



Colorado Legislative Council Staff

Room 029 State Capitol, Denver, CO 80203-1784
(303) 866-3521 FAX: 866-3855 TDD: 866-3472

MEMORANDUM

March 18, 2003

TO: Members of the General Assembly

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

SUBJECT: *Focus Colorado: Economic and Revenue Forecast, 2003-2008*

In this report, we present the March 2003 General Fund revenue forecast and overview, the cash funds forecast, the projections of surplus TABOR revenues, and the national and state economic forecasts. The General Fund overview incorporates the supplemental bills approved by the General Assembly to resolve the budget shortfall for FY 2002-03. Because of the timing of this forecast's release, the figure-setting appropriations amount for FY 2003-04 could not be incorporated into the forecast. However, the implications of alternative appropriations amounts are presented.

Summary

- The forecast of General Fund revenues for FY 2002-03 was reduced by \$177.5 million from the December 2002 forecast. Since the release of the December forecast, revenue has fallen an additional \$48.1 million below the forecast. We reduced the forecast based on this shortfall, an expected continuation of recent trends in revenue collections, and an attempt to be conservative with respect to the likely war in Iraq.
- Largely because of the reduction for FY 2002-03, as well as an expectation of a weaker economy during the next 15 months relative to our last forecast, we reduced the General Fund revenue forecast for FY 2003-04 by \$225.0 million.
- The reduced revenue forecast for FY 2002-03 means that additional budget reductions, fund transfers, or use of a portion of the statutory reserve must be utilized to balance the budget. If only additional budget reductions are used, the reductions must total \$159.6 million. Use of fund transfers or a portion of the statutory reserve would only delay the need for additional budget cuts.

- If the FY 2002-03 budget is balanced through budget cuts, rather than transfers or use of the statutory reserve, \$79.5 million must be found to balance the FY 2003-04 budget. Additional reductions must also still be made in FY 2004-05.
- Further General Fund budget reductions would be needed to reach the Joint Budget Committee's goal of increasing cash flow. Appropriations of \$5.35 billion in FY 2003-04 would leave nearly \$200 million in the excess reserve that would be "spent" the following year for the Senate Bill 97-1 diversion. There would be no net changes in spending thereafter. Appropriations of \$5.15 billion, the JBC target amount, would leave just over \$400 million in the excess reserve. The Senate Bill 97-1 diversion to the HUTF could be fully made beginning in FY 2004-05 and additional funds would be available for transfer to three other funds. However, spending all of the excess reserve beginning in FY 2004-05 would create cash flow problems and leave only the statutory reserve available for the next economic downturn.
- The forecast of all cash fund revenue was reduced by \$14.5 million for FY 2002-03. However, the forecast was increased substantially beginning in FY 2004-05 and thereafter, primarily for unemployment insurance taxes. A larger number of unemployed persons will receive benefits, thus drawing down the Unemployment Insurance Trust Fund, increasing regular tax rates, and triggering the solvency tax.
- The increase in the cash fund forecast has implications for TABOR surplus revenue. Larger TABOR surpluses will result. The surpluses will resume in FY 2004-05 and average \$176.2 million through FY 2007-08.

General Fund Revenue

Table 1 shows the forecast of General Fund revenue. We decreased the current year forecast by \$177.5 million. After February, revenue was tracking \$48.1 million below the December forecast. The shortfall was becoming progressively worse by month. In addition, a one-time source of revenue (\$10.4 million in estate taxes) was offsetting the shortfall. We also incorporated the likelihood of a war with Iraq and its impact on consumer and business confidence.

Income taxes are the primary source of both the existing weakness and the downward revision of the Colorado tax receipts. The estimate of **individual income taxes** was reduced by \$128.6 million. Most of the change relates to past economic activity rather than an underlying change in our view of current economic activity and how it will affect revenue. Individual income tax *refunds* are substantially ahead of the December forecast. The additional amount cannot be attributed to an increase in the number of returns filed. Thus, an increase in the percentage of returns with refunds and/or higher average refunds are the cause of higher-than-expected refunds. Additionally, the refunds through December were much higher than we had expected. The latter refund claims were for 2001 income tax returns. We also reduced the forecast for *cash settlements*.

With respect to current economic weakness, the stock market has continued to slide and thus we reduced the forecast for *estimated payments*. Finally, we decreased our estimate of *withholding taxes*. Business and consumer confidence will be reduced and some planned hiring will be put on hold at the onset of an invasion of Iraq. At the 1991 U.S. entrance into Iraq, a steady increase in Colorado employment was interrupted for a four-month period. We believe that employment will be impacted again once a U.S. and Iraq conflict begins.

Corporate income taxes were reduced by \$46.1 million. The national rebound in corporate profits has not extended to Colorado companies as of yet. Also, the timing and magnitude of the bonus depreciation provisions passed in March 2002 may have been estimated incorrectly.

The other significant downward revisions were for sales taxes and interest income. **Sales taxes** were revised down by \$19.1 million. We expect that consumer confidence will continue its recent fall once the U.S. and Iraq conflict begins. We noted that growth in sales tax receipts tailed off significantly for a five-month period in 1991 when the last U.S. and Iraq war started. **Interest earnings** to the General Fund were revised down by \$7.3 million. The General Fund balance has deteriorated because of the declining revenues while expenditures were not curbed to the same extent.

Other changes to the General Fund were relatively minor. The General Fund will decline 3.3% in FY 2002-03, the second consecutive annual decline.

The estimate for FY 2003-04 was revised down by \$225.0 million. As for the FY 2002-03 estimate, the largest reductions were for the state's income taxes. Despite the reduction, we expect that revenue will increase by 6.2% next year. General Fund revenue will increase by 7.0% in FY 2004-05. Growth rates will be slightly lower after FY 2004-05.

Finally, it is important to note a change in the **rebates and expenditures** category. The property tax and heat credit available to qualified senior citizens and the disabled was revised down by \$9.0 million. The Department of Revenue reported that this credit was combined with TABOR refunds during the last several years. The estimated credit for FY 2002-03 and after is strictly for the property tax and heat credit. Smaller revisions were made to two other rebate and expenditure items. The total of all revisions are \$10.7 million. The revisions will help the General Fund.

General Fund Overview

This section provides the General Fund overview. Table 2 shows the overview based on the actions taken thus far by the General Assembly to balance the FY 2002-03 budget.

The reduced revenue forecast for FY 2002-03 means that additional budget reductions, fund transfers, or use of a portion of the statutory reserve must be utilized to balance the budget. If only additional budget reductions are implemented, the reductions must total \$159.6 million. However, the use of other fund transfers or the statutory reserve would only delay the need for budget cuts.

