COLORADO
Office of State Planning & Budgeting

September | 2018

The Colorado Outlook

Economic and Fiscal Review

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Summary

- Relative to the June projections, preliminary FY 2017-18 General Fund revenue collections were $103.1 million higher, or 0.9 percent, while the FY 2018-19 forecast of General Fund revenue is higher by $303.2 million, or 2.5 percent. The FY 2018-19 revision includes $44 million in additional revenue expected from collection of state sales tax from online retailers that is expected to begin in December. The FY 2019-20 forecast is higher by $390.0 million, or 3.1 percent.

- After a strong 14.1 percent increase in FY 2017-18, General Fund revenue is forecast to increase at a more moderate rate of 5.6 percent in FY 2018-19. General Fund revenue is projected to increase at a rate of 5.9 percent in FY 2019-20 with continued economic growth.

- The General Fund reserve is estimated to be a preliminary $556.3 million above the required statutory reserve amount of 6.5 percent of appropriations in FY 2017-18. SB 18-276 increased the reserve requirement to 7.25 percent beginning in FY 2018-19. The General Fund reserve is projected to be $212.7 million above the higher required reserve amount under this forecast and FY 2018-19's budgeted expenditures.

- Preliminary cash fund revenue decreased by 15.9 percent in FY 2017-18 as the Hospital Provider Fee was replaced with the Healthcare Affordability and Sustainability Fee program, which is a TABOR-exempt enterprise in accordance with SB 17-267. FY 2018-19 cash fund revenue is expected to grow 5.2 percent, while FY 2019-20 growth is projected to slow to 1.2 percent.

- TABOR revenue is projected to be above the cap by a preliminary $16.2 million in FY 2017-18. TABOR revenue is expected to exceed the cap by $260.5 million in FY 2018-19 and $381.3 million in FY 2019-20. Under this forecast, the refund of the excess FY 2017-18 revenue will occur through the senior homestead and disabled veterans property tax exemption expenditures in FY 2018-19. The refund of excess FY 2019-20 revenue will occur via the homestead and disabled veterans property tax exemption expenditures and six-tier sales tax refund in FY 2020-21.

- Colorado's economic growth accelerated in the first half of 2018. Colorado's employment growth has been robust and widespread across all industries and most regions, while wage growth has risen above inflation in recent months. Oil and gas production has recovered from the mid-decade downturn, albeit at lower levels of employment, and business formation is strong. However, slower labor force growth and tight housing market conditions are expected to limit growth in the later years of the forecast.

- Underlying growth in the U.S. economy looks solid and recession risk appears low, however, unforeseen events could occur that might change this outlook. Trade policy continues to be a risk factor to business costs and agricultural prices. Further, if monetary policy tightens excessively and slows the supply of money in the economy, it could lead to a contraction.

The Economy: Issues, Trends, and Forecast

The following section discusses overall economic conditions in Colorado, nationally, and around the world. The OSPB forecast for economic conditions is slightly improved from the June 2018 Colorado Outlook. The economy has added more jobs than expected in recent months and wage growth is strong. This section includes an analysis of:

- Economic and labor market conditions in Colorado (page 5)
- Economic, financial, and labor market conditions for the nation (page 14)
- U.S. Housing market conditions (page 16)
- International economic conditions and trade (page 19)

Trends and forecasts for key economic indicators — A summary of key economic indicators with their recent trends and statistics, as well as forecasts, is provided at the end of this section. This summary of indicators is intended to provide a snapshot of the economy's performance and OSPB's economic projections, which are informed by the following analysis of the economy.

Summary — Colorado's economic growth has accelerated in the first half of 2018. Colorado's employment growth has been robust and widespread across all industries and most regions, while wage growth has risen above inflation in recent months. Oil and gas production has recovered from the mid-decade downturn, albeit at lower levels of employment. Business formation has continued to grow in response to greater economic confidence and as entrepreneurs identify opportunities in the expanding economy. Although Colorado continues to boast one of the lowest unemployment rates in the nation, tight labor and housing market conditions are expected to limit growth in the later years of the forecast.

The U.S. economy experienced the fastest growth in four years in the second quarter of 2018, driven largely by increases in consumer spending and business investment. Business confidence remains strong and most leading economic indicators point to continued expansion in the coming year. Industrial production growth has returned to rates experienced prior to the 2015-2016 industrial downturn with mining production experiencing particularly strong growth. Importantly, U.S. financial conditions remain generally supportive of continued growth and labor market momentum remains near the highest level of the current expansion. However, overall U.S. economic growth is expected to moderate over the remainder of the forecast period as the Federal Reserve continues to tighten monetary policy and growth in the labor force slows.

Economic risks — Underlying growth in the economy looks solid and recession risk appears low, however, unforeseen events could occur that might change this outlook. Trade policy continues to be a risk factor to business costs and agricultural prices. If monetary policy tightens excessively and slows the supply of money in the economy, it could lead to a contraction. In addition, some analysts have expressed concerns that equity markets are excessively valued. A large enough market correction could cause investors, businesses, and households to reduce spending in the economy. With the current economic expansion nearing the record for longest historical expansion, analysts are more cautious about the possibility of a recession. However, it might be that same caution that prevents "overheating" economic conditions, which have preceded some past recessions.

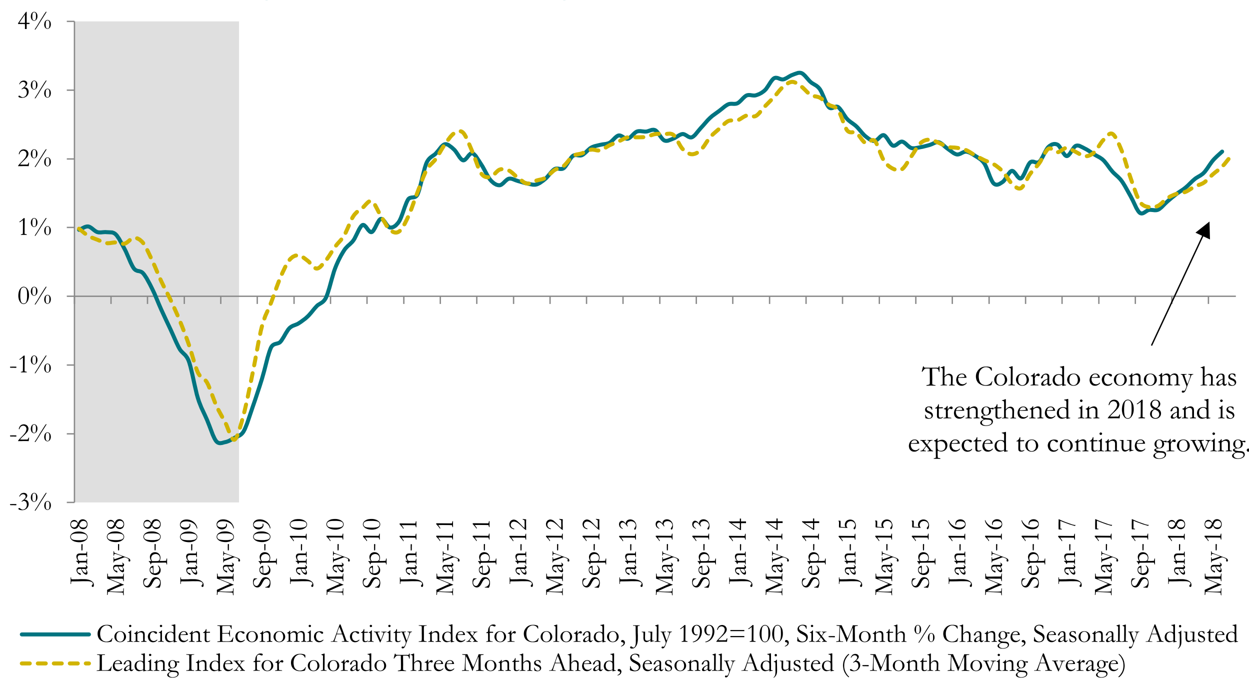
Colorado Economic Conditions

Indices that measure Colorado's economy show stronger growth through most of 2018 – As shown in Figure 1, the Federal Reserve Bank of Philadelphia's monthly Leading Index for Colorado indicates strengthening growth for Colorado's economy in the near term. The Leading Index combines economic indicators that have been found to precede changes in overall economic momentum. These include housing permits, initial unemployment insurance claims, and delivery times from vendors to producers.

Economic indices that measure broad economic activity show accelerating growth for Colorado in 2018.

Another index of broad economic activity for Colorado shows that economic growth has accelerated slightly. The Federal Reserve Bank of Philadelphia's Coincident Economic Activity Index provides a broad, up-to-date measure of state economic activity and matches growth in a state's gross domestic product (GDP) over time. It combines four state-level indicators to track current economic conditions: employment, average hours worked in manufacturing, the unemployment rate, and inflation-adjusted wage and salary disbursements. Movement in the Coincident Economic Activity Index is predicted by the Leading Index. To show this relationship, Figure 1 overlays the leading index, advanced three months ahead, with the coincident index.

Figure 1. Colorado Leading and Coincident Economic Indices



Source: Federal Reserve Bank of Philadelphia

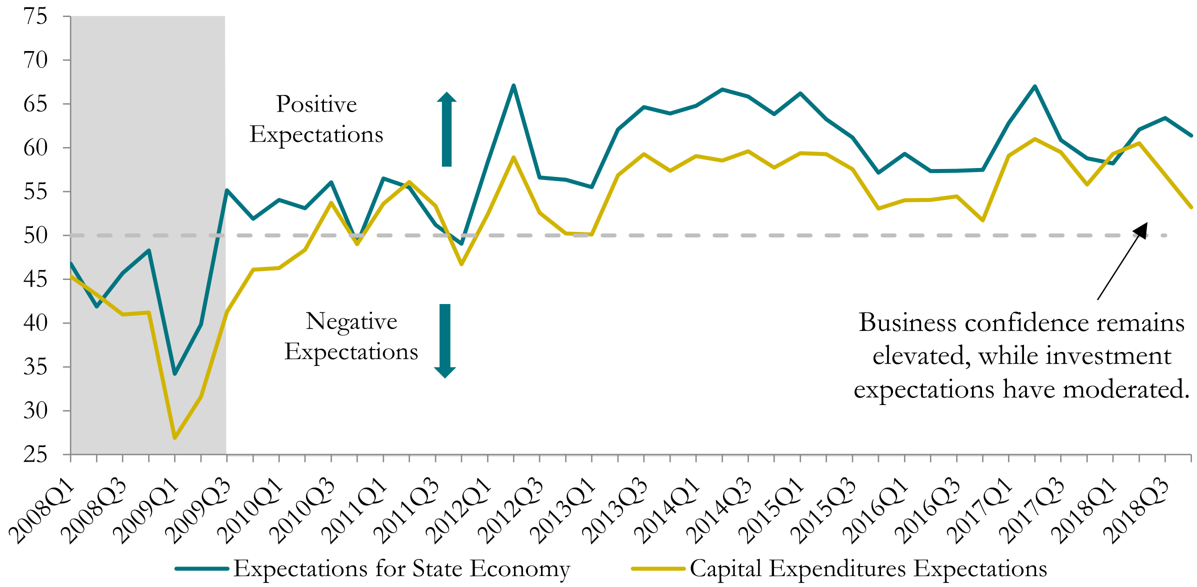
Expectations for the state economy remain positive, while capital expenditure expectations moderate – The Leeds Business Confidence Index, published by the University of Colorado at Boulder's Leeds School of Business, measures business expectations for the two upcoming quarters. Figure 2 shows the index for business expectations for the overall state economy as well as for capital expenditures since the Great Recession and through the fourth quarter of 2018.

Businesses' expectations for the economy remain optimistic, while capital investment is expected to moderate, but remain positive.

Positive expectations for Colorado's economic growth have declined slightly in recent quarters, but remain firmly optimistic. Employment and personal income growth combined with real GDP expansion have contributed to the confidence seen in 2018. This confidence has been tempered in more recent quarters by concerns regarding labor shortages, affordable housing, and U.S. trade policy.

Expectations for the economy are a key factor for future performance. When expectations for the economy are positive, businesses are more likely to hire and invest, which in turn facilitates economic growth. The recent trend in the index suggests that economic growth will likely remain positive in the near term.

Figure 2. CU Leeds Business Confidence Index*



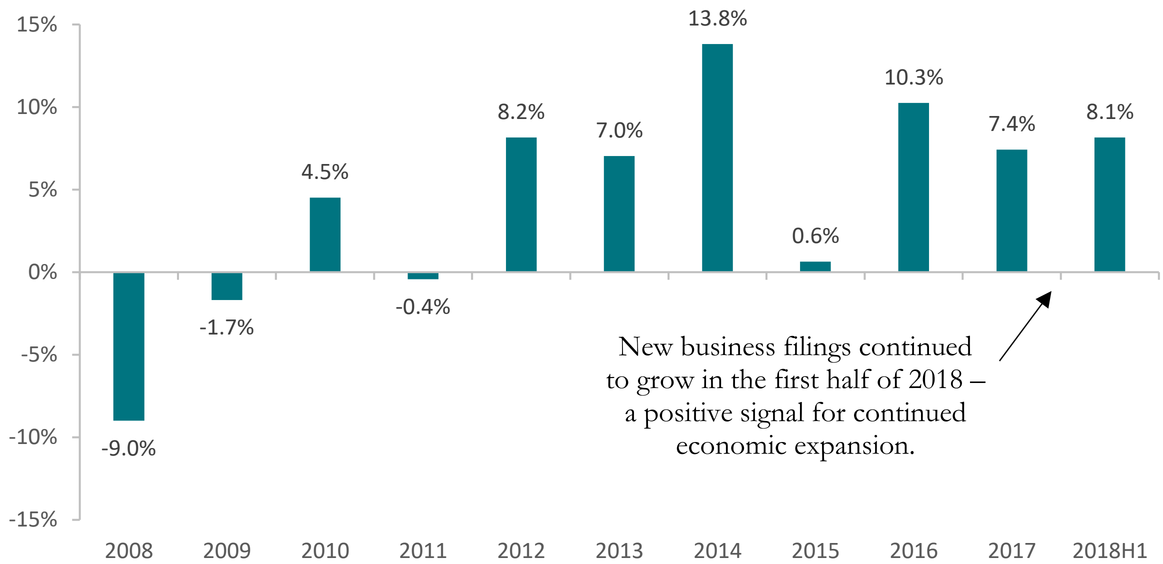
* Readings above 50 indicate positive expectations, with higher readings signifying greater business confidence, while readings below 50 represent negative expectations.
Source: CU Leeds School of Business, Business Research Division

New business formation continues at an accelerated pace **–** New business filings with the Colorado Secretary of State's office grew 8.1 percent in the first half of 2018 compared to the same period a year earlier. Trends in business formation are important for assessing the economy's underlying momentum. Increased levels of business formation indicate an optimism in the stability and growth of the economy. Since most new jobs are created by new businesses, business formation is also an important indicator of future job growth.

Filings for new businesses continued to grow in the first half of 2018, increasing at the fastest rate since 2014. This is a positive signal for continued economic growth.

Data from the Colorado Secretary of State's office indicate that a total of 31,572 new business filings were recorded in the second quarter of 2018, making a total of 67,244 new filings year to date. This is a slight moderation in growth from the first quarter, which increased 9.9 percent over the prior year, but nonetheless continues the trend of robust growth seen since 2015. When reviewing this data it is important to consider the effect the 2017 federal Tax Cuts and Jobs Act (TCJA) may have had on business formation, as organizations could restructure in the interest of reducing tax liability. Therefore, the TCJA is expected to increase the number of new entity filings above the number that would have occurred without the federal tax changes.

Figure 3. Year-over-Year Change in New Entity Filings to Do Business in Colorado



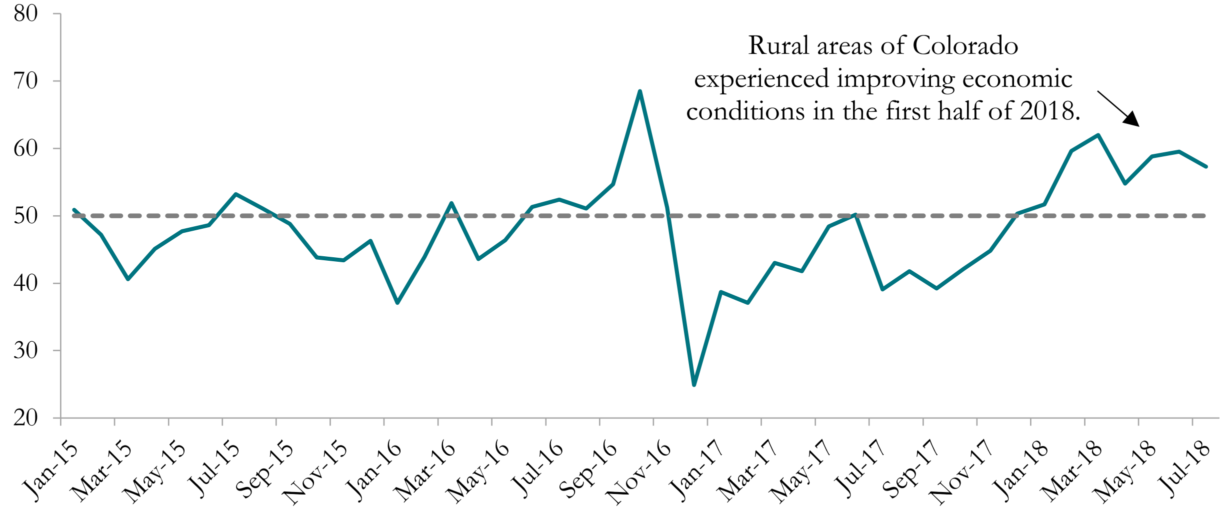
Source: Colorado Secretary of State

Stronger beef and grain prices have boosted agriculture in the first half of 2018, but drought and tariffs threaten continued growth.

Headwinds remain for Colorado's agricultural industry **—** The Colorado agricultural industry has shown some improvement in early 2018 as prices for wheat and beef increased from the previous year and farmland values remained relatively steady. Agricultural sector lending increased slightly in the second quarter, due primarily to larger loans for livestock resulting from higher prices. However, commodity prices remain below historical averages and beef and grain markets are facing increased competition from China in recent months. Farm income is about half of where it was five years ago. Drought and wildfire serve as headwinds, as do the impacts of tariffs on agricultural exports.

Economic conditions in Colorado's rural areas have shown some improvement **—** Colorado's rural economies, as measured by Colorado's Rural Mainstreet Index published by Creighton University, have experienced improving economic conditions since the beginning of 2018, as shown in Figure 4. The index measures economic activity in rural areas by surveying community banks on current and expected future economic conditions. Index readings above 50 signify growth. The index climbed to a 16-month high of 59.6 in February before decreasing to 57.3 in July.

