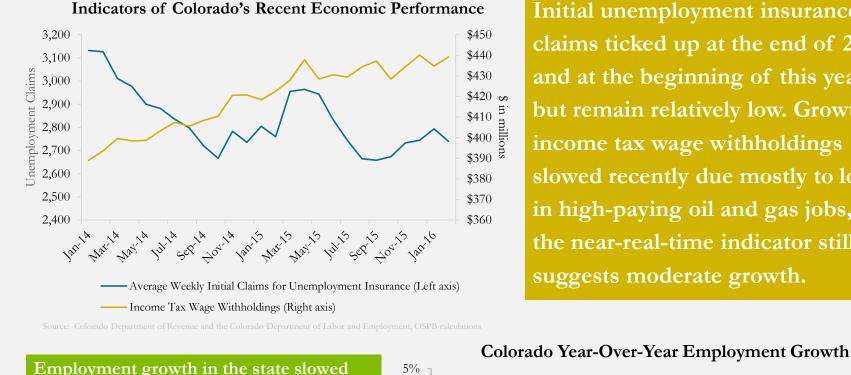


The Colorado Economic Outlook Economic and Fiscal Review, March 2016

The following information is excerpted from the Colorado Office of State Planning and Budgeting's March 2016 forecast. To access the full forecast document, click on the image above or follow this link: https://goo.gl/VjoIng.

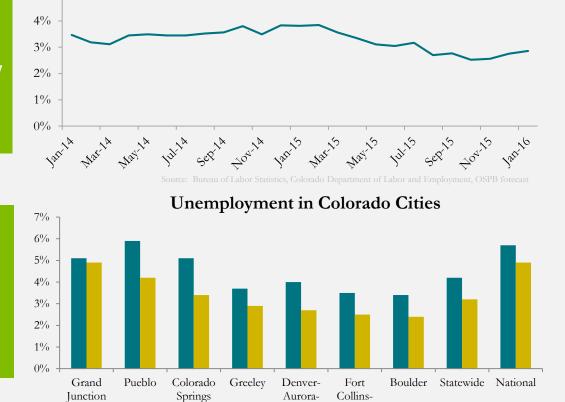
The Economy

Colorado's economy continues to grow at a slower pace in the face of several headwinds, including a contraction in the oil and gas industry and a tight labor market. Employment gains slowed for much of 2015, although unemployment in the state fell consistently and is currently at its lowest level since 2001. Weak global growth is also serving to moderate economic expansion at the national and state level. Nonetheless, robust levels of in-migration and a high concentration of innovative firms and high-skilled workers will help Colorado maintain its status as a top economic performer.

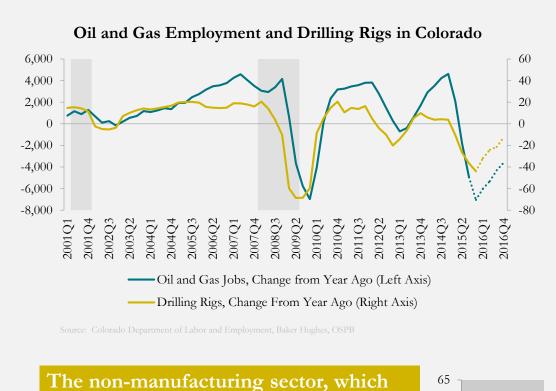


Initial unemployment insurance claims ticked up at the end of 2015 and at the beginning of this year, but remain relatively low. Growth in income tax wage withholdings slowed recently due mostly to losses in high-paying oil and gas jobs, but the near-real-time indicator still suggests moderate growth.

Employment growth in the state slowed for most of 2015 before improving in the beginning of this year. Employment is forecast to grow 2.6 percent in 2016 and 2.7 percent in 2017, both lower than the 3.1 percent rate achieved in 2015.



Unemployment rates fell fastest in Pueblo and Colorado Springs over the last year, and all Colorado cities except Grand Junction now have lower unemployment rates than the national average. Statewide unemployment is expected to average 3.3



Colorado fell from 37 in the second week of March 2015 to just 17 in the same time period this year. Low oil and gas prices are expected to continue pushing down employment and investment in the sector through 2016. Oil and gas jobs decreased by nearly 25 percent in 2015 and are expected to drop another 10 to 15 percent this year.

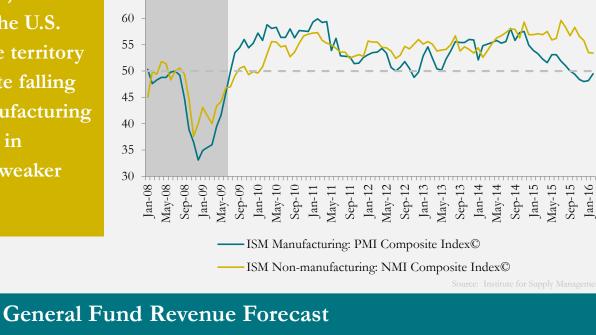
Broomfield Loveland

The number of drilling rigs in

■ January 2015 ■ January 2016

economy, remained in positive territory for the first part of 2016 despite falling for four straight months. Manufacturing improved of late, but remains in contractionary territory amid weaker international demand.

covers the largest portion of the U.S.