Table 2 presents an overview that assumes the needed budget reductions, rather than transfers or use of the reserve, are done in FY 2002-03 to balance the budget. To balance the budget, reductions of \$79.5 and \$205.3 million will still be required in FY 2003-04 and FY 2004-05, respectively. Appropriations would still increase by 4.50% and 2.48% in the two years. The appropriations level to balance the budget in FY 2003-04 is \$5.540 billion.

The projected TABOR surplus that must be refunded is much larger than in the December 2002 forecast. The larger surplus is attributable to higher estimates of unemployment insurance taxes. During the forecast period, higher tax rates and the solvency tax for the unemployment insurance fund will be in effect. The additional surplus will come at the expense of the Senate Bill 97-1 diversion to the Highway Users Tax Fund (HUTF). In addition, no monies are available in the excess reserve for transfers to three funds. The first fund is a reserve fund to resume accrual accounting procedures for the TABOR refund liability. The Capital Construction Fund was to receive one-third of the remaining amount in the excess reserve, while the HUTF was to receive two-thirds of the remaining amount in the excess reserve.

At the time of this forecast, the figure-setting total for the appropriations bill for FY 2003-04 was not available. The committee had set a target appropriations amount of \$5.150 billion. Table 3 shows the implications of appropriations amounts in FY 2003-04 ranging from \$5.15 billion to \$5.35 billion *vis-a-vis* the \$5.54 billion in Table 2. In general, reduced appropriations will mean additional money for the Senate Bill 97-1 diversion.

FY 2003-04 appropriations levels of \$5.25 billion and \$5.15 billion in the analysis for Table 3 created enough room to leave money in the excess reserve. Both levels are year-over-year reductions in appropriations. The analysis did not assume a distribution of the excess reserve for the Senate Bill 97-1 diversion or to the three other funds in FY 2003-04. Any monies available for distribution would first take place in FY 2004-05. There is no excess reserve after distribution to the three funds. Concerns for the state's cash flow problems would still exist. The next economic downturn could also necessitate budget reductions because only the state's four percent statutory reserve would be available. Keeping an additional cushion in the excess reserve or establishing a separate rainy day fund would reduce the need for future budget reductions at the expense of the diversion to the HUTF and possibly the transfers to three funds, depending on the size of the cushion.

The Constitutional Revenue Limit — TABOR

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.

Table 4 shows the projections of future TABOR surpluses based upon current law and the March 2002 forecasts of revenue, inflation, and population. The state had a TABOR surplus for five consecutive years between FY 1996-97 and FY 2000-01 and refunded \$3.25 billion to taxpayers as a result. The economic downturn, coupled with tax reductions and voter-approved changes to the constitution, caused the state to fall \$365.7 million below the allowable limit for FY 2001-02. The state will be \$646.3 million below the limit in FY 2002-03.

When the state drops below its allowable TABOR limit, the next year's limit is calculated based on actual revenue rather than the prior year's limit, causing a "ratcheting down" effect on the limit. Thus, when revenue growth resumes at a stronger rate in FY 2003-04, the state will again have revenue growth that exceeds the allowable increase based on population and inflation despite falling over \$1 billion below the limit during the prior two years. However, due to the passage of the "population ad-

justment" as part of Senate Bill 02-179 and House Bill 02-1310, the state will not have a surplus during FY 2003-04. This adjustment allows for the "carrying forward" of the unused part of the TABOR limit from FY 2001-02 that can be associated with population. Therefore, six percentage points of allowable growth were carried forward and 3.3 percentage points worth will be used in FY 2003-04 to increase the TABOR limit so that no surplus exists in that year. The rest of the adjustment will be made during FY 2004-05. However, revenue growth will be strong enough that year to cause a small \$20.9 million surplus despite the adjustment. The surplus will reach a high point of \$292.9 million in FY 2006-07.

The General Assembly has enacted 18 refund methods that will be used to return the surplus TABOR revenue to taxpayers. Except for the sales tax refund, a refund is used only if the amount of the surplus exceeds a threshold amount set for the refund method. For the FY 2004-05 surplus, only the sales tax refund will be used. For the FY 2005-06 and FY 2007-08 surpluses, the sales tax refund and earned income tax credit refund will be used. The latter two refunds, as well as tax credits for foster care parents and business personal property taxes, will be used for the FY 2006-07 surplus.

Cash Fund Revenue

This section presents the forecast of cash fund revenue subject to the TABOR revenue limit. Table 5 presents the forecast by fund type. **Total cash fund revenue** will increase by 2.9% in FY 2002-03, by 8.6% in FY 2003-04, and at an average annual rate of 4.7% during the forecast period. The forecast was reduced by \$14.5 million in FY 2002-03 compared with the December 2002 forecast. However, the forecast was increased every year thereafter, primarily due to revised estimates for unemployment insurance taxes.

Transportation-related cash funds will decrease 1.9% in FY 2002-03 and increase at an average annual rate of 1.6% over the forecast period. Registration fee revenue will increase 3.3% and motor fuel tax revenue will be flat in FY 2002-03. Registration fees will then increase at an annualized growth rate of 3.0% for the remainder of the forecast period, while fuel taxes will increase at an annual rate of 2.5%. Highway Users Tax Fund revenues will increase at an average annual rate of 2.3% over the forecast period. State Highway Fund (SHF) revenues, which include interest earnings on the fund balance and matching funds from local governments, will decrease substantially in FY 2002-03. Matching funds from local governments are decreasing from record levels in FY 2001-02 caused by projects accelerated with the use of Transportation Revenue Anticipation Notes. Meanwhile, based on current law, the Senate Bill 97-1 diversion will not occur in FY 2002-03 through FY 2004-05. The full amount will not be diverted during the remainder of the forecast period. Funds will not be available in the excess General Fund reserve for transfer to the SHF.

Total *unemployment insurance* (UI) revenue will increase 17.1% in FY 2002-03 to \$229.6 million. The increase will come despite the tail end of a 20% tax credit received by most employers in 2002 and is attributable to rising tax rates caused by a record 165.7% increase in benefit payments during FY 2001-02. Benefit payments will increase 2.9% in FY 2002-03 to \$500.7 million. While benefit payments are expected to decline throughout the remainder of the forecast period, they will continue to be higher than historical levels and will not fall below revenues to the fund until FY 2004-05. This unprecedented demand on the fund's resources will draw the fund balance down to a level such that a higher tax rate schedule will be in effect during 2004, 2005, and 2006. In addition, the solvency tax, which is levied when the fund balance falls below 0.9% of total private wages, will be in effect from

2004 through 2007. The solvency tax will generate a total of \$644.4 million over the four-year period. Thus, total UI taxes will increase 37.4% in FY 2002-03, 55.4% in FY 2003-04, 35.8% in FY 2004-05, and 10.1% in FY 2005-06. The fund balance will recover as a result, increasing to \$932.3 million by FY 2007-08.

Higher education cash fund revenue will increase 8.3% in FY 2002-03, after decreasing 9.7% in FY 2001-02. FY 2001-02 revenue would have increased 8.6% without an accounting adjustment to exclude scholarship allowances from revenue. The expected growth in higher education revenue is due to record student enrollment as Coloradans sought to increase their jobs skills in light of poor employment prospects. Enrollment is projected to increase 5.0% in FY 2002-03, after jumping 4.0% in FY 2001-02. The FY 2002-03 enrollment gain will be the largest in 20 years.

The Joint Budget Committee proposed tuition caps of 11.9% for resident and nonresident tuition. However, those caps have not been approved by the General Assembly and the Governor. This forecast assumes that the 2002 Denver-Boulder-Greeley inflation rate of 1.9% will be used as a tuition growth cap. If an 11.9% increase is implemented, higher education revenue would exceed the current forecast by \$53.1 million in FY 2003-04 and \$55.1 million in FY 2004-05.

Once the economy recovers in 2004 and job growth improves, enrollment and revenue growth will moderate to more typical levels. Over the six-year forecast period, higher education revenues will grow at a 5.1% average annual growth rate. Meanwhile, public higher education enrollment will increase at an average annual pace of 1.6% over the forecast period.

Limited Gaming Cash Fund revenue, which includes gaming taxes and license fees, will increase 6.1% in FY 2002-03 after increasing 7.7% in FY 2001-02. The recession and a maturation of the industry will reduce growth in gaming taxes during the next few years from the double-digit pace experienced during much of the last half of the 1990s. Total gaming revenues will increase at an average annual rate of 7.5% over the forecast period.

Severance tax revenue includes taxes on oil, natural gas, coal, molybdenum, and metallic minerals mined in Colorado and interest earnings on the fund. Total severance tax revenue will decrease 13.7% in FY 2002-03 after decreasing 23.1% in FY 2001-02. The volatility in severance tax revenue comes from oil and gas taxes, which increased 112.1% in FY 2000-01 due to unique circumstances, decreased 31.0% in FY 2001-02, and are expected to decrease 17.1% in FY 2002-03. Severance taxes on oil and gas production will be depressed by limited pipeline capacity in Colorado, but will also be boosted by substantial increases in the price of natural gas. Interest earnings will be lower in FY 2002-03 and FY 2003-04 due to transfers from the Severance Tax Trust Fund in July 2002 and June 2003 to the General Fund as a result of House Bill 02-1391 and Senate Bill 03-191. Severance taxes will increase after FY 2002-03, leading to an annualized growth rate of 3.4% during the forecast period.

All other cash fund revenue will decrease 0.7% in FY 2002-03 and increase at an average annual rate of 4.7% over the forecast period. Interest earnings to several cash funds will decrease because of transfers to the General Fund. Interest earnings to the *Capital Construction Fund* (CCF) will decrease from \$17.5 million in FY 2001-02 to \$4.4 million in FY 2002-03 as a result of large decreases in the fund balance and Senate Bill 03-179. In addition to the transfer of a net \$25.3 million from the principal of the fund, Senate Bill 03-179 required the CCF's interest earnings in FY 2002-03 to be transferred to the General Fund. Interest earnings to the worker's compensation *insurance-related cash*

funds will be reduced substantially in FY 2002-03 and FY 2003-04 as a result of House Bill 02-1391 and Senate Bill 03-191, which transferred substantial amounts from the insurance-related funds to the General Fund at various times during FY 2002-03. Finally, revenue to the umbrella group of "*other cash funds*" will increase 6.1% in FY 2002-03 and 8.5% in FY 2003-04. Interest earnings in many of the funds in this group will fall somewhat in FY 2002-03 and FY 2003-04 due to transfers made to the General Fund in March 2003 pursuant to Senate Bill 03-191. However, three bills will increase fee revenue in FY 2002-03 and FY 2003-04. Senate Bill 03-181 increases fees for well permits, Senate Bill 03-182 increases fee revenue to the Division of Housing in the Department of Local Affairs, and Senate Bill 03-186 increases fee revenue to the judicial branch.

National Economy

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

Recent economic data remains mixed as it has been for several months. Economic growth in the fourth quarter of 2002 was revised upward. Inflation-adjusted gross domestic product (GDP) increased 1.4% at an annualized pace, compared with the 0.7% increase in the advance estimate. The increase was attributable to revised estimates in business inventories. Meanwhile, the annual growth rate of GDP for 2002 was unchanged at 2.4%.

The labor market continues to stumble. Nonfarm employment declined by a surprisingly sharp 308,000 jobs in February. The monthly job loss was exceeded only by the losses in the two months immediately after the terrorist attacks in September 2001. Moreover, the level of employment fell to a cyclical low in February. New claims for unemployment insurance have gone above 400,000 in recent weeks, a level that indicates deteriorating job conditions. A full-blown economic expansion that observers will be happy about will not occur until employment begins to grow consistently by 150,000 jobs per month. Given the recent poor performance and expected weakness as the likely war with Iraq unfolds, this level is still some time away.

Consumer confidence dipped sharply in February as the United States came closer to engaging Iraq in a war. Although the correlation between confidence and spending is mixed at times, consumers currently have little pent-up demand that would suggest spending would advance significantly despite the decline in confidence. Data from January indicated that consumer spending declined 0.1% from December. The decline was the first since last September and was attributable to less spending on cars.

Data on the manufacturing industry fluctuates from month to month, thus making it difficult to draw conclusions regarding the health of this industry. The Institute of Supply Management index fell from 53.9 in January to 50.5 in February. An index measure of 50 is the dividing line between contraction and expansion. Durable goods orders surged 2.9% in January and provided hope that businesses and consumers were more confident about spending plans. However, consistent gains for durable goods orders have been elusive in recent months.

Economic growth will be subdued in the initial part of 2003 before advancing more significantly in the last half of the year. 2004 will be a better year for the economy. The detailed national economic forecast can be found in Table 6. The following highlights summarize the national forecast.

- Inflation-adjusted **GDP** will increase 2.4% in 2003, matching the gain of 2002. Government spending, led by a 7.8% hike in defense spending, will increase 2.9%. Consumer spending will lag last year's 3.1% gain because of uncertainty and will increase 2.3% in 2003. Investment will show the first gain since 2000, increasing 1.5%. GDP will increase 3.5% in 2004, before dropping off slightly to a 3.1% gain in 2005.
- Strong productivity gains, as well as weak corporate profits, will limit the employment turnaround in 2003. **Nonfarm employment** will increase only 0.4% for the year, following

a 0.9% decline in 2002. The gains will be more significant as 2003 unfolds. Employment gains will be more robust in 2004, increasing 1.8%. The national **unemployment rate** will increase to 6.2% in 2003, compared with 5.8% in 2002. The rate will gradually subside to 5.7% in 2004 and 5.4% in 2005.

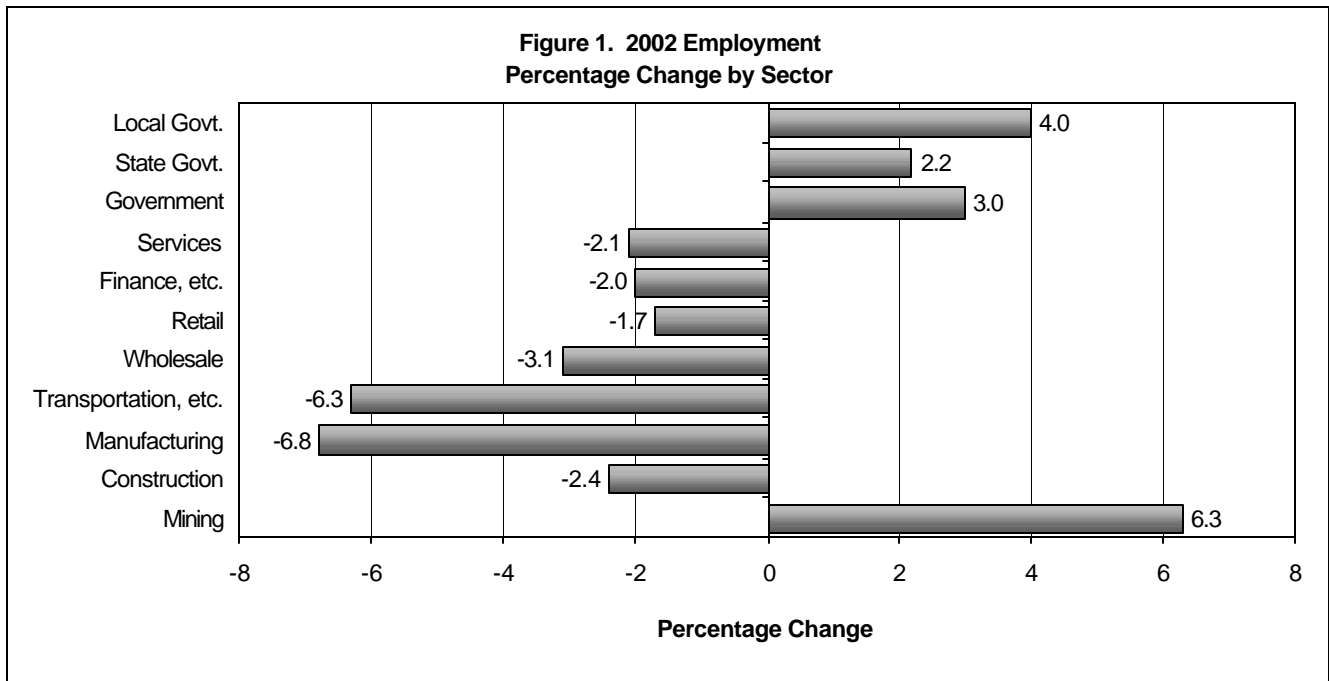
- **Personal income** growth in 2003 will be very modest for the third consecutive year. We expect that income will increase 3.4% in 2003, following gains of 3.3% and 3.0% in 2001 and 2002, respectively. By comparison, personal income increased at an annualized pace of 6.3% from 1995 to 2000. Personal income will be stronger after 2003 but will not approach the earlier growth rates. It will increase by an estimated 4.5% in 2004 and 5.2% in 2005.
- **Consumer inflation** will remain modest during the forecast period. After increasing 1.6% last year, prices will rise 2.1%, 2.0%, and 2.5% from 2003 through 2005. A lengthy engagement in Iraq or other geopolitical dilemmas in the Middle East could put additional upward pressure on oil prices this year, thus increasing the inflation rate.
- The large loss of jobs in February may cause the Federal Reserve Board to reduce **interest rates** again. The Feds may fear that the apparent weak state of the economy, combined with declining confidence associated with the tensions in Iraq, would lead to a further deterioration. The federal funds rate was reduced 11 times in 2001 and once in 2002. It currently stands at 1.25%, compared to 6.5% when the rate was first reduced.
- There are many **downside risks** to the economy. The preeminent risk is the uncertainty surrounding a war with Iraq. When the war occurs, consumers will reduce their spending and business investment will slow down. The pause in both will be brief as long as the war is brief. Other risks include the Iraq-associated oil price increases and stock market impacts.

Colorado Economy

This section reviews the recent performance of the Colorado economy and provides the outlook for the state economy. The detailed Colorado economic forecast can be found in Table 7. Most statistics for 2002 are now available. Nearly all indicators were very weak, if not negative for the year. The only indicator that was good news — a low inflation rate — was actually a sign of a weak economy in 2002.

Employment

According to preliminary data from the Colorado Department of Labor and Employment, employment declined 1.9% in 2002. Colorado lost nearly 43,000 jobs during the year. It was only the fourth time since World War II that job losses occurred in the state. The losses in 2002 were the most severe of the four occasions. Employment declined in most industries; mining and government were the only exceptions. Figure 1 shows the 2002 performance by industry.



- *Employment* will increase a scant 0.5% in 2003, or by 10,900 jobs. An increase in jobs will be on hold until the Iraq situation is settled. An examination of Colorado employment in 1991 reveals that a steady increase in jobs abruptly ended with the U.S. move into Iraq. The war ended in 43 days and the pause in hiring lasted only four months. Most economic analysts believe that a larger expansion will take off when the current uncertainty is resolved. Colorado employers would likely follow suit. Employment will increase by 2.3% in 2004 and 2.8% in 2005.
- The *unemployment rate* will average 5.9% in 2003, following an average level of 5.3% in 2002. Would-be workers who left the labor force last year will have some difficulty finding work when they return, thus causing the unemployment rate to rise. The unemployment rate will improve gradually after 2003, falling to 5.5% in 2004 and 5.1% in 2005.

Personal Income and Wages

While final 2002 data for personal income and wage and salary income are not yet available, the year will be one of the lowest increases on record. We estimate that personal income increased 1.5% in 2002. Meanwhile, wage and salary income decreased an estimated 1.2% last year. Transfer payments, primarily unemployment compensation, helped to soften the decline of wages and salaries last year.

