40	5.7	11
Maine	-0.1%	20	3.7%	23	4.5	34	Utah	0.0%	19	2.8%	43	4.8	27
Maryland	0.2%	15	3.9%	17	4.3	38	Vermont	-0.2%	28	3.7%	20	3.4	47
Massachusetts	-2.0%	49	2.1%	50	5.4	17	Virginia	0.2%	17	4.1%	14	3.5	46
Michigan	-1.5%	47	2.5%	47	6.7	3	Washington	0.2%	16	3.2%	35	6.2	6
Minnesota	-0.1%	22	4.1%	13	4.8	27	West Virginia	-0.9%	42	2.8%	45	5.5	14
Mississippi	-0.6%	36	4.5%	8	5.9	9	Wisconsin	-0.1%	23	3.4%	31	4.8	27
Missouri	-0.7%	40	3.2%	34	5.5	14	Wyoming	0.8%	10	6.3%	3	3.7	42
United States	-0.3%	N/A	3.4%	N/A	5.4	N/A	United States	-0.3%	N/A	3.4%	N/A	5.4	N/A

Sources: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics.