FOCUS COLORADO: ECONOMIC & REVENUE FORECAST, 2002-2007

State of Colorado

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COLORADO LEGISLATIVE COUNCIL
STAFF REPORT

COLORADO LEGISLATIVE COUNCIL STAFF FORECASTS, 2002-2007

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EXECUTIVE SUMMARY

General Fund Revenue

- The estimate for General Fund revenue in FY 2001-02 was reduced by $248.3 million. Most of the reduction comes from ongoing weakness in individual income tax receipts. Gross receipts from individual income taxes were reduced by $231.6 million. The reduced estimate will also mean that less money will be diverted to the State Education Fund.

- The recovery of the Colorado economy will be weaker than previously anticipated and will translate into lower revenues as well. The estimate for General Fund revenue in FY 2002-03 was reduced by $421.4 million. The reduction comes from the prime sources of General Fund revenue — individual and corporate income taxes and sales taxes. Over the six-year forecast period, the total reduction of the revenue estimate is $2.75 billion.

Cash Fund Revenue

- After growing 5.8% in FY 2000-01, cash fund revenue subject to the TABOR spending limit will decrease 1.2% in FY 2001-02. After increasing 2.6% in FY 2002-03, growth in these funds will be at rates well above the historical average for two years, but then slow again for the last two years of the forecast period.

The Constitutional Revenue Limit — TABOR

- After exceeding the constitutional revenue limit for the past five years, Colorado will not have surplus revenues in FY 2001-02 and FY 2002-03. The lack of surplus in the latter year results from another reduction in the revenue estimates that pushes TABOR revenue below the TABOR limit.

- The General Assembly passed legislation to implement the unused amount of the growth dividend that resulted from the 2000 Census indicating an underestimate of population during the 1990s. This implementation will eliminate an expected TABOR surplus in FY 2003-04 and reduce anticipated surpluses thereafter.

General Fund Overview

- The weak economy required many budget actions by the General Assembly and the Governor to avoid a budget deficit for FY 2001-02. Two bills allow the Governor to borrow money from three cash funds if the June 20 revenue estimate indicates additional revenue shortfalls in FY 2001-02. Our forecast indicates that $199.1 million will need to be borrowed. An additional $42.3 million can be borrowed in FY 2002-03.

- Our forecast indicates ongoing revenue shortfalls that will dictate further budget actions to avoid deficits. This forecast indicates that the budget shortfall would be $303.9 million in FY 2002-03, assuming a 2% reserve. The shortfall would reach over $1.3 billion by FY 2006-07 without additional budget reductions or enhancements.

- The forecast overview does not incorporate the Governor's freeze for FY 2002-03. If these savings are realized, the budget shortfall in FY 2002-03 is reduced to $133.4 million.

The National Economy

- Inflation-adjusted **GDP** will increase 2.4% in 2002, following a 1.2% increase in 2001. GDP growth will be a more robust 3.4% in 2003 and 3.8% in 2004.

- Nonfarm **employment** will decline 0.6% this year. The economic recovery will be in place by year end, leading to a healthy 1.6% gain in 2003.

The Colorado Economy

- The **Colorado employment** picture began to turn around in the second quarter. Seasonally-adjusted employment in April posted its first gain in 16 months and followed with another gain in May. However, it will be a gradual recovery in 2002. The number of Colorado jobs will decline by 1.3% in 2001 before climbing 1.9% in 2003.

- The weak economic recovery leads to a grim outlook for overall **personal income and wage** gains in 2002. Personal income will rise only 2.7%, while wages and salaries will increase a scant 1.2%. The outlook beyond 2002 is more positive. Gains in personal income will average 6.3%, while wages and salaries will increase at a compound average annual growth rate of 6.6%.

- We expect the Denver-Boulder-Greeley **inflation rate** to be 2.3% in 2002. The inflation rate in 2003 will remain below recent increases, posting a 2.8% gain.

- **Population** increases will be less than 2.0% in the upcoming years.

Revenue and Economic Forecast

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REVENUE AND ECONOMIC FORECAST

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General Fund Revenue

- The estimate for General Fund revenue in FY 2001-02 was reduced by $248.3 million. Most of the reduction comes from ongoing weakness in individual income tax receipts. Gross receipts from individual income taxes were reduced by $231.6 million. The reduced estimate will also mean that less money will be diverted to the State Education Fund.
- The recovery of the Colorado economy will be weaker than previously anticipated and will translate into lower revenues as well. The estimate for General Fund revenue in FY 2002-03 was reduced by $421.4 million. The reduction comes from the prime sources of General Fund revenue — individual and corporate income taxes and sales taxes. Over the six-year forecast period, the total reduction of the revenue estimate is $2.75 billion.

This section presents the Legislative Council Staff outlook for General Fund revenues. Table 1 shows the forecast for FY 2001-02 through FY 2006-07.

While a recovery in the Colorado economy is now underway, the pace of the recovery will be weaker than previously anticipated. Seasonally-adjusted employment started to increase in April 2002 and was followed by another gain in May. However, wage and salary income for 2001 was lower than previously estimated and remained very weak during the first part of 2002 based on evidence from the state's wage withholding tax.

"...the estimates for General Fund receipts are significantly lower than in the March forecast."

Accordingly, the estimates for General Fund receipts are significantly lower than in the March forecast. We reduced the current year forecast by $248.3 million. This is somewhat better than a speculated reduction of $300 million based on the initial receipts from April's income taxes. However, the anticipated slower recovery in Colorado's economy leads to a $421.4 million reduction in the revenue estimate for FY 2002-03. While revenues were previously estimated to increase by 8.7% in FY 2002-03, we are now estimating a 6.0% gain. The estimate for the six-year forecast period was reduced by $2.75 billion.

General Fund revenue is estimated to decline by 14.5% in FY 2001-02. The magnitude of the decline is somewhat overstated because of the impact of Amendment 23. This amendment diverts a portion of the state's income tax receipts to the State Education Fund. A full year of diversion occurs in FY 2001-02, while approximately only a half-year diversion occurred in FY 2000-01 because the amendment was implemented in late December 2000. Without the diversion, General Fund receipts would decline by 12.6%. During the previous 26 years, revenue declined only once. The previous decline in FY 1980-81 was attributed to tax reductions.

Individual income taxes will decline by an estimated 14.7% in FY 2001-02. This is on par with a recent report by the National Conference of State Legislatures that indicated that individual income tax receipts nationwide dropped by 14% from January through April.

Several factors are contributing to the decline in Colorado and across the country. Taxes from nonwage income sources are substantially lower. Capital gains realizations fell significantly over the last year. While final data will not be available for some time, information from Colorado's capital gains TABOR refund mechanism sheds some light on the magnitude of the decline. Through May, the amount of this refund is 33% lower than last year. The Federal Reserve Board reduced interest rates 11 times in 2001 leading to substantially reduced interest earnings. Personal interest earnings declined 0.7% in 2001 and are estimated to fall by 2.8% in 2002. The slack rental market, caused by higher vacancy rates, is leading to lower rental rates for apartments. While this is a more recent factor, it is also likely contributing to lower income tax receipts.

"Taxes from nonwage income sources are substantially lower."

Wage and salary growth is much lower than in recent years. This income source increased only 3.8% in 2001, a significant decline from the average 10.2% gain of the previous five years. Moreover, we are forecasting only a 1.2% increase in 2002. Wage and salary income has been substantially reduced by lower

Table 1
Colorado General Fund, Accrual Basis
June 2002 Revenue Estimates by Tax Category
($ in millions)

Category	Actual FY 2000-01	Percent Change	Estimate FY 2001-02	Percent Change	Estimate FY 2002-03	Percent Change	Estimate FY 2003-04	Percent Change	Estimate FY 2004-05	Percent Change	Estimate FY 2005-06	Percent Change	Estimate FY 2006-07	Percent Change
Sales /A	$1,811.2	4.9	$1,747.7	-3.5	$1,820.8	4.2	$1,940.0	6.5	$2,075.3	7.0	2,214.1	6.7	2,360.0	6.6
TABOR Overrefund	(60.1)		(70.6)		0.0		0.0		0.0		0.0		(5.4)	
Use /A	157.9	10.8	139.9	-11.4	145.9	4.3	155.5	6.6	166.6	7.1	175.8	5.5	184.8	5.1
Cigarette	58.1	0.5	56.2	-3.3	55.6	-1.0	55.1	-1.0	54.5	-1.0	54.0	-1.0	53.4	-1.0
Tobacco Products	9.9	5.3	10.1	2.1	10.5	3.4	10.9	4.0	11.3	3.8	11.7	3.9	12.2	4.1
Liquor	29.3	4.6	29.7	1.4	30.6	2.9	31.2	2.2	32.1	2.6	32.9	2.6	33.7	2.6
TOTAL EXCISE	$2,006.3	2.2	$1,913.0	-4.6	$2,063.3	7.9	$2,192.7	6.3	$2,339.7	6.7	$2,488.5	6.4	$2,638.8	6.0
Net Individual Income	$4,017.8	8.1	$3,427.2	-14.7	$3,639.2	6.2	$3,956.2	8.7	$4,296.1	8.6	$4,640.5	8.0	$4,947.3	6.6
Net Corporate Income	329.7	14.0	176.6	-46.4	198.2	12.2	217.8	9.9	273.1	25.4	324.1	18.7	338.2	4.4
TOTAL INCOME TAXES	$4,347.5	8.5	$3,603.8	-17.1	$3,837.4	6.5	$4,174.1	8.8	$4,569.2	9.5	$4,964.6	8.7	$5,285.5	6.5
Less: Portion directed to the State Education Fund /B	($164.3)		(272.9)	66.1	(290.4)	6.4	(315.3)	8.6	(344.6)	9.3	(373.9)	8.5	(398.0)	6.4
INCOME TAXES TO GENERAL FUND	$4,183.2	4.4	$3,330.9	-20.4	$3,547.0	6.5	$3,858.7	8.8	$4,224.6	9.5	$4,590.6	8.7	$4,887.6	6.5
Estate	$82.6	38.4	$72.5	-12.2	$55.1	-24.0	$40.9	-25.7	$21.7	-46.9	$2.4	-89.0	$0.0	-100.0
Insurance	142.0	10.5	154.0	8.4	158.3	2.8	162.5	2.6	164.2	1.0	170.4	3.8	176.8	3.8
Pari-Mutuel	6.1	-12.9	5.7	-6.6	5.6	-1.8	5.6	0.0	5.5	-1.8	5.5	0.0	5.5	0.0
Interest Income	45.2	6.9	27.4	-39.4	10.0	-63.5	15.9	59.0	19.9	25.2	25.4	27.6	30.8	21.3
Court Receipts	22.3	-17.7	24.1	8.1	24.9	3.4	25.7	3.0	26.4	2.8	27.1	2.8	27.9	2.7
Gaming /C	31.4	9.0	35.2	12.2	42.6	21.0	44.0	3.3	49.3	11.9	54.4	10.4	59.7	9.8
Medicaid (Intergovt. Transfer)	0.0	-100.0	11.2	NA	10.7	-4.5	0.0	NA	0.0	NA	0.0	NA	0.0	NA
Other Income	33.4	4.7	26.4	-21.0	20.3	-23.0	21.0	3.6	21.8	3.8	22.7	3.8	23.5	3.7
TOTAL OTHER	$363.0	9.2	$356.5	-1.8	$327.5	-8.1	$315.7	-3.6	$308.8	-2.2	$307.8	-0.3	$324.1	5.3
GROSS GENERAL FUND	**$6,552.5**	4.0	**$5,600.4**	-14.5	**$5,937.8**	6.0	**$6,367.1**	7.2	**$6,873.1**	7.9	**$7,386.9**	7.5	**$7,850.5**	6.3
REBATES & EXPENDITURES:														
Cigarette Rebate	$16.4	0.0	$15.9	-3.3	$15.7	-1.0	$15.5	-1.0	$15.4	-1.0	$15.2	-1.0	$15.1	-1.0
Old-Age Pension Fund	63.2	9.5	67.6	6.9	70.9	5.0	75.0	5.8	79.8	6.3	85.0	6.5	89.0	4.8
Aged Property Tax & Heating Credit	16.8	-21.9	24.5	45.6	23.2	-5.1	23.4	1.0	23.4	-0.2	23.2	-0.8	23.5	1.2
Fire/Police Pensions	28.7	0.0	28.9	0.7	28.9	0.0	28.9	0.0	28.9	0.0	28.9	0.0	5.6	-80.6
TOTAL REBATES & EXPENDITURES	$125.1	0.6	$136.8	9.3	$138.7	1.4	$142.9	3.0	$147.5	3.2	$152.3	3.3	$133.2	-12.6

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 in Table 12.
/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 spending limit.
/C Includes only the amount credited to the General Fund.

bonuses given by businesses as well as the evaporation of earnings from stock options. Workers were able to bid up their wages during the economic boom period of the late 1990s because of the shortage of available workers. The state's unemployment rate fell to a historic low of 2.7% in 2000. After the state entered a recession and the unemployment rate doubled, workers no longer have their previous bargaining power, thus helping to reduce wage and salary gains. Additionally, the slack labor market is preventing many workers from shifting to higher paying jobs such as occurred in the late 1990s.

Finally, the accrual estimates for individual income taxes will reduce the current year's estimate for income tax receipts. When the estimates were done a year ago, the state showed little evidence of entering a recession and the estimates for cash settlements on income tax returns filed in April were relatively rosy. Because the cash settlements were much less than anticipated, the state will have a substantial negative accrual this year.

"Receipts from individual income taxes will resume a growth path after FY 2001-02, but the path will not be as steep as estimated in the last forecast."

Receipts from individual income taxes will resume a growth path after FY 2001-02, but the path will not be as steep as estimated in the last forecast. Individual income taxes will increase 6.2% in FY 2002-03. By comparison, our last estimate called for 8.5% growth. After the current fiscal year, individual income tax receipts will increase at an annualized pace of 7.0%. The previous forecast contained a 7.9% estimate.

Corporate income taxes are typically volatile, largely because relatively few companies pay a large share of the tax. The national recession and accompanying weakness in corporate profits will lead to an estimated 46.4% decline in corporate taxes in FY 2001-02. A significant portion of the decline is attributable to the accelerated depreciation provisions of the economic stimulus package passed by Congress and approved by President Bush in March. The depreciation provisions were retroactive to last September and will be effective for three years. Taxpayers are reacting to the provision by reducing their estimated payments and/or receiving larger tax refunds and making smaller cash settlement payments.

Corporate income taxes will increase after FY 2001-02. The expected large percentage increases in FY 2004-05 and 2005-06 are attributable to the end of the accelerated depreciation provision and a "recapture" of the reduced taxes via lower depreciation expenses in those years.

Revenue diverted to the ***State Education Fund*** will be substantially less because of the reduced estimates for income tax receipts. During the six-year forecast period, the estimate was reduced by $167.1 million from the March 2002 forecast. A report on the solvency of the State Education Fund based on the December 2001 forecast indicated a tenuous position for the fund. A reduction of $317.8 million of revenue to the fund from the December forecast likely means insolvency, assuming that all other factors that influence the fund balance do not change.

"Revenue diverted to the State Education Fund will be substantially less because of the reduced estimates for income tax receipts."

Sales taxes typically track economic performance relatively closely. The current year is no exception as the expected 3.5% decline for sales taxes mirrors the economic downturn,

though part of the decline is attributable to a full year of a lower sales tax rate *vis-a-vis* a one-half year impact in FY 2000-01.

Weak wage and salary growth, reduced tourism due to the national economic slowdown and last September's terrorist attacks, and reduced business investment are all playing a role in the currently weak sales tax receipts. These factors will continue into FY 2002-03, albeit to a lesser degree, leading to a 4.2% increase for sales taxes. Although a turnaround from the decline in the current fiscal year, the estimated increase for next fiscal year is similar to the small gains after the mid-1980s recession ended. Sales taxes will resume a more typical growth rate after FY 2002-03, averaging 6.7% during the rest of the forecast period.

Use taxes are largely dependent on business spending. The slowdown in building construction and investment, combined with the ongoing impact of the rate reduction in the current fiscal year, will mean an 11.4% decline in use tax receipts in FY 2001-02. Use taxes will have a similar slow recovery pattern to sales taxes as mentioned previously.

Insurance premium taxes are one of only two categories that the revenue estimate for the current year was increased. Insurance taxes will increase 8.4% this year, following a 10.5% gain in FY 2000-01. Rising property values and the accompanying rise in premiums are behind the recent steep climb in the tax. The insurance premiums tax will exhibit more modest growth of 2.8% in FY 2002-03 because of a tax credit that may be claimed by insurance companies that make an investment of certified capital in a certified capital company. The capital companies will provide investment funds to companies that create jobs in Colorado, with an incentive for investment in rural and distressed urban areas.