Figure 4. Colorado's Rural Mainstreet Index

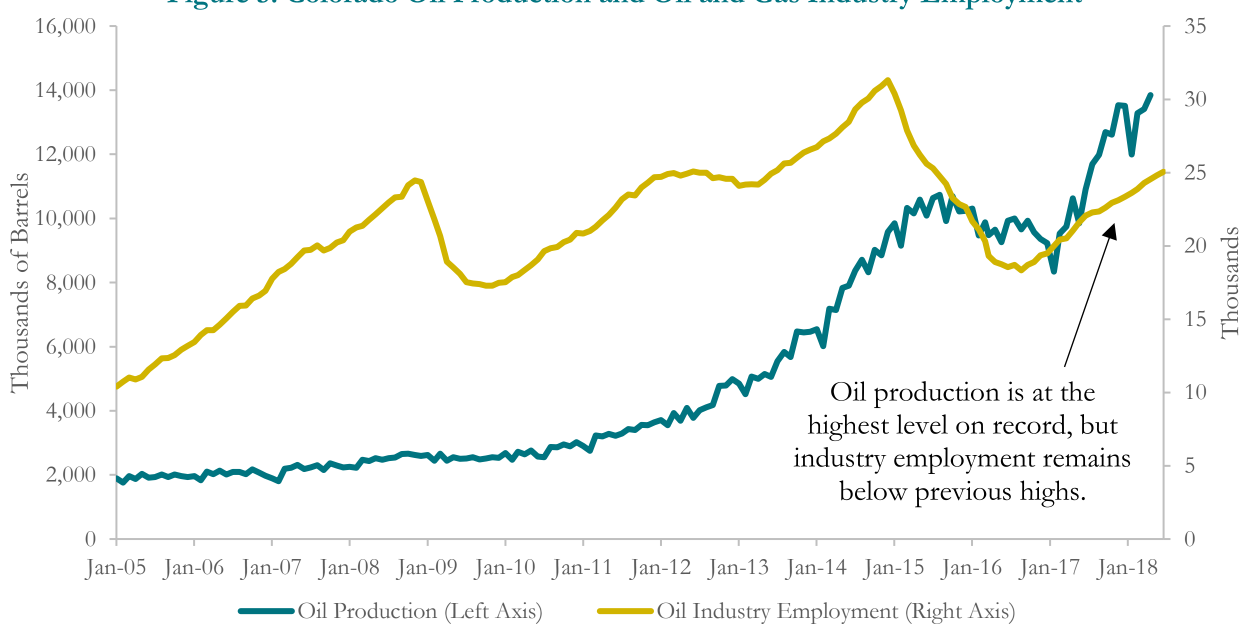


Source: Creighton University

Colorado oil production continues to outpace oil industry employment – Colorado oil production is currently at the highest levels on record, but oil industry employment remains nearly 20 percent below previous highs, as shown in Figure 5. Improved drilling techniques have reduced the time required to drill a well by more than 50 percent since 2014, allowing producers to remain profitable at lower price levels but also resulting in lower demand for labor. In 2008, Colorado monthly oil production averaged just under 110 barrels per employee, but increased efficiencies have driven that figure to more than 550 barrels per employee in recent months. Colorado production is expected to continue to grow as new production shifts away from Texas and New Mexico oil fields in response to pipeline capacity constraints in that region.

Colorado oil production is at record highs, driven by stable oil prices, new drilling techniques, and more efficient operations.

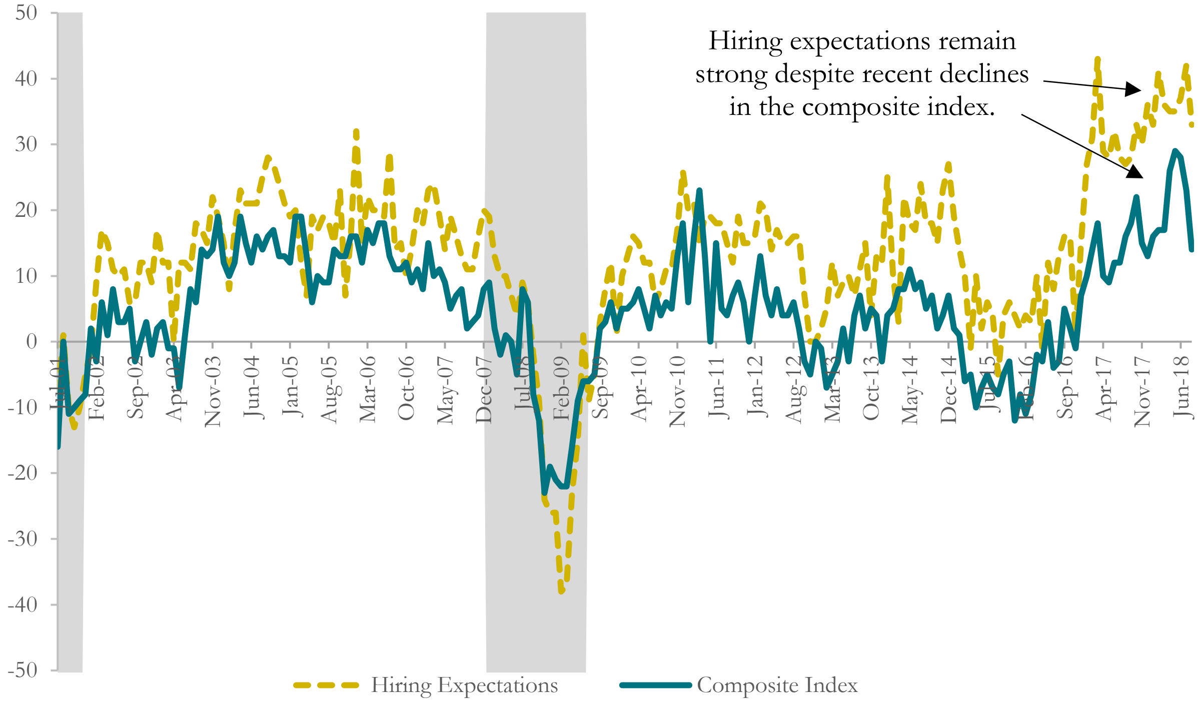
Figure 5. Colorado Oil Production and Oil and Gas Industry Employment



Source: U.S. Energy Information Administration, Colorado Department of Labor and Employment

Regional manufacturing growth slows, but industry expectations remain strong – Strong global economic growth and stable oil and gas prices have driven solid growth in regional manufacturing activity over the last two years. Tariffs, especially those on steel and aluminum, are contributing to rising input costs. Manufacturers are often unable to pass these costs onto customers due to previously agreed upon contract prices, which is reducing manufacturer profit margins. Nonetheless, the Federal Reserve Bank of Kansas City's 10th District Manufacturing Survey, which includes Colorado, reports that while the composite manufacturing index has fallen from its recent high, expectations for future activity and hiring remain strong.

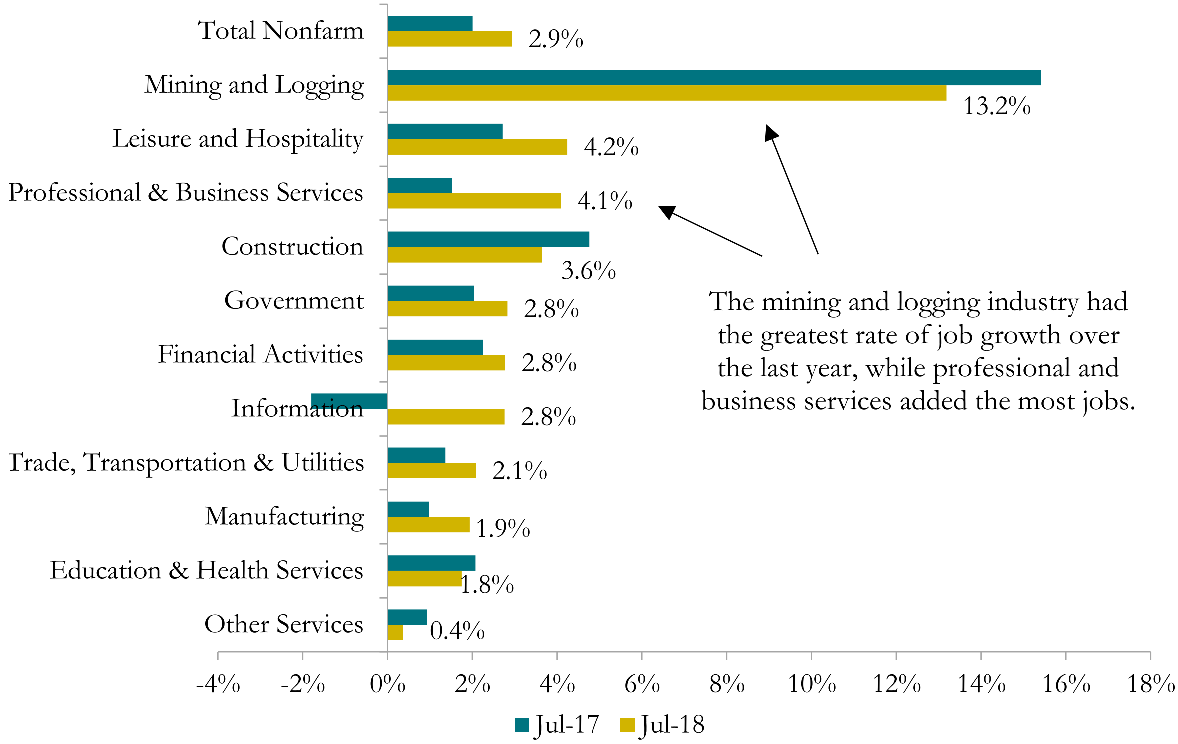
Figure 6. Regional Manufacturing Hiring Expectations and Composite Index



Source: Federal Reserve Bank of Kansas City

Colorado job growth has accelerated, with gains across all major industries– Colorado's strong economy is driving accelerated job growth in the state. As seen in Figure 7, all industries are currently experiencing job growth, with most experiencing faster job growth than a year ago. Mining and logging, which includes oil and gas, remains the fastest growing industry at 13.2 percent as it continues to rebound from the 2015-2016 energy downturn. Overall, Colorado has added 78,100 jobs over the last 12 months. This growth has been led by professional and business services, which added 16,900 jobs over that period, and by leisure and hospitality, which added 14,100 jobs.

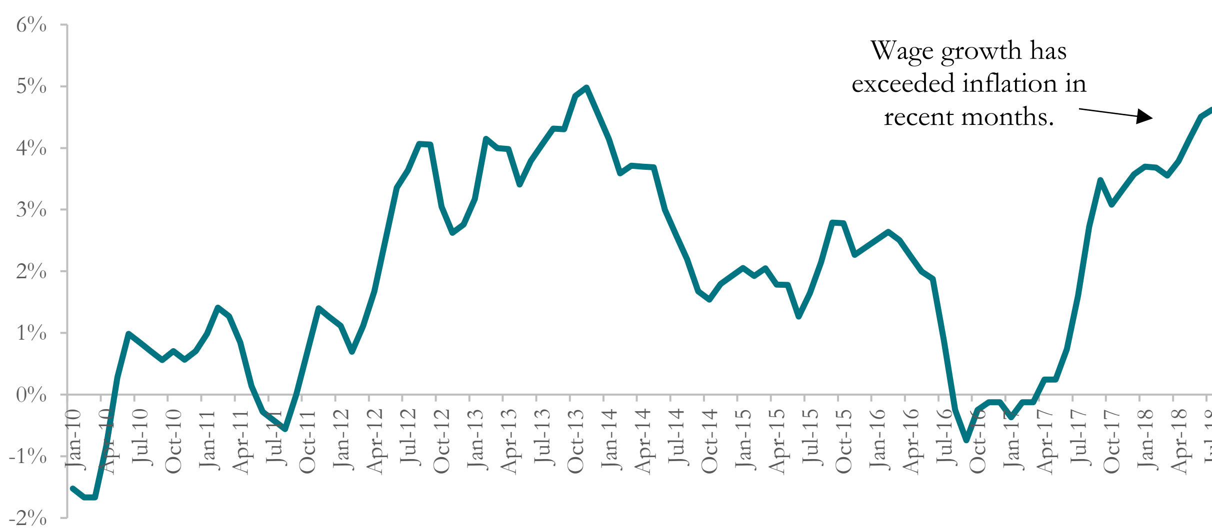
Figure 7. Year-over-Year Job Growth by Industry



Source: Colorado Department of Labor and Employment

Colorado's tight labor market is leading to stronger wage growth – Colorado's unemployment rate was 2.8 percent in July and has not been above 3.0 percent since October 2016. Colorado has more jobs posted online than unemployed people. In general, when employers struggle to fill positions they are more likely to raise wages in order to recruit and retain talented workers. As shown in Figure 8, the three-month average of Colorado's year-over-year wage growth was 4.2 percent in July, and has been above inflation since fall 2017, a strong indication of the state's tight labor market and robust economic activity.

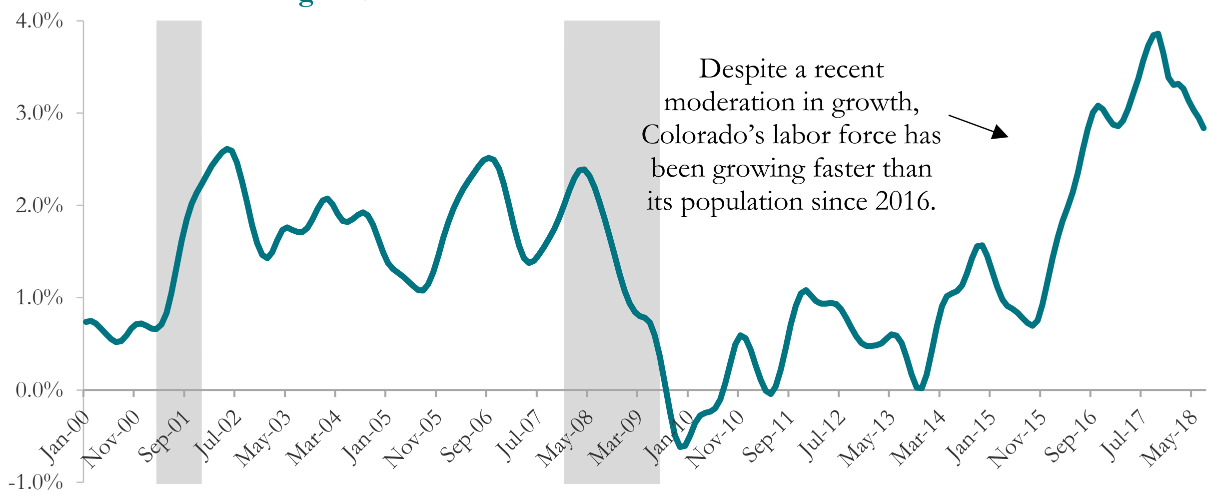
Figure 8. Colorado Average Hourly Earnings Year-over-Year Growth (3-month moving average)



Source: U.S. Bureau of Labor Statistics

Colorado's labor force is growing at a strong rate, supporting continued job growth – As seen in Figure 9, the state's labor force has been growing rapidly since 2016. Colorado's population growth was 1.6 percent in 2016, slowing to 1.4 percent in 2017. During this same period, the state's labor force grew by 5.9 percent, outpacing population growth by 2.9 percentage points. This is likely a result of workers who had previously dropped out of the labor force returning in response to strong job prospects and rising wages. Strong labor force growth has allowed solid job growth to continue despite low unemployment and slower net migration.

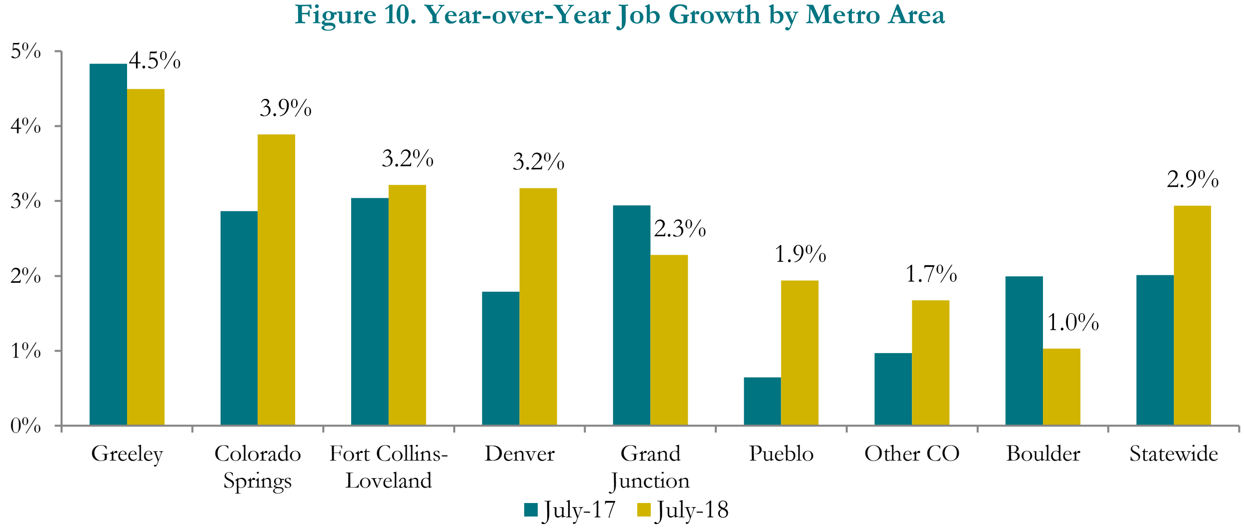
Figure 9. Colorado Year-over-Year Labor Force Growth



Source: U.S. Bureau of Labor Statistics

Greeley and Fort Collins beat the statewide average for both job growth and unemployment, while Boulder job growth has slowed under tighter labor market conditions – Among metro areas, Greeley and Colorado Springs experienced the most job growth over the last 12 months, at 4.5 percent and 3.9 percent respectively. Greeley's job growth is reflective of the recovery in the oil and gas industry, while Colorado Springs has benefitted from increased federal defense spending, growth in a diverse range of industries, and strong population growth. Boulder had the slowest job growth over the past 12 months, partly due to a lack of available workers. The Boulder metro area had nearly two jobs posted online per unemployed person in July, the highest ratio of all major metro areas in the state.

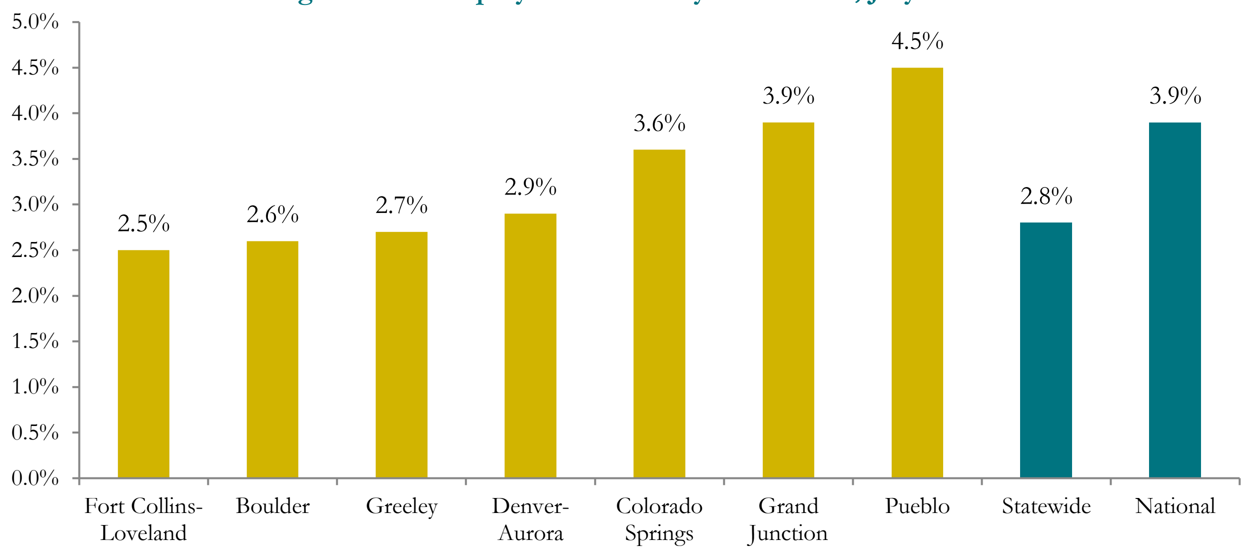
Figure 10. Year-over-Year Job Growth by Metro Area



Source: Colorado Department of Labor and Employment

Pueblo, at 4.5 percent, is the only metro area in the state with an unemployment rate above the national average of 3.9 percent in July. The four metro areas of the northern Front Range all had unemployment rates below 3.0 percent.

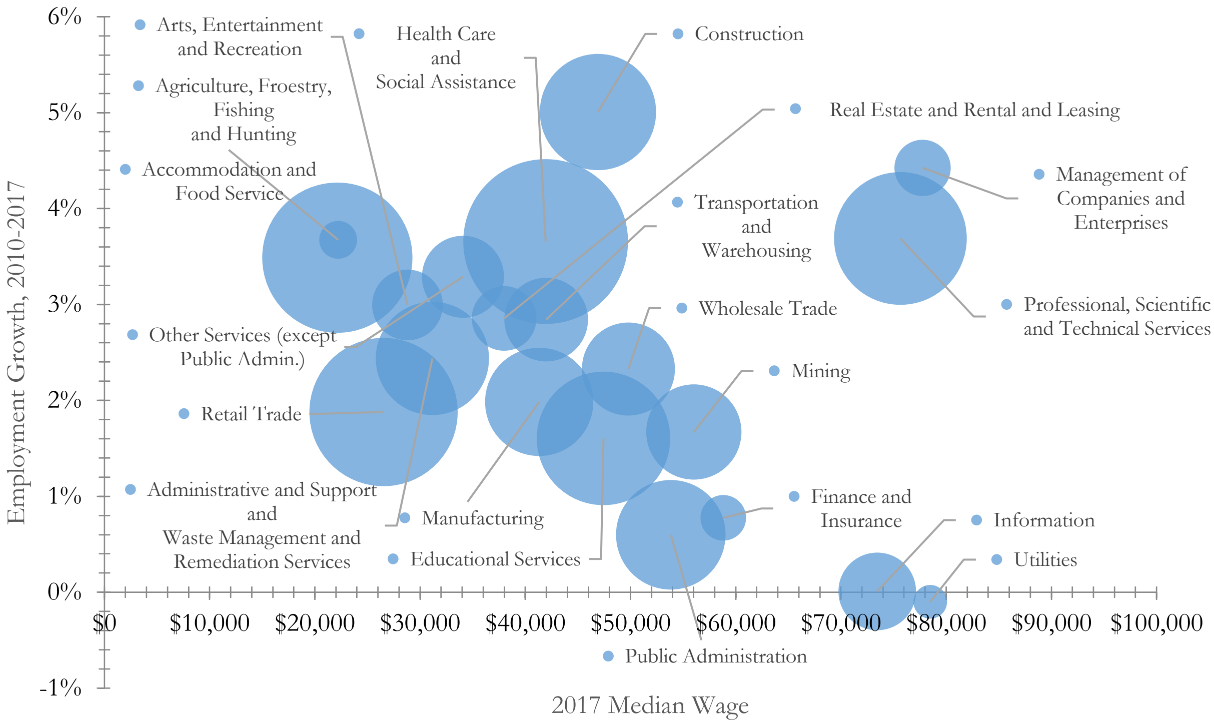
Figure 11. Unemployment Rates by Metro Area, July 2018



Source: U.S. Bureau of Labor Statistics

Employment growth from 2010 through 2017 was widespread across most industries and all wage-levels – Looking at the long-term trend of employment growth by industry during the expansion period, most industries in Colorado have been growing, albeit at varied rates. Figure 12 shows employment growth rates from 2010 through 2017, median wages in the industry in 2017, and the size of the industry based on number of jobs in 2017. As shown in Figure 12, most Colorado industries experienced post-recession employment growth with the strongest growth in the middle-wage construction and health care sectors, as well as the higher-wage professional services and management sectors. The utilities industry was the only sector to lose jobs during this period, while employment in the information industry remained unchanged from 2010.

Figure 12. Colorado Employment Growth (2010-2017) and Median Annual Wages by Industry (2017)*

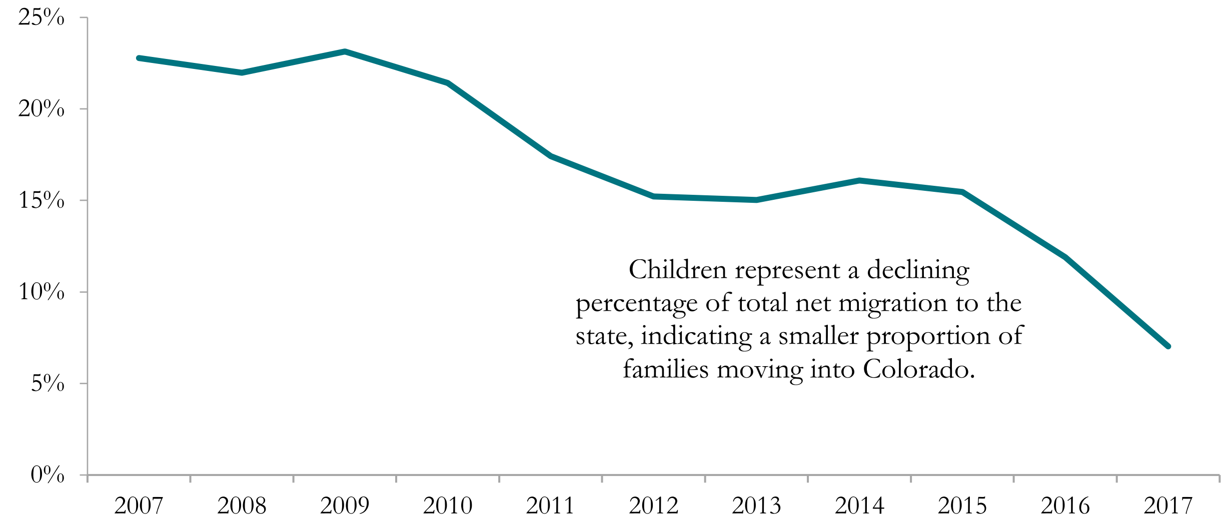


*Size of bubble represents size of industry as measured by average employment in 2017
Source: Colorado Department of Labor and Employment, OSPB Calculations

Families represent a smaller share of relocations into Colorado – Figure 13 shows the share of Colorado net migration made up by individuals under the age of 18, which is a useful proxy for family net migration as minors typically relocate with parents or other guardians. This ratio declined from 15 percent in 2015 to 7 percent in 2017, suggesting a shift in the composition of Colorado's newcomers. Despite this decline, net migration for those under 18 is still positive, suggesting that more families are moving into Colorado than are departing. Nonetheless, the number of under-18 migrants has fallen 59 percent since its peak in 2015, compared to a decline of 9 percent for all migrants during the same time period.

Family net migration to Colorado is shrinking as a share of total net migration, but is still positive.

Figure 13. Under 18 Net Migration as a Percent of Total Net Migration



Source: Colorado Department of Labor and Employment

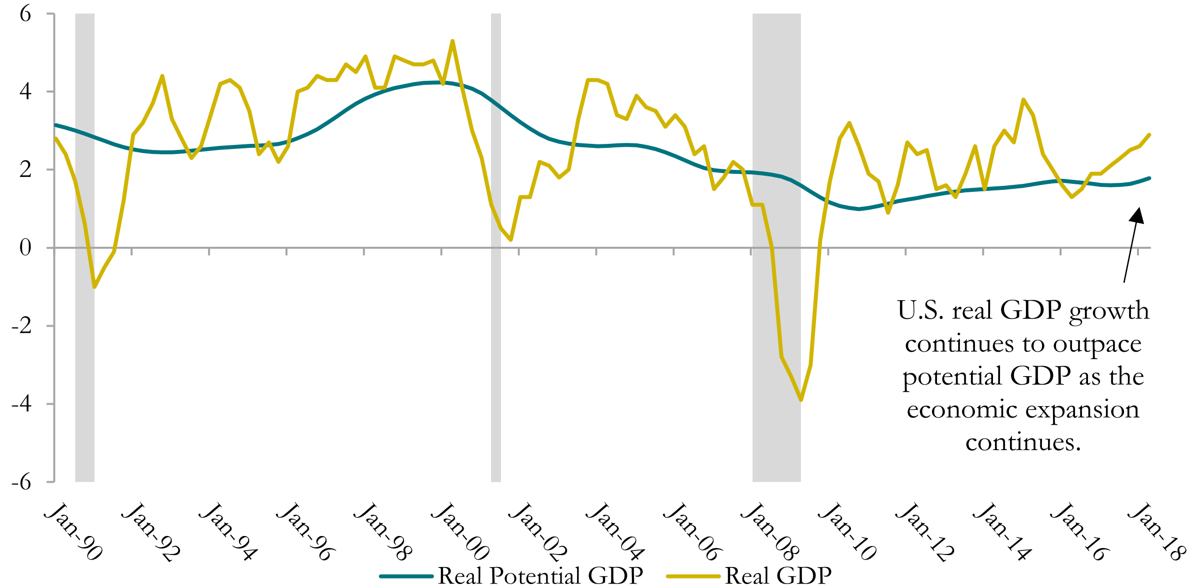
U.S. Economic Conditions

Inflation-adjusted gross domestic product grew at a robust rate in the second quarter and is expected to remain strong in the second half of 2018 – In the second quarter of 2018, U.S. real gross domestic product (GDP) grew at a revised 4.2 percent, the fastest rate in four years. This growth is 1.1 percentage points faster than real potential GDP, which is the Congressional Budget Office's estimate of full economic output that can be sustained over the long run. During economic expansions, GDP often grows faster than potential GDP.

U.S. real GDP grew 4.2 percent in the second quarter, the strongest growth in four years.

The strong GDP growth is attributed primarily to large increases in business investment in response to more generous expensing provisions included in the 2017 federal Tax Cuts and Jobs Act and an uptick in consumer spending as employment and wage growth boost personal income. Real GDP growth also benefited from an increase in exports as foreign buyers stockpiled goods in anticipation of U.S. tariffs.

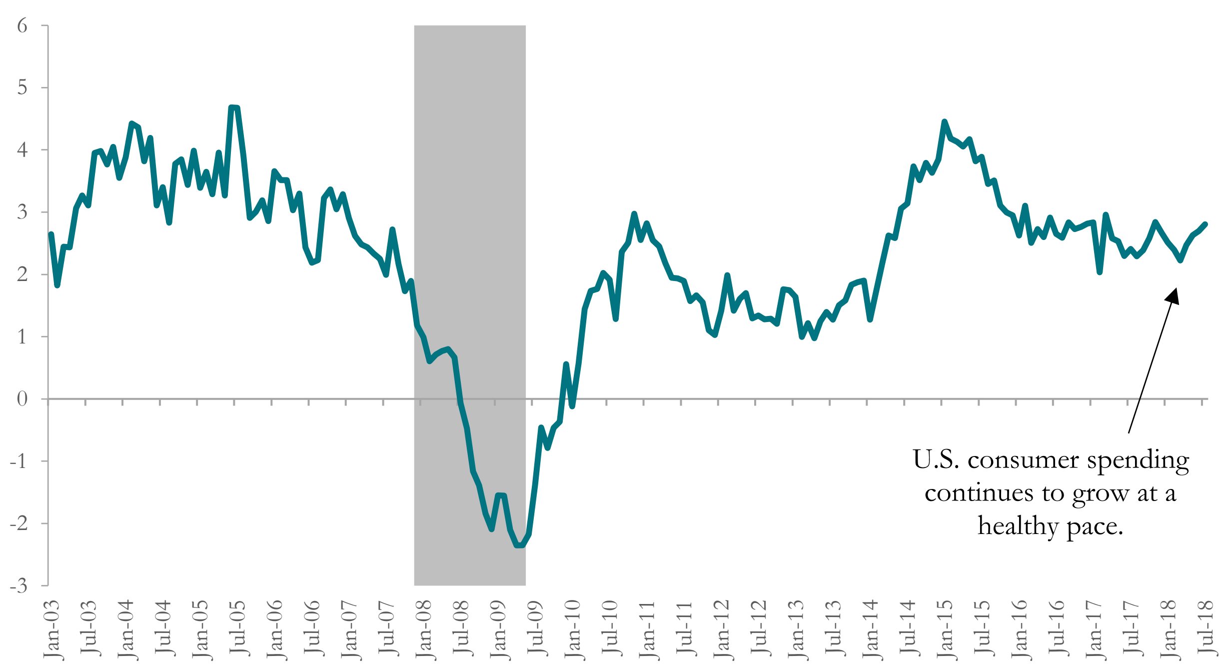
Figure 14. Annual Percentage Change in U.S. Real GDP and Real Potential GDP



Source: Bureau of Economic Analysis and Congressional Budget Office

Consumer spending growth has remained steady, averaging about 2.5 percent since early 2016 – As shown in Figure 15, growth in U.S. consumer spending grew at a 2.8 percent annual rate in July 2018, a slight increase from earlier in the year. Consumer spending has been a leading contributor to GDP growth in recent quarters, a trend that is expected to continue. Ongoing employment growth and higher wages have increased disposable incomes. Household debt levels remain relatively low and the savings rate is nearly 7 percent, suggesting that household finances will support further consumption growth.

Figure 15. U.S. Personal Consumption Expenditures Annual Growth Rate



Source: U.S. Bureau of Economic Analysis

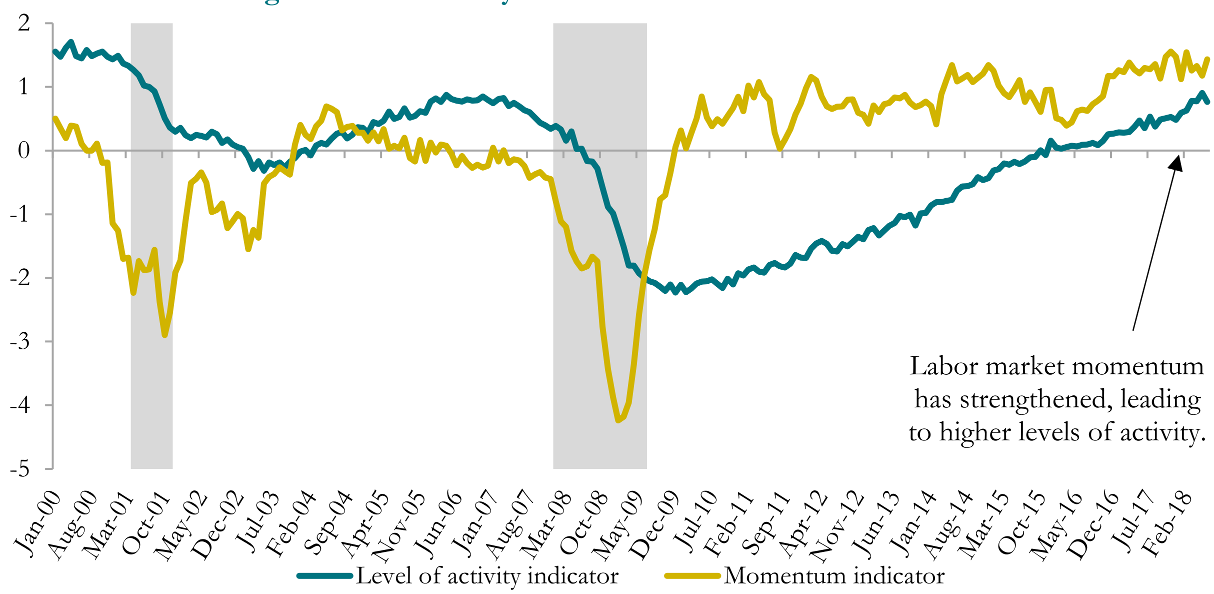
Labor market momentum continues as the economy approaches full employment – The official U.S. unemployment rate – known as the "U-3" rate – was at its lowest level since 1969 in August at 3.9 percent. The low unemployment rate indicates the U.S. labor market is close to its full employment level, or the level of employment that can be sustained without causing increased inflation.

Labor market momentum remains near the highest level of the current expansion.

The Federal Reserve Bank of Kansas City tracks labor market conditions with a proprietary index measuring both momentum and activity levels. The momentum index measures how rapidly conditions are improving compared to their historical average, while the level of activity index measures how far labor market conditions are from their historical average. The index shows that labor market momentum has remained near its highest levels of the current expansion. This momentum is driven largely by ongoing decreases in initial claims for jobless benefits and the leveling off of the labor force participation rate after a period of strong decline.

In Figure 16 below, positive values indicate that labor market conditions are above their long-run average, while negative values indicate that conditions are below their long-run average.

Figure 16. Kansas City Fed Labor Market Conditions Indices



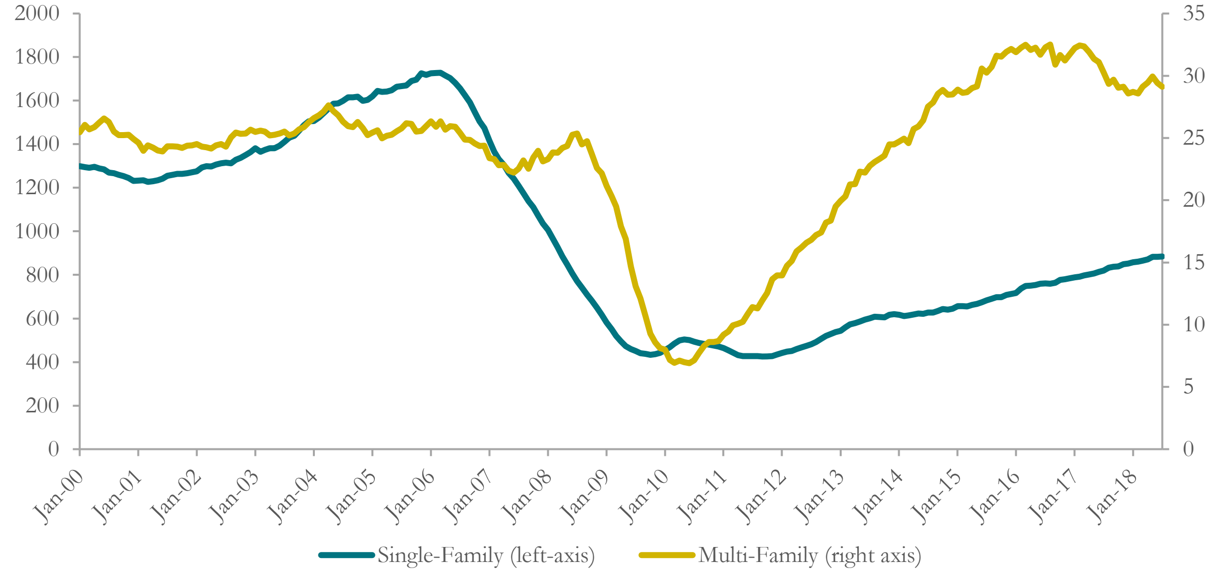
Source: Federal Reserve Bank of Kansas City

Multifamily housing permits have surpassed pre-recession highs, while single-family housing permits remain far below the 2005 peak — New housing permits for 1-unit structures totaled 885,000 in July, about half the levels seen in 2005, as shown in Figure 17. Multifamily housing permits totaled 29,000 in July, and remain at the highest levels seen since the late 1980s.

Multifamily housing permits remain near the highest levels seen since the late 1980s, while single-family starts remain subdued.

Sustained improvement in the nation's labor market is generating increased demand for housing, but the tepid supply response is driving up prices. Some price relief is expected in the multifamily housing market as homebuilders add inventory. However, the homeownership rate remains historically low, and any future increase in mortgage interest rates will create additional challenges for home buyers. Labor shortages, higher building costs, tighter financing for housing development, and restrictive land use policies in some areas will continue to constrain home construction in the short run.

Figure 17. U.S. Housing Permits, 12-Month Moving Average, Thousands of Units



Source: U.S. Census Bureau

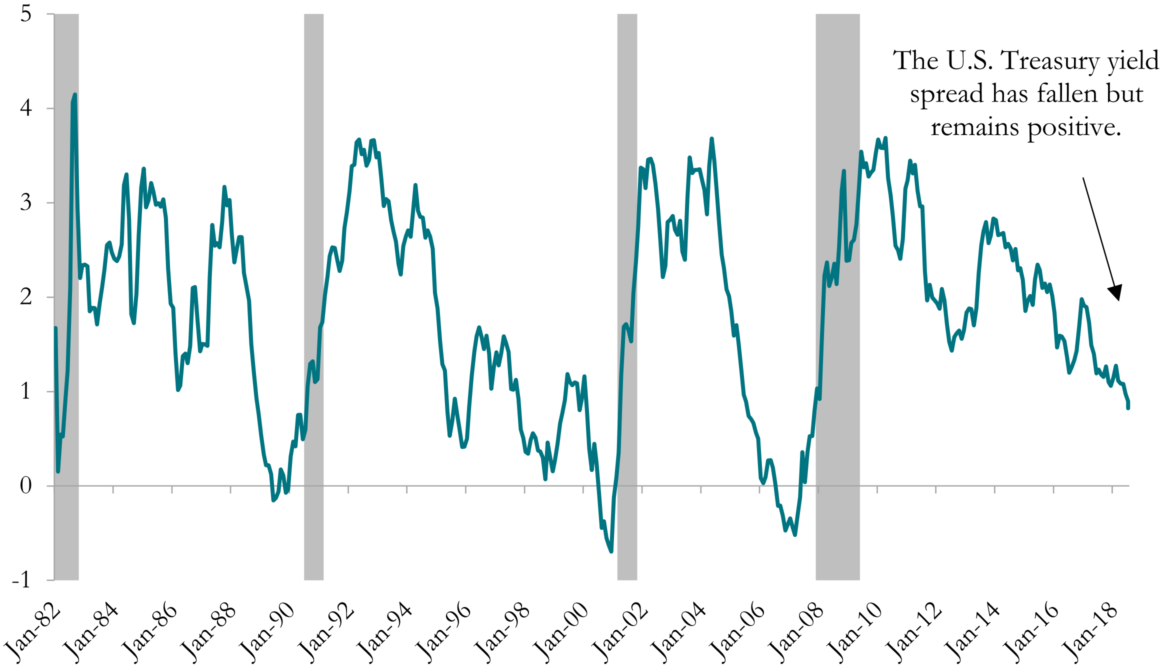
The spread between the yield on 3-month and 10-year U.S. Treasury securities continues to fall – As shown in Figure 18, the credit spread between 3-month and 10-year U.S. Treasury securities has continued to fall, reaching 0.82 percentage points in August. This credit spread, which measures the difference between long-term and short-term interest rates, has historically been treated as a leading indicator of the U.S. economy.

The credit spread between the 3-month and 10-year U.S. Treasury securities continues to fall, but this might not portend a recession.

Banks borrow short term, such as through consumer deposits or interbank lending, and loan long term, such as mortgages or auto loans. When short-term rates are higher than long-term rates, also known as a "yield curve inversion," this could lead to credit constraints as banks pull back on lending. In addition, lower longer term rates as reflected in a falling credit spread signify that investors expect slower economic growth and lower inflation in the future. Financial markets are mostly forward looking, reflecting expectations of the future path of the economy ― an important factor in how the economy will actually perform. An inverted yield curve has preceded every post-war U.S. recession.

However, in the current rate environment, the yield curve may not be as successful at predicting downturns. Some economists have argued that monetary policy shifts and structural economic changes have distorted the signal traditionally provided by the yield curve. For example, the U.S. Treasury is currently issuing short-term debt to finance the budget deficit, which is pushing up supply, depressing prices, and consequently raising yields on short-term U.S. Treasury securities (bond prices and yields move inversely). Meanwhile, monetary policy in the European Union and Japan is increasing demand for long-term U.S. Treasuries, which is driving down yields on the long end of the yield curve. Finally, inflation expectations and the "term premium", or the bonus investors demand for the risk of holding assets for longer periods, have been consistently lower in the post-Great Recession period. Furthermore, the credit spread has fallen lower in some cases without a resulting recession, as occurred in the 1960s and 1990s when the credit spread remained low for several years during continued economic expansion.

Figure 18. U.S. Treasury Yield Spread, 10-Year and 3-Month



Source: Bureau of Labor Statistics

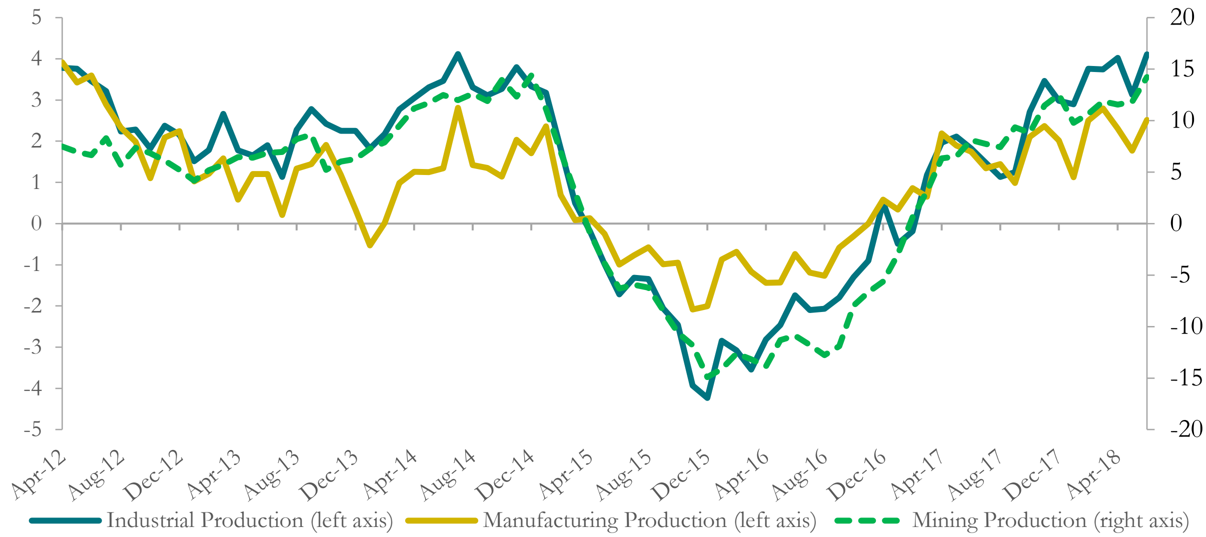
Corporate profits showed strong growth in the second quarter — According to the U.S. Commerce Department, second quarter after-tax profits grew 16.1 percent from a year earlier, the largest year-over-year gain in six years. Federal taxes paid by U.S. companies fell by 33 percent from a year prior. This was largely as a result of the 2017 federal tax law changes, which lowered corporate income tax rates and allowed more accelerated expensing of equipment and other purchases. Corporate profits also benefited from solid economic performance internationally and the strong U.S. economic growth seen in the second quarter when GDP increased at an annual rate of 4.2 percent.

Strong economic growth and lower tax rates pushed up corporate earnings in the second quarter.

Industrial production is increasing at rates last seen prior to the 2015-2016 downturn —Total industrial production in the U.S., which includes the output of the mining and manufacturing industries, is accelerating at rates last seen at the end of 2014, as shown in Figure 19. The contraction in the oil and gas industry in 2015-2016, along with weaker exports and the appreciation of the dollar, contributed to the decline in industrial production. This period was the first time that an industrial downturn of such duration occurred in the U.S. without leading to a broad-based recession. However, the industrial sector has returned to previous robust growth rates. In July, industrial production grew by 4.4 percent compared to the same period a year earlier, driven primarily by mining production, which shot up 14.1 percent, and to a lesser extent manufacturing, which grew by 3.1 percent.

Industrial production growth accelerated in the first half of 2018, further evidence of the strength of the U.S. economy.

Figure 19. U.S. Industrial Production, Annual Percent Change



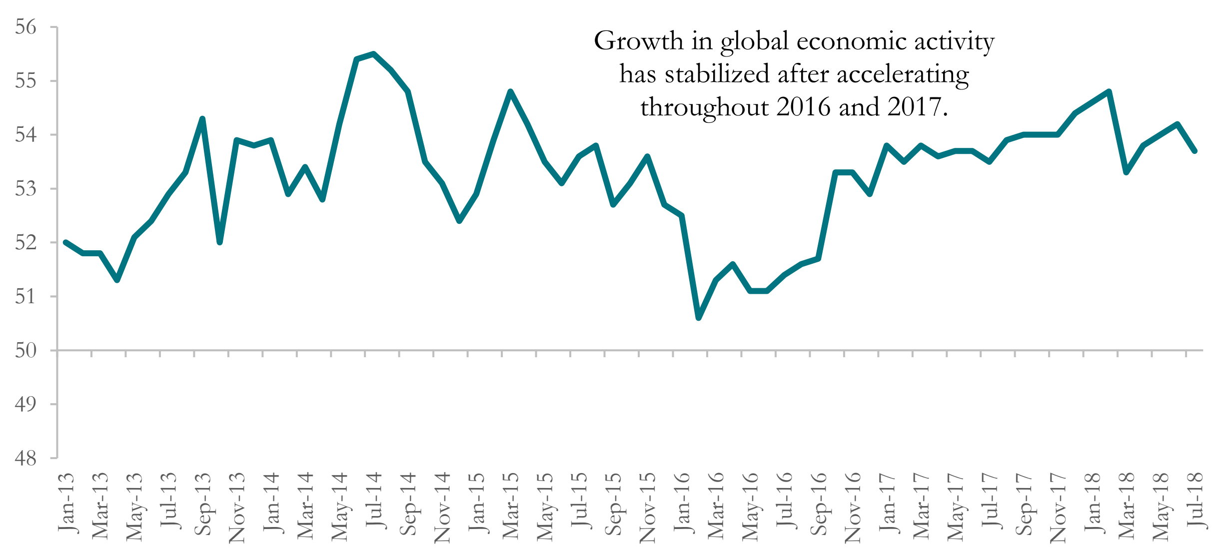
Source: U.S. Federal Reserve Board of Governors

International Economic Conditions

Global economic growth continues at a stable, high rate – According to the International Monetary Fund (IMF), global economic growth is expected to increase to 3.9 percent in 2018 and 2019 after growing by 3.7 percent in 2017. This growth is led by emerging market economies, which are expected to grow by 4.9 percent in 2018 while advanced economies are expected to experience only 2.4 percent growth. The strong global economy is captured by the JP Morgan Global Composite PMI, which reflects economic activity in both manufacturing and services sectors. As shown in Figure 20, economic activity has stabilized after accelerating throughout 2016 and 2017.

Global economic growth remains strong, but the strong acceleration experienced throughout 2016 and 2017 has ended.

Figure 20. JP Morgan Global Composite PMI



Source: IHS Markit

Trade policy continues to be a risk factor to business costs and agricultural prices – Firms that export goods in certain sectors and industries in the state's economy are experiencing adverse impacts from retaliatory tariffs from trading partners. Tariffs on agricultural products in particular are causing disruptions in the industry. OSPB will continue to monitor these risks. The table below lists the Colorado industries most likely to be impacted by retaliatory export tariffs. The total value of the top ten Colorado export industries impacted by tariffs is approximately $232 million, or approximately 0.1 percent of Colorado's annual gross domestic product.

Figure 21. Top 10 Colorado Goods Impacted by Export Tariffs, 2017*

Industry	Export Value $ millions	Destination
Meat, Swine, Hams, Shoulders - Bone In, Fresh Or Chilled	$105.8	Mexico
Cheese Of All Kinds, Grated Or Powdered	$35.9	Mexico
Aluminum Waste And Scrap	$29.1	China
Meat, Swine, Hams, Shoulders Etc. - Bone In, Frozen	$15.8	Mexico
Bread, Pastry, Cakes, Etc. NESOI & Puddings	$13.5	Canada
Aluminum Casks, Etc., Not Over 300 Liter Cap	$9.0	Canada
Structures And Parts NESOI Of Iron Or Steel	$6.8	Mexico
Towers And Lattice Masts Of Iron Or Steel	$5.8	Mexico
Surface-active Soap, Retail Sale	$5.5	Canada
Aluminum Alloy Plates, Etc., Over 0.2 mm Thick	$5.0	Canada

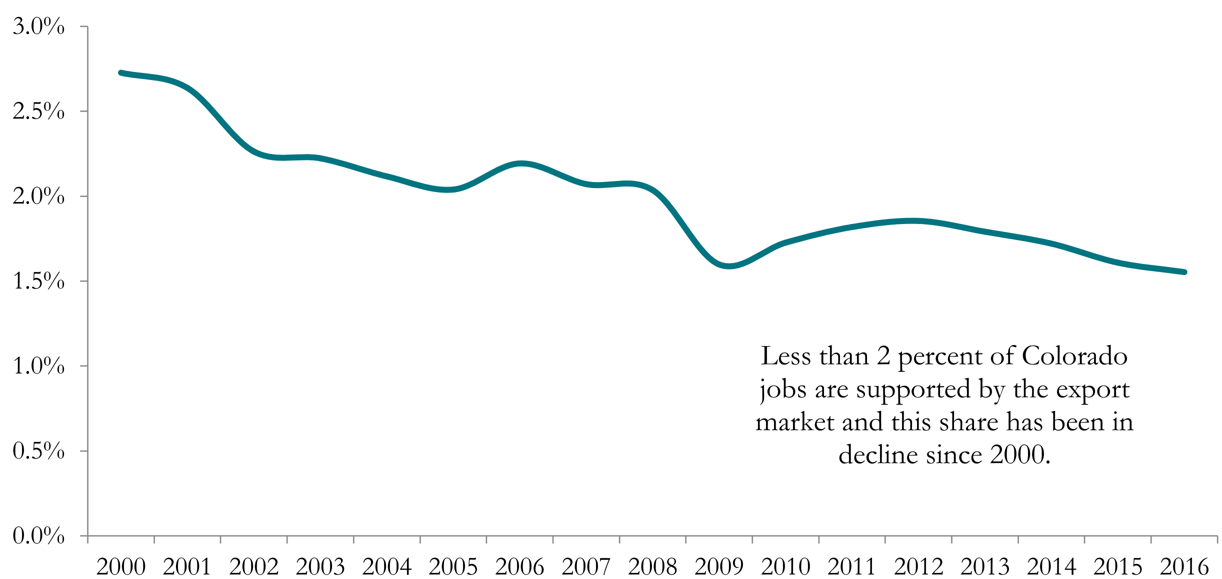
*Reflects tariffs enacted or proposed as of 9/15/18

*The acronym NESOI stands for "not elsewhere specified or included."

Source: U.S. Census Bureau

The share of Colorado jobs dependent on exports has declined – As shown in Figure 22, the percentage of Colorado jobs that are supported by exports declined from 2000 to 2017. While the share of export-supported jobs initially recovered following a sharp decline during the Great Recession, it has since returned to its lower 2009 level of approximately 1.6 percent.

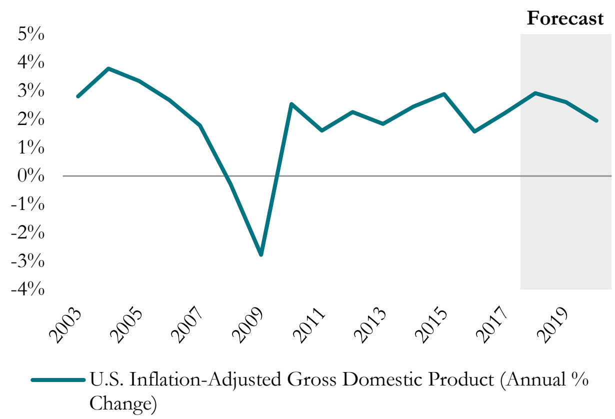
Figure 22. Colorado Jobs Supported by Goods Exports as a Percentage of Total Non-Farm Jobs



Source: International Trade Administration, OSPB calculations

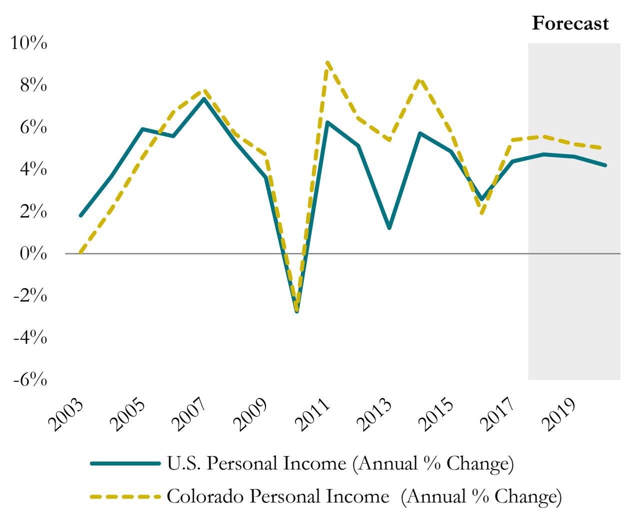
Summary of Key Economic Indicators
Actual and Forecast

U.S. Gross Domestic Product (GDP)



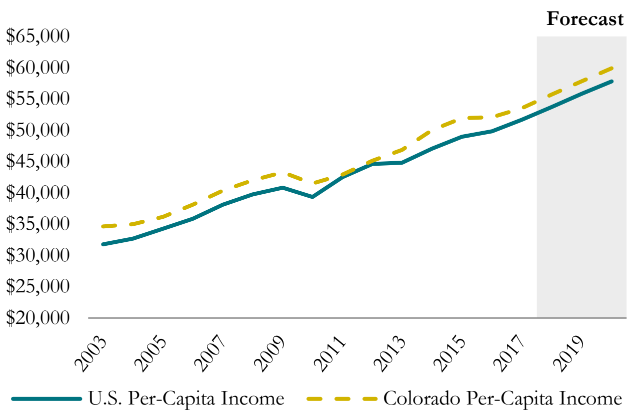
- GDP is a standard barometer for the economy's overall performance and reflects the value of final output produced in the U.S.
- The U.S. economy is expected grow 2.9 percent in 2018 and 2.6 percent in 2019, as the global economic expansion continues. GDP growth is expected to fade in 2020 primarily due to slower growth in the labor force.