- *Personal income and wages and salaries* will rebound only slightly in 2003. Employment growth will still be weak and employers will be constrained in granting wage increases by a lack of profitability. We estimate that personal income, as well as wages and salaries, will increase 3.0%.

- A rebounding economy will lead to stronger growth in 2004. Personal income will increase 5.9%, while wages and salaries will increase 6.5%. While the growth will be stronger, it will not approach the annualized growth rates of the last decade. Personal income increased at a compound annual average growth rate of 8.2%, while wages and salaries increased at an 8.8% annualized pace.

Consumer Spending

Consumer spending is measured by retail trade sales. Spending declined 0.7% in 2002, the first decline for this economic indicator (a decline was recorded in 1986, but this was likely attributable to a reclassification of data rather than to the weak economy of that year). Spending was affected by the economic malaise in Colorado, a relatively poor travel market, and deflationary pressures for goods. The decline last year followed a small 1.8% increase in 2001.

- *Consumer spending* will rebound to a 2.8% gain in 2003, still low by historical standards. Spending will mirror income gains after 2003, remaining in the mid 5% range.

Construction

The economic slowdown and weak stock market more than offset the benefit that low mortgage rates provided the construction industry. Residential construction permits fell 12.1% in 2002, led by a 31.4% decline in multi-family permits. Single-family permits held up relatively well with a 2.6% decline. Meanwhile, nonresidential construction permit values dropped 22.5% in 2002. The nonresidential sector was hurt by rising vacancy rates in metro Denver that reached nearly 20% last year.

- The construction industry will see two more years of declines. The multi-family sector had boom years in 2000 and 2001 and is undergoing a correction that will extend into 2004. Single-family permits will be hurt by a weak economy in 2003 and 2004, and will decline in both years. The prospect of drought-related restrictions will also retard growth in the housing sector. Residential *housing permits* will decline by 18.7% in 2003 and by 6.0% in 2004.
- The high vacancy rates in office buildings will negatively affect nonresidential construction. Significant retail construction will not occur because of weak consumer spending. Positive factors influencing nonresidential construction include several planned hospitals to take care of increasing health care needs and school construction approved by the voters. We estimate that *nonresidential construction* will decline by 18.3% in 2003 and by 3.7% in 2004. Nonresidential construction will turn positive in 2005.

Inflation

The economic slowdown provided one benefit last year: lower inflation. The Denver-Boulder-Greeley inflation rate was 1.9% in 2002. The economic slowdown of the late 1980s provided similarly low rates — 0.7% in 1986 and 1.8% in 1989. Apparel costs declined 9.3% last year, the fourth drop in

the past five years. Housing costs advanced only 1.7%, marked by a 14.0% decline in fuel and utilities costs. More importantly, the shelter component of housing dropped in the second half of 2002 relative to the first half, perhaps signaling that the strong rise in housing prices over the past decade is over. Medical care costs increased 3.6%, the smallest rise since a 3.5% increase in 1998.

- The local *inflation* rate will be 2.9% in 2003. However, the risk to this forecast is for a higher rate rather than a lower rate. Energy prices are currently on the rise. An extended conflict in Iraq or oil supply disruptions would cause higher inflation. Natural gas prices are similarly pressured because of a low domestic supply. The completion of a pipeline in Wyoming will cause more exports of Colorado gas and lead to higher prices in the state. Inflation rates will be slightly higher during the remainder of the forecast period.

Population

The U.S. Census Bureau indicated that Colorado's population in 2002 increased 1.7%, or by 75,553 residents. As of July 1, 2002, the state's population was 4,506,542. The 2002 growth rate was the lowest since 0.6% was recorded in 1990. Despite the relatively low growth rate, Colorado was the sixth-fastest growing state last year.

- Colorado's population will continue at more modest rates compared with the 1990s annualized increases of 2.7%. The state's *population* will increase by 1.4% in 2003 and by 1.5% in 2004. Colorado's economy will gradually expand, thus keeping net migration levels positive albeit much lower than in the 1990s. A gradual adjustment in factors such as housing costs and office building lease rates will eventually make Colorado more attractive to individuals and businesses seeking to relocate.

Table 1
General Fund March 2003 Revenue Estimates
(Dollars in millions)