The ***gaming tax*** and fee receipts that accrue to the General Fund were increased for the first two years of the forecast period. However, this is a function of a reduced allocation of gaming revenue to the State Highway Fund. The reduced allocation was done to help preserve the General Fund balance.

"Estate taxes will decline throughout the forecast period as a result of a federal tax law change enacted last year."

Estate taxes will decline throughout the forecast period as a result of a federal tax law change enacted last year. The federal government is phasing out the credit for state estate taxes that can be used on a federal estate tax filing. This will flow through to Colorado's estate tax. The Colorado estate tax will no longer be effective for persons who die after 2004. After FY 2005-06, the estate tax should be completely eliminated, though the state will likely collect minimal amounts for several years from delinquent filings and reassessments of property asset values.

The estimate for ***interest earnings*** to the General Fund was reduced significantly beginning in FY 2002-03. The General Fund will not have positive fund balances and will be earning interest only for very-short term investments of incoming revenue. While this was also indicated in previous forecasts, the current forecast presents a more realistic picture for the interest earnings potential.

Cash Fund Revenue Forecasts

- After increasing 2.0% in FY 2000-01, revenue to the **transportation-related** cash funds, which include the Highway Users Tax Fund and the State Highway Fund, will increase 4.9% in FY 2001-02. While vehicle registration receipts will respond to the slumping economy with a 1.9% decrease, motor fuel taxes will increase at a healthy rate of 4.0% in FY 2001-02 as vacationers stay closer to home and commuters wrestle with increased congestion. Despite waning interest earnings, TABOR revenue to the State Highway Fund will increase 32.8% in FY 2001-02 due to increased matching funds from local governments. A drop-off in these local matching funds will cause growth in TABOR revenue to the State Highway Fund to fall 31.6% and total transportation-related cash fund revenue to slow to 0.9% in FY 2002-03.

- Total **higher education** revenue will grow 8.8% in FY 2001-02, accompanied by 3.7% growth in full-time-equivalent student enrollment. Tuition revenue will grow 10.2% in FY 2001-02.

- Total **unemployment insurance** revenue will decline 4.5% in FY 2001-02. Slow employment and wage growth combined with a low tax rate inherited from the boom of the past five years and a tax credit are responsible for the decline. Meanwhile, benefit payments will accelerate during FY 2001-02 and FY 2002-03 as a result of steadily building layoffs and the inability of laid-off workers to find jobs. Lower tax revenues combined with increased benefit payments will put enough downward pressure on the balance of the Unemployment Insurance Trust Fund to trigger the solvency tax in calendar years 2003, 2004, and 2005. As a result of the low fund balance, a 20% tax credit created by House Bill 00-1310 and extended by **House Bill 02-1401** that is only effective if the fund balance is more than 0.9% of total private wages will not occur during calendar years 2003, 2004, and 2005. The tax credit will become effective again in 2006 and 2007. The fund balance will grow at an average annual rate of 4.0% to $1.0 billion by FY 2006-07.

- **Limited Gaming Cash Fund** revenue will increase 9.7% in FY 2001-02 and at an average annual rate of 9.4% between FY 2000-01 and FY 2006-07. A trend toward vacationing closer to home will offset a cool economy, allowing healthy growth in gaming revenue this year.

- Finally, all **other cash fund** revenue will decrease 13.0% in FY 2001-02. Most of the decline is due to the exemption of $15.8 million to the Unclaimed Property Trust Fund. All other cash funds will increase at an average annual rate of 2.1% between FY 2000-01 and FY 2006-07.

This section presents the forecast for cash fund revenue subject to the TABOR spending limit and describes several of the large cash funds. Table 2 presents a summary of all cash fund revenue subject to the TABOR spending limit.

"...cash fund revenue subject to the TABOR spending limit will decrease 1.2% in FY 2001-02.

After growing 5.8% in FY 2000-01, cash fund revenue subject to the TABOR spending limit will decrease 1.2% in FY 2001-02. After increasing 2.6% in FY 2002-03, these funds will then grow at rates well above the historical average for two years, before slowing again for the last two years of the forecast period.

The pattern of growth will be varied over the forecast period for several reasons. First, the cool economy will trigger the unemployment insurance solvency tax during calendar years 2003, 2004, and 2005, causing unemployment insurance revenues to increase by a total of $356.0 million over the forecast period, with most of the revenue coming during FY 2003-04 and FY 2004-05. Second, higher education tuition revenues will be depressed somewhat in FY 2002-03 as a result of a Governmental Accounting Standards Board decision that reclassified $129.1 million of tuition revenue from TABOR to TABOR exempt. Third, taxes on workers compensation premiums will grow strongly during the next three fiscal years, but are expected to slow to more normal levels by the last few years of the forecast. Finally, interest income earned in the Capital Construction Fund and the Controlled Maintenance Trust Fund will be very low during the next few fiscal years before recovering somewhat during FY 2003-04 and FY 2004-05.

It should be emphasized that the decline in cash funds during FY 2001-02 is attributable to revenue not being counted as part of TABOR revenues that had previously been counted as TABOR revenues. The Colorado Division of Wildlife became an enterprise as a result of House Bill 01-1012. In addition, Senate Bill 00-057 exempted moneys credited to the Unclaimed Property Trust Fund from the TABOR revenue limit. Thus, an estimated $50.9 million of wildlife revenues and $15.8 million in Unclaimed Property Trust Fund revenues were no longer counted as TABOR revenues. In the absence of the different accounting procedure for these revenues, all cash fund revenue would have increased 1.3% in FY 2001-02.

"...the decline in cash funds during FY 2001-02 is attributable to revenue not being counted as part of TABOR revenues that had previously been counted as TABOR revenues prior to FY 2001-02."

We reduced the forecast for FY 2001-02 by $15.8 million relative to the March forecast. The downward revision is due to lower-than-expected tuition, motor fuel taxes, and unemployment insurance taxes. Additionally, several cash funds will have reduced interest earnings due to transfers made to the General Fund. These cash funds include the Controlled Maintenance Trust Fund, the Capital Construction Fund, the Severance Tax Trust Fund, the Petroleum Storage Tank Fund, and the Major Medical Insurance Fund.

Cash funds subject to the TABOR spending limit will increase at a compound average annual rate of 3.2% between FY 2000-01 and FY 2006-07. Over the entire forecast period, we increased the forecast by a total of $40.8 million. The increase is primarily due to a higher forecast for taxes on workers compensation premiums and three, rather than two, years in which the unemployment insurance solvency tax will be in effect.

Table 2
Cash Fund Revenue Estimates by Category, June 2002
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 00-01 to FY 06-07 CAAGR *
Transportation-Related /A	**$781.0**	**$819.6**	**$827.2**	**$857.6**	**$894.4**	**$919.2**	**$949.4**	**3.3%**
% Change	2.0%	4.9%	0.9%	3.7%	4.3%	2.8%	3.3%	
Higher Education /B	**$703.6**	**$765.8**	**$721.2**	**$751.0**	**$785.1**	**$822.7**	**$862.6**	**3.5%**
% Change	7.3%	8.8%	-5.8%	4.1%	4.5%	4.8%	4.8%	
Unemployment Insurance /C	**$200.8**	**$191.8**	**$262.1**	**$363.7**	**$443.7**	**$350.3**	**$295.8**	**6.7%**
% Change	-11.0%	-4.5%	36.7%	38.7%	22.0%	-21.0%	-15.6%	
Limited Gaming Fund	**$92.0**	**$100.9**	**$109.7**	**$120.8**	**$132.7**	**$145.1**	**$158.0**	**9.4%**
% Change	15.0%	9.7%	8.7%	10.1%	9.9%	9.3%	8.9%	
Wildlife Cash Fund /D	**$58.9**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	N/A
% Change	-0.9%	-100.0%	N/A	N/A	N/A	N/A	N/A	
Capital Construction - Interest /E	**$34.9**	**$17.5**	**$10.2**	**$12.3**	**$13.7**	**$14.7**	**$9.5**	**-19.4%**
% Change	-6.0%	-49.8%	-41.6%	20.3%	11.8%	7.0%	-35.0%	
Insurance-Related	**$51.4**	**$67.7**	**$77.9**	**$87.3**	**$94.9**	**$102.1**	**$107.3**	**13.1%**
% Change	2.4%	31.9%	15.0%	12.1%	8.7%	7.6%	5.0%	
Regulatory Agencies	**$51.3**	**$53.4**	**$54.4**	**$56.2**	**$57.8**	**$59.4**	**$61.0**	**2.9%**
% Change	8.8%	4.1%	1.9%	3.3%	3.0%	2.7%	2.6%	
Severance Tax /F	**$74.7**	**$58.9**	**$61.5**	**$61.5**	**$64.0**	**$64.2**	**$67.3**	**-1.7%**
% Change	79.2%	-21.1%	4.3%	0.0%	4.1%	0.3%	4.9%	
Employment Support Fund	**$20.9**	**$19.3**	**$22.8**	**$25.1**	**$25.7**	**$26.5**	**$27.4**	**4.6%**
% Change	-2.2%	-7.4%	18.0%	10.1%	2.4%	3.1%	3.3%	
Petroleum Storage Tank Fund	**$26.5**	**$21.1**	**$21.9**	**$22.9**	**$11.2**	**$11.6**	**$12.1**	**-12.3%**
% Change	52.5%	-20.4%	3.6%	4.7%	-51.2%	4.0%	3.7%	
Controlled Maintenance Trust Fund - Interest /G	**$18.4**	**$0.5**	**$0.0**	**$9.1**	**$21.2**	**$22.7**	**$22.9**	**3.7%**
% Change	2.0%	-97.2%	-97.4%		133.5%	7.1%	0.5%	
Other Cash Funds	**$262.0**	**$231.0**	**$240.1**	**$255.8**	**$271.6**	**$287.3**	**$303.4**	**2.5%**
% Change	16.0%	-11.8%	3.9%	6.5%	6.2%	5.8%	5.6%	
Total Cash Fund Revenues Subject to the TABOR Limit	**$2,376.3**	**$2,347.6**	**$2,409.0**	**$2,623.2**	**$2,816.1**	**$2,825.9**	**$2,876.6**	**3.2%**
	5.8%	**-1.2%**	**2.6%**	**8.9%**	**7.4%**	**0.3%**	**1.8%**	

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

N/A = Not Applicable

These figures reflect only revenue in the funds subject to TABOR, rather than total revenues credited to the funds, much of which has already been counted for the purposes of TABOR. For example, the FY 2000-01 $224.5 million General Fund transfer to the Capital Construction Fund has already been counted in General Fund revenues for the purposes of the TABOR limit, and therefore is not included in this table as TABOR revenues.

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

/B The Governmental Accounting Standards Board decided that public scholarship allowances should no longer be counted as tuition revenue starting in FY 2002-03. This lowers tuition revenues by an estimated $111.3 million in FY 2002-03 and by a total of $602.7 million over the forecast period.

/C This incorporates the effects of House Bill 00-1310, which provides a 20 percent tax credit on unemployment insurance taxes during Calendar Years 2001 and 2002. House Bill 02-1401 extended this tax credit permanently as long as the fund balance remained above a certain level. The tax credit will not occur in Calendar Years 2003 through 2005, but will trigger back on in calendar years 2006 and 2007. Revenues from the solvency tax, which will be triggered in calendar years 2003 though 2005, are also included here.

/D House Bill 01-1012 designates the Division of Wildlife as an enterprises for TABOR purposes beginning in FY 2001-02.

/E House Bill 02-1391 specified that all interest earned in the Capital Construction Fund during FY 2001-02 be transferred to the General Fund. Prior to the transfer, the Capital Construction Fund had earned $17.5 million in interest. Following the transfer, all interest earnings were diverted immediately to the General Fund. Total interest earnings transferred to the General Fund equal $21.9 million. House Bill 02-1443 directed that $9.5 million be transferred back to the Capital Construction Fund from the General Fund in FY 2002-03.

/F This figure includes both the state and local shares of severance tax revenue and interest earnings before distribution.

/G House Bill 01-1267 required that the principal balance of the Controlled Maintenance Trust Fund, or $243.9 million, be transferred to the General Fund on July 1, 2001. House Bill 02-1446 specified that $276.4 million will be transferred back to the Controlled Maintenance Trust Fund from the General Fund over two years beginning in FY 2003-04 in equal amounts of $138.2 million. House Bill 02-1391 required that $9.5 million be transferred out of the fund to the General Fund in March 2002.

Transportation-Related Cash Funds

Transportation-related cash funds, which include the Highway Users Tax Fund, the State Highway Fund, and several smaller funds, increased 2.0% in FY 2000-01. Transportation-related revenue will increase 4.9% in FY 2001-02, and at an average annual rate of 3.3% through FY 2006-07 (Table 3).

The Highway Users Tax Fund. The Highway Users Tax Fund (HUTF) was created by the General Assembly as a result of the state constitutional requirement that the revenues from highway-related taxes and fees be used only for the construction, maintenance, and administration of public highways. Thus, revenue sources for the HUTF include taxes on the sale of motor fuel (75%), automobile registration fees (21%), and revenues from the sale of driver licenses, court fines, penalties, and interest income (4%). In addition, as long as General Fund revenues are sufficient, the HUTF receives revenue from the Senate Bill 97-1 diversion and the excess General Fund reserve each year. The HUTF receives a diversion of 10.355% of the state's sales and use tax revenues. The Senate Bill 97-1 diversion is only funded if there is enough revenue in the General Fund to fund a six percent increase in General Fund appropriations and the four-percent statutory reserve each year. **House Bill 02-1310** and **Senate Bill 02-179**, identical measures that address transportation funding, direct that two-thirds of the excess General Fund reserve be transferred to the Highway Users Tax Fund each year. Money remains in the excess General Fund reserve each year only after the Senate Bill 97-1 diversion and other obligations have been fully funded.

After increasing 0.5% in FY 2000-01, we expect total HUTF revenue to grow 2.9% in FY 2001-02 and at a compound average annual rate of 3.8% through FY 2006-07. The forecast for total HUTF revenue was reduced by $12.9 million in FY 2001-02 relative to the March forecast. About two-thirds of the decrease was due to lower-than-expected motor fuel tax revenue, with the remainder due to lower-than-expected vehicle registration revenue.

Motor fuel tax revenue increased only 1.1% in FY 2000-01, a result of a cooling economy and high gasoline prices. This will improve somewhat in FY 2001-02, with motor fuel tax revenue increasing 4.0%. Gasoline prices have fallen and a trend towards driving to locations closer to home rather than flying has been growing. In addition, people are using more fuel on their commutes as highway construction and congestion has increased in the metro-Denver area. As the economy slowly recovers during the next few years, motor fuel tax revenue will exhibit steady growth, increasing at an average annual rate of 4.1% between FY 2000-01 and FY 2006-07.

"Although consumers continue to purchase automobiles, we believe they have chosen to purchase smaller and/or older cars as a result of the cooling economy."

Vehicle registration revenue, much of which is paid on larger and newer vehicles, will decrease 1.9% in FY 2001-02, after a 0.2% decrease in FY 2000-01. Although consumers continue to purchase automobiles, we believe they have chosen to purchase smaller and/or older cars as a result of the cooling economy. However, steady population growth, continued concerns for personal safety, and larger increases in personal income after 2002 will cause demand for newer and larger automobiles and trucks to recover throughout the forecast period, although growth in demand will not rival that of recent years. Registration revenues will grow at an average annual rate of 2.8% between FY 2000-01 and FY 2006-07.