U.S. and Colorado Personal Income



- Colorado personal income growth is expected to reach 5.6 percent in 2018, before moderating slightly to 5.2 percent in 2019 and 5.0 percent in 2020 in response to a tighter labor market and slowing economic growth.
- U.S. personal income growth is expected to rise to 4.7 percent in 2018 due to continued job and wage growth, before slowing to 4.6 percent in 2019 and to 4.2 percent in 2020 as job growth begins to level off.

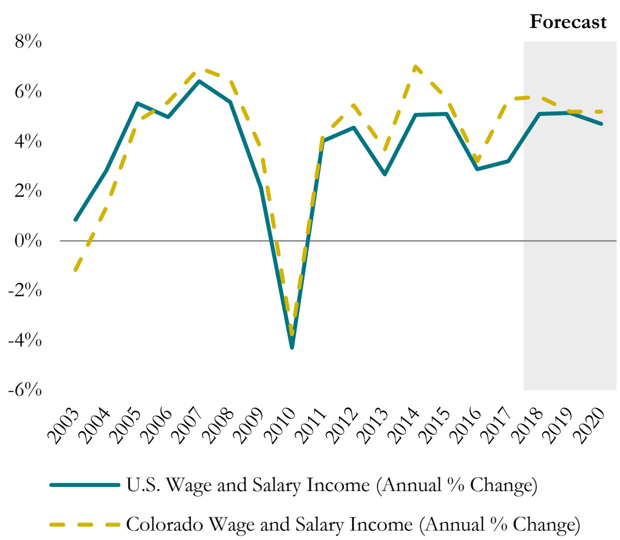
U.S. and Colorado Per-Capita Income



- Colorado per-capita income is expected to grow slightly faster than the nation overall in 2018, rising to an estimated $56,365. The forecast predicts per capita growth of 3.8 percent to $58,512 in 2019 and 3.6 percent to $60,675 in 2020.

- U.S. per-capita income is expected to grow 4.0 percent in 2018 to $53,732, then increase 3.9 percent in 2019 and 3.6 percent in 2020 to $55,831 and $57,815, respectively.

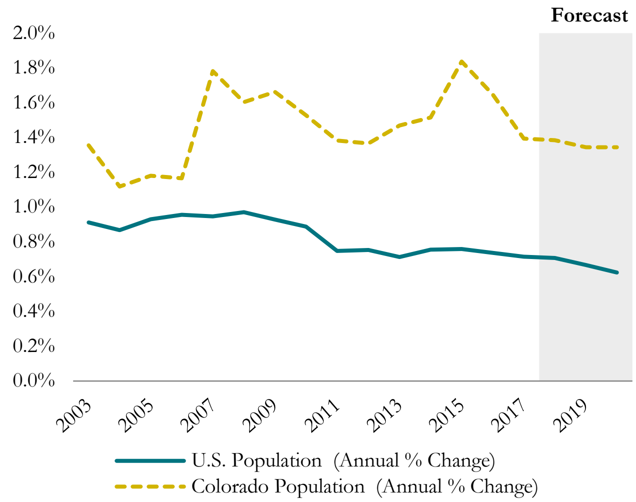
U.S. and Colorado Wage and Salary Income



- Colorado wage and salary growth is expected to increase at a slightly faster pace in 2018 compared with 2017, rising 5.8 percent. Growth is driven by continued employment gains, with a tight labor market putting upward pressure on wages. Wage and salary growth for the state is expected to moderate to 5.2 percent in 2019 and 2020.

- U.S. wages and salaries are expected to rise by 5.1 percent in 2018 and again in 2019. In 2020, U.S. wage and salary growth is expected to slow to 4.7 percent.

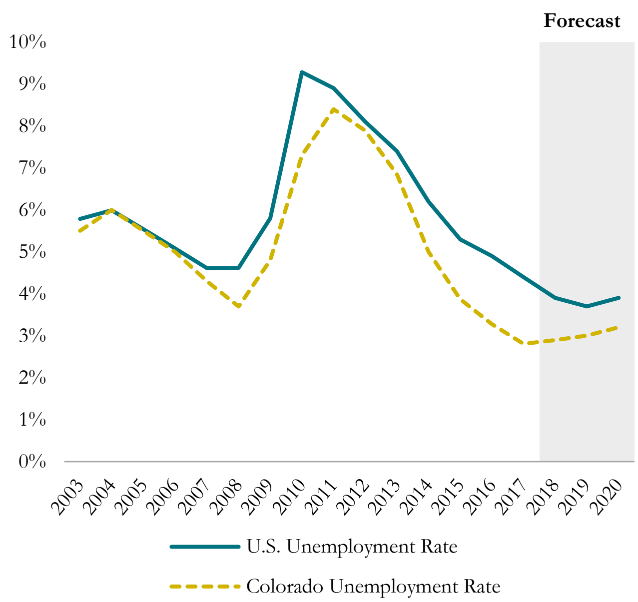
U.S. and Colorado Population



- Colorado's population growth fell to 1.4 percent in 2017, as net migration decreased from prior levels. Population growth is expected to continue at the same rate in 2018, before slowing to 1.3 percent in 2019 and 2020. The state's total population is expected to reach 5.8 million by 2020.

- The nation's population growth rate is expected to remain at 0.7 percent per year throughout the forecast, reaching 332.3 million by 2020.

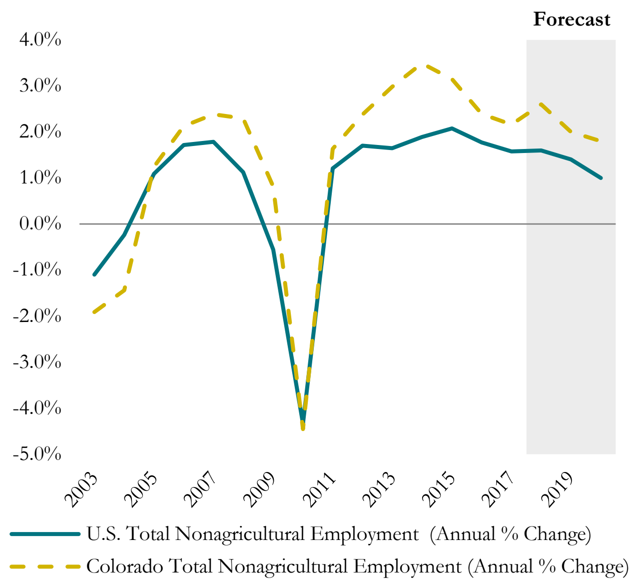
U.S. and Colorado Unemployment



- Colorado's unemployment rate reached a post-recession low of 2.8 percent in 2017. The unemployment rate is projected to increase slightly over the next few years, to 2.9 percent in 2018, 3.0 percent in 2019, and 3.2 percent in 2020. Colorado will continue to experience unemployment rates among the lowest in the nation.

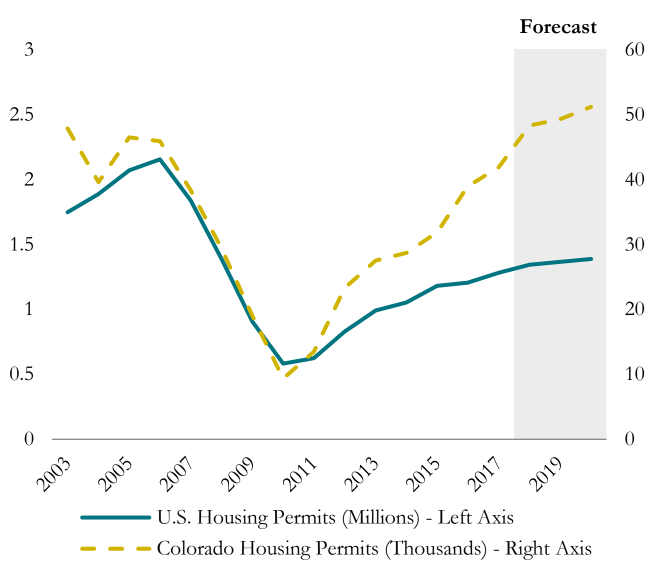
- The national unemployment rate is expected to fall to 3.9 percent in 2018 due to strong employment growth, and to 3.7 percent in 2019, before rising to 3.9 percent in 2020.

U.S. and Colorado Total Nonagricultural Employment



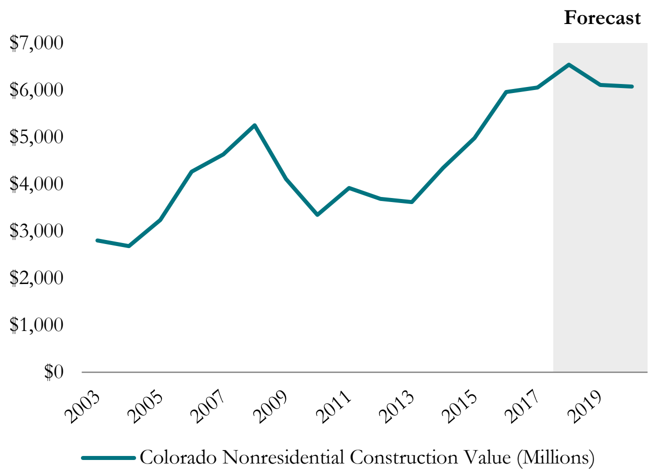
- Total employment in Colorado is expected to increase 2.6 percent in 2018 before slowing to 2.0 percent in 2019 and 1.8 percent in 2020 as a tight labor supply constrains job growth.
- U.S. nonagricultural employment is expected to slow as the labor market approaches full employment, growing 1.6 percent in 2018, 1.4 percent in 2019, and 1.0 percent in 2020.

U.S. and Colorado Housing Permits Issued



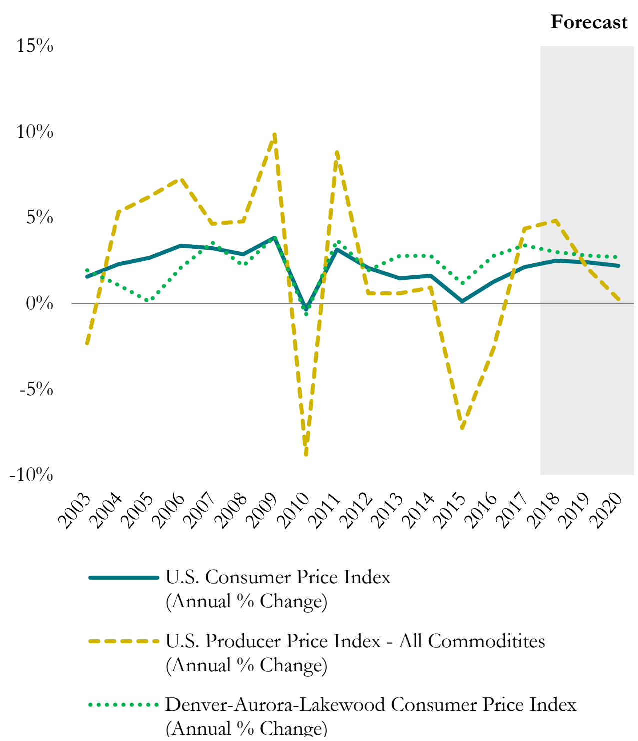
- Colorado housing permits are projected to increase 15.2 percent to 48,300 in 2018, driven by the continued demand for new housing construction. Housing permit growth is expected to level off in 2019 and 2020, growing 2.1 and 3.8 percent, respectively.
- U.S. housing construction permits are expected to grow 4.9 percent to 1.3 million in 2018. Growth is then expected to slow, with 1.5 percent growth in 2019 and 1.8 percent growth in 2020.

Colorado Nonresidential Construction Value



- Colorado's nonresidential construction value grew 1.5 percent in 2017 following four years of double-digit growth. Nonresidential construction value is expected to grow 8.1 percent in 2018 before declining later in the forecast period. The slowdown in nonresidential construction will be slightly offset by the $937 million in construction projects authorized through the Denver bond package approved by voters in November 2017.

Consumer Price Index and Producer Price Index

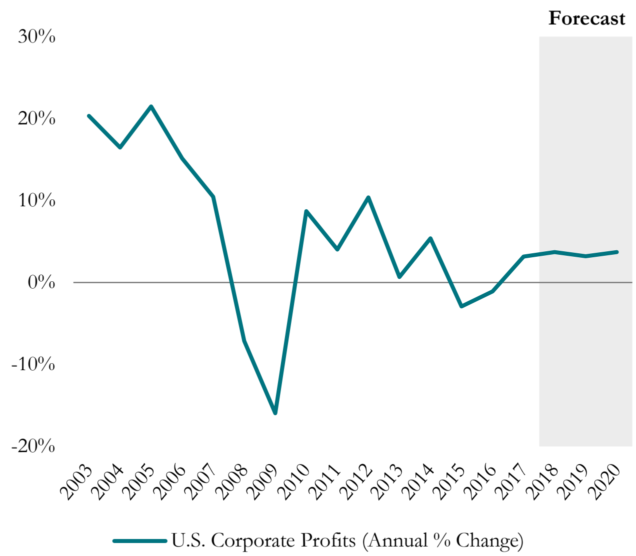


- National consumer prices are expected to rise 2.5 percent in 2018 and 2.4 percent in 2019 before slowing to 2.2 percent in 2020.

- Producer prices are expected to grow by 4.8 percent in 2018 followed by more moderate gains of 2.1 percent in 2019 and 0.2 percent in 2020.

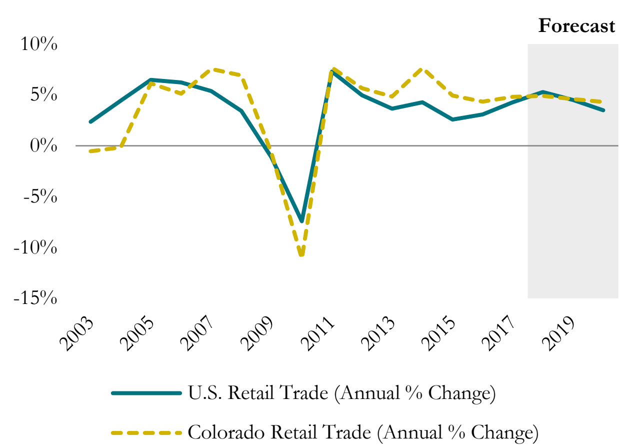
- The Denver-Aurora-Lakewood Consumer Price Index (formerly the Denver-Boulder-Greeley Consumer Price Index) is projected to grow faster than the national average, with 3.0 percent growth in 2018, 2.8 percent growth in 2019, and 2.7 percent growth in 2020.

U.S. Corporate Profits



- U.S. corporate profits grew by 3.2 percent in 2017 as global economic growth and stronger energy prices increased earnings.
- Profit growth is expected to continue in coming years with forecasted growth rates of 3.7 percent in 2018, 3.2 percent in 2019, and 3.7 percent in 2020.

Retail Trade



- Colorado retail sales are expected to grow, with projected increases of 4.9 percent in 2018. Retail sales will experience a slight deceleration to 4.6 percent in 2019 and 4.3 percent in 2020 as employment and wage growth slow.
- Nationwide retail trade is expected to grow 5.3 percent in 2018 and 4.5 percent in 2019 as the economic expansion continues. Retail sales growth is expected to slow in 2020 in response to more moderate economic growth.

General Fund and State Education Fund Revenue Forecast

Relative to the June projections, preliminary FY 2017-18 General Fund revenue was greater by $103.1 million, or 0.9 percent. The revenue forecast for FY 2018-19 is higher by $303.2 million, or 2.5 percent. After modest increases of just 1.7 percent in FY 2015-16 and 3.1 percent in FY 2016-17, General Fund revenue increased at a much stronger rate of 14.1 percent in FY 2017-18 due to an acceleration in economic growth and several one-time factors. Revenue growth will moderate to 5.6 percent in FY 2018-19 and 5.9 percent in FY 2019-20.

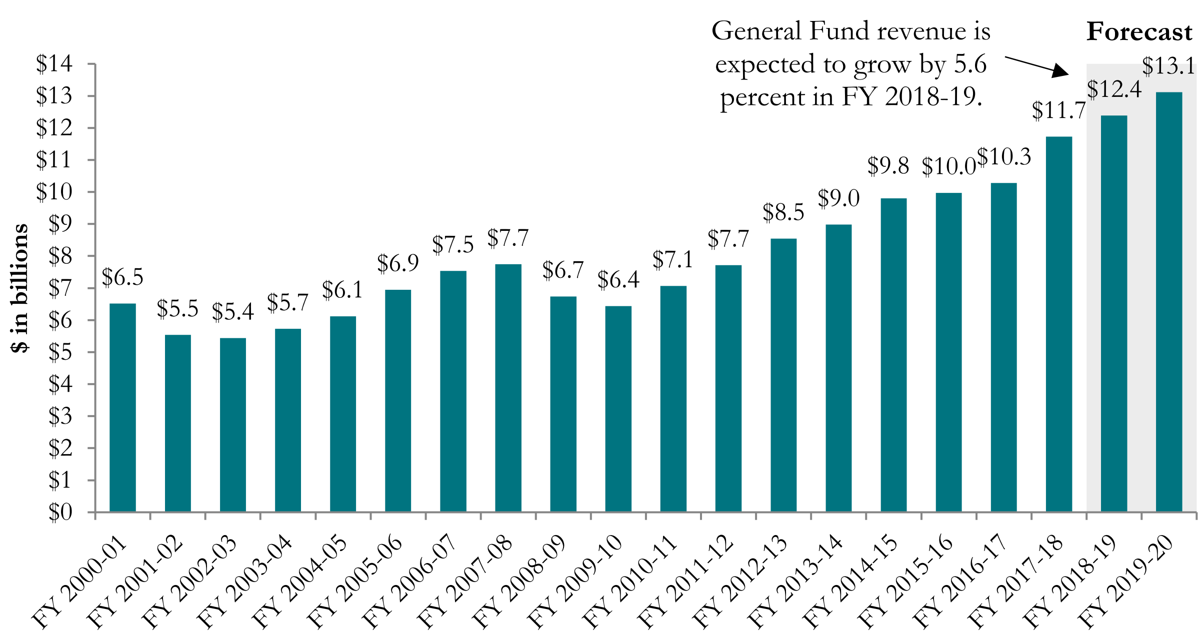
General Fund revenue grew 14.1 percent in FY 2017-18 due to an acceleration in economic growth and several one-time factors. Revenue growth will moderate in FY 2018-19 and FY 2019-20 as tight labor markets constrain growth.

Individual income taxes, corporate income taxes, and sales and use tax receipts continue to benefit from strong economic and employment growth. Several factors contributed to the acceleration of revenue growth in FY 2017-18, including an increase in economic activity after the oil and gas-related slowdown of 2015 and 2016, a tobacco settlement payment, and strong investment income.