Category	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	Estimate FY 2007-08	Percent Change
Sales /A	\$1,755.6	-3.1	\$1,700.1	-3.2	\$1,781.1	4.8	\$1,887.6	6.0	\$1,997.4	5.8	\$2,116.9	6.0	\$2,239.7	5.8
TABOR Overrefund	-28.6	-52.4	-19.5	-31.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use /A	140.6	-10.9	131.2	-6.7	138.3	5.4	146.7	6.0	154.8	5.5	162.7	5.1	171.6	5.5
Cigarette	55.2	-5.0	54.5	-1.3	53.4	-2.0	52.4	-2.0	51.3	-2.0	50.3	-2.0	49.3	-2.0
Tobacco Products	10.3	4.5	10.4	0.9	11.2	7.6	11.8	4.8	12.3	4.9	13.0	5.1	13.6	5.0
Liquor	29.5	0.7	28.4	-3.6	29.3	3.1	30.1	2.6	30.8	2.6	31.6	2.6	32.4	2.4
TOTAL EXCISE	\$1,962.7	-2.2	\$1,905.2	-2.9	\$2,013.4	5.7	\$2,128.5	5.7	\$2,246.8	5.6	\$2,374.4	5.7	\$2,506.6	5.6
Net Individual Income	\$3,345.2	-16.7	\$3,169.7	-5.2	\$3,500.6	10.4	\$3,771.2	7.7	\$4,049.8	7.4	\$4,332.3	7.0	\$4,635.9	7.0
Net Corporate Income	178.0	-46.0	169.7	-4.7	188.0	10.8	238.1	26.6	282.7	18.8	299.3	5.9	314.4	5.1
TOTAL INCOME TAXES	\$3,523.2	-19.0	\$3,339.4	-5.2	\$3,688.6	10.5	\$4,009.2	8.7	\$4,332.6	8.1	\$4,631.5	6.9	\$4,950.3	6.9
Less: Portion directed to the State Education Fund /B	-272.9	66.1	-192.3	-29.5	-277.2	44.2	-300.9	8.5	-324.9	8.0	-347.1	6.8	-370.6	6.8
INCOME TAXES TO GENERAL FUND	\$3,250.3	-22.3	\$3,147.1	-3.2	\$3,411.4	8.4	\$3,708.4	8.7	\$4,007.7	8.1	\$4,284.5	6.9	\$4,579.7	6.9
Estate	\$72.5	-12.2	\$69.7	-17.7	\$35.5	-40.5	\$18.9	-46.9	\$1.8	-90.4	\$0.0	-100.0	\$0.0	NA
Insurance	154.6	8.9	164.4	6.3	167.8	2.0	169.6	1.1	176.9	4.3	184.5	4.3	191.8	4.0
Pari-Mutuel	5.7	-5.8	4.6	-19.2	4.9	5.6	4.9	0.0	4.8	-2.0	4.8	0.0	4.7	-2.1
Interest Income	25.3	-44.0	9.7	-61.7	10.0	3.1	11.0	10.0	12.2	10.9	13.5	10.7	15.0	11.1
Court Receipts	23.3	4.4	24.0	3.1	24.7	3.0	25.4	2.8	26.1	2.8	26.8	2.7	27.5	2.5
Gaming /C	34.1	8.5	38.1	11.8	40.9	7.4	41.9	2.4	45.5	8.7	50.0	9.7	54.2	8.4
Medicaid (Intergovt. Transfer)	11.2	NA	10.7	-4.2	0.0	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA
Other Income	31.9	-4.4	31.1	-2.5	16.7	-46.3	17.4	3.8	18.0	3.8	18.7	3.7	19.3	3.5
TOTAL OTHER	\$358.6	-1.2	\$342.4	-4.5	\$300.6	-12.2	\$289.0	-3.8	\$285.4	-1.3	\$298.3	4.5	\$312.5	4.8
GROSS GENERAL FUND	\$5,571.6	-15.0	\$5,394.7	-3.2	\$5,725.3	6.1	\$6,125.9	7.0	\$6,539.9	6.8	\$6,957.2	6.4	\$7,398.7	6.3
REBATES & EXPENDITURES:														
Cigarette Rebate	\$15.9	-3.0	\$15.7	-1.3	\$15.4	-2.0	\$15.1	-2.0	\$14.8	-2.0	\$14.5	-2.0	\$14.2	-2.0
Old-Age Pension Fund	72.0	13.9	73.7	2.3	77.8	5.7	82.6	6.2	87.9	6.3	93.6	6.5	100.5	7.4
Aged Property Tax & Heating Credit	23.6	40.5	14.7	-37.8	16.9	15.0	16.7	-0.8	16.5	-1.5	16.8	1.5	16.6	-0.7
Fire/Police Pensions	28.9	0.7	29.1	0.6	29.1	0.1	29.1	0.0	29.1	0.0	29.1	0.0	29.1	0.0
TOTAL REBATES & EXPENDITURES	\$140.4	9.5	\$133.1	-5.2	\$139.2	4.6	\$143.6	3.1	\$148.2	3.2	\$153.9	3.8	\$160.5	4.2

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 2.
 /B In November 2000, Colorado voters approved Amendment 23 that deposits an amount equal to 0.33 percent of Colorado taxable income into the State Education Fund. These revenues are exempt from the TABOR revenue limit.
 /C Includes only the amount credited to the General Fund.

**Table 2
General Fund Overview March 2003
(Dollars in millions)**

	FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08
Beginning Reserve	\$469.3	\$137.6	\$212.1	\$221.6	\$227.1	\$240.7	\$255.2
Gross General Fund	5,571.6	5,394.7	5,725.3	6,125.9	6,539.9	6,957.2	7,398.7
Senate Bill 97-1 Diversion to the HUTF /A	****	-0.0	0.0	0.0	-43.9	-179.8	-111.8
Transfers from/(Paybacks to) Other Funds	536.3	190.7	27.3	0.0	0.0	0.0	0.0
Division of Sales Taxes to Other Funds	****	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Transfer from the Controlled Maintenance Trust Fund /D	253.4	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds Available	\$6,830.6	\$5,720.0	\$5,961.7	\$6,344.9	\$6,720.9	\$7,015.0	\$7,539.7
EXPENDITURES:							
Allowable General Fund Appropriations /B	\$5,643.0	\$5,461.1	\$5,619.6	\$5,862.9	\$5,997.9	\$6,359.0	\$6,741.7
Necessary Reductions to Balance Budget		-\$159.6	-\$79.5	-\$205.3			
Medicaid Overexpenditure	0.0	NE	NE	NE	NE	NE	NE
Rebates and Expenditures	140.4	133.1	139.2	143.6	148.2	153.9	160.3
Reimbursement for Senior Property Tax Cut	0.0	62.6	55.5	56.6	54.1	55.1	53.3
Capital and Prison Construction	****	10.6	5.3	101.8	100.4	0.0	0.0
Transfer for Highway Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Controlled Maintenance Trust Fund /C	0.0	0.0	0.0	138.2	138.2	0.0	0.0
K-12 Settlement Funding Adds to GF Appropriation /B, D	10.0	0.0	0.0	20.0	20.0	20.0	20.0
TABOR Refund	927.2	0.0	0.0	0.0	20.9	171.8	292.9
Accounting Adjustments	-27.6	NE	NE	NE	NE	NE	NE
Total Obligations	\$6,693.0	\$5,507.9	\$5,740.7	\$6,117.9	\$6,479.8	\$6,759.8	\$7,268.7
YEAR-END GENERAL FUND RESERVE:	\$137.6	\$212.1	\$221.6	\$227.1	\$240.7	\$255.2	\$270.5
STATUTORY RESERVE: 4.0% OF APPROPRIATIONS /E	0.0	212.1	221.6	227.1	240.7	255.2	270.5
GENERAL FUND EXCESS RESERVE	\$137.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Reserved Funds for Resumption of Accrual Accounting for TABOR Refund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Funds in Excess Reserve to Highway Users Tax Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Funds in Excess Reserve to Capital Construction	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
RESERVE AS A % OF APPROPRIATIONS	2.4%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
TABOR RESERVE REQUIREMENT:							
General & Cash Fund Emergency Reserve Requirement	\$232.6	\$229.2	\$245.0	\$262.2	\$274.5	\$287.4	\$301.3
Appropriations Growth /C	\$303.4	-\$351.5	\$238.6	\$137.1	\$340.6	\$361.1	\$382.7
Appropriations Growth Rate /C	5.67%	-6.22%	4.50%	2.48%	6.00%	6.00%	6.00%
Addendum: Amount Directed to State Education Fund	\$272.9	\$192.3	\$277.1	\$300.9	\$324.9	\$347.1	\$370.6

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 or is limited in some years thereafter due to General Fund revenue shortfalls.
 /B: 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.
 /C: House Bill 01-1267 transferred the principal balance of the CMTF to the General Fund on July 1, 2001. HB 02-1446 transfers \$138.2 million from the General Fund to the CMTF in FYs 2003-04 and 2004-05. The Governor's budget recommendation moves the transfer to FYs 2004-05 and 2005-06.
 /D: The settlement requires that the General Fund have at least \$80 million in excess reserves for funding to take place. Because 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, and FY 2003-04 when it is not funded from the General Fund in the Governor's budget recommendation.
 /E: The four percent statutory reserve was eliminated for FY 2001-02.