Table 3
Transportation Funds Revenue Forecast by Source, June 2002
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 2000-01 to FY 2006-07 CAAGR *
Highway Users Tax Fund								
Motor Fuel and Special Fuel Taxes /A	$526.1	$547.3	$564.9	$592.0	$620.0	$644.5	$668.1	4.1%
% change	1.1%	4.0%	3.2%	4.8%	4.7%	3.9%	3.7%	
Registrations /B	$148.7	$145.8	$148.4	$156.1	$164.2	$170.0	$175.7	2.8%
% change	-0.2%	-1.9%	1.8%	5.2%	5.2%	3.5%	3.3%	
Other Receipts /C	$43.5	$45.9	$49.6	$47.6	$50.0	$52.5	$55.4	4.1%
% change	-4.6%	5.6%	7.9%	-3.9%	5.0%	5.1%	5.4%	
Total Highway Users Tax Fund	**$718.4**	**$739.0**	**$762.8**	**$795.7**	**$834.2**	**$867.0**	**$899.2**	**3.8%**
% change	**0.5%**	**2.9%**	**3.2%**	**4.3%**	**4.8%**	**3.9%**	**3.7%**	
State Highway Fund - Interest /D	$42.8	$56.9	$38.9	$35.6	$33.4	$24.9	$25.8	-8.1%
% change	38.9%	32.8%	-31.6%	-8.6%	-6.0%	-25.5%	3.6%	
Other Transportation Funds /E	$19.9	$23.7	$25.4	$26.3	$26.8	$27.2	$24.4	3.5%
% change	-1.6%	19.3%	7.3%	3.4%	1.7%	1.7%	-10.2%	
TOTAL: All Transportation Funds	**$781.0**	**$819.6**	**$827.2**	**$857.6**	**$894.4**	**$919.2**	**$949.4**	**3.3%**
% change	**2.0%**	**4.9%**	**0.9%**	**3.7%**	**4.3%**	**2.8%**	**3.3%**	
Addendum:								
Senate Bill 97-1 Revenue /F	$197.2	$35.2	$0.0	$0.0	$0.0	$0.0	$0.0	NA
% change	4.5%	-82.2%	NA	NA	NA	NA	NA	
Two-Thirds Excess General Fund Reserve /G	NA	NA	$0.0	$0.0	$0.0	$0.0	$0.0	NA

Totals may not sum due to rounding and do not include Senate Bill 97-1 revenues, which are 10.355 percent of sales and use tax revenues, or the transfer of two-thirds of the excess General Fund reserve. The Senate Bill 97-1 revenues and the transfer of two-thirds of the excess General Fund reserve are displayed in the General Fund and are then transferred to the HUTF.

* CAAGR: Compound Average Annual Growth Rate.

/A Net of refunds.

/B Assumes that House Bill 01-1017, which allows the option for a two-year or five-year registration period for certain vehicles, will be implemented on January 1, 2004.

/C Includes interest receipts, judicial receipts, drivers' license fees, gross ton mile tax revenues, and other miscellaneous receipts in the HUTF. Incorporates the impacts of House Bill 01-1125, which institutes a new surcharge on first-time driver's license applicants, and Senate Bill 01-109, which reduces the motorist identification fee and extends it for two additional years.

/D Includes interest, local transfers, and fees. Does not include the state's portion of the HUTF, which is reported within total HUTF revenues, the Senate Bill 97-1 diversion, or the transfer of two-thirds of the excess General Fund reserve, which are reported as General Fund revenues.

/E Revenues received by these funds include fees for emissions, motorcycle safety, emergency medical services, and the state's motor vehicle titling and registration system. Incorporates the impact of House Bill 01-1100 and House Bill 02-1412, which increase motor vehicle title fees to pay for computer upgrades.

/F Senate Bill 97-1 revenue declines in FY 2001-02 and is eliminated for the remainder of the forecast period.

/G House Bill 02-1310 and Senate Bill 02-179 directs that two-thirds of the excess General Fund reserve be transferred to the HUTF each year. There will be insufficient revenue to make that transfer during the entire forecast period.

The pattern of growth in vehicle registration receipts changed over the forecast period relative to the March forecast. The implementation of House Bill 01-1017, which allows registration for certain vehicles for two-year or five-year periods, was postponed from January 1, 2002, to sometime within the next two years. Based on information from the Department of Revenue, this forecast assumes that the bill will not be implemented until January 1, 2004. As a result, registration revenue increases relative to the March forecast during FY 2003-04 and FY 2004-05, and grows at a slower rate during FY 2006-07. While the pattern of revenue growth will change after the bill's implementation, the long-run trend in revenues will not be altered.

"House Bill 02-1310 and Senate Bill 02-179 direct that two-thirds of the excess General Fund reserve be funneled through the HUTF to the State Highway Fund each year."

The State Highway Fund. Once the taxes and fees generated for the Highway Users Tax Fund (HUTF) are collected, they are disbursed to the state, counties, and cities in a manner stipulated by Colorado law. The state's share of money (approximately 55%) is credited to the State Highway Fund. **House Bill 02-1310** and **Senate Bill 02-179** direct that two-thirds of the excess General Fund reserve be funneled through the HUTF to the State Highway Fund each year. In addition, the Senate Bill 97-1 diversion and any capital construction transfers from the General Fund for transportation purposes are deposited into the State Highway Fund. Interest earnings in the fund are subject to the TABOR spending limit. Finally, the State Highway Fund is receiving matching funds from local governments this year for projects accelerated with the use of Transportation Revenue Anticipation Notes. These local matching funds will continue to grow substantially in FY 2001-02, and despite dramatically reduced interest earnings to the fund, revenues will increase 32.8% in FY 2001-02. Local matching funds will fall off during the next few years, however, while interest earnings will continue to decline due to the lack of transfers from the General Fund and insufficient revenue to fund the Senate Bill 97-1 diversion. Thus, we expect State Highway Fund revenues subject to the TABOR spending limit to decrease at an average annual rate of 8.1% between FY 2000-01 and FY 2006-07.

Additional Monies for Transportation. House Bill 02-1310 and Senate Bill 02-179 provided for other means of raising money from non-state funding sources for highway and mass-transit projects. A statewide tolling enterprise was created within the Colorado Department of Transportation and is authorized to finance new toll highways and lanes. In addition, the Regional Transportation District (RTD) was given authorization to ask district voters for an increase in the RTD sales tax rate from 0.6% to 1.0% and to allow RTD to increase its debt to pay for new transit construction. The sales tax rate would be reduced once all debt service has been paid, either by the RTD or by district voters.

Higher Education

In this section, we present the projections for cash fund revenue growth and full-time equivalent (FTE) student enrollment in the state's higher education system. The estimates are provided in Tables 4 and 5.

Higher Education Cash Fund Revenue Projections. Higher education revenue will increase 8.8% in FY 2001-02 and decrease 5.8% in FY 2002-03. Table 4 illustrates the tuition and nontuition revenue forecasts through FY

Table 4
Higher Education Revenue Forecast by Source, June 2002
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 2000-01 to FY 2006-07 CAAGR *
Tuition	$547.2	$603.1	$547.8	$566.5	$588.6	$614.7	$642.3	2.7%
% change	5.2%	10.2%	-9.2%	3.4%	3.9%	4.4%	4.5%	
Nontuition	$156.5	$162.7	$173.5	$184.5	$196.5	$208.1	$220.2	5.9%
% change	15.2%	4.0%	6.6%	6.3%	6.5%	5.9%	5.8%	
TOTAL Higher Education Cash	**$703.6**	**$765.8**	**$721.2**	**$751.0**	**$785.1**	**$822.7**	**$862.6**	3.5%
% change	**7.3%**	**8.8%**	**-5.8%**	**4.1%**	**4.5%**	**4.8%**	**4.8%**	

Totals may not sum due to rounding.

* CAAGR: Compound Average Annual Growth Rate.

For FY 2002-03, the General Assembly approved tuition increase caps of 7.7 percent for residents and nonresidents (5.7 percent for community college residents). The Governor vetoed these caps on May 31, 2002 and directed the Governing Boards and the Colorado Commission on Higher Education to prepare a tuition increase plan with lower inflation caps by July 1, 2002. Until this tuition policy is in place, we assume Governing Boards will use the General Assembly approved tuition increases as guidelines for FY 2002-03 tuition. For subsequent years, we assume tuition rate increases are equal to the Denver-Boulder-Greeley inflation rate.

Beginning FY 2002-03, scholarship allowances and tuition discounts will no longer be considered tuition revenue pursuant to Governmental Accounting Standards Board (GASB) Statements #34 and #35.

Table 5
Higher Education Enrollment Forecast, June 2002
Total Public Higher Education FTE Student Enrollment

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 2000-01 to FY 2006-07 CAAGR *
Residents	117,239	121,706	123,750	125,054	126,437	128,004	129,601	1.7%
% change	0.4%	3.8%	1.7%	1.1%	1.1%	1.2%	1.2%	
Nonresidents	21,247	21,924	22,027	22,270	22,490	22,737	23,047	1.4%
% change	-0.3%	3.2%	0.5%	1.1%	1.0%	1.1%	1.4%	
TOTAL Full-Time-Equivalent Students	**138,486**	**143,630**	**145,776**	**147,325**	**148,926**	**150,741**	**152,648**	1.6%
% change	**0.3%**	**3.7%**	**1.5%**	**1.1%**	**1.1%**	**1.2%**	**1.3%**	

Totals may not sum due to rounding.

* CAAGR: Compound Average Annual Growth Rate.

2006-07. Between FY 2000-01 and FY 2006-07, we estimate total higher education cash fund revenues will grow at an average annual rate of 3.5%.

Tuition revenue will increase 10.2% in FY 2001-02 before declining 9.2% in FY 2002-03. Beginning in FY 2002-03, some scholarship revenue will no longer be reported as tuition revenue but as a transfer, resulting in an artificial decline in revenue that year. Also, tuition revenue in FY 2001-02 will be overstated due to another accounting change regarding summer tuition. These new accounting standards are primarily responsible for the 9.2% decrease in FY 2002-03 tuition revenue. Without the changes, revenue would have increased 9.3%. For a more detailed discussion of these factors, see the *Factors Affecting the Forecast* subsection.

Nontuition revenue, which includes student fees, auxiliary operations, and interest income, will maintain a strong growth pattern throughout the forecast period, increasing 4.0% in FY 2001-02 and 6.6% in FY 2002-03. Through FY 2006-07, nontuition revenue will grow at an average annual rate of 5.9%.

Higher Education Enrollment Projections. After increasing 0.3% in FY 2000-01, FTE enrollment will jump 3.7% in FY 2001-02, the largest increase in twelve years. Enrollment estimates for FY 2001-02 were based upon higher education spring student registration figures. Because most students enroll in the fall and spring, year-end enrollment estimates are generally the most accurate. Enrollment surged this year as workers abandoned the weak job market and chose to improve their employment skills. Table 5 displays the FTE student enrollment projections by residency status. Total FTE student enrollment at Colorado's public higher education institutions will increase at an average annual rate of 1.6% between FY 2000-01 and FY 2006-07.

Resident enrollment will increase at a strong 1.7% pace in FY 2002-03 as the economic slowdown continues to drive people from the labor force to education in order to obtain more marketable skills. As a result of recovering employment later this year, enrollment growth will taper through the remainder of the forecast period. Resident enrollment will increase at an average annual rate of 1.7% between FY 2000-01 and FY 2006-07.

"Resident enrollment will increase at a strong 1.7% pace in FY 2002-03 as the economic slowdown continues to drive people from the labor force to education in order to obtain more marketable skills."

Nonresident enrollment will grow 0.5% in FY 2002-03. Growth will be slower than resident enrollment because the cost of out-of-state tuition will influence potential out-of-state enrollees to attend a school in their home state or become Colorado residents. The slower growth is also attributable to an estimated annual 40% decline in migration in 2002. Once migration recovers in 2003, nonresident enrollment growth will revive in FY 2003-04 and beyond. Nonresident enrollment will increase modestly at an average annual rate of 1.4% between FY 2000-01 and FY 2006-07.

Factors Affecting the Forecast. Population growth among age groups likely to seek higher education is a significant factor in this forecast. These include: the number of Coloradans completing high school or a high school equivalent program, the level of migration into the state, the number of Coloradans in particular age groups, and population growth in regions close in proximity to colleges and universities.

During periods of an economic slowdown, we expect that enrollment will increase as employees seek to improve their marketable skills.

This will occur in graduate fields as professionals will return to seek advanced degrees. This will also affect undergraduate attendance as high school graduates will have a more difficult time finding employment without a college degree.

The cost of tuition is also a factor affecting enrollment, particularly between institutions. As the cost of university or private college tuition increases, enrollment may increase at institutions with lower tuition, such as community colleges. Out-of-state enrollment is less affected by tuition increases.

Tuition revenue is driven by enrollment and inflation. Nontuition revenue is driven by the level of student fees, on-campus consumption, housing, and auxiliary operations such as university clinics. Interest income also contributes significantly to nontuition revenue.

"...a proportion of tuition revenue will no longer be considered revenue for the purposes of TABOR."

Changes in Financial Reporting: Scholarship Allowances. The Governmental Accounting Standards Board (GASB) recently issued statements 34 and 35, requiring institutions of public higher education to report scholarship allowances and tuition discounts as transfers rather than revenue. This accounting change becomes effective at the end of FY 2001-02 and applies primarily to financial aid for student tuition provided by, or funneled through, state or federal sources. This does not necessarily mean that reported tuition revenue will decrease, but rather a proportion of tuition revenue will no longer be considered revenue for the purposes of TABOR. This change will be accompanied by an adjustment to the FY 2001-02 TABOR base to calculate an accurate revenue growth rate. At this time, the Colorado Higher Education Governing Boards estimate scholarship allowances of $105.5 million in FY 2001-02 and $111.3 million in FY 2002-03. Without this accounting change, tuition revenue would grow at an average annual rate of 5.9% between FY 2000-01 and FY 2006-07.

Changes in Financial Reporting: Summer School Tuition. GASB statements 34 and 35 also required public higher education institutes to report summer session tuition monthly rather than at the end of the term. This accounting change will occur in May and June 2002. Revenue collected in these summer months that would otherwise be reported in FY 2002-03 will be reported in FY 2001-02. This will inflate FY 2001-02 revenue because it will include *all* of the 2001 summer tuition and *part* of the 2002 summer tuition. The Colorado Higher Education Governing Boards currently estimate that FY 2001-02 tuition will be overstated by $23.6 million representing the portion of 2001 summer tuition that was collected in FY 2000-01 but reported in FY 2001-02.

General Assembly Legislation Affecting the Forecast. The June forecast reflects the tuition inflation caps approved by the General Assembly for FY 2002-03. The General Assembly authorized a 7.7% increase in resident and nonresident tuition (except for community college resident tuition that was capped at 5.7%), compared with the 2001 Denver-Boulder-Greeley inflation rate of 4.7%. There were also tuition allowances made for the University of Colorado system ($3.27 million) and the State Board of Agriculture system ($878,000). However, the footnote in the FY 2002-03 Long Bill directing these tuition caps was vetoed by the Governor, who directed the Colorado Commission on Higher Education (CCHE) to determine a smaller cap for tuition increases. At this time, the CCHE has not provided a recommended tuition increase cap.

Meanwhile, the legislative appropriation of cash funds from tuition is still in the Long Bill. Therefore, the June 2002 forecast assumes that higher education institutes will use the 7.7% cap as a guideline. Future per-pupil tuition is assumed to increase at the projected Denver-Boulder-Greeley inflation rate. Estimates for the local inflation rate are found in Table 11.

Senate Bill 01-229 was passed by the General Assembly in the 2001 regular session. This bill authorizes the Colorado School of Mines (CSM) to operate under a performance contract with the Colorado Commission on Higher Education. CSM will have the ability to set resident and nonresident tuition rates to increase at no more than twice the Denver-Boulder-Greeley inflation rate. The June 2002 forecast estimates that the CSM resident tuition increases will resemble the Denver-Boulder-Greeley inflation rate, while the nonresident tuition increases will be slightly higher than the local inflation rate.

Unemployment Insurance Trust Fund

Forecasts for unemployment insurance tax revenue, benefit payments, and the Unemployment Insurance (UI) Trust Fund balance are shown in Table 6. The UI Fund collects taxes from employers and uses the revenue for unemployment benefits. Growth in UI taxes depends upon employment growth, the rate at which covered employees switch employers, wage growth, and the amount of benefits paid to UI claimants in the past. The amount of benefits paid to UI claimants depends upon the state unemployment rate and the average wage level. When the amount of benefits paid in the past falls, the average UI tax rate paid by all employers falls, and UI tax revenues fall, all else equal. Conversely, when the amount of benefits paid in the past rises, the average UI tax rate rises, and UI tax revenues rise, all else equal.

For the three years between FY 1996-97 and FY 1998-99, a low unemployment rate produced declines in total benefit payments despite rising wages. Notwithstanding strong employment and wage growth, a consistently declining UI tax rate culminated in low UI tax revenue growth during FY 1996-97 and FY 1997-98 and declines in FY 1998-99 and FY 1999-00. However, the level of UI taxes remained much higher than the level of benefits paid, resulting in robust growth in the UI Fund balance and increased interest earnings. Total UI revenue increased 1.9% in FY 1999-00 as strong interest earnings outweighed a slight decline in taxes collected.

"New claims for UI benefits increased 67.9% in 2001 over 2000 and another 33.8% year-to-date through April 2002 amid many layoff announcements."