Furthermore, the acceleration in revenue growth can also be attributable to an increase in Colorado taxable income resulting from the repeal of certain deductions and exemptions under the 2017 federal Tax Cuts and Jobs Act (TCJA). FY 2018-19 General Fund revenue will grow as a result of continued economic growth, the *South Dakota vs. Wayfair, Inc.* U.S. Supreme Court decision allowing states to collect sales tax from online retailers, and the ongoing impact of the TCJA.

Figure 23 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2019-20. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix. For more details on the economy, the main determinant of General Fund revenue, see "The Economy: Issues, Trends, and Forecast" section of this forecast, which starts on page 4.

Figure 23. General Fund Revenue

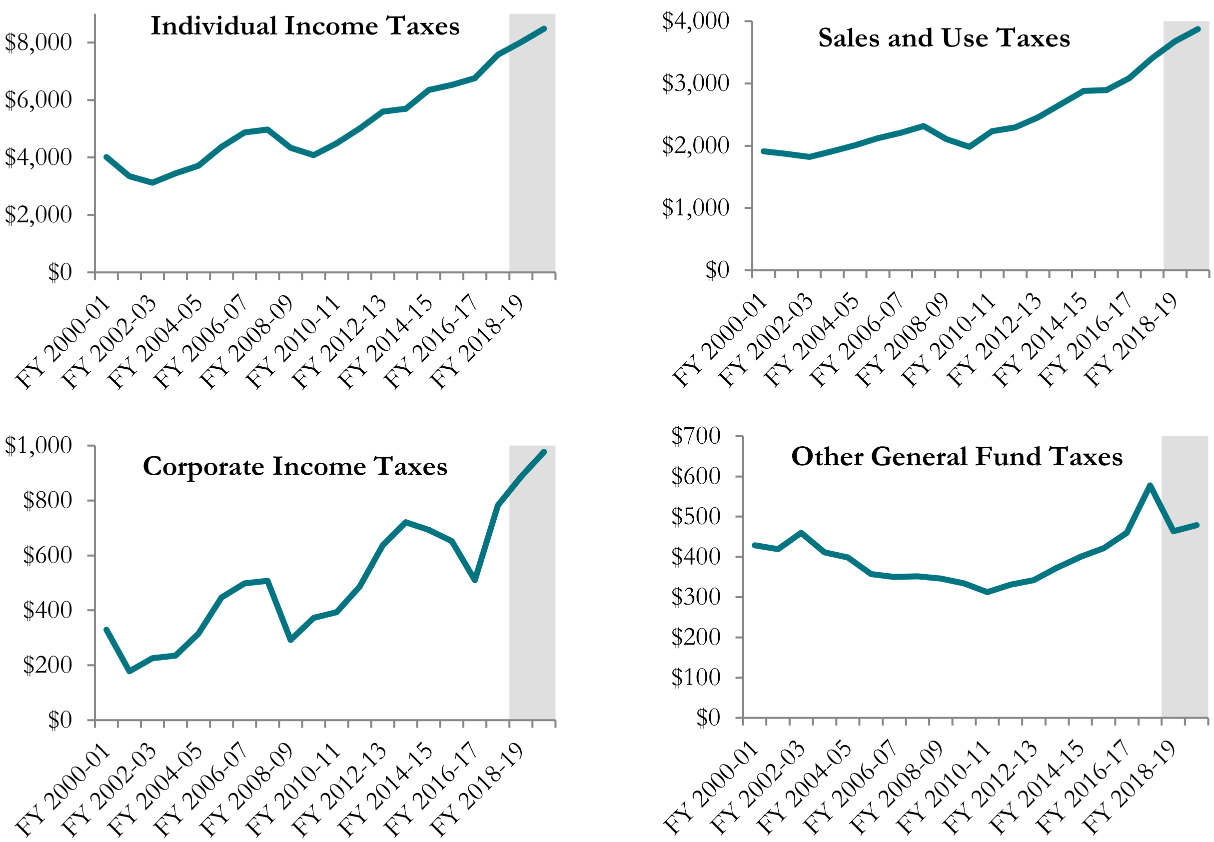


Source: Office of the State Controller and OSPB forecast

Discussion of Forecasts for Major General Fund Revenue Sources

The following section discusses the forecasts for the three major revenue sources that together make up 95 percent of total General Fund revenue: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the other remaining General Fund sources ─ such as interest earnings, taxes paid by insurers on premiums, and excise taxes on tobacco products and liquor ─ posted a large one-time increase in FY 2017-18 from a $113 million settlement payment with tobacco companies but is expected to moderate over the forecast period. Figure 24 shows actual revenue collections as well as the forecast for General Fund revenue.

Figure 24. General Fund Revenue Sources, $ in Millions



Source: Office of the State Controller and OSPB forecast

Individual income tax **–** Individual income tax collections grew at a robust rate of 11.5 percent in FY 2017-18. Growth is projected to moderate to 5.8 percent in both FY 2018-19 and FY 2019-20.

After accelerating in FY 2017-18, individual income tax revenue is expected to moderate to 5.8 percent growth in both FY 2018-19 and FY 2019-20.

The strong growth in individual income tax collections in FY 2017-18 was due to a combination of factors, including stronger employment and wage growth following the 2015-2016 slowdown in the industrial sectors of the economy, stronger capital gains and investment earnings, and an increase in taxable income resulting from federal tax changes. Individual income tax revenue is expected to grow at a more moderate pace in FY 2018-19 and FY 2019-20 due to slower employment growth in a tight labor market and a moderation in capital gains income.

Preliminary FY 2017-18 collections for individual income tax revenue were slightly higher than forecast in June. FY 2018-19 and FY 2019-20 were revised upwards as a result of expectations for stronger wage withholdings and estimated payments and lower tax refunds.

The enactment of the federal Tax Cuts and Jobs Act in December 2017 is expected to increase individual and corporate income tax revenue. This is because the legislation on balance increases federal taxable income, upon which Colorado taxable income is based. It is important to note that there is a higher-than-usual degree of uncertainty surrounding the current forecast of individual income tax collections. The effects of the federal Tax Cuts and Jobs Act on state individual income tax revenue may differ from our estimates due to possible delays in timing or potential taxpayer responses to the tax law changes that may be unforeseen at this time.

Corporate income tax – Corporate income tax collections are projected to increase 13.2 percent in FY 2018-19 after increasing 53.5 percent in FY 2017-18. Corporate income tax receipts are expected to rise throughout the forecast period due to continued economic expansion and the effects of the federal Tax Cuts and Jobs Act.

Corporate income tax revenue will continue to grow, increasing by 13.2 percent in FY 2018-19 and 10.3 percent in FY 2019-20.

Corporate income tax revenue is among the most volatile General Fund revenue sources as it is influenced by special economic factors and the structure of the corporate income tax code. Trends in corporate profits are a primary determinant of corporate income tax collections. Corporate profits weakened starting in 2015, leading to a decline in corporate income tax revenues. While corporate profits began to grow again in the second half of 2016, corporate income tax revenue continued to decline as corporations deferred tax liabilities in anticipation of favorable federal tax law changes.

With the passage of the Tax Cuts and Jobs Act in December 2017, state corporate income tax payments rebounded and are expected to continue to grow with higher corporate earnings and the ongoing economic expansion. Although renewed growth in corporate income tax collections is expected, future increases will be constrained by higher business costs, especially for employee compensation and borrowing, which will reduce profit margins and lower tax liabilities.

Sales and use tax – Sales tax revenue increased 9.5 percent in FY 2017-18 and is expected to increase an additional 8.2 percent in FY 2018-19 and 5.3 percent in FY 2019-20.

Colorado's strong economic growth is providing consumers with more disposable income, which, combined with more business spending, is causing sales tax revenue to grow at an increasing rate. Auto sales, a major source of sales tax revenue, have been slowing in recent months but remain at a high level. In addition, the composition of auto sales is shifting from cars towards higher-priced light trucks, SUVs, and minivans, which result in more sales tax revenue to the State.

A portion of the 9.5 percent increase in FY 2017-18 was due to the higher net tax rate on retail marijuana sales pursuant to SB 17-267. This legislation increased the special tax rate on retail sales from 10 percent to 15 percent while exempting retail marijuana from the state's 2.9 percent sales tax, making the net tax rate increase 2.1 percentage points.

Increased consumer and business activity and online sales tax collections will drive sales tax revenue increases. Sales tax revenue is forecast to increase 8.2 percent in FY 2018-19.

The growth rates in FY 2018-19 and beyond are driven partially by online sales tax collections, which the U.S. Supreme Court allowed states to begin collecting with its June 2018 ruling in *South Dakota v. Wayfair, Inc.* Colorado is expected to begin collecting online sales taxes in December 2018. This will result in an estimated sales tax revenue increase of about $44 million in FY 2018-19 and $82 million in FY 2019-20, the first full fiscal year of implementation.

The use tax is a companion to the sales tax and is paid by Colorado residents and businesses on purchases that did not include the State sales tax. Use taxes bring in a much smaller amount of revenue than sales taxes and are often more volatile. Much of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers.

Use tax collections increased 19.4 percent in FY 2017-18 and are projected to increase another 5.9 percent in FY 2018-19. Much of the increase in use tax collections is due to stronger economic growth and the rebound in the oil and gas industry. However, a portion of the FY 2017-18 increase is due to the implementation of reporting requirements on online sales, pursuant to House Bill 10-1193. This law requires out-of-state retailers that do not collect Colorado sales tax to notify the purchasers of their tax liability as well as the Colorado Department of Revenue. Implementation of this law was delayed due to litigation that has now been resolved. The revenue impact of this law will be temporary, as these retailers will now be required to collect sales taxes as allowed by the *Wayfair* decision.

State Education Fund Revenue Forecast

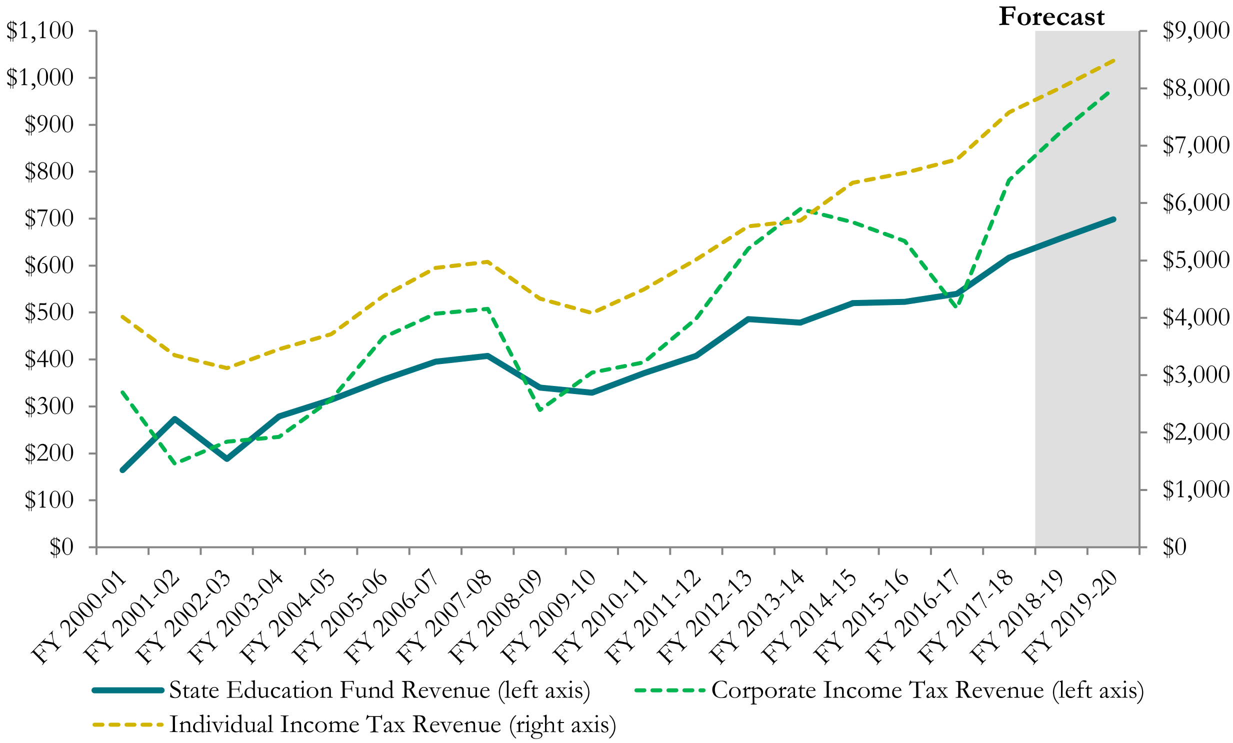
Revenue to the State Education Fund increased 14.3 percent in FY 2017-18 and is expected to grow another 6.8 percent in FY 2018-19 and 6.1 percent in FY 2019-20.

The Colorado Constitution requires that one-third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. In addition to this revenue, policies enacted over the past several years have transferred other General Fund money to the State Education Fund.

Tax revenue to the State Education Fund will increase 6.8 percent and 6.1 percent in FY 2018-19 and FY 2019-20, respectively.

Because State Education Fund revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections discussed above. The strong growth rate in FY 2017-18 was due to the robust gain in corporate income tax collections as well as higher individual income tax collections driven by the strong economy, labor conditions, and the stock market. The revenue impact of federal tax law changes is also contributing to the growth seen in FY 2017-18 and throughout the forecast period.

Figure 25. State Education Fund Revenue from One-Third of One Percent of Taxable Income, $ in Millions



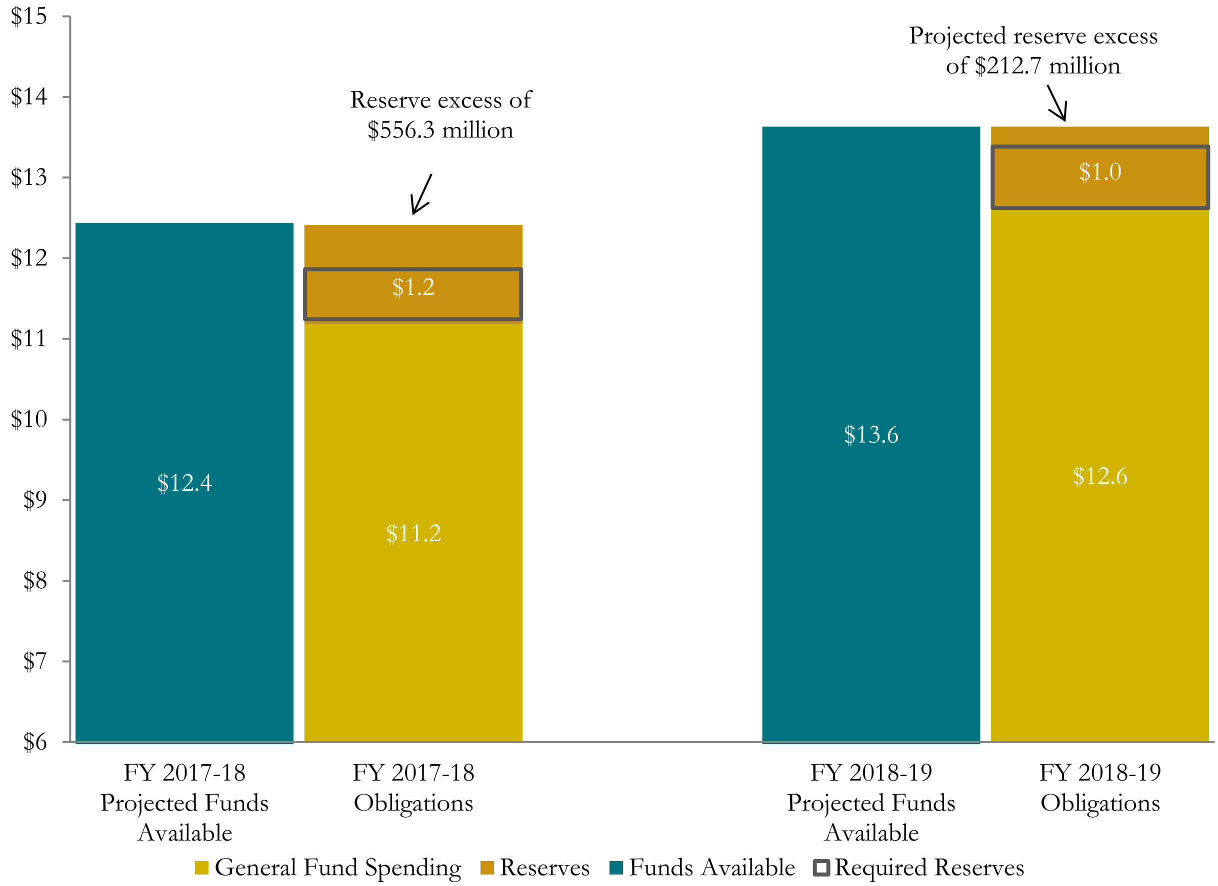
Source: Office of the State Controller and OSPB forecast

General Fund and State Education Fund Budget

General Fund – As discussed in the "General Fund and State Education Fund Revenue Forecast" section starting on page 27, the General Fund revenue forecast for FY 2018-19 is $303.2 million, or 2.5 percent, higher than estimated in the June forecast. The forecast for FY 2019-20 is $390.0 million higher, or 3.1 percent. The State's General Fund reserve is projected to be $212.7 million above the required statutory reserve amount of 7.25 percent of appropriations in FY 2018-19.

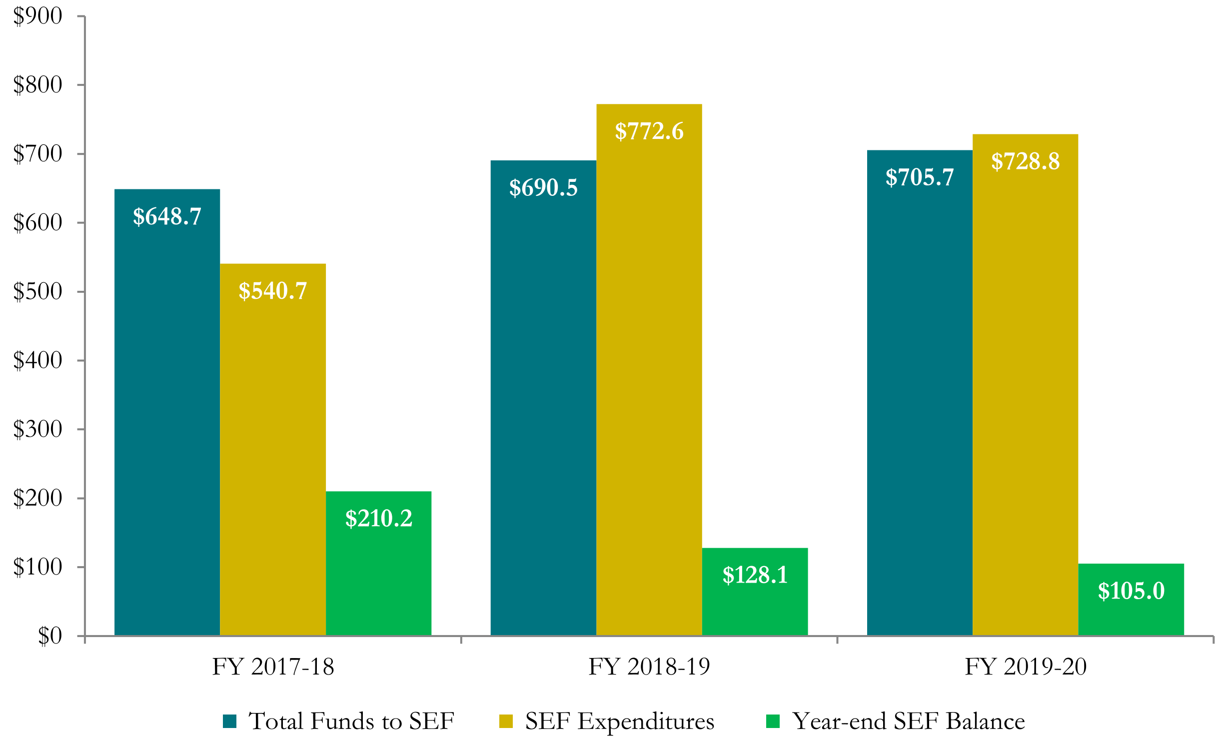
Figure 26 summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2017-18 and FY 2018-19.