Table 3
Changes in Key Items in the General Fund Overview with Lower Appropriation Amounts
(millions of dollars)

	\$5.35 billion appropriations in FY 2003-04					
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
Net change in appropriations	-\$190.1	\$3.7	\$3.9	\$4.2	\$4.4	
Change in SB 97-1 diversion	\$0.0	\$186.3	-\$4.0	-\$4.1	-\$4.5	
Change in paybacks	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Change in excess reserve **	\$197.7	\$0.0	\$0.0	\$0.0	\$0.0	
Percent change in appropriations	0.91%	5.98%	6.00%	6.00%	6.00%	
	\$5.25 billion appropriations in FY 2003-04					
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
Net change in appropriations	-\$290.1	-\$102.3	-\$108.4	-\$114.9	-\$121.8	
Change in SB 97-1 diversion	\$0.0	\$210.7	\$108.6	\$56.2	\$122.1	
Change in paybacks	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Change in excess reserve **	\$301.7	\$185.8	\$0.0	\$59.1	\$0.0	
Percent change in appropriations	-0.97%	6.19%	6.00%	6.00%	6.00%	
	\$5.15 billion appropriations in FY 2003-04					
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
Net change in appropriations	-\$390.1	-\$208.3	-\$220.8	-\$234.0	-\$248.1	
Change in SB 97-1 diversion	\$0.0	\$210.7	\$179.4	\$56.2	\$137.9	
Change in paybacks	\$0.0	\$69.6	\$0.0	\$0.0	\$0.0	
Change in excess reserve **	\$405.7	\$326.4	\$41.9	\$178.4	\$110.7	
Percent change in appropriations	-2.86%	6.19%	6.00%	6.00%	6.00%	

** The excess reserve is transferred to three funds. Up to the first \$25 million would be transferred to a fund to reestablish accrual accounting procedures for the TABOR refund. Any remaining amount is split 2/3 to the Highway Users Tax Fund and 1/3 to the Capital Construction Fund. For purposes of this analysis, the excess reserve was not diverted in FY 2003-04 to preserve cash flow.

Table 4									
March 2003 Forecast for the TABOR Revenue Limit and Emergency Reserve									
<i>(Dollars in millions)</i>									
	FY 2001-02	Estimate FY 2002-03	Estimate FY 2003-04	Estimate FY 2004-05	Estimate FY 2005-06	Estimate FY 2006-07	Estimate FY 2007-08		
TABOR Revenues:									
General Fund /A	\$5,519.8	\$5,342.7	\$5,670.5	\$6,070.1	\$6,480.5	\$6,893.4	\$7,330.7		
Cash Funds	2,232.4	2,298.1	2,495.4	2,690.5	2,841.8	2,980.1	2,938.4		
Total TABOR Revenues	\$7,752.2	\$7,640.8	\$8,165.9	\$8,760.6	\$9,322.3	\$9,873.5	\$10,269.1		
LIMIT:									
Allowable TABOR Growth Rate	10.0%	6.9%	6.9%	7.0%	4.7%	4.7%	4.9%		
Inflation	4.0%	4.7%	1.9%	2.9%	3.2%	3.2%	3.2%		
Population Growth	6.0%	2.2%	1.7%	1.4%	1.5%	1.5%	1.7%		
Population Adjustment for Growth Dividend (6% Carried Forward)		0.0%	3.3%	2.7%	0.0%	0.0%	0.0%		
Allowable TABOR Limit	\$8,126.2	\$8,287.1	\$8,166.0	\$8,739.7	\$9,150.5	\$9,580.6	\$10,050.0		
Revenues Above / (Below) TABOR Limit /B	-\$365.7	-\$646.3	\$0.0	\$20.9	\$171.8	\$292.9	\$219.1		
EMERGENCY RESERVE:									
TABOR Emergency Reserve /C	\$232.6	\$229.2	\$245.0	\$262.2	\$274.5	\$287.4	\$301.5		

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 gaining over-revenue 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 under certain conditions.
 /B Includes \$8.3 million in FY 2001-02 for understated revenue from a prior year.
 /C In years where the projected revenues exceed the amount allowed by the Constitution, the reserve is calculated based on the limit, rather than on projected receipts. Given that the state will only retain the maximum allowed by the Constitution, it need only reserve three percent of such amount.

Table 5
Cash Fund Revenue Estimates by Category, March 2003
Millions of Dollars

	Actual FY 01-02	Estimate FY 02-03	Estimate FY 03-04	Estimate FY 04-05	Estimate FY 05-06	Estimate FY 06-07	Estimate FY 07-08	FY 01-02 to FY 07-08 CAAGR *
Transportation-Related /A								
% Change	\$813.9 4.2%	\$798.1 -1.9%	\$813.3 1.9%	\$834.5 2.6%	\$854.0 2.3%	\$872.5 2.2%	\$896.8 2.8%	1.6%
Higher Education /B								
% Change	\$635.4 -9.7%	\$688.4 8.3%	\$717.6 4.2%	\$749.4 4.4%	\$780.7 4.2%	\$816.9 4.6%	\$856.5 4.8%	5.1%
Unemployment Insurance /C								
% Change	\$196.1 -2.4%	\$229.7 17.1%	\$345.3 50.3%	\$451.4 30.7%	\$502.7 11.4%	\$543.8 8.2%	\$393.7 -27.6%	12.3%
Limited Gaming Fund								
% Change	\$99.1 7.7%	\$105.1 6.1%	\$112.6 7.1%	\$121.9 8.3%	\$131.1 7.6%	\$142.3 8.5%	\$153.0 7.5%	7.5%
Capital Construction - Interest								
% Change	\$17.5 -49.8%	\$4.4 -75.0%	\$8.4 91.6%	\$12.4 48.6%	\$14.5 16.2%	\$10.2 -29.6%	\$7.2 -29.3%	-13.8%
Controlled Maintenance Trust Fund - Interest** /E								
% Change	\$0.5 -97.1%	\$0.0	\$0.0	\$8.0	\$17.9 122.3%	\$18.9 5.9%	\$18.9 0.1%	81.7%
Insurance-Related								
% Change	\$66.3 29.0%	\$62.4 -5.8%	\$57.7 -7.5%	\$62.3 7.9%	\$67.2 7.8%	\$72.6 8.1%	\$78.3 7.9%	2.8%
Regulatory Agencies								
% Change	\$50.4 -1.6%	\$50.9 1.0%	\$52.1 2.3%	\$53.6 2.8%	\$55.1 2.8%	\$56.8 3.1%	\$58.5 3.0%	2.5%
Severance Tax /D								
% Change	\$57.5 -23.1%	\$49.6 -13.7%	\$54.2 9.3%	\$56.2 3.6%	\$58.1 3.4%	\$63.5 9.2%	\$70.0 10.4%	3.4%
Employment Support Fund								
% Change	\$19.6 -6.0%	\$18.0 -8.5%	\$18.3 2.0%	\$19.0 3.8%	\$19.8 4.0%	\$20.5 3.6%	\$21.3 3.9%	1.4%
Petroleum Storage Tank Fund								
% Change	\$21.3 -19.9%	\$21.4 0.4%	\$22.7 6.3%	\$10.9 -51.8%	\$11.2 2.5%	\$11.5 2.4%	\$11.8 2.5%	-9.4%
Other Cash Funds								
% Change	\$254.8 -2.8%	\$270.2 6.1%	\$293.1 8.5%	\$310.8 6.0%	\$329.6 6.0%	\$350.6 6.4%	\$372.3 6.2%	6.5%
Total Cash Fund Revenues	\$2,232.4	\$2,298.1	\$2,495.4	\$2,690.5	\$2,841.8	\$2,980.1	\$2,938.4	
Subject to the TABOR Limit	-6.1%	2.9%	8.6%	7.8%	5.6%	4.9%	-1.4%	4.7%