New claims for UI benefits increased 67.9% in 2001 over 2000 and another 33.8% year-to-date through April 2002 amid many layoff announcements. Continuing claims increased as well; the percent of UI claimants exhausting their benefits increased from an average of 37.8% in 2000 to 44.1% in 2001. The unemployment rate rose from its low of 2.7% in 2000 to 5.6% year-to-date through April 2002. Combined with a 9.3% increase in wages during 1999, this caused benefit payments to rise 18% in FY 2000-01. Benefits payments will rise even more dramatically in FY 2001-02, increasing an estimated 165.0%. Meanwhile, tax revenues will decline 2.2% in FY 2001-02 as a result of an extremely low UI tax rate, a slowing economy, and a 20% tax credit. As a result of the surge in benefit payments, *tax rates* will rise in FY 2002-03 and FY 2003-04, and then will be more steady during the remainder of the forecast period.

Tax revenues will show a varied pattern of growth over the forecast period. The solvency

Table 6
Unemployment Insurance Trust Fund Forecast, June 2002
Revenues, Benefits Paid, The UI Fund Balance, and Solvency Measures
Millions of Dollars

	Actual FY 00-01	Estimate FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	FY 2000-01 to FY 2006-07 CAAGR *
Beginning Balance	$763.7	$794.1	$506.2	$504.2	$622.0	$836.0	$957.8	3.8%
Plus Income Received								
Taxes /A	$149.6	$146.3	$188.3	$223.7	$229.0	$225.1	$218.0	6.5%
Solvency Taxes /B	$0.0	$0.0	$38.3	$97.7	$162.6	$57.4	$0.0	
Interest	$51.2	$45.5	$35.5	$42.3	$52.0	$67.8	$77.8	7.2%
Total Revenues	**$200.8**	**$191.8**	**$262.1**	**$363.7**	**$443.7**	**$350.3**	**$295.8**	6.7%
% change	-11.0%	-4.5%	36.6%	38.7%	22.0%	-21.0%	-15.6%	
Less Benefits Paid	($183.2)	($485.8)	($267.4)	($248.9)	($232.5)	($231.3)	($248.9)	5.2%
% change	18.0%	165.1%	-45.0%	-6.9%	-6.6%	-0.5%	7.6%	
Accounting Adjustment /C	$12.9	$6.0	$3.3	$3.1	$2.9	$2.8	$3.1	
Ending Balance	**$794.1**	**$506.2**	**$504.2**	**$622.0**	**$836.0**	**$957.8**	**$1,007.7**	4.0%
Solvency Ratio:								
Fund Balance as a Percent of Total Annual Private Wages /B	1.13%	0.72%	0.70%	0.80%	1.00%	1.07%	1.06%	-1.1%

Totals may not sum due to rounding.

NA: Not Applicable.

* CAAGR: Compound Average Annual Growth Rate.

/A This includes taxes from private employers and state and local governments, penalty receipts, 50% of the surcharge, and the accrual adjustment on taxes. Incorporates a 20% tax credit for eligible employers in calendar years 2001 and 2002. House Bill 02-1401 made this tax credit permanent as long as the fund balance as a percent of total annual private wages remains above 0.9%. The tax credit will not be in effect after 2002 until calendar years 2006 and 2007.

/B The solvency tax is triggered when the fund balance as a percent of total annual private wages falls below 0.9%. Solvency tax estimates made by the Colorado Department of Labor and Employment.

/C This is the accrual adjustment for benefits paid and other accounting adjustments.

tax will be triggered in 2003, 2004, and 2005. Because benefit payments are soaring while tax revenues are declining in FY 2001-02, the fund balance will decline. Thus, the solvency of the UI fund will fall to a level that will trigger the solvency tax for calendar year 2003. The fund will not return to solvency until the end of FY 2004-05, and thus the solvency tax will remain in place for calendar years 2004 and 2005. The Colorado Department of Labor and Employment estimates that the solvency tax will generate $38.4 million in FY 2002-03, $97.7 million in FY 2003-04, $162.6 million in FY 2004-05, and $57.4 million in FY 2005-06. Meanwhile, **House Bill 02-1401** made the 20% tax credit created by House Bill 00-1310 permanent, as long as there is a certain amount of money in the trust fund balance. The tax credit will not be in effect for calendar years 2003, 2004, and 2005, but will be in effect in 2006 and 2007. Tax revenues will increase 54.9% in FY 2002-03, 41.8% in FY 2003-04, and 21.9% in FY 2004-05. They will then decrease 27.9% in FY 2005-06 and 22.8% in FY 2006-07. Despite these dramatic swings, UI tax revenues will have increased at an average annual rate of 6.5% during the forecast period.

"House Bill 02-1401 made the 20% tax credit created by House Bill 00-1310 permanent, as long as there is a certain amount of money in the trust fund balance."

The Solvency of the UI Trust Fund Balance. A solvency tax is triggered in Colorado when the UI fund balance as a percentage of total annual private wages falls below 0.9%. As shown in Table 6, this ratio will be below 0.9% at the end of FY 2001-02, FY 2002-03, and FY 2003-04, causing the solvency tax to trigger during calendar years 2003 through 2005. The ratio will recover somewhat during the course of the forecast period. The UI trust fund balance will increase at an average annual rate of 4.0% during the forecast period to $1.0 billion by the end of FY 2006-07.

Overview of Additional Cash Funds

This section provides brief descriptions of other large cash funds that are subject to the TABOR spending limitation. In FY 2000-01, these cash funds comprised 29.1% of total cash fund revenue. The forecast for each of these funds is contained in Table 2.

"Larger casinos, which pay a higher tax rate than smaller casinos, continue to gain market share in the gambling towns, leading to strong tax revenue growth."

The ***Limited Gaming Fund*** receives license fees from gaming-related employees, vendors, and casinos and taxes levied on the adjusted gross proceeds (AGP) earned from gaming activity in Black Hawk, Central City, and Cripple Creek. Gaming revenue increased 15.0% in FY 2000-01. This healthy growth was a result of larger casinos replacing smaller casinos and continued demand for gaming entertainment. Larger casinos pay more taxes than smaller casinos because they reach the higher tax rates faster and more often than smaller casinos. The gaming tax currently ranges from 0.25% of the first $2 million of AGP (or the total amount bet less winnings) to 20% of all AGP above $15 million.

We expect overall gaming revenue to increase 9.7% in FY 2001-02. Larger casinos, which pay a higher tax rate than smaller casinos, continue to gain market share in the gambling towns, leading to strong tax revenue growth. Double digit rates seen over the last several years will be moderated, however, due to the economic slowdown. The aftermath of the September 11 tragedy has had a positive effect on Colorado's gaming industry as Coloradans have chosen to stay closer to home in greater numbers than in previous years. We expect the gaming market in Colorado to mature somewhat by the end of the forecast period, with gaming revenue increasing at an average

annual rate of 9.4% between FY 2000-01 and FY 2006-07.

Gaming revenues in this fund are first used to pay for the expenses of running the Gaming Commission and the Division of Gaming. In FY 2000-01, these expenditures equaled $8.6 million. The remaining amount is distributed to the General Fund, the Colorado Tourism Promotion Fund, local government impact funds, the State Highway Fund, and the State Historical Society. Once all appropriations and distributions were complete in FY 2000-01, the General Fund received 33.4% of gaming revenues. The amount retained in the General Fund is reported as a revenue source for the General Fund in Table 1. All gaming revenues, regardless of where they are distributed, are included within the TABOR limit.

Wildlife Cash Fund revenues subject to the TABOR limit declined 0.9% in FY 2000-01. However, most Wildlife Cash Fund revenues will not be subject to the TABOR limit beginning in FY 2001-02 as a result of House Bill 01-1012. House Bill 01-1012 designated the Division of Wildlife as an enterprise for purposes of TABOR beginning July 1, 2001.

The ***Capital Construction Fund*** retains money for construction of future capital projects such as prisons and higher education facilities. Income to this fund is comprised largely of interest earnings on the unspent balance. A total of $274.5 million was transferred to the fund from the General Fund in early FY 2000-01. Due to state budget problems, the scheduled transfer of $302.6 million during FY 2001-02 was eliminated and a net amount of $13.3 million was transferred to the General Fund from the Capital Construction Fund with another $4.4 million in interest still expected to be transferred. This net amount was the result of a General Fund appropriation to the Capital Construction Fund of $79.1 million to pay for current year projects, offset by a $74.9 million transfer from the Capital Construction fund to the General Fund resulting from savings of previously dedicated monies for projects that were discontinued or delayed and the transfer of all interest earnings in the Capital Construction Fund during FY 2001-02 to the General Fund. **House Bill 02-1391** required the transfer of all interest earned on the Capital Construction Fund during FY 2001-02 to the General Fund. A total of $17.5 million was transferred once the Governor signed the bill and an estimated $4.4 million will be credited to the General Fund during the rest of the fiscal year. In FY 2002-03, a total of $10.6 million, including the $9.5 million transferred per **House Bill 02-1443**, rather than the originally scheduled $111.1 million, will be transferred to the Capital Construction Fund. Meanwhile, $17.8 million originally appropriated for projects during FY 2002-03 was vetoed by the Governor. Approximately $100 million in transfers scheduled each year between FY 2003-04 and FY 2005-06 remains intact in current law.

"House Bill 02-1391 required the transfer of all interest earned on the Capital Construction Fund during FY 2001-02 to the General Fund."

The large expenditures from the fund caused interest earnings to fall 49.8% in FY 2001-02. The fund balance will grow slowly throughout the forecast period, but will continue to remain substantially lower than levels seen a year ago. Therefore, we expect income to the Capital Construction Fund to decline at an average annual rate of 19.4% from FY 2000-01 through FY 2006-07.

The Department of ***Regulatory Agencies*** regulates and enforces Colorado laws regarding various industries in Colorado. The department collects license and other fees from the professions that it regulates. Fee revenue is expected to grow 4.1% in FY 2001-02. Because most fees are related to employment lev-

els, we expect DORA cash fund revenue to increase modestly during the remainder of the forecast period.

Insurance-related taxes are deposited into three cash funds administered by the Division of Workers Compensation in the Department of Labor and Employment. The revenue collected by the funds comes from taxes on workers compensation insurance premiums. Medical inflation has been increasing for several years and is expected to continue to increase. Premiums on workers compensation insurance policies have grown substantially during the past year and are expected to continue doing so for the next few years. Thus, we expect these revenues to increase 31.9% in FY 2001-02, 15.0% in FY 2002-03, and at a compound average annual rate of 13.1% between FY 2000-01 and FY 2006-07.

House Bill 02-1478 authorized the Governor to borrow up to $75 million from the Major Medical Insurance Fund, one of the cash funds in this group, between June 20, 2002 and June 30, 2002, to help fill an expected General Fund budget gap. The money borrowed will be paid back on July 1, 2002. We assumed that $75 million again would be borrowed on July 1, 2002. Thus, approximately $250,000 in interest earnings will be lost to the fund in FY 2002-03.

Severance taxes are levied on the value of extracted oil, gas, coal, and minerals. Final oil and gas severance taxes for a given year are reduced by a portion of a company's property taxes paid during the same year, but based on the previous year's income. The difference of timing between the gross severance taxes due and the offsetting property taxes creates a volatile collections pattern. Total severance tax revenues, including interest earnings, increased 79.2% in FY 2000-01, primarily due to a 112.1% increase in oil and gas severance taxes, a result of simultaneous increases in energy prices and oil and gas production. Severance tax-related revenues reached a record high of $74.7 million last fiscal year. Prices for natural gas have plunged from their high levels of 2001, while the price for oil had a more modest decline. Thus, we expect that severance taxes from this source will fall in FY 2001-02. Meanwhile, **House Bill 02-1391** transferred $20.2 million out of the Severance Tax Trust Fund, causing interest earnings to fall slightly in FY 2001-02 and substantially during the remainder of the forecast period. The bill directs that $7.9 million be repaid to the fund once General Fund revenues reach a certain level, but that is not expected to occur during the forecast period. All severance taxes and interest income will total $58.9 million in FY 2001-02, a 21.1% decline. Between FY 2000-01 and FY 2006-07, we expect total severance tax revenues to decrease at an average annual rate of 1.7%.

"All severance taxes and interest income will total $58.9 million in FY 2001-02, a 21.1% decline."

The ***Employment Support Fund*** (ESF) is designed to help maintain the solvency of the Unemployment Insurance Trust Fund (UI Fund). The ESF receives its revenue from the unemployment insurance surcharge tax. The surcharge tax is levied to cover benefits charged against employers who have gone out of business. After declining 2.2% in FY 2000-01, ESF revenues are expected to grow at an average annual rate of 4.6% over the forecast period.

The ***Petroleum Storage Tank Fund*** collects money to clean leaking underground gasoline storage tanks. Most of the fees collected in the fund are levied on tank truckloads of fuel products shipped within the state. The fee level is set in statute to fluctuate with the amount of money in the fund's reserve. The fee was $75 during most of FY 2000-01 because of demand on the fund's resources. De-

mands for the money in the fund's reserve eased up in early FY 2001-02, and the fee dropped to $50 on October 1, 2001. Thus, after increasing 52.5% in FY 2000-01, revenues to the fund will decline 20.4% in FY 2001-02. Interest earnings to the fund will be somewhat lower during FY 2001-02 and the remainder of the forecast period due to a $4.0 million transfer to the General Fund per House Bill 02-1391. The bill directs that the money be repaid to the fund once General Fund revenues reach a certain level, but that is not expected to occur during the forecast period. As a result of the recent fee change, the lost interest earnings, and a statutory reduction of the fee to $25 in FY 2004-05, Petroleum Storage Tank Fund revenues are expected to decline at an average annual rate of 12.3% between FY 2000-01 and FY 2006-07.

The ***Controlled Maintenance Trust Fund*** (CMTF) is a state trust fund from which the interest earned may be spent for maintenance of existing state facilities. The principal balance in this fund is typically designated to satisfy the state's constitutional emergency reserve requirement. Interest earnings to the Controlled Maintenance Trust Fund (CMTF) will show a volatile pattern during the next two years as a result of House Bill 01-1267, **House Bill 02-1446,** and **House Bill 02-1391**. House Bill 01-1267 required the principal balance of the CMTF ($243.9 million) to be transferred to the General Fund on July 1, 2001. While House Bill 01-1267 originally scheduled the payback of $276.4 million to the fund on July 1, 2002, state budgetary problems made that difficult to achieve. Thus, House Bill 02-1446 requires the payback of $276.4 million in two equal installments of $138.2 million on July 1, 2003, and July 1, 2004. Meanwhile, House Bill 02-1391 transferred $9.5 million out of the fund to the General Fund in March, leaving less than $300,000 in the fund. Thus, interest income to the CMTF will fall to $515,000 in FY 2001-02, and will only be $13,500 in FY 2002-03. Interest income to the fund will recover as the principal is paid back over the forecast period, and will increase at a compound annual average rate of 3.7% between FY 2000-01 and FY 2006-07.

"...interest income to the CMTF will fall to $515,000 in FY 2001-02, and will only be $13,500 in FY 2002-03."

The ***"other cash funds"*** component includes approximately 174 smaller cash funds and can be quite volatile. These funds grew 16.0% as a group in FY 2000-01, a heady pace that was likely due to the fact that most funds subject to Senate Bill 98-194 no longer needed to reduce fees in FY 2000-01. This bill required many cash funds to lower fees in order to reduce their reserves. Once their reserves were reduced to a certain level, they were no longer required to reduce their fees and their revenue increased as a result. Revenue to this group of cash funds will increase at an average annual rate of 2.5% over the forecast period. Senate Bill 00-57 exempted moneys credited to the Unclaimed Property Trust Fund from the TABOR limit. The exemption was effective July 1, 2001, and will reduce the other cash funds estimate by $15.8 million. In addition, **House Bill 02-1391** and **House Bill 02-1444** made transfers from several cash funds to the General Fund to help balance the state budget. The total loss in interest earnings subject to the TABOR spending limit in this group of cash funds during FY 2001-02 is estimated to be approximately $300,000. Interest earnings will be lower during the remainder of the forecast as well, since these transfers are not expected to be repaid during the forecast period. TABOR revenue to this group of cash funds will decline 11.8% during FY 2001-02.

The Constitutional Revenue Limit

- After exceeding the constitutional revenue limit for the past five years, Colorado will not have surplus revenues in FY 2001-02 and FY 2002-03. The lack of surplus in the latter year results from another reduction in the revenue estimates.

- The General Assembly passed legislation to implement the unused amount of the growth dividend that resulted from the 2000 Census indicating an underestimate of population during the 1990s. This implementation will eliminate an expected TABOR surplus in FY 2003-04 and reduce anticipated surpluses thereafter.