Figure 26. General Fund Available, Obligations, and Reserves, $ in Billions



State Education Fund – In FY 2018-19, the State Education Fund's year-end balance is projected to decrease from its FY 2017-18 level of $210.2 million to $128.1 million. This decrease is the result of a higher level of State Education Fund expenditures in FY 2018-19, which reduced the need for General Fund appropriations for funding pre-K through 12th grade education. However, FY 2018-19's lower ending balance leaves less funding available for FY 2019-20, resulting in an increased need for General Fund next fiscal year. Figure 27 summarizes total State Education Fund revenue available, total spending, and ending balance levels for FY 2017-18 through FY 2019-20.

Figure 27. State Education Fund Money, Spending, and Reserves, $ in Millions



Expenditures for FY 2017-18 and FY 2018-19 reflect appropriated amounts. Actual expenditures from the State Education Fund for FY 2019-20 will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown are illustrative only.

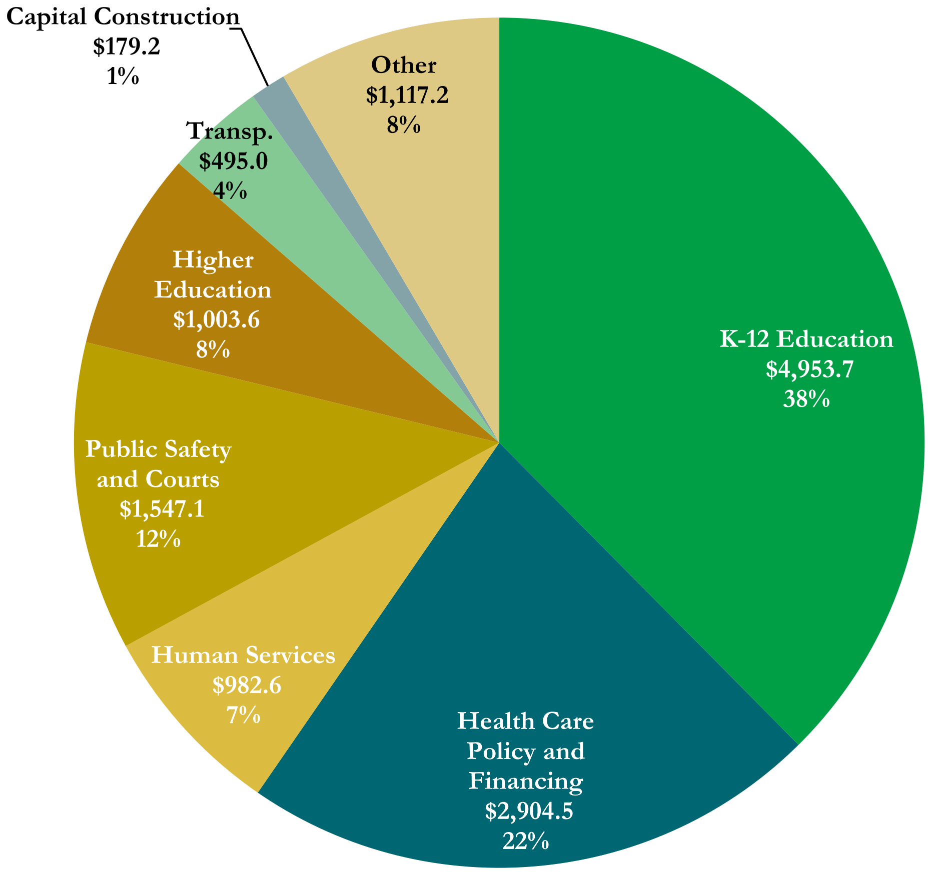
Detailed Overview Tables – A detailed overview of the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves is provided in the overview tables (Tables 4 and 5) in the Appendix at the end of this document beginning on page 46. A discussion of the information presented in these tables can be found on the Office of State Planning and Budgeting's website at this link: https://goo.gl/d63Ys2.

Spending by Major Department or Program Area

The General Fund provides funding for the State's core programs and services, including pre-K through 12th grade education, higher education, services for low-income populations, including the disabled and elderly, courts, and public safety. It also helps fund capital construction and maintenance needs for State facilities and, in some years, transportation projects. Under the state constitution, the State Education Fund helps fund pre-K through 12th grade education and annually receives one-third of one percent of taxable income. In some years, it has also received supplemental money from the General Fund as authorized by statute.

In Figure 28, the major areas of the combined General Fund and State Education Fund FY 2018-19 budget are noted. Approximately 92 percent of General Fund and State Education Fund spending encompasses the following areas: pre-K through 12th grade education, Medicaid and related costs at the Department of Health Care Policy and Financing, human services, public safety, the correctional system, courts, and higher education.

Figure 28. FY 2018-19 General Fund and State Education Fund Budget Composition ($ in Millions)



Risks to the Outlook and Budget Implications

This budget outlook is based on OSPB's economic analysis and forecast, discussed in more detail in the section titled "The Economy: Issues, Trends, and Forecast," beginning on page 4. Changes to the Colorado economy determine revenue to the General Fund and State Education Fund. In addition to revenue, changes in economic conditions impact the budget outlook through associated changes in the use of many state services, such as higher education and Medicaid.

Colorado's economic growth accelerated in the first half of 2018. Colorado's employment growth has been robust and widespread across all industries and most regions, while wage growth has risen above inflation in recent months. Although recession risk appears low, unforeseen events could occur that might change this outlook. Trade policy continues to be a risk factor to business costs and investment, as well as for agricultural prices. Further, if monetary policy tightens excessively and slows the supply of money in the economy, it could lead to a contraction.

Cash Fund Revenue Forecast

A wide array of state programs collect taxes, fees, fines, and interest to fund services and operations. When fees or other revenue sources are designated for a particular program, they are typically directed to that program's cash fund. OSPB's forecast of cash fund revenue subject to TABOR and the Referendum C cap is shown in Table 6 in the Appendix.

On a preliminary basis, FY 2017-18 cash fund revenue decreased by 15.9 percent as the Hospital Provider Fee was replaced with the Healthcare Affordability and Sustainability Fee program, which is a TABOR-exempt enterprise in accordance with SB 17-267. The cash fund revenue forecast for FY 2018-19 and subsequent years was largely unchanged from the June forecast as projected increases in some cash fund revenue sources were offset by decreases in other cash funds.

Actual revenue collections for FY 2017-18 were $17.9 million, or 0.8 percent, higher than projections in June, largely due to higher-than-expected revenue to severance tax cash funds and transportation-related revenues. Revenue collections for the large group of cash funds referred to as "other miscellaneous cash funds" were slightly below expectations. In addition to the change in the Hospital Provider Fee, cash fund revenue is also reduced by the exemption of retail marijuana sales from the 2.9 percent state sales tax pursuant to SB 17-267.

Transportation-related cash funds **—** Transportation-related cash fund revenue is forecast to grow 3.1 percent in FY 2018-19 and 2.5 percent in FY 2019-20 after growing by 4.4 percent in FY 2017-18. The September forecast for FY 2018-19 is 1.7 percent, or $22.1 million, higher than the June forecast.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a number of smaller cash funds including emissions fees and professional licenses. HUTF collections are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol. The primary revenue sources for the HUTF cash funds are motor fuel taxes and registration fees, but also include special transport permits and DUI fines.

State gasoline taxes have remained at 22 cents per gallon since their last increase in 1991. Since that time, fuel tax revenue has averaged 2.0 percent growth per year, while inflation has averaged 2.8 percent per year.

State gasoline taxes, which have remained at 22 cents per gallon since their last increase in 1991, represent more than 75 percent of motor fuel tax revenue. Fuel tax revenue to the HUTF has averaged 2.0 percent growth per year during the current economic expansion. As inflation has averaged 2.8 percent per year over that period, current fuel taxes allow for less road construction and maintenance than they did in 1991. Growth is expected to continue at a modest rate, with improvements in fuel-efficiency and growing numbers of electric vehicles largely offset by the state's strong economic activity and an increasing consumer preference for larger vehicles.

Vehicle registration revenue growth is driven by auto sales and in-migration to the state. Auto sales grew steadily from the end of the Great Recession in 2009 through 2017. As interest rates rise and the pent-up demand experienced since the Great Recession decreases, new auto sales are leveling off. Colorado vehicle sales are expected to remain slightly stronger than nationwide sales due to greater economic and population growth.

Figure 29. Transportation Funds Forecast by Source, $ in Millions

Transportation Funds Revenue	Preliminary FY 17-18	Forecast FY 18-19	Forecast FY 19-20	Forecast FY 20-21
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	**$645.0**	**$678.3**	**$692.5**	**$707.3**
Change	3.0%	5.2%	2.1%	2.1%
Total Registrations	**$261.9**	**$275.1**	**$282.2**	**$290.3**
Change	4.9%	5.0%	2.6%	2.9%
Other HUTF Receipts	**$184.6**	**$195.8**	**$200.5**	**$204.8**
Change	1.0%	6.1%	2.4%	2.1%
Total HUTF	***$1,091.5***	***$1,149.1***	***$1,175.2***	***$1,202.3***
Change	*3.1%*	*5.3%*	*2.3%*	*2.3%*
State Highway Fund	**$40.6**	**$44.2**	**$45.6**	**$46.7**
Change	5.9%	8.7%	3.2%	2.5%
Other Transportation Funds	**$122.1**	**$121.1**	**$126.8**	**$129.1**
Change	2.8%	-0.8%	4.6%	1.9%
Total Transportation Funds	***$1,274.8***	***$1,314.4***	***$1,347.5***	***$1,378.2***
Change	*4.4%*	*3.1%*	*2.5%*	*2.3%*

*Totals may not sum due to adjustments from recent policy changes that impact revenue.

***Limited gaming revenue* —** Revenue from limited gaming grew $8.0 million, or 6.7 percent, in FY 2017-18, reaching a total of $127.2 million. It is projected to reach $131.9 million in FY 2018-19 and $135.9 million in FY 2019-20.

Of the $127.2 million total preliminary limited gaming revenue in FY 2017-18, $106.8 million is subject to TABOR, as reflected in Figure 30. Of this amount, $105.0 million is classified as "base limited gaming revenue" in accordance with Amendment 50. In FY 2018-19, $110.1 million is subject to TABOR, with $108.2 million classified as "base limited gaming revenue." Base limited gaming revenue is distributed by statutory formula to the State General Fund, the State Historical Society, cities and counties affected by gaming activity, and programs related to economic development. In FY 2019-20, $113.5 million of the total projected limited gaming revenue is subject to TABOR, with $111.4 million designated as base limited gaming revenue.

Gaming revenue attributable to Amendment 50 is not subject to TABOR. This revenue is distributed mostly to community colleges, with a smaller portion going to local governments with communities affected by gaming. These distributions totaled $16.7 million in FY 2017-18 and are projected to total $18.1 million in FY 2018-19, and $19.4 million in FY 2019-20. Figure 30 shows the distribution of limited gaming revenue in further detail.

Figure 30. Distribution of Limited Gaming Revenues, $ in Millions

Distribution of Limited Gaming Revenues	Preliminary FY 17-18	Forecast FY 18-19	Forecast FY 19-20	Forecast FY 20-21
A. Total Limited Gaming Revenues	**$127.2**	**$131.9**	**$135.9**	**$139.3**
Annual Percent Change	6.7%	3.7%	3.0%	2.5%
B. Base Limited Gaming Revenues (max 3% growth)	**$105.0**	**$108.2**	**$111.4**	**$114.3**
Annual Percent Change	3.0%	3.0%	3.0%	2.5%
C. Gaming Revenue Subject to TABOR	**$106.8**	**$110.1**	**$113.5**	**$116.3**
Annual Percent Change	3.0%	3.1%	3.0%	2.5%
D. Total Amount to Base Revenue Recipients	**$94.8**	**$98.7**	**$101.2**	**$104.0**
Amount to State Historical Society	$26.6	$27.6	$28.3	$29.1
Amount to Counties	$11.4	$11.8	$12.1	$12.5
Amount to Cities	$9.5	$9.9	$10.1	$10.4
Amount to Distribute to Remaining Programs (State Share)	$47.4	$49.4	$50.6	$52.0
Amount to Local Government Impact Fund	$5.4	$5.9	$6.2	$6.6
Colorado Tourism Promotion Fund	$15.0	$15.0	$15.0	$15.0
Creative Industries Cash Fund	$2.0	$2.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.5	$0.5	$0.5	$0.5
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.1	$2.1	$2.1	$2.1
Transfer to the General Fund	$16.9	$18.4	$19.3	$20.3
E. Total Amount to Amendment 50 Revenue Recipients	**$16.7**	**$18.1**	**$19.4**	**$20.1**
Community Colleges, Mesa and Adams State (78%)	$13.0	$14.1	$15.1	$15.7
Counties (12%)	$2.0	$2.2	$2.3	$2.4
Cities (10%)	$1.7	$1.8	$1.9	$2.0

Severance tax revenue — Severance tax revenue totaled $142.6 million in FY 2017-18 and is expected to grow by 28.6 percent to $183.5 million in FY 2018-19 before falling to $138.6 million in FY 2019-20. This forecast reflects increased oil and gas production value due to higher commodity prices and increased drilling activity. Larger ad valorem credits coupled with a projection of stable oil and gas prices are expected to cause the decline in severance tax revenue in FY 2019-20.

As a result of the Colorado Supreme Court's April 2016 decision in *BP America v. Colorado Department of Revenue*, taxpayers can claim additional severance tax deductions related to their transportation, manufacturing, and processing costs incurred in oil and gas extraction activities. In addition to lowering severance tax collections on an ongoing basis, this decision also increased the refunds being made to severance taxpayers for past tax years.

Federal Mineral Leasing (FML) revenue — FML revenue decreased in FY 2017-18, declining 5.3 percent to $86.2 million. It is expected to grow 10.5 percent to $95.2 million in FY 2018-19 and 5.1 percent to $100.1 million in FY 2019-20. The rebound in growth in FY 2018-19 is a result of increased production and the end of refunds of FML "bonus" payments to mineral extraction leaseholders on the Roan Plateau. Note that while FML revenue is exempt from TABOR, it is included here because a portion of the money is used for the State's share of pre-K-12 school finance.

FML royalties are derived from a percentage of the value of resources produced on leased federal lands. FML activity includes the production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. The Bureau of Land Management (BLM) sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are then shared with the state in which production occurs.

On March 13, 2018, the U.S. Department of the Interior announced that $18.2 million of previously withheld FML revenue would be disbursed to the State. HB 18-1249 changed the distribution of this disbursement. Instead of being deposited into the State's Mineral Leasing Fund, the revenue was distributed to the affected counties – Garfield, Rio Blanco, Mesa, and Moffat – to return funding that the federal government had previously withheld from them in order to pay for the cleanup of the Anvil Points oil shale site.

Figure 31. Federal Mineral Leasing (FML) Payments, $ in Millions

Fiscal Year	Bonus	Non-Bonus	Total FML	% Change
FY 2017-18	$0.4	$85.8	$86.2	-5.3%
FY 2018-19	$1.7	$93.5	$95.2	10.5%
FY 2019-20	$1.8	$98.3	$100.1	5.1%
FY 2020-21	$1.9	$103.0	$104.9	4.8%

FY 2017-18 figures are actual collections, FY 2018-19 through FY 2020-21 are projections.
Figures do not include $18.2 million of previously withheld revenue disbursed in accordance with HB18-1249.

Other cash funds — Cash fund revenue to the Department of Regulatory Agencies (DORA) increased 6.5 percent to $80.5 million in FY 2017-18. This revenue is projected to increase 3.6 percent to $83.4 million in FY 2018-19 and another 3.5 percent to $86.3 million in FY 2019-20. DORA regulates businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. Revenue from licensing fees and other services fund many of the Department's activities.

Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance programs. Following a general trend of increasing insurance premiums, the surcharge rate, which is determined through a series of rule hearings, was revised up by 0.4 percentage points in FY 2017-18. Revenue from this source grew 72.5 percent to $17.8 million in FY 2017-18 due to the increased surcharge rate and is estimated to grow 6.6 percent to $19.0 million in FY 2018-19 before falling 7.0 percent to $17.6 million in FY 2019-20. Each year, the Division of Workers' Compensation performs a comprehensive review to determine the funding needed to operate its programs.

The "Other Miscellaneous Cash Funds" category in Table X includes revenue from over 300 cash funds, which generally collect revenue from fines, fees, and interest earnings. Approximately 75 percent of the revenue comes from the largest 30 of these funds. Included among these are the Employment Support Fund, Medicaid Nursing Facility Cash Fund, and cash funds that collect marijuana industry-related revenue.

Revenue to miscellaneous cash funds totaled a preliminary $674.8 million in FY 2017-18, an increase of 4.4 percent. In FY 2018-19, revenue to these funds is expected to increase 5.2 percent to $710.2 million, followed by an estimated increase of 5.1 percent to $746.7 million in FY 2019-20. Of the FY 2018-19 increase, $6.4 million can be attributed to the impacts of legislation passed during the 2018 legislative session.

Marijuana-related revenue — Figure 32 shows revenue from the special taxes on the legal marijuana industry authorized by Proposition AA in November 2013, along with revenue from the 2.9 percent sales tax collected on marijuana sales.