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

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

/B Higher Education tuition revenues are net of scholarship allowances.

/C Includes a 20% tax credit on unemployment insurance taxes during calendar years 2001 and 2002. Reflects the solvency tax that will be triggered in calendar years 2004 through 2007.

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

/E The principal balance of the Controlled Maintenance Trust Fund, or \$243.9 million, was transferred to the General Fund on July 1, 2001. The CMTE is assumed to be repaid in two installments on July 1, 2004 and July 1, 2005.

Table 6 National Economic Indicators, March 2003 Forecast (Dollar amounts in billions)									
	1999	2000	2001	2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Gross Domestic Product (GDP)	\$9,274.3	\$9,824.7	\$10,082.1	\$10,445.6	\$10,853.0	\$11,395.6	\$11,965.4	\$12,611.5	\$13,229.5
percent change	5.6%	5.9%	2.6%	3.6%	3.9%	5.0%	5.0%	5.4%	4.9%
Inflation-adjusted GDP	\$8,858.9	\$9,191.4	\$9,215.5	\$9,440.2	\$9,666.8	\$10,005.1	\$10,315.3	\$10,676.3	\$10,996.6
percent change	4.1%	3.8%	0.3%	2.4%	2.4%	3.5%	3.1%	3.5%	3.0%
Nonagricultural Employment (millions)	128.9	131.7	131.9	130.8	131.4	133.7	136.3	138.2	140.0
percent change	2.4%	2.2%	0.2%	-0.9%	0.4%	1.8%	1.9%	1.4%	1.3%
Unemployment Rate	4.2%	4.0%	4.8%	5.8%	6.2%	5.7%	5.4%	5.2%	5.2%
Personal Income	\$7,786.5	\$8,406.6	\$8,685.4	\$8,948.1	\$9,255.5	\$9,672.7	\$10,173.3	\$10,682.7	\$11,199.3
percent change	4.9%	8.0%	3.3%	3.0%	3.4%	4.5%	5.2%	5.0%	4.8%
Inflation (Consumer Price Index)	2.2%	3.4%	2.8%	1.6%	2.1%	2.0%	2.5%	2.4%	2.3%
10-year Treasury Note	5.6%	6.0%	5.0%	4.6%	4.5%	5.3%	5.8%	5.9%	5.8%

Table 7 Colorado Economic Indicators, March 2003 Forecast (Calendar Years)										
	1998	1999	2000	2001	2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Population (thousands), July 1	4,116.6	4,226.0	4,323.4	4,431.0	4,506.5	4,569.6	4,638.1	4,707.7	4,787.7	4,873.9
percent change /A	2.4%	2.7%	2.3%	2.2%	1.7%	1.4%	1.5%	1.5%	1.7%	1.8%
Nonagricultural Employment (thousands)	2,057.0	2,131.9	2,212.9	2,231.9	2,189.0	2,199.9	2,250.5	2,313.6	2,378.3	2,452.1
percent change	3.9%	3.6%	3.8%	0.9%	-1.9%	0.5%	2.3%	2.8%	2.8%	3.1%
Unemployment Rate	3.8%	2.9%	2.7%	3.7%	5.3%	5.9%	5.5%	5.1%	4.7%	4.4%
Personal Income (millions) /B	\$118,413	\$128,192	\$142,752	\$147,861	\$150,079	\$154,581	\$163,702	\$173,033	\$183,415	\$194,236
percent change	8.9%	8.3%	11.4%	3.6%	1.5%	3.0%	5.9%	5.7%	6.0%	5.9%
Wage and Salary Income (millions) /B	\$69,604	\$76,358	\$86,002	\$89,070	\$88,001	\$90,641	\$96,533	\$102,325	\$108,771	\$115,515
percent change	11.3%	9.7%	12.6%	3.6%	-1.2%	3.0%	6.5%	6.0%	6.3%	6.2%
Retail Trade Sales (millions)	\$48,131	\$52,209	\$58,018	\$59,042	\$58,570	\$60,210	\$63,341	\$66,824	\$70,767	\$74,871
percent change	6.6%	8.5%	11.1%	1.8%	-0.8%	2.8%	5.2%	5.5%	5.9%	5.8%
Home Permits (thousands)	49.5	48.9	53.7	54.5	47.9	39.0	36.6	38.8	40.8	41.9
percent change	16.5%	-1.3%	10.0%	1.5%	-12.1%	-18.7%	-6.0%	6.1%	4.9%	2.7%
Nonresidential Building (millions)	\$2,617	\$3,544	\$3,339	\$3,373	\$2,613	\$2,135	\$2,056	\$2,161	\$2,256	\$2,396
percent change	-12.4%	35.4%	-5.8%	1.0%	-22.5%	-18.3%	-3.7%	5.1%	4.4%	6.2%
Denver-Boulder Inflation Rate	2.4%	2.9%	4.0%	4.7%	1.9%	2.9%	3.2%	3.2%	3.2%	3.3%

/A Colorado's population on April 1, 2000, was 4,301,261 according to the U.S. Census Bureau. The changes that are shown in this table for 1998 to 2000 are based on the intercensal estimates by the Census Bureau and do not reflect the original estimates used for TABOR purposes.

/B Estimate for 2002.