- It is very likely that the FY 2000-01 TABOR surplus of $927.2 million will not be fully refunded to the state's taxpayers. The shortfall will have to be refunded in a future year. The shortfall will not have an impact on the state's budget as the refund amount was already recorded as a liability in FY 2001-02

- During the last three years of the forecast period, only two of the 19 refund methods will be used to refund the TABOR surpluses for those years. Without the growth dividend, all refund methods would have been used in two of the three years.

The provisions of Article X, Section 20 of the Colorado Constitution (TABOR) require that revenue collected above the TABOR limit be refunded to taxpayers within one year after the fiscal year in which they were collected. TABOR limits annual growth in most state revenue to inflation plus the annual percentage change in population.

The state first had a TABOR surplus in FY 1996-97. Strong revenue growth in the following four budget years also caused TABOR surpluses. However, the economic recession in Colorado, combined with lower capital gains realizations, have caused several tax sources to decline, particularly Colorado's income taxes. Thus, Colorado will not have a TABOR surplus in FY 2001-02. Revenues subject to TABOR will be an estimated $829.2 million below the allowable TABOR limit.

"The reduction in the General Fund revenue forecast will once again place revenues below the allowable TABOR limit in FY 2002-03."

The reduction in the General Fund revenue forecast will once again place revenues below the allowable TABOR limit in FY 2002-03. However, the difference between TABOR revenues and the limit will be much smaller — $40.8 million. The TABOR limit of 6.9% for FY 2002-03 is higher than the limit was in years when TABOR surpluses were incurred. Additionally, it is at least 1.4 percentage points more than the limit was in four of the five years that the state incurred a TABOR surplus.

The Growth Dividend. During the 1990s, the federal government underestimated Colorado's population. Therefore, the state refunded $483 million to taxpayers under TABOR that would not have been refunded if the proper population estimates had been made. TABOR allows for the limit to be adjusted each decade in accordance with the Census count.

"...the state refunded $483 million to taxpayers under TABOR that would not have been refunded if the proper population estimates had been made."

The General Assembly determined that the proper way to make that adjustment was to use the percentage change in the state's population (6%) in the TABOR limit for FY 2001-02 and then measure the amount that revenue comes in below that adjusted limit. The percentage points of population growth in the limit that are not used in FY 2001-02 can be carried forward into future years and used to increase the limit in those years until such time as all of the population percentage change that was carried forward is used or a new Census is conducted.

Because of the recession, TABOR revenue is $829.2 million below the allowable TABOR limit in FY 2001-02. Therefore, the full six percentage points of population allowed under the 2001-02 limit will be carried forward into future years. Under the current forecast, that will result in the use of 4.1 percentage points in FY 2003-04 and the remaining 1.9 percentage points in FY 2004-05. The state will retain an additional $335.3 million in FY 2003-04 that will be available in the budget in FY 2004-05. In FY 2004-05, the limit will increase another $169.7 million for a total savings to the state that year of $519.4 million due to the adjustment. That money becomes available in the FY 2005-06 budget. The state will continue to benefit from the increased TABOR limits and additional revenue in the budget every year unless revenues are again ratcheted down by slow growth. The legislative change is to capture what was coined the anticipated "growth dividend" when the release of the census re-

sults indicated a population underestimate during the 1990s.

Estimates of the TABOR Surplus. Table 7 shows the estimated TABOR surplus given the implementation of the growth dividend. As mentioned previously, because revenues will be less than the allowable TABOR limits, a TABOR surplus will not exist for the first two years of the forecast period. Additionally, the surplus is eliminated in FY 2003-04 as a result of the growth dividend. During the three remaining years of the forecast period, the surplus will average $179.4 million. Table 8 shows the calculations of the TABOR surplus.

Table 7
Estimated TABOR Surplus Revenues
(millions of dollars)

Fiscal Year	Amount
2001-02	$0.0
2002-03	$0.0
2003-04	$0.0
2004-05	$139.9
2005-06	$193.5
2006-07	$204.9

It should be noted that it is very likely that last year's surplus of $927.2 million will not be fully refunded to the state's taxpayers. Several refund methods are well below their estimated amounts. Capital gains realizations were originally estimated to decline 13% in 2001. However, one of the capital gains refunds is 33% below last year's pace through May. Several new methods were implemented to accomplish the $927.2 million refund. The original estimates for these new methods proved too optimistic.

"It should be noted that it is very likely that last year's surplus of $927.2 million will not be fully refunded to the state's taxpayers."

The shortfall in the amount refunded will not be known until after December 2002, the last significant month for refunds. The shortfall could be as much as $30 million. The shortfall will not have an impact on the state's budget as the refund amount was already recorded as a liability in FY 2001-02. However, the state will have to determine how and when to refund the shortfall. The timing will be complicated by the absence of a TABOR surplus from FY 2001-02 through FY 2003-04.

Based on the relatively small amounts of projected TABOR surpluses from FY 2004-05 through FY 2006-07, only two of 19 methods will be used to accomplish the refund of the surplus. When adopting refund methods, the General Assembly considered that surpluses would be relatively low in some years and implemented threshold levels for 18 of the 19 refund methods. Thus, only the earned income tax credit and the sales tax refund will be used during the forecast period.

In the absence of the growth dividend, seven of the 18 refund methods with a threshold would have been used for the FY 2003-04 surplus. All refund methods would have been used for the remainder of the forecast period.

Table 8
June 2002 Forecast for the TABOR Revenue Limit and Emergency Reserve

	Actual FY 2000-01	Estimate FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07
TABOR Revenues:							
General Fund /A	$6,500.8	$5,551.4	$5,881.5	$6,309.3	$6,810.1	$7,318.8	$7,777.0
Cash Funds	2,376.3	2,347.6	2,409.0	2,623.2	2,816.1	2,825.9	2,876.6
Total TABOR Revenues	$8,877.1	$7,899.0	$8,290.5	$8,932.5	$9,626.2	$10,144.7	$10,653.6
LIMIT:							
Allowable TABOR Growth Rate	5.1%	10.0%	6.9%	7.8%	6.2%	4.9%	5.0%
Inflation	2.9%	4.0%	4.7%	2.3%	2.8%	3.2%	3.2%
Population Growth	2.2%	6.0%	2.2%	1.4%	1.5%	1.7%	1.8%
Population Adjustment for Growth Dividend	NA	6% Carried Forward	0.0%	4.1%	1.9%	0.0%	0.0%
Allowable TABOR Limit /B	**$7,948.6**	**$8,728.2**	**$8,331.3**	**$8,937.1**	**$9,486.3**	**$9,951.1**	**$10,448.7**
Revenues Above / (Below) TABOR Limit /C	**$927.2**	**($829.2)**	**($40.8)**	**($4.6)**	**$139.9**	**$193.5**	**$204.9**
EMERGENCY RESERVE:							
TABOR Emergency Reserve /D	$238.5	$237.0	$248.7	$268.0	$284.6	$298.5	$313.5

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, unexpended prior-year Medicaid expenditures that are booked in "other revenue," and transfers of unclaimed property are netted out. These figures also include the net amount of sales and use tax, after the over-refund of excess TABOR revenues. Senate Bill 97-1 diverts 10.355% of the gross sales and use tax revenues to the Highway Users Tax Fund.

/B In November 2000, Colorado voters approved Referendum A allowing the state revenue limit to increase by $44.1 million in FY 2001-02 to reimburse local governments for reduced property taxes paid by seniors. The additional amount is reflected in the allowable TABOR limit. In addition, the revenue limit for FY 2000-01 was adjusted down by $49.3 million to account for House Bill 01-1012 which exempted the wildlife cash fund from the state's revenue limit.

/C The TABOR surplus was adjusted down by $1.3 million in FY 2000-01 to account for an overstatement of previous years' TABOR refund liabilities.

/D 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 of such amount.

General Fund Overview

- The weak economy required many budget actions by the General Assembly and the Governor to avoid a budget deficit for FY 2001-02. Two bills allow the Governor to borrow money from three cash funds if the June 20 revenue estimate indicates additional revenue shortfalls in FY 2001-02. Our forecast indicates that $199.1 million will need to be borrowed. An additional $42.3 million can be borrowed in FY 2002-03.

- Our forecast indicates ongoing revenue shortfalls that will dictate further budget actions to avoid deficits. This forecast indicates that the budget shortfall would be $303.9 million in FY 2002-03, assuming a 2% reserve. The shortfall would reach over $1.3 billion by FY 2006-07 without additional budget reductions or enhancements.

- The forecast overview does not incorporate the Governor's freeze for FY 2002-03. If these savings are realized, the budget shortfall in FY 2002-03 is reduced to $133.4 million.

This section presents the General Fund overview after incorporating the revenue forecasts, the expected TABOR surpluses, and other expenditures from the General Fund. Table 9 presents the General Fund overview.

As the economy fell into recession and revenues declined significantly below forecasts during the past year, the General Assembly took several actions to guarantee a balanced budget. In special session last fall, capital construction transfers were reduced by $219.3 million and the Senate Bill 97-1 diversions were eliminated for the remainder of the fiscal year for a decrease of $160.2 million.

As revenue continued to fall into the 2002 Regular Session, the General Assembly took a number of additional actions on the budget early in the session. As follows, the General Assembly:

- eliminated the capital construction, S.B. 97-1, and Older Coloradans Fund transfers and made $121.4 million worth of appropriations under the 6% limit for these purposes;
- enacted supplemental appropriation and other bills that reduced General Fund appropriations by $120.7 million, including a reduction of the General Fund maintenance of effort for K-12 education from 5.8% to 5.0%, saving $15.8 million for the General Fund;
- transferred $147.3 million from other funds into the General Fund;
- allowed participating public hospitals to pay $11.2 million to the state in a Medicaid refinancing increasing available General Fund revenue;
- reduced an appropriation from gaming revenue in the General Fund freeing up $4.1 million;
- changed the designation of the TABOR reserve;
- passed legislation that would allow the Governor to transfer money from the Tobacco Litigation Settlement Fund and the Unclaimed Property Trust Fund into the General Fund at year end to maintain a 1% reserve in FY 2001-02; and,
- dedicated the interest earnings from the Capital Construction Fund to the General Fund for FY 2001-02.

Near the end of the session, faced with mounting budgetary problems, the General Assembly took additional actions to secure the budget. As follows, the General Assembly:

- passed a second round of supplemental appropriations bills totaling $16.9 million in savings to the General Fund;
- transferred $53.5 million from the Capital Construction Fund to the General Fund to reflect a reduction in capital construction projects from prior years that were less than 25% complete;
- transferred an additional $3.4 million from cash funds to the General Fund;
- eliminated the remaining 1% requirement for the General Fund reserve;
- authorized the Governor to transfer monies from the Major Medical Insurance Fund near the end of FY 2001-02 as necessary and to transfer up to $75 million in FY 2002-03 to maintain a 2% reserve; and,
- authorized the Governor to transfer monies from the Employment Support Fund in FY 2002-03.

The current forecast indicates that the state will need to borrow $199.1 million from the allowable funds to finish FY 2001-02 with a balanced budget. However, the state will be faced with a shortfall again in FY 2002-03 and thereafter.

Table 9
June 2002 General Fund Overview
($ in millions)

	Actual FY 2000-01	Estimate FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07
Beginning Reserve	$786.8	$469.3	$0.1	($184.9)	($571.1)	($836.6)	($992.4)
Gross General Fund	6,552.5	5,600.4	5,937.8	6,367.1	6,873.1	7,386.9	7,850.5
Senate Bill 97-1 Diversion to the HUTF /A	(197.2)	****	(0.0)	0.0	(0.0)	0.0	(0.0)
Transfers from/Paybacks of Other Funds		204.3	0.0	0.0	0.0	0.0	0.0
Additional Moneys Transferred to Balance the Budget		199.1	42.3	0.0	0.0	0.0	0.0
Diversion of Sales Taxes to Older Americans Fund	(3.0)	****	(3.0)	(2.0)	(2.0)	(2.0)	(2.0)
Transfer from the Controlled Maintenance Trust Fund /E	0.0	243.9	0.0	0.0	0.0	0.0	0.0
Total Funds Available	$7,139.2	$6,717.0	$5,977.2	$6,180.2	$6,300.0	$6,548.3	$6,856.0
EXPENDITURES:							
General Fund Appropriations /B, D	$5,336.8	$5,643.0	$5,950.4	$6,292.4	$6,671.2	$7,072.6	$7,498.2
Medicaid Overexpenditure	7.8	NE	NE	NE	NE	NE	NE
Rebates and Expenditures	125.1	136.8	138.7	142.9	147.4	152.3	133.1
Reimbursement for Senior Property Tax Cut		0.0	62.3	56.6	58.0	55.5	57.6
Capital and Prison Construction	224.5	****	10.6	101.2	101.8	100.4	0.0
Transfer for Highway Construction	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Controlled Maintenance Trust Fund /E	0.0	0.0	0.0	138.2	138.2	0.0	0.0
K-12 Settlement Funding Adds to GF Appropriation /D, F	5.0	10.0	0.0	20.0	20.0	20.0	20.0
TABOR Refund	941.1	927.2	0.0	0.0	0.0	139.9	193.5
Accounting Adjustments	(20.5)	NE	NE	NE	NE	NE	NE
Total Obligations	$6,669.8	$6,717.0	$6,162.0	$6,751.3	$7,136.6	$7,540.7	$7,902.5
YEAR-END GENERAL FUND RESERVE:	**$469.3**	**$0.1**	**($184.9)**	**($571.1)**	**($836.6)**	**($992.4)**	**($1,046.4)**
STATUTORY RESERVE: 4.0% OF APPROPRIATIONS /G	**213.7**	**0.0**	**119.0**	**252.5**	**267.6**	**283.7**	**300.7**
GENERAL FUND EXCESS RESERVE	**$255.6**	**$0.1**	**($303.9)**	**($823.6)**	**($1,104.3)**	**($1,276.1)**	**($1,347.2)**
RESERVE AS A % OF APPROPRIATIONS	**8.8%**	**0.0%**	**-3.1%**	**-9.1%**	**-12.5%**	**-14.0%**	**-14.0%**
TABOR RESERVE REQUIREMENT:							
General & Cash Fund Emergency Reserve Requirement /C	$238.5	$237.0	$248.7	$268.0	$284.6	$298.5	$313.5
Appropriations Growth /B, D	$319.6	$303.4	$297.4	$362.0	$378.7	$401.5	$425.6
Appropriations Growth Rate /B,D	6.35%	5.67%	5.26%	6.08%	6.00%	6.00%	6.00%
Addendum: Amount Directed to State Education Fund	($164.3)	($272.9)	($290.4)	($315.3)	($344.6)	($373.9)	($398.0)

NE: Not Estimated.
Totals may not sum due to rounding.
**** The diversion of sales and use tax revenues ($35.2 million) to the HUTF, the diversion ($3.0 million) to the Older Americans Fund, and the transfer ($83.3 million) to the Capital Construction Fund are contained in the General Fund appropriations amount.
/A 10.355% of sales and use taxes are diverted to the Highway Users Tax Fund when the full six percent General Fund appropriations limit can be attained. The amount was capped at $35.2 million for FY 2001-02 and does not occur thereafter due to General Fund revenue shortfalls.
/B Includes $2.6 million in appropriations that are exempt from the statutory appropriations limit as a result of final court orders or federal mandates in FY 2000-01.
/C This reserve requirement is 3% of TABOR revenues.
/D The amounts for the K-12 settlement funding attributable to Senate Bill 00-181 are also appropriations from the General Fund and should be added to the General Fund appropriations line to calculate total appropriations.
/E House Bill 01-1267 transferred the principal balance of the CMTF to the General Fund on July 1, 2001, and transfers $138.2 million from the General Fund to the CMTF in FYs 2003-04 and 2004-05.
/F The settlement requires that the General Fund have at least $80 million in excess reserves for funding to take place. Since the General Assembly has funded the settlement in two budget years without reaching the $80 million threshold it has been included in this overview for all years except FY 2002-03, when it is to be funded from the State Education Fund.
/G The four percent statutory reserve was eliminated for FY 2001-02. Fund transfers have been authorized for FY 2002-03 to prevent the reserve from falling below 2% so we are showing the reserve at that level that year.

The state is required to pay back funds borrowed from the Tobacco Litigation Settlement Fund and the Major Medical Insurance Fund on July 1, 2002. However, the Governor has the authority to borrow again from these funds in FY 2002-03. A borrowing cap of $75 million exists for the Major Medical Fund. Our General Fund overview does not indicate a payback of these funds, but instead shows the net new borrowing that can take place from the latter two funds plus the Employment Support Fund. This amount is an estimated $42.3 million.