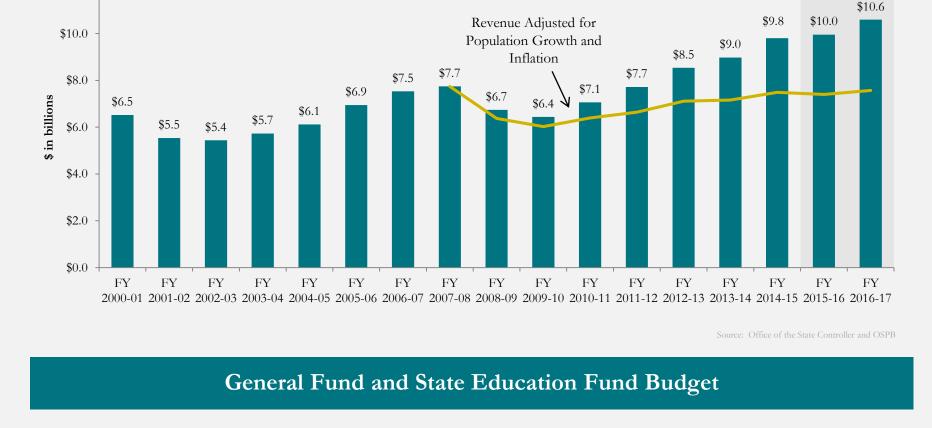


ISM Composite Indices

weakness in corporate income tax payments, both of which are occurring despite moderate but stable economic

General Fund revenue is forecasted to increase just 1.5 percent in FY 2015-16 after strong growth of 9.3 percent in FY 2014-15. Two leading contributors to the slower growth rate are the contraction in the oil and gas industry and

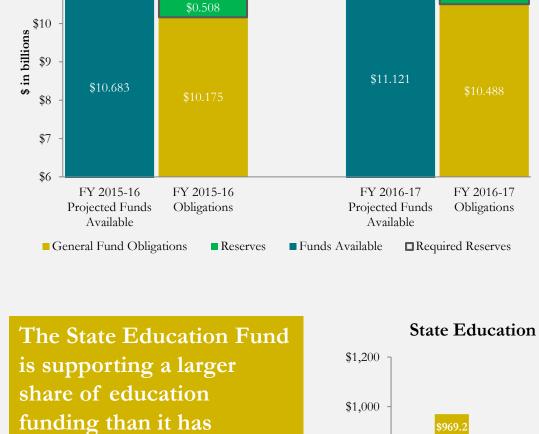
growth. General Fund revenue growth is expected to rebound moderately in FY 2016-17 as continued economic expansion leads to increases in most large revenue sources such as sales tax and individual and corporate income taxes. General Fund Revenue Forecast \$12.0



FY 2016-17 General Fund obligations

include projected TABOR rebate

The State's General Fund General Fund Money, Obligations, and Reserves



appropriations in FY 2015-16. The image to the left shows the level of General Fund obligations for FY 2016-17 that can be supported by projected revenue while maintaining the General Fund's required reserve amount. State Education Fund Money Spending, and Reserves Declining SEF balance

reserve is projected to be \$98.1

million below the required

amount of 6.5 percent of

historically, which is drawing down its fund balance. In FY 2015-16, the year-end balance in the Fund is expected to drop 57.0 percent from its level in FY 2014-15, and a larger drop of 64.4 percent is expected in FY 2016-17.

\$400

\$350

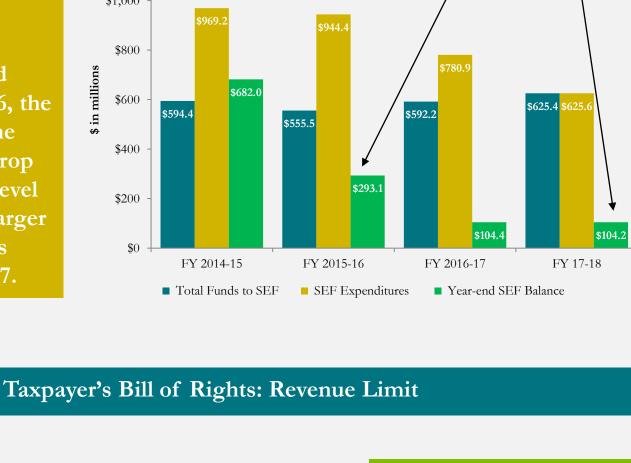
\$300

Projected reserve

shortfall of \$98.1 million

\$12

\$11



Referendum C cap in FY Total: \$350.9 Refund: \$110.3



Distribution of TABOR Refunds

2014-15, TABOR revenue is projected to come in below the cap in FY 2015-16. TABOR refunds are expected to total \$168.9 million in FY 2016-17 and \$350.9

After exceeding the

\$41 each through the sales tax refund from the FY 2014-15 TABOR refund on their 2015 tax return. Qualifying taxpayers can also claim the State Earned Income Tax Credit, estimated to

average about \$217 per

household.

milli	on in FY 2017-18.
FY 2017-18	.on m 1 1 2017-10.
rears. See OSPB March	
FY 2014-15 TABOR Refund per Taxpayer	
<u>Individual Returns</u>	Joint Returns
Earned	Earned
Income Tax Six-Tier Income Tax	Income Tax Six-Tier Income Tax

Sales Tax

\$26

\$36

\$42

\$46

Rate Cut

\$0

\$0

\$0

\$0

www.colorado.gov/ospb

Total

\$260

\$173

\$42

\$46

Credit*

\$234

\$137

\$0

\$0

\$163,001 - \$204,000 \$0 \$24 \$24 \$0 \$48 \$0 \$48 \$0 \$204,001 and Up **\$**0 \$41 \$41 \$82 *EITC applies per household, while the sales tax is per return. For tax years after 2015, the EITC will no longer be a TABOR

Rate Cut

\$0

\$0

\$0

\$0

Total

\$247

\$155

\$21

\$23

Sales Tax

\$13

\$18

\$21

\$23

Credit*

\$234

\$137

\$0

\$0

Adjusted Gross Income Tier Up to \$36,000

\$36,001 - \$77,000

\$77,001 - \$120,000

\$120,001 - \$163,000