After borrowing $42.3 million in FY 2002-03 and incorporating a 2% reserve requirement, there is a budget shortfall of $303.9 million. The forecast incorporates the Governor's vetoes of line items in the annual budget bill. This action reduced General Fund appropriations for FY 2002-03 by approximately $45 million. However, it does not account for the Governor's restriction of $140 million in most government agencies, a delay of an increase in provider rates that will at least temporarily save $12 million, and $18.5 million in capital construction savings that can be moved to the General Fund. The incorporation of these potential savings into the General Fund overview will still leave a shortfall of $133.4 million. The budget shortfall increases each year and reaches over $1.3 billion in FY 2006-07 under the baseline scenario that does not incorporate the Governor's actions.

The General Fund appears to now have a "structural deficit". Given the assumed revenue and expenditure growth, a potential deficit situation appears to persist each year. Significant amounts of money are not available for borrowing from other funds after this year.

The scenario for the General Fund overview depends on how the General Assembly adopts the budget cuts by the Governor. If the General Assembly incorporates the cuts as a reduction in the General Fund appropriations base for FY 2002-03, the efforts to balance the budget in the out years are made easier. If the current appropriations base is not changed, the cuts are one-time in nature and future budgeting decisions are more difficult.

Estimates for two General Fund expenditures were increased slightly, putting additional pressure on the General Fund. Payments to Old Age Pension Fund recipients are running higher than expected, likely due to the pressure put on their earnings by the economic slowdown. Similarly, lower interest earnings and capital gains realizations, as well as reduced employment opportunities, are causing claims for the property tax and heat credit by the low income and disabled poor to rise. The estimates for these expenditures were increased between $1 million and $2 million.

"...we increased the estimates of the state's payments to local governments for reimbursement of the homestead exemption for senior citizens by $61.9 million over the forecast period."

It is important to point out that we increased the estimates of the state's payments to local governments for reimbursement of the homestead exemption for senior citizens by $61.9 million over the forecast period. We used more recent data on the tenure of senior citizens in their homes. This estimate will be updated again by September when additional census data for Colorado is released. The revisions put additional pressure on the General Fund. The revenue shortfall had already effectively eliminated the increase in the TABOR spending limit that was to "pay" for the exemption.

Current law provides for the diversion, reserve, or transfer of funds for specific projects when

there is sufficient revenue available. The following paragraphs detail these expenditures.

Current law (Senate Bill 97-1 and others) provides for a diversion of 10.355 percent of sales and use tax revenue to the State Highway Fund if there are sufficient monies in the General Fund to fund a six percent growth rate in General Fund appropriations and the required four percent statutory reserve. Based on this revenue and appropriations forecast, no funds will be diverted during the forecast period.

House Bill 02-1015 provided that up to $25 million of the excess reserve after funding appropriations, the sales and use tax diversion, and other lawful expenditures should be reserved to reverse House Bill 98-1414. The latter bill put the state's accounting for the refund of the TABOR surplus on a cash basis. Monies in the newly created reserve fund are to be unspent until the state resumes accrual basis accounting for the TABOR refund. Based on this revenue and appropriations forecast, no funds will be reserved.

House Bill 02-1310 and **Senate Bill 02-179** provided that if any money is available in the General Fund excess reserve, two-thirds will be transferred to the Highway Users Tax Fund and one-third will be transferred to the Capital Construction Fund. Based on this forecast, no money will be available for either purpose.

When sufficient revenue growth and/or expenditure reductions provide for positive fund balances, the order of funding for the items detailed in the previous three paragraphs is as follows: diversion of sales and use tax revenue to the State Highway Fund; reserving up to $25 million for undoing House Bill 98-1414; and, the transfer of funds to the highway and capital construction funds.

OVERVIEW OF THE ECONOMY

National Economy

This section reviews recent economic data and provides our outlook for the national economy.

The National Bureau of Economic Research (NBER), the official arbiter of when economic recessions begin and end, determined that a recession started in March 2001. However, inflation-adjusted gross domestic product (GDP) declined in only the third quarter of 2001. GDP subsequently increased by 1.7% and 5.6% in the following quarters. While the NBER has not officially pronounced the end to the recession, it is very likely that the recession will eventually be determined as one of the mildest on record.

"...it is very likely that the recession will eventually be determined as one of the mildest on record."

While the first quarter's 5.6% growth rate is encouraging at first glance, final demand increased by only 2.0%. The difference is attributable to an increase in the annual rate of inventory buildup. The lower final demand figure underscores a weak recovery from the recession.

However, there is still positive news in the recent GDP release. The nation's consumers continued to spend at levels higher than expected during this recovery. Total business investment is still quite weak, largely as a result of reduced spending on buildings. However, business spending on equipment and software, while still negative, is performing much better than in previous quarters. If continued, this will bode well for stronger final demand results in upcoming quarters.

The employment gains initially reported for February through April were revised to losses in two months and a slim gain of only 6,000 jobs in the third month. Meanwhile, the preliminary announcement for May employment indicated a gain of 41,000 jobs. The downward revisions, the small gain for May, and an increase in the length of time that unemployed workers are taking to find jobs underscore the current weakness of the recovery.

Retail sales in April registered a strong 1.2% gain from March. However, the gain was mostly undone in May with a 0.9% decline. The recent overall poor performance in retail sales is another indication of a weak recovery. Consumers are concerned about their wage and salary increases, high debt loads, and the floundering stock market. Given that consumer spending was relatively strong during the second half of 2001, particularly attributable to the automobile dealer incentives, the lack of pent-up demand is now restraining higher retail sales gains.

"The manufacturing industry is in a solid recovery phase after 18 months of contraction."

The manufacturing industry is in a solid recovery phase after 18 months of contraction. The Institute of Supply Management index is at its highest level in 27 months. Given that the manufacturing industry led the economy into a recession, it is encouraging that it is now expanding. Other sectors of the economy will follow suit.

The Federal Reserve Board has not taken action on interest rates in several recent meet-

ings. It recognizes that the economy is expanding, however slowly, and inflationary pressures are still muted. This will continue to bode well for the economy in upcoming quarters. Economic growth will be stronger in 2002 than anticipated in our last forecast. More significant gains will follow in the remaining years of the forecast period. The detailed national economic forecast can be found in Table 10. The following highlights summarize the national forecast.

- Inflation-adjusted **GDP** will increase 2.4% in 2002, following a 1.2% increase in 2001. GDP growth will be a more robust 3.4% in 2003 and 3.8% in 2004. *Consumer spending* will increase 3.3% in 2002 and 2003, following a 3.1% gain in 2001. The typical pent-up demand by households after a recession does not exist, thus causing the relatively small change in spending *vis-a-vis* 2001. *Nonresidential fixed investment* will decline by 6.2% in 2002, the second consecutive annual decline. Investment will start to show increases in the second quarter this year, leading to a modest 6.9% gain in 2003. Federal *government* spending will increase 7.5% in 2002 on the back of increased defense spending. State and local government spending will tail off in 2002 and 2003 because of revenue constraints.

- Nonfarm **employment** will decline 0.6% this year. The economic recovery will be in place by year end, leading to a healthy 1.6% gain in 2003. The **unemployment rate** will average 6.0% this year, the highest rate since 1994. Improving economic conditions will bring the rate down to 5.7% in 2003.

- **Inflation** was 2.8% in 2001 and was slowing as the year unfolded. This trend will continue into 2002 with the still-weak economy and overall lower energy costs playing a large role. Thus, we expect the national inflation rate will be 1.8% in 2002, before increasing to 2.8% in 2003.

- The Federal Reserve Board is likely finished with interest rate reductions. The Fed has not changed rates since December. The expected small interest rate increases later this year will not deter investment.

Risks to the Economy

The primary risk to the economy is the uncertainty of the war on terrorism and overall world peace. Any future terrorist attacks against Americans, especially on United States soil, will have additional dramatic repercussions throughout the economy. Consumers will become less willing to spend if times become more uncertain and the stock market will react negatively to any additional attacks. Also, an outbreak of war between India and Pakistan or continued escalation of activity in the Middle East would have negative impacts on the U.S. economy.

"Another risk would be presented by the continuing inability of corporations to record profits."

Another risk would be presented by the continuing inability of corporations to record profits. A catch-22 situation could occur between consumers who pull back spending until they feel the economy and job market are improving and corporations that cannot invest money in the economy until they can sell their goods and services to consumers to generate a profit. Business currently has no pricing power in stagnant markets and no borrowing power because of high debt levels and a decreased willingness to loan on the part of lenders. If consumers stop making purchases, businesses may not have sources of revenue to make their con-

tribution to the economy. Meanwhile, consumers are faced with high debt levels of their own and declining feelings of wealth due to a declining stock market. If consumers do not feel comfortable with wages and the job market, they also may not have sources from which to increase spending. If both business and consumers refrain from spending, there would be no inputs from which the economy could move into the upwards part of the business cycle.

A smaller risk to the economy would be a move on the part of the Federal Reserve Board to push up interest rates too soon. Higher interest rates could have a significant negative impact on the construction market and would bring mortgage refinancing activity to a halt, taking another source of spending out of consumers' pockets. In addition, businesses and consumers already have high debt levels and increasing interest rates would make those burdens more predominant.

Table 10
National Economic Indicators, June 2002 Forecast
(Dollar amounts in billions)

	1998	1999	2000	2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Gross Domestic Product (GDP)	$8,781.5	$9,268.6	$9,872.9	$10,208.1	$10,609.9	$11,233.9	$11,952.3	$12,606.3	$13,244.4
percent change	5.6%	5.5%	6.5%	3.4%	3.9%	5.9%	6.4%	5.5%	5.1%
Inflation-adjusted GDP	$8,508.9	$8,856.5	$9,224.0	$9,333.8	$9,557.8	$9,882.8	$10,258.3	$10,576.3	$10,861.9
percent change	4.3%	4.1%	4.1%	1.2%	2.4%	3.4%	3.8%	3.1%	2.7%
Nonagricultural Employment (millions)	125.8	128.9	131.8	132.2	131.4	133.5	136.1	138.2	139.8
percent change	2.6%	2.4%	2.2%	0.3%	-0.6%	1.6%	2.0%	1.5%	1.2%
Unemployment Rate	4.5%	4.2%	4.0%	4.8%	6.0%	5.7%	5.1%	5.0%	5.0%
Personal Income	$7,426.0	$7,777.3	$8,319.2	$8,723.5	$9,011.4	$9,498.0	$10,077.4	$10,621.5	$11,173.9
percent change	7.0%	4.7%	7.0%	4.9%	3.3%	5.4%	6.1%	5.4%	5.2%
Inflation (Consumer Price Index)	1.6%	2.2%	3.4%	2.8%	1.8%	2.8%	2.8%	2.7%	2.6%
Prime Rate	8.4%	8.0%	9.2%	7.0%	5.0%	7.0%	8.5%	8.5%	8.5%

For historical data, see Appendix A.

Colorado Economy

The Colorado economy is showing signs that it has reached the bottom of the economic downturn and is beginning to improve. Seasonally-adjusted nonfarm employment increased in April and May, the first gains since December 2000. However, the level of jobs remains nearly 50,000 below the peak level. Employment in the business services sector is a leading economic indicator and is showing signs of a turnaround with three consecutive monthly increases. The state's unemployment rate dropped for the last three months. Finally, the Front Range Purchasing Managers' Index indicates that a manufacturing expansion is underway.

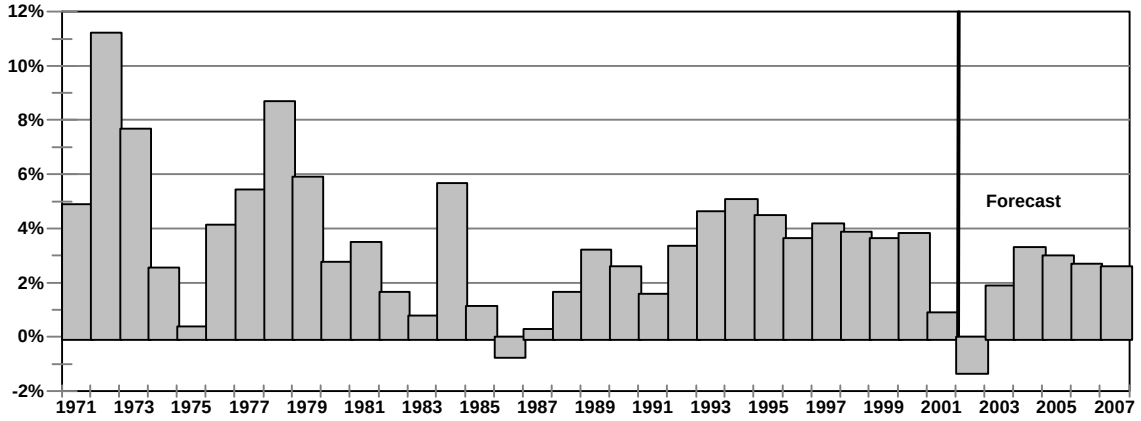
Despite the evidence that a recovery is at hand, we expect that the Colorado economy will remain weak during the remainder of 2002 and into 2003. Without a rapid recovery in jobs, other economic indicators will remain subdued over the next four quarters. The recent spate of wildfires will diminish what was expected to be a turnaround in Colorado's tourism sector following the national economic recovery and a further distancing from the September 2001 terrorist attacks. The remainder of this section covers our forecast for the Colorado economy. Table 11 contains details of the Colorado economic forecast.

Employment

Employment will not attain the December 2000 peak until the second quarter of 2003. Still, at two and one-half years, a complete recovery will be a full year less than the state's last serious recession in the mid-1980s. However, the depth of this recession, as measured by employment losses, is slightly worse than in the 1980s. Colorado lost 55,900 jobs, or 2.5%, from peak to trough during the current cycle. During the mid-1980s, the state's job loss reached a maximum of 2.2% from the previous peak. While the current cycle's high point of 5.7% for the unemployment rate is well below the mid-1980s high point of 8.6%, it rose 3.2 percentage points compared with 3.1 percentage points during the previous recession. The unemployment rate in 2000 was a historic low. At only one-half of the average unemployment rate during the previous 22 years, the 2.7% unemployment rate in 2000 was unsustainable.

Employment changes are a lagging economic indicator and thus employment will be slow to recover. Figure 1 shows that employment growth took three years to recover following the mid-1980s recession before a somewhat normal growth rate occurred. Meanwhile, it is

Figure 1. Colorado Employment Growth



difficult to find a sector that will provide a strong impetus to overall growth in the economy during the next year. Only the government sector has thus far escaped a decline in jobs during the current downturn. However, state and local government employment will experience weak growth in the upcoming year as declines in their revenues have caused hiring freezes or job reductions in many cases.

"...it is difficult to find a sector that will provide a strong impetus to overall growth in the economy during the next year."

The *construction* sector added nearly 100,000 jobs during the 1990s, increasing at a compound average annual growth rate of 9.8%. As the economy weakened during the last half of 2001, construction fell off as well. We anticipate that this trend will continue in 2002 with a decline of 7,600 jobs. The industry will rebound slightly in 2003, adding 2,700 workers.

Manufacturing lost 6,700 jobs in 2001 and will lose an additional 12,900 jobs this year. The industry will continue to capitalize on productivity gains this year leading to the additional job losses before adding 2,000 workers in 2003.

Both components of the *transportation and public utilities* industry will lose jobs in 2002. The transportation sector was hit hard by layoffs after the terrorist attacks last September. While slowly adding flights and rehiring workers this year, employment levels will remain below last year's average, but a continuing rebound in passenger traffic will boost employment by 1,900 in 2003. However, the total number of jobs in the transportation sector will not surpass the 2000 level until 2004. The utilities sector will remain in a slump in 2002, drawing down employment by 8% due to ongoing problems in the telecommunications industry. Utilities will recover slightly next year with a gain of 2,200 jobs.

"...the total number of jobs in the transportation sector will not surpass the 2000 level until 2004."

The usually robust *retail trade* sector fell off significantly last year and will experience an even smaller gain in 2002. Weak income and population growth this year will prevent retailers from adding the typical large number of workers. Job growth will be only 0.4% in 2002 before increasing by 2.4% in 2003. The employment outlook in the *wholesale trade* sector is even more dismal. The sector will shrink by 3,300 jobs in 2002, following a loss of 1,800 jobs last year. Employment will increase 2.3%, or by 2,400 jobs, in 2003.

The *finance, insurance, and real estate* sector will have a small gain this year. The finance industry is still plagued by a sideways stock market and real estate will be "hurt" by interest rates that have likely reached a cyclical low. The real estate sector has been helped by continued mortgage refinancing as interest rates dropped over the past year.

"The services industry will have a rare decline in employment this year, following last year's small gain of 1.0%."

The *services* industry will have a rare decline in employment this year, following last year's small gain of 1.0%. The business services subsector will bear the brunt of the job losses, falling 9.1%. Services employment will bounce back to near its long-term average gains, with a 4.5% increase in 2003.

- The number of Colorado jobs will decline by 1.3% in 2002 before climbing 1.9% in

2003. Announced job layoffs have slowed from last year. However, the state is still at risk for further layoffs in the telecommunications industry. Additionally, a trend to business mergers places the state at risk of further job losses.

- As predicted in our March forecast, the Colorado employment picture began to turn around in the second quarter. Seasonally-adjusted employment in April posted its first gain in 16 months and followed with another gain in May. Airlines are gradually adding flights as well as service to new destinations. Combined with a nationwide economic recovery, the travel industry will provide a boost to Colorado's economic prospects this year. While travel will be a small positive for the state this year, it will be tempered by the negative impacts of the state's drought and wildfires. Defense spending will also help the state this year. A bottoming out for the construction industry will help to provide impetus to job growth next year. The economic slowdown in Colorado will eventually provide a positive incentive to employers and prospective employees as the relative costs of doing business in the state will improve.

- The unemployment rate dropped from 5.7% in February to 5.3% in April, largely as a result of a decline in the labor force. Colorado will briefly mirror the recent second uptick in the national unemployment rate that was caused by an increase in the labor force. Would-be Colorado workers will once again enter the labor force as they become more optimistic about employment prospects. However, they will not be immediately successful, thus causing the increased unemployment rate later this year. The rate will average 5.3% in 2002 and 5.1% in 2003.

Personal Income and Wages

"The weak economic recovery leads to a grim outlook for overall income and wage gains in 2002. "

Personal income and wages grew at a very healthy pace during the economy's boom years. These indicators increased 9.8% and 12.6%, respectively, in 2000, the peak year of gains during the expansion. As the economy slowed in 2001, wages and salaries posted only a 3.6% gain. The small gain was attributable to the downturn in employment levels throughout 2001, much smaller bonuses, and a change in the composition of new jobs.

- The weak economic recovery leads to a grim outlook for overall income and wage gains in 2002. Personal income will rise only 2.7%, while wages and salaries will increase a scant 1.2%. Weak corporate profits will lead to small bonuses again this year, while low interest rates will again keep interest income low as well. Additionally, the composition of net job formation will depress income gains in 2002. Layoffs continue in the high-paid manufacturing and telecommunication sectors.

- The outlook beyond 2002 is more positive. Gains in personal income will average 6.3%, while wages and salaries will increase at a compound average annual growth rate of 6.6%.

Consumer Spending

Consumer spending is measured by retail trade sales. Like most other economic indicators for last year, retail trade sales slowed significantly. After posting an 11.1% gain in 2000, spending increased only 1.6% last year. Tour-

ism was already negatively impacted by the national economic slowdown in the first part of 2001 and the terrorist attacks in September only exacerbated the tourism trend.

- Retail trade sales remained weak through March, posting a 2.6% decrease. Income and tourism will remain adverse factors for consumer spending in 2002. The economic picture will improve as the year progresses, leading to a slight recovery for consumer spending. Retail trade sales will advance 1.7% in 2002, before posting higher increases of 5.5% and 6.5% in 2003 and 2004, respectively.

Construction

Residential construction began to weaken in late 2001 with annualized housing permits some 20% below the pace set earlier in the year and in 2000. This downward trend has continued through April, though to a smaller extent, with a 9.3% decline. Mild weather conditions were responsible for the relatively promising figures. However, we expect that the underlying economic conditions will cause a larger decline through the remainder of the year.

- The lag of the Colorado economic recovery *vis-a-vis* the national recovery will lead to lower net migration levels in 2002. Combined with an expected two-year correction in multifamily construction, housing permits will decline 22.0 percent in 2002. The number of new housing permits will level off in 2003 with a 1.0% decline. Despite the seeming significant drop this year, residential construction is at a high level.

Nonresidential construction was essentially flat in 2001. This year's performance has been highly volatile through April. Down nearly 50% through February and nearly 25% through March, large contracts for garages in Denver and schools in Douglas County in April boosted the heretofore dismal performance to only a 7.1% decline.

- We believe that nonresidential construction will weaken further in 2002. Given the high vacancy rate for office space, the softening in the industrial and retail sectors, and constraints on state and local government spending resulting from the weak economy, nonresidential construction will decline 16.0% this year. The natural forces of the business cycle will make lease rates more competitive. However, business expansion will occur in existing vacant space before significant amounts of new space will be added to the market. Thus, nonresidential building will be relatively flat in 2003 before a turnaround begins in 2004.

Inflation

Inflation reached an 18-year high of 4.7% in 2001. However, the relatively high level of inflation will not persist. The weak economy will pull down the inflation rate in 2002. During the Colorado downturn of the 1980s, the local inflation rate averaged 2.1%, two full percentage points below the average rate during the following five years of recovery.

- We expect the Denver-Boulder-Greeley inflation rate to be 2.3% in 2002. The inflation rate in 2003 will remain below recent increases, posting a 2.8% gain.

Population

The U.S. Census Bureau indicated that Colorado's population increased 2.2% in 2001. Population growth averaged 2.7% during the

1990s. Our strong population growth during the 1990s resulted from the relative advantages that we had at the beginning of the decade.

- We estimate that population increases will be less than 2.0% in the upcoming years. Colorado's relative economic advantages are less defined. The differential between our employment growth and the nation's growth will be narrower. Our cost-of-living advantage that drove economic growth in the early 1990s has dissipated as well. Thus, population gains through migration will be smaller.

Table 11
Colorado Economic Indicators, June 2002 Forecast
(Calendar Years)

	1996	1997	1998	1999	2000	2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Population (thousands), July 1	3,812.7	3,891.3	3,969.0	4,056.1	4,323.4	4,417.7	4,479.5	4,546.7	4,624.0	4,707.3	4,792.0
percent change /A	2.0%	2.1%	2.0%	2.2%	6.0%	2.2%	1.4%	1.5%	1.7%	1.8%	1.8%
Nonagricultural Employment (thousands)	1,900.4	1,979.5	2,057.0	2,131.9	2,212.9	2,231.9	2,202.9	2,244.7	2,318.8	2,388.4	2,452.9
percent change	3.6%	4.2%	3.9%	3.6%	3.8%	0.9%	-1.3%	1.9%	3.3%	3.0%	2.7%
Unemployment Rate	4.2%	3.3%	3.8%	2.9%	2.7%	3.7%	5.3%	5.1%	4.8%	4.4%	4.4%
Personal Income (millions)	$100,012	$108,765	$118,413	$127,653	$140,224	$145,593	$149,524	$158,645	$169,116	$179,601	$190,736
percent change	7.6%	8.8%	8.9%	7.8%	9.8%	3.8%	2.7%	6.1%	6.6%	6.2%	6.2%
Wage and Salary Income (millions)	$57,205	$62,524	$69,604	$76,358	$86,002	$89,070	$90,139	$95,637	$102,332	$109,393	$116,394
percent change	8.2%	9.3%	11.3%	9.7%	12.6%	3.6%	1.2%	6.1%	7.0%	6.9%	6.4%
Retail Trade Sales (millions)	$42,631	$45,146	$48,131	$52,209	$58,018	$58,947	$59,949	$63,246	$67,357	$72,207	$76,900
percent change	6.7%	5.9%	6.6%	8.5%	11.1%	1.6%	1.7%	5.5%	6.5%	7.2%	6.5%
Home Permits (thousands)	42.2	42.5	49.5	48.9	53.7	54.5	42.5	42.1	44.6	46.2	46.0
percent change	6.8%	0.7%	16.5%	-1.3%	10.0%	1.5%	-22.0%	-1.0%	5.9%	3.7%	-0.6%
Nonresidential Building (millions)	$2,367	$2,986	$2,617	$3,544	$3,339	$3,325	$2,793	$2,781	$2,921	$3,125	$3,328
percent change	28.6%	26.2%	-12.4%	35.4%	-5.8%	-0.4%	-16.0%	-0.4%	5.0%	7.0%	6.5%
Denver-Boulder Inflation Rate	3.5%	3.3%	2.4%	2.9%	4.0%	4.7%	2.3%	2.8%	3.2%	3.2%	3.1%

/A Colorado's population on April 1, 2000, was 4,301,261 according to the U.S. Bureau of the Census. The 6.0% change in the population reflects the change from the July 1999 estimate to April 1, 2000, and is used for calculation of the state's TABOR revenue limit.

For more historical data, see Appendix A.

Appendix A
Historical Data

National Economic Indicators

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Gross Domestic Product (billions)	$4,213.0	$4,452.9	$4,742.5	$5,108.3	$5,489.1	$5,803.3	$5,986.2	$6,319.0	$6,642.3	$7,054.3	$7,400.6	$7,813.2	$8,318.4	$8,781.5	$9,268.6	$9,872.9	$10,208.1
percent change	7.1%	5.7%	6.5%	7.7%	7.5%	5.7%	3.2%	5.6%	5.1%	6.2%	4.9%	5.6%	6.5%	5.6%	5.5%	6.5%	3.4%
Inflation-adjusted Gross Domestic Product (billions of 1996 dollars)	$5,717.0	$5,912.4	$6,113.3	$6,368.3	$6,591.8	$6,707.9	$6,676.4	$6,880.1	$7,062.6	$7,347.7	$7,543.8	$7,813.1	$8,159.4	$8,508.9	$8,856.5	$9,224.0	$9,333.8
percent change	3.8%	3.4%	3.4%	4.2%	3.5%	1.8%	-0.5%	3.1%	2.7%	4.0%	2.7%	3.6%	4.4%	4.3%	4.1%	4.1%	1.2%
Unemployment Rate	7.2%	7.0%	6.2%	5.5%	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%
Inflation (Consumer Price Index)	3.6%	1.9%	3.6%	4.1%	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%
Prime Rate	9.9%	8.3%	8.2%	9.3%	10.9%	10.0%	8.5%	6.3%	6.0%	7.1%	8.8%	8.3%	8.4%	8.4%	8.0%	9.2%	7.0%
Personal Income (billions)	$3,515.0	$3,712.5	$3,962.5	$4,272.1	$4,599.8	$4,903.2	$5,085.4	$5,390.4	$5,610.0	$5,888.1	$6,200.9	$6,547.4	$6,937.0	$7,426.0	$7,777.3	$8,319.2	$8,723.5
percent change	7.3%	5.6%	6.7%	7.8%	7.7%	6.6%	3.7%	6.0%	4.1%	5.0%	5.3%	5.6%	6.0%	7.0%	4.7%	7.0%	4.9%
Nonagricultural Wage and Salary Employment (millions)	97.4	99.3	102.0	105.2	107.9	109.4	108.3	108.6	110.7	114.1	117.2	119.6	122.7	125.8	128.9	131.8	132.2
percent change	3.2%	2.0%	2.6%	3.2%	2.5%	1.4%	-1.1%	0.3%	1.9%	3.1%	2.7%	2.0%	2.6%	2.6%	2.4%	2.2%	0.4%

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

Colorado Economic Activity

(Dollar amounts in millions)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Nonagricultural Employment (thous.)	1,408.3	1,412.6	1,436.1	1,482.3	1,520.9	1,545.0	1,596.9	1,670.7	1,755.9	1,834.4	1,900.4	1,979.5	2,057.0	2,131.9	2,212.9	2,231.9
percent change	-0.7%	0.3%	1.7%	3.2%	2.6%	1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.9%	3.6%	3.8%	0.9%
Unemployment Rate	7.4%	7.7%	6.4%	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%
Personal Income	$51,062	$53,528	$56,387	$60,760	$65,095	$68,992	$74,207	$80,212	$85,860	$92,947	$100,012	$108,765	$118,413	$127,653	$140,224	$145,593
percent change	3.2%	4.8%	5.3%	7.8%	7.1%	6.0%	7.6%	8.1%	7.0%	8.3%	7.6%	8.8%	8.9%	7.8%	9.8%	3.8%
Per Capita Income	$15,571	$16,147	$16,985	$18,110	$19,290	$20,096	$20,998	$22,109	$23,019	$24,304	$25,627	$27,015	$29,834	$31,472	$32,422	$32,957
percent change	2.3%	3.7%	5.2%	6.6%	6.5%	4.2%	4.5%	5.3%	4.1%	5.6%	5.4%	5.4%	10.4%	5.5%	3.0%	1.7%
Wage and Salary Income	$30,442	$31,342	$32,868	$34,674	$37,167	$39,563	$42,714	$45,778	$48,992	$52,874	$57,204	$62,524	$69,604	$76,358	$86,002	$89,070
percent change	2.9%	3.0%	4.9%	5.5%	7.2%	6.4%	8.0%	7.2%	7.0%	7.9%	8.2%	9.3%	11.3%	9.7%	12.6%	3.6%
Retail Trade Sales	$23,452	$23,466	$24,886	$26,160	$27,544	$28,932	$31,298	$34,180	$38,100	$39,955	$42,631	$45,146	$48,131	$52,209	$58,018	$58,947
percent change	NC	0.1%	6.1%	5.1%	5.3%	5.0%	8.2%	9.2%	11.5%	4.9%	6.7%	5.9%	6.6%	8.5%	11.1%	1.6%
Housing Permits	30,961	17,988	12,864	11,131	11,897	14,071	23,484	29,913	37,229	39,541	42,221	42,509	49,503	48,874	53,749	54,537
percent change	-5.7%	-41.9%	-28.5%	-13.5%	6.9%	18.3%	66.9%	27.4%	24.5%	6.2%	6.8%	0.7%	16.5%	-1.3%	10.0%	1.5%
Nonresidential Construction	$1,214	$948	$973	$946	$939	$1,610	$1,539	$1,578	$1,581	$1,841	$2,367	$2,986	$2,617	$3,544	$3,339	$3,325
percent change	-29.7%	-21.9%	2.6%	-2.8%	-0.7%	71.4%	-4.4%	2.6%	0.2%	16.4%	28.6%	26.2%	-12.4%	35.4%	-5.8%	-0.4%
Denver-Boulder Inflation Rate	0.7%	2.7%	2.6%	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%
Population TABOR based (thousands, July 1)	3,243.8	3,263.4	3,271.4	3,284.5	3,303.9	3,368.8	3,461.7	3,563.4	3,656.9	3,741.6	3,812.7	3,891.3	3,969.0	4,056.1	4,325.0	4,417.7
percent change	0.9%	0.6%	0.2%	0.4%	0.6%	2.0%	2.8%	2.9%	2.7%	2.3%	2.0%	2.0%	2.0%	2.2%	6.6%	2.1%
Population Revised Census estimates (thousands)	3,243.8	3,263.4	3,271.4	3,284.5	3,307.6	3,387.1	3,495.9	3,613.7	3,724.2	3,826.7	3,920.0	4,018.3	4,116.6	4,226.0	4,325.0	4,417.7
percent change	0.9%	0.6%	0.2%	0.4%	0.7%	2.4%	3.2%	3.4%	3.1%	2.8%	2.4%	2.5%	2.4%	2.7%	2.3%	2.1%

NC: The Department of Revenue changed its definition of retail trade starting with 1986 data. Hence, 1985 and 1986 data are not comparable.
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.

Employment Growth by Industry

	Compound Average Annual Growth Rate 1970-1980	Compound Average Annual Growth Rate 1980-1990	Compound Average Annual Growth Rate 1990-2000	Annual Growth Rate 2000-2001
NONFARM EMPLOYMENT	5.4%	2.0%	3.8%	0.9%
MINING	10.0	-5.8	-4.2	8.9
Metal Mining	7.5	-11.5	-7.5	-12.2
Coal Mining	11.6	-7.3	-3.3	6.7
Oil & Gas Extraction	11.4	-3.7	-5.4	14.4
CONTRACT CONSTRUCTION	6.5	-1.9	9.8	2.9
General Building Contractors	3.5	-4.6	8.5	-1.6
Heavy Construction Contractors	7.2	-2.5	6.1	7.7
Special Trade Contractors	8.3	-0.5	11.0	3.4
MANUFACTURING	4.4	0.7	0.6*/**	-3.3
Durable Goods	5.3	0.3	0.9*	-2.8
Nondurable Goods	2.8	1.4	0.2**	-4.2
Food & Kindred Prod.	1.4	0.7	-0.2	1.3
Printing & Publishing	5.3	4.0	1.8	-8.0
TRANSPORTATION & PUBLIC UTILITIES	4.5	1.9	4.2**	-0.9
Communications	4.6	2.0	7.1**	-1.3
WHOLESALE & RETAIL TRADE	5.8	2.0	3.5	1.1
Wholesale Trade	5.9	1.0	2.7	-1.7
Retail Trade	5.8	2.3	3.7	1.8
General Merchandise Stores	-1.2	1.8	3.6	1.3
Food Stores	5.7	2.4	1.9	0.6
Automotive Dealers & Service Stations	3.3	0.8	3.6	2.6
Eating & Drinking Establishments	9.0	3.0	3.9	2.8
FINANCE, INSURANCE, & REAL ESTATE	6.8	2.4	3.9	1.5
SERVICES	6.9	4.7	5.4*	0.8
Hotel & Other Lodging	6.5	3.3	2.3	-2.9
Personal Services	2.1	2.4	2.4	3.1
Business Services	7.2	6.2	9.4*	-4.4
Amusements & Recreation	7.7	4.4	6.0	0.9
Health Services	5.3	4.3	2.9	4.0
Hospitals	NA	NA	0.3	4.6
GOVERNMENT	3.3	1.3	2.0	2.3
Federal Government	1.6	0.9	-0.4	-3.1
State Government	2.9	1.1	1.9	1.8
Education	4.1	0.4	1.7	1.6
Local Government	4.3	1.5	2.8	4.0
Education	3.6	1.2	2.6	5.3

NA: Not Available.
Source: Colorado Department of Labor and Employment.
* In 1991, a large company was reclassified from the durable manufacturing industry to business services. In part, this reclassification accounts for the weakness in durable manufacturing and the strength in services.
** In 1995, a large company was reclassified from the non-durable manufacturing industry to communications, electricity, and gas. In part, this reclassification accounts for the weakness in non-durable manufacturing and the strength in communications, electricity, and gas.

Percent Distribution of Nonagricultural Employment

	1960		1970		1980		1990		2000	
	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.	Colorado	U.S.
Mining	3.0%	1.3%	1.9%	0.9%	2.9%	1.1%	1.3%	0.6%	0.6%	0.4%
Construction	6.5	5.4	5.5	5.1	6.2	4.8	4.2	4.7	7.3	5.1
Manufacturing	17.0	31.0	15.8	27.3	14.4	22.4	12.7	17.4	9.3*	14.1
Wholesale & Retail Trade	24.0	21.0	23.3	21.2	24.4	22.4	24.4	23.6	23.7	23.0
Finance, Insurance, & Real Estate	4.9	4.9	5.3	5.1	6.1	5.7	6.4	6.1	6.4	5.8
Services	14.8	13.6	17.5	16.3	20.3	19.8	26.5	25.5	30.9*	30.7
Transportation & Public Utilities	8.5	7.4	6.9	6.4	6.3	5.7	6.3	5.3	6.5*	5.3
Government	21.4	15.4	23.6	17.7	19.5	18.0	18.2	16.7	15.3	15.6

Source: Colorado Department of Labor and Employment; U.S. Department of Labor, Bureau of Labor Statistics.

Note: Totals may not sum to 100 percent due to rounding.

* In Colorado, a large company was reclassified from manufacturing to services in 1991, and another was reclassified from manufacturing to transportation and public utilities in 1995. These transfers account for some of the decline in manufacturing and growth in the other areas in Colorado.

Colorado Nonagricultural Employment by Category

(in thousands)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Mining	25.8	21.3	20.7	19.6	19.9	18.6	16.6	16.1	15.6	14.8	13.7	14.0	14.2	13.0	12.9	14.0
percent change	-21.6%	-17.4%	-2.8%	-5.3%	1.5%	-6.5%	-11.0%	-2.9%	-3.0%	-4.8%	-7.8%	2.2%	1.4%	-8.5%	-0.8%	8.9%
Construction	77.6	67.3	60.4	60.0	63.6	66.5	74.8	86.0	97.1	102.1	111.0	119.0	132.6	147.0	162.3	167.0
percent change	-10.1%	-13.3%	-10.3%	-0.7%	6.0%	4.6%	12.4%	15.1%	12.8%	5.2%	8.7%	7.2%	11.4%	10.9%	10.4%	2.9%
Manufacturing - Durable	118.9	116.8	119.2	121.5	119.7	111.2 *	109.9	110.4	112.0	117.8	122.6	128.4	131.8	129.6	130.9	127.3
percent change	-3.9%	-1.8%	2.1%	1.9%	-1.5%	-7.1%	-1.2%	0.5%	1.4%	5.2%	4.0%	4.7%	2.6%	-1.7%	1.0%	-2.8%
Manufacturing - Non-Durable	66.4	67.7	70.4	71.9	73.5	74.4	76.1	77.7	78.9	74.5 **	74.5	75.6	75.6	75.0	75.0	71.9
percent change	-3.1%	2.0%	4.0%	2.1%	2.2%	1.2%	2.3%	2.1%	1.5%	-5.5%	-0.1%	1.5%	-0.0%	-0.8%	0.0%	-4.2%
Transportation, Communications & Public Utilities	87.0	88.3	91.4	93.7	96.1	97.8	99.8	104.3	108.3	117.5 **	121.1	123.8	130.2	139.7	145.2	143.9
percent change	-1.7%	1.5%	3.5%	2.5%	2.6%	1.8%	2.0%	4.5%	3.8%	8.5%	3.1%	2.2%	5.1%	7.3%	3.9%	-0.9%
Wholesale Trade	78.3	76.5	78.0	81.4	83.1	83.1	83.6	86.4	91.4	95.3	98.2	102.1	104.1	105.9	108.9	107.0
percent change	-3.2%	-2.3%	2.0%	4.4%	2.1%	0.0%	0.6%	3.3%	5.8%	4.2%	3.0%	4.0%	2.0%	1.7%	2.8%	-1.7%
Retail Trade	270.2	271.5	274.9	282.5	288.7	292.4	302.0	317.6	338.1	358.0	367.7	378.0	387.6	401.1	414.8	422.4
percent change	-0.3%	0.5%	1.3%	2.8%	2.2%	1.3%	3.3%	5.2%	6.5%	5.9%	2.7%	2.8%	2.5%	3.5%	3.4%	1.8%
Finance, Insurance & Real Estate	98.7	98.6	95.7	96.8	96.9	96.7	99.9	106.2	111.1	113.4	119.0	127.4	135.7	140.8	142.0	144.1
percent change	3.0%	-0.1%	-2.9%	1.1%	0.1%	-0.2%	3.3%	6.3%	4.7%	2.0%	5.0%	7.1%	6.5%	3.7%	0.9%	1.5%
Services	329.4	342.3	358.8	383.6	402.6	421.1 *	443.4	469.4	504.1	537.2	563.8	595.5	622.8	651.3	684.0	689.4
percent change	2.3%	3.9%	4.8%	6.9%	5.0%	4.6%	5.3%	5.9%	7.4%	6.6%	4.9%	5.6%	4.6%	4.6%	5.0%	0.8%
Government	256.0	262.2	266.7	271.4	276.8	283.3	291.1	296.7	299.3	303.7	308.7	315.6	322.3	328.4	337.0	344.9
percent change	2.9%	2.4%	1.7%	1.8%	2.0%	2.3%	2.8%	1.9%	0.9%	1.5%	1.7%	2.2%	2.1%	1.9%	2.6%	2.3%
TOTAL	1,408.3	1,412.6	1,436.1	1,482.3	1,520.9	1,545.0	1,596.9	1,670.7	1,755.9	1,834.4	1,900.4	1,979.5	2,057.0	2,131.9	2,212.9	2,231.9
percent change	-0.7%	0.3%	1.7%	3.2%	2.6%	1.6%	3.4%	4.6%	5.1%	4.5%	3.6%	4.2%	3.9%	3.6%	3.8%	0.9%

Note: Totals may not sum due to rounding.
Source: Colorado Department of Labor and Employment.

* In 1991, a large company was reclassified from the durable manufacturing industry to business services. In part, this reclassification accounts for the weakness in durable manufacturing and the strength in services.

** In 1995, a large company was reclassified from the non-durable manufacturing industry to transporation, communications, and public utilities. In part, this reclassification accounts for the weakness in non-durable manufacturing and the strength in transportation, communications, and public utilities.

Gross General Fund Revenues
Fiscal Year
(in millions)

	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
Sales	$731.9	$673.8	$662.9	$648.3	$669.0	$694.8	$768.1	$779.8	$844.5	$928.9	$1,036.6	$1,131.8	$1,218.7	$1,310.0	$1,426.0	$1,563.7	$1,726.0	$1,751.1
Use	66.8	73.0	76.1	68.6	55.6	54.7	62.5	66.9	69.1	69.1	82.5	91.1	102.8	115.8	120.3	140.2	142.5	157.9
Cigarette	47.4	52.3	50.9	66.1	61.9	59.0	56.3	57.5	57.3	56.6	57.0	59.7	58.2	60.0	59.9	60.0	57.8	58.1
Tobacco Products	0.0	0.0	0.0	2.7	3.1	3.0	3.2	3.9	4.3	4.6	5.5	5.9	7.0	8.2	8.1	8.6	9.4	9.9
Liquor	25.3	25.0	24.4	23.6	22.6	21.5	21.4	19.1	21.2	23.2	22.6	23.3	24.3	24.0	25.1	25.8	28.0	29.3
Other	2.1	1.9	1.9	1.9	2.0	2.0	2.0	3.7	3.2	3.6	3.6	4.1	4.4	3.2	0.0	0.0	0.0	0.0
TOTAL EXCISE	$873.5	$826.0	$816.2	$811.2	$814.2	$835.0	$913.5	$930.9	$999.6	$1,086.0	$1,207.8	$1,315.9	$1,415.4	$1,521.1	$1,639.4	$1,798.3	$1,963.7	$2,006.3
Individual Income	796.4	921.7	973.2	1,081.9	1,195.0	1,311.0	1,380.7	1,462.4	1,608.5	1,759.8	1,919.9	2,106.4	2,318.5	2,572.6	3,051.6	3,326.8	3,718.2	4,017.8
Corporate Income	94.1	78.8	124.4	136.7	112.9	167.0	104.2	115.0	112.2	138.4	146.8	191.1	205.7	237.1	263.1	276.2	289.2	329.7
TOTAL INCOME /A	$890.5	$1,000.5	$1,097.6	$1,218.6	$1,307.9	$1,478.0	$1,484.9	$1,577.4	$1,720.6	$1,898.2	$2,066.7	$2,297.5	$2,524.2	$2,809.7	$3,314.7	$3,603.0	$4,007.4	$4,183.2
Estate	10.7	14.0	13.7	18.4	13.4	15.5	21.7	15.3	34.3	19.7	33.9	27.6	31.8	34.6	109.6	67.1	59.7	82.6
Insurance	56.6	64.7	75.0	84.1	80.7	81.1	82.5	84.7	89.1	92.1	101.9	105.1	110.4	111.8	113.8	117.9	128.5	142.0
Pari-Mutuel	8.6	7.7	8.5	9.0	8.4	8.4	8.3	8.4	8.3	8.5	8.5	8.2	8.1	7.5	7.1	6.2	7.0	6.1
Interest Income	4.4	33.4	21.1	10.8	5.9	15.6	15.9	4.0	5.6	8.3	18.5	28.6	37.2	41.2	52.2	47.5	42.3	45.2
Court Receipts	9.1	12.3	12.9	14.1	19.3	20.5	19.9	11.6	17.5	17.8	19.5	20.1	20.7	23.1	24.9	25.4	27.1	22.3
Severance	0.0	0.0	0.0	0.0	7.1	10.7	7.5	10.5	8.4	12.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medicaid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	82.4	258.9	205.6	126.7	69.0	80.4	72.6	73.0	7.1	0.0
Gaming	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.1	13.4	16.6	17.1	17.5	19.6	21.5	27.3	28.8	31.4
Other	22.1	13.6	17.7	11.7	27.0	20.8	26.4	21.1	25.9	35.2	43.2	49.5	34.4	30.4	45.4	28.3	31.9	33.4
TOTAL OTHER	$111.5	$145.7	$148.9	$148.1	$161.8	$172.6	$182.0	$155.6	$275.6	$465.9	$450.6	$382.9	$329.2	$348.6	$447.1	$392.3	$332.4	$363.0
GROSS GENERAL FUND	$1,875.5	$1,972.2	$2,062.7	$2,177.9	$2,283.9	$2,485.6	$2,580.4	$2,663.9	$2,995.8	$3,450.1	$3,725.1	$3,996.3	$4,268.7	$4,679.4	$5,401.2	$5,794.0	$6,303.5	$6,552.5
Dollar Change	$314.9	$96.7	$90.5	$115.2	$106.0	$201.7	$94.8	$83.5	$331.9	$454.3	$275.0	$271.2	$272.4	$410.7	$721.8	$392.8	$509.5	$249.0
Percent Change	20.2%	5.2%	4.6%	5.6%	4.9%	8.8%	3.8%	3.2%	12.5%	15.2%	8.0%	7.3%	6.8%	9.6%	15.4%	7.3%	8.8%	4.0%

Note: Numbers may not add due to rounding.

Source: Controller's Annual Reports; Accounts and Control.

/A Total income taxes are reported net of a $164.3 million diversion to the State Education Fund.

Selected Cash Fund-Related Historical Data

Unemployment Insurance Trust Fund Balance
(In Millions)

Calendar Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Ending Balance	**$90.4**	**$156.8**	**$230.8**	**$291.5**	**$301.6**	**$326.6**	**$377.7**	**$423.6**	**$469.0**	**$497.9**	**$560.9**	**$634.2**	**$703.8**	**$781.9**	**$671.5**

Source: Division of Labor and Employment.

Higher Education Full-Time-Equivalent Enrollment

Fiscal Year	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Residents	91,947	94,511	99,240	103,219	105,503	107,803	108,947	108,863	108,580	108,667	109,385	112,077	114,269	116,739	117,235
Percent Change	2.2%	2.8%	5.0%	4.0%	2.2%	2.2%	1.1%	-0.1%	-0.3%	0.1%	0.7%	2.5%	2.0%	2.2%	0.4%
Nonresidents	15,593	16,338	16,965	17,801	19,149	19,463	20,573	20,673	20,472	20,741	20,464	20,940	21,162	21,305	21,235
Percent Change	0.4%	4.8%	3.8%	4.9%	7.6%	1.6%	5.7%	0.5%	-1.0%	1.3%	-1.3%	2.3%	1.1%	0.7%	-0.3%
Total	**107,540**	**110,849**	**116,205**	**121,020**	**124,652**	**127,266**	**129,520**	**129,536**	**129,052**	**129,408**	**129,849**	**133,017**	**135,431**	**138,044**	**138,470**
Percent Change	2.0%	3.1%	4.8%	4.1%	3.0%	2.1%	1.8%	0.0%	-0.4%	0.3%	0.3%	2.4%	1.8%	1.9%	0.3%

Totals may not sum due to rounding.
Source: Colorado Commission on Higher Education.

Highway Users Tax Fund Revenues

Fiscal Year	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Total Motor Fuel Less Refunds	$383,685	$409,318	$420,030	$438,988	$450,904	$471,073	$495,579	$520,466	$526,136
Percent Change		6.7%	2.6%	4.5%	2.7%	4.5%	5.2%	5.0%	1.1%
Total Registration Revenue	$96,885	$100,063	$110,464	$117,774	$120,584	$130,635	$140,340	$148,987	$148,725
Percent Change		3.3%	10.4%	6.6%	2.4%	8.3%	7.4%	6.2%	-0.2%
Driving Fines, Penalties, and Forfeitures	$7,684	$10,684	$10,197	$11,259	$11,411	$11,585	$12,452	$13,545	$13,339
Percent Change		39.0%	-4.6%	10.4%	1.3%	1.5%	7.5%	8.8%	-1.5%
Driver's License Fees	$7,158	$4,114	$6,372	$5,553	$6,682	$7,534	$5,224	$7,294	$6,201
Percent Change		-42.5%	54.9%	-12.8%	20.3%	12.7%	-30.7%	39.6%	-15.0%
Other taxes and Misc. Revenue	$15,408	$13,727	$16,307	$8,662	$8,967	$12,823	$14,249	$14,345	$14,166
Percent Change		-10.9%	18.8%	-46.9%	3.5%	43.0%	11.1%	0.7%	-1.3%
Total HUTF	**$510,827**	**$537,906**	**$563,370**	**$589,956**	**$607,488**	**$796,606**	**$846,953**	**$903,752**	**$915,542**
Percent Change		5.3%	4.7%	4.7%	3.0%	31.1%	6.3%	6.7%	1.3%
SB 97-1	N/A	N/A	N/A	N/A	N/A	$153,083	$170,388	$188,700	$197,176
Percent Change							11.3%	10.7%	4.5%

Totals may not sum due to rounding.
Source: Office of the State Controller