Figure 32. Tax Revenue from the Marijuana Industry, $ in Millions

Tax Revenue from the Marijuana Industry	Actual FY 17-18	Forecast FY 18-19	Forecast FY 19-20	Forecast FY 20-21
Proposition AA Taxes				
Retail Marijuana 15% Special Sales Tax	$167.2	$182.2	$187.7	$190.5
Retail Marijuana 15% Excise Tax	$68.0	$57.8	$56.6	$56.3
Total Proposition AA Taxes	**$235.1**	**$240.0**	**$244.3**	**$246.9**
2.9% Sales Tax (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$10.6	$9.1	$8.2	$8.0
Retail Marijuana 2.9% State Sales Tax	$5.2	$0.7	$0.7	$0.8
Total 2.9% Sales Taxes	**$15.8**	**$9.8**	**$9.0**	**$8.8**
Total Marijuana Taxes	**$251.0**	**$249.8**	**$253.3**	**$255.6**

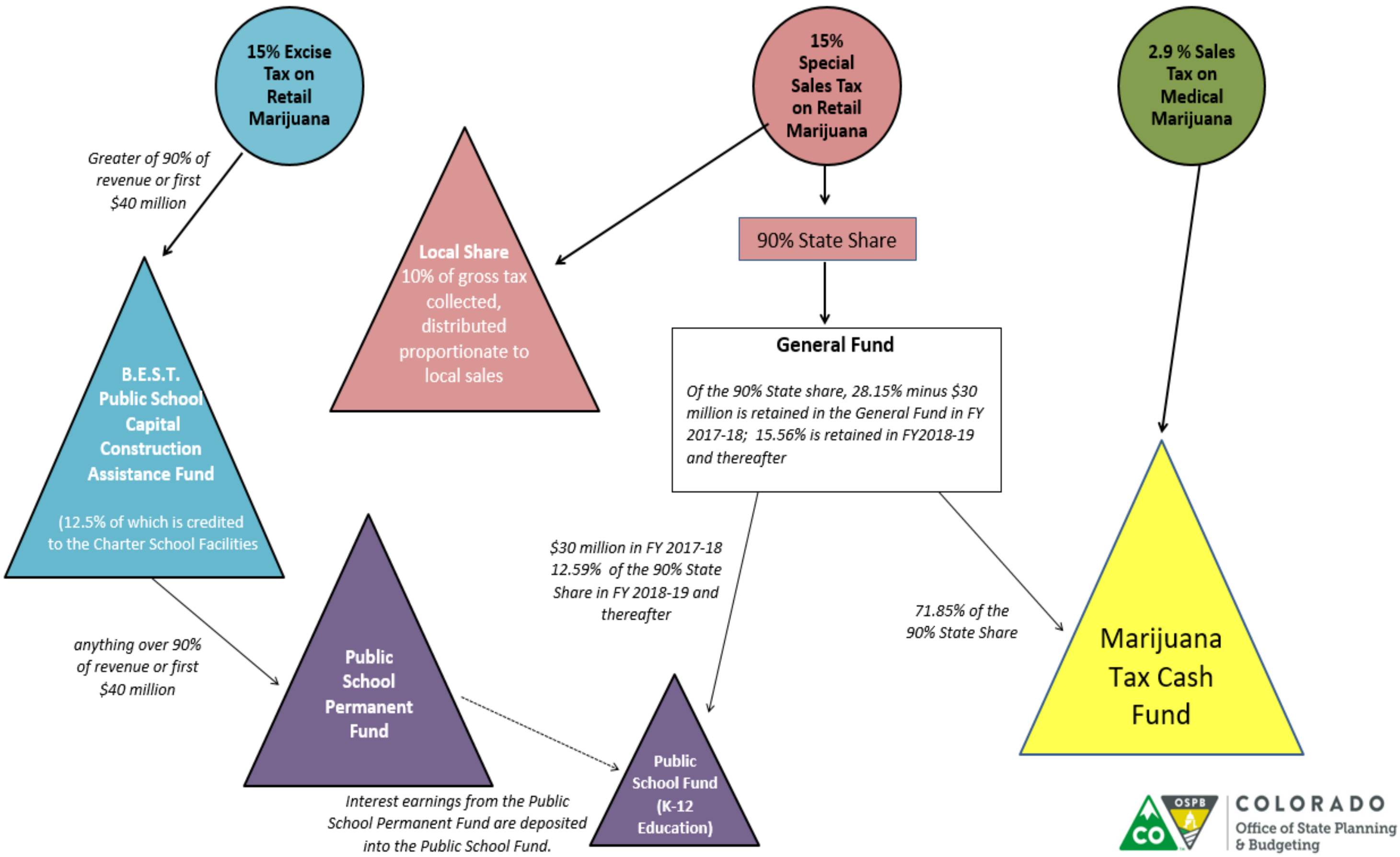
*Totals may not sum due to rounding.

SB 17-267 made changes to marijuana taxation and revenue beginning in FY 2017-18. The bill exempted retail marijuana from the 2.9 percent state sales tax, while increasing the special sales tax rate on retail marijuana from the prior 10 percent to 15 percent in FY 2017-18 and subsequent years. Note that the table above shows some revenue from the 2.9 percent state sales tax on retail marijuana in FY 2017-18 and later years. This is because marijuana accessories and other non-marijuana items sold in marijuana shops were not exempted.

Revenue from the 2.9 percent sales tax on marijuana and fees related to regulation of the marijuana industry are included in the Miscellaneous Cash Funds category in Table X. The table does not include the proceeds from marijuana taxes authorized by Proposition AA, as they are not subject to TABOR.

Most of the revenue from the retail marijuana sales tax in Proposition AA goes first to the General Fund — and is included as sales tax revenue in Table X in the Appendix — before being transferred to the Marijuana Tax Cash Fund, local governments, and the Public School Fund. The remaining amount after these transfers stays in the General Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana that is credited to public school cash funds. Figure 33 shows the distribution of marijuana tax revenue.

Figure 33. Distribution of Tax Revenue from the Marijuana Industry Starting in FY 2018-19



Taxpayer's Bill of Rights: Revenue Limit

Background on TABOR – Provisions in the Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limit the growth of certain State revenue to the sum of inflation and population growth. Revenue collected above the TABOR limit must be returned to taxpayers unless voters decide the State can retain the revenue.

In November 2005, voters approved Referendum C, which allowed the State to retain all revenue received through FY 2009-10 during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 7) for each subsequent year. The passage of SB 17-267 during the 2017 legislative session reduced the Referendum C cap by $200 million in FY 2017-18. The lower cap then grows by the sum of inflation and population growth in subsequent years.

Most General Fund revenue and a portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Revenue that is not subject to TABOR includes revenue exempt by Colorado voters; federal money; and revenue received by entities designated as enterprises, such as public universities and colleges. Table 7 found in the Appendix summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

TABOR revenue exceeded the revenue cap in FY 2017-18 and will remain above the cap throughout the forecast period – TABOR revenue came in $16.2 million above the cap in FY 2017-18 and is projected to be above the cap by $260.5 million in FY 2018-19 and $381.3 million in FY 2019-20.

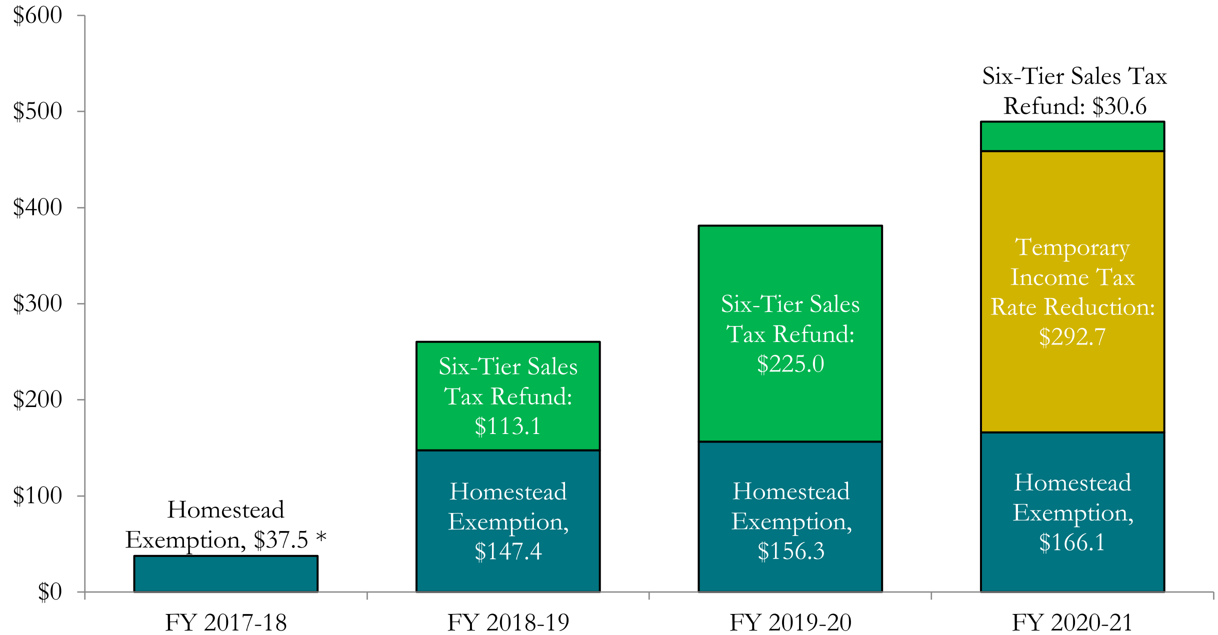
TABOR revenue exceeded the Referendum C cap by $16.2 million in FY 2017-18 and is expected to be above the cap by $260.5 million in FY 2018-19 and $381.3 million in FY 2019-20.

TABOR revenue last exceeded the Referendum C cap in FY 2014-15, by $169.7 million. Of this amount, $153.7 million was scheduled to be refunded to taxpayers via their 2015 tax returns, which included $3.6 million in outstanding refunds from prior years. The remaining $19.6 million of the $169.7 million in excess FY 2014-15 revenue resulted from a reclassification of revenue transferred from the Unclaimed Property Fund to the Adult Dental Fund as subject to TABOR. The legal analysis and audit review on the correct classification of this revenue occurred after refund amounts had been established for state income tax forms. Such adjustments and audit findings have occurred in the past and the process requires the reclassified revenue to be refunded in the next year a refund is due, which is FY 2017-18, as discussed below.

In addition to this $19.6 million adjustment, after the close of FY 2014-15, a net $14.2 million in FY 2014-15 revenue previously treated as nonexempt was reclassified as exempt from TABOR. This reclassification offsets a portion of the aforementioned $19.6 million due to be refunded to taxpayers in the next year a refund is due.

Colorado law specifies three mechanisms by which revenue in excess of the cap needs to be refunded to taxpayers in future years: the senior homestead and disabled veterans property tax exemptions, a sales tax refund to all taxpayers ("six-tier sales tax refund"), and a temporary income tax rate reduction. The refund amount determines which refund mechanisms are used. Figure 34 shows the anticipated refund that will be distributed through each statutorily defined refund mechanism.

Figure 34. Distribution of TABOR Refunds, $ in Millions*



* Amount above Referendum C cap plus adjustments from prior years. TABOR refunds are paid in the fiscal year following the fiscal year in which they are obligated.

Under this forecast, TABOR refunds of $37.5 million are required for FY 2017-18, as shown in the table below and in line 11 in Table 7. This amount includes the $16.2 million in excess of the Referendum C cap in FY 2017-18, plus a net $5.4 million outstanding from the FY 2014-15 refund requirement due to those adjustments discussed above, plus $15.9 million in FY 2014-15 refunds that remain unclaimed by taxpayers. Any TABOR refund amount that is not refunded is required to be refunded the next year a refund is due. The following table illustrates these adjustments.

Projected FY 2017-18 TABOR Refund with Adjustments	
Revenue Above the Referendum C Cap	$16.2
Adjustments from Prior Fiscal Years	
Reclassification of Transfer to Adult Dental Fund	$19.6
Other Reclassifications	-$14.2
Remaining Amount not Refunded from 2015 Tax Returns	$15.9
Total Adjustments	$21.3
Total Refund	**$37.5**

As specified by Section 39-22-627, C.R.S, the refund of the FY 2017-18 excess revenue will occur through the senior homestead and disabled veterans property tax exemption expenditures in FY 2018-19. The refund amount is not sufficient to trigger a sales tax refund or temporary income tax rate reduction.

In FY 2018-19 and FY 2019-20, the excess revenue is not sufficient to trigger a temporary income tax rate reduction, and refunds in excess of the homestead exemption will instead be refunded via a six-tier sales tax refund. The sales tax refund will average an estimated $32 per taxpayer in FY 2018-19 and $63 per taxpayer in FY 2019-20, each to be refunded in the following year.

In FY 2020-21, required refunds of $489.4 million will exceed homestead exemption refund expenditures by an amount sufficient to fund a temporary income tax rate cut, from 4.63 percent to 4.5 percent. This rate reduction will reduce income tax payments by an average of $45 for taxpayers filing single returns and an average of $159 for taxpayers filing joint returns. The income tax rate reduction leaves an additional $30.6 million in required refunds for FY 2020-21, which will be disbursed via a flat sales tax refund, as the average sales tax refund of $8 per taxpayer is less than the $15 average required to trigger a six-tiered sales tax refund according to Section 39-22-2002, C.R.S.

Figure 35. Average TABOR Refund per Taxpayer by Fiscal Year Paid (Excluding Homestead Exemption)

Average Refund Paid	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Single Filers	0	$32	$63	$54
Joint Filers	0	$64	$126	$176

Figure 36 shows per-taxpayer refund estimates by income tier for both sales tax refunds and income tax rate reduction refunds. The homestead exemption refunds are not included in these tables as only certain senior and disabled veteran populations are eligible for those programs.

Figure 36. Projected Distribution of Refunds per Taxpayer by Fiscal Year Incurred (Excluding Homestead Exemption)*

No FY 2017-18 Sales Tax Refund or Income Tax Rate Reduction

FY 2018-19 TABOR Refund per Taxpayer						
	Individual Returns			Joint Returns		
Adjusted Gross Income Tier	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Up to $40,000	$22	$0	$22	$44	$0	$44
$40,001 - $85,000	$30	$0	$30	$60	$0	$60
$85,001 - $133,000	$35	$0	$35	$70	$0	$70
$133,001 - $180,000	$38	$0	$38	$76	$0	$76
$180,001 - $225,000	$40	$0	$40	$80	$0	$80
$225,001 and Up	$69	$0	$69	$138	$0	$138
Average	$32	$0	$32	$64	$0	$64

FY 2019-20 TABOR Refund per Taxpayer						
	Individual Returns			Joint Returns		
Adjusted Gross Income Tier	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Up to $42,000	$43	$0	$43	$86	$0	$86
$42,001 - $89,000	$59	$0	$59	$118	$0	$118
$89,001 - $138,000	$69	$0	$69	$138	$0	$138
$138,001 - $187,000	$76	$0	$76	$152	$0	$152
$187,001 - $234,000	$79	$0	$79	$158	$0	$158
$234,001 and Up	$135	$0	$135	$270	$0	$270
Average	$63	$0	$63	$126	$0	$126

FY 2020-21 TABOR Refund per Taxpayer						
	Individual Returns			Joint Returns		
Adjusted Gross Income Tier	Six-Tier Sales Tax	Income Tax Rate Cut	Total	Six-Tier Sales Tax	Income Tax Rate Cut	Total
Up to $43,000	$8	$9	$17	$16	$3	$19
$43,001 - $91,000	$8	$59	$67	$16	$38	$54
$91,001 - $141,000	$8	$132	$140	$16	$99	$115
$141,001 - $192,000	$8	$194	$202	$16	$163	$179
$192,001 - $240,000	$8	$242	$250	$16	$229	$245
$240,001 and Up	$8	$738	$746	$16	$700	$716
Average	$8	$45	$53	$16	$159	$175

*TABOR refunds are paid in the fiscal year following the fiscal year in which they are obligated.
*Averages weighted by number of taxpayers in each bracket.

Governor's Revenue Estimating Advisory Committee

The Governor's Office of State Planning and Budgeting would like to thank the following individuals that provided valuable feedback on key national and Colorado-specific economic indices included in this forecast. All of these individuals possess expertise in a number of economic and financial disciplines and were generous with their time and knowledge.

- Alison Felix – Vice President and Denver Branch Executive, Denver Branch – Federal Reserve Bank of Kansas City
- Elizabeth Garner – State Demographer, Colorado Department of Local Affairs
- Alexandra Hall –Director, Division of Labor Standards and Statistics, Colorado Department of Labor and Employment
- David Kelly – Chief Risk Officer, FirstBank
- Ronald New – Capital Markets Executive
- Jessica Ostermick – Director, Capital Markets, Industrial and Logistics, CBRE
- Paul Rochette – Senior Partner, Summit Economics
- Patricia Silverstein – President, Development Research Partners
- Richard Wobbekind – Associate Dean, Leeds School of Business; University of Colorado, Boulder

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Appendix – Reference Tables

Table 1. History and Forecast for Key Colorado Economic Variables
Calendar Year 2012-2020

Line No.		Actual						September 2018 Forecast		
		2012	2013	2014	2015	2016	2017	2018	2019	2020
	Income									
1	Personal Income (Billions) /A	$234.0	$246.6	$267.2	$282.7	$288.1	$303.7	$320.5	$337.2	$354.1
2	Change	6.4%	5.4%	8.3%	5.8%	1.9%	5.4%	5.6%	5.2%	5.0%
3	Wage and Salary Income (Billions) /A	$125.0	$129.6	$138.7	$146.6	$151.3	$159.9	$169.2	$178.0	$187.3
4	Change	5.4%	3.7%	7.0%	5.7%	3.2%	5.7%	5.8%	5.2%	5.2%
5	Per-Capita Income ($/person) /A	$45,120	$46,869	$50,021	$51,956	$52,097	$54,156	$56,365	$58,512	$60,675
6	Change	5.0%	3.9%	6.7%	3.9%	0.3%	4.0%	4.1%	3.8%	3.7%
	Population & Employment									
7	Population (Thousands)	5,186.3	5,262.6	5,342.3	5,440.4	5,530.1	5,607.2	5,686.8	5,763.0	5,835.5
8	Change	1.4%	1.5%	1.5%	1.8%	1.6%	1.4%	1.4%	1.3%	1.3%
9	Net Migration (Thousands)	38.7	45.3	47.7	69.1	59.6	47.6	53.0	50.0	47.0
10	Unemployment Rate	7.9%	6.9%	5.0%	3.9%	3.3%	2.8%	2.9%	3.0%	3.2%
11	Total Nonagricultural Employment (Thousands)	2,312.2	2,381.1	2,464.2	2,541.7	2,602.4	2,658.6	2,727.7	2,782.3	2,832.4
12	Change	2.4%	3.0%	3.5%	3.1%	2.4%	2.2%	2.6%	2.0%	1.8%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	23.3	27.5	28.7	31.9	39.0	41.9	48.3	49.3	51.2
14	Change	72.6%	18.1%	4.3%	11.1%	22.3%	7.5%	15.2%	2.1%	3.8%
15	Nonresidential Construction Value (Millions) /B	$3,695.3	$3,624.0	$4,350.9	$4,987.8	$5,972.4	$6,062.0	$6,551.3	$6,117.8	$6,088.1
16	Change	-5.8%	-1.9%	20.1%	14.6%	19.7%	1.5%	8.1%	-6.6%	-0.5%
	Prices & Sales Variables									
17	Retail Trade (Billions) /C /D	$80.2	$84.1	$90.5	$95.0	$99.1	$103.9	$108.9	$114.0	$118.9
18	Change	5.7%	4.8%	7.6%	4.9%	4.3%	4.8%	4.9%	4.6%	4.3%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100) /E	224.6	230.8	237.2	240.0	246.6	255.0	262.6	270.0	277.3
20	Change	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	3.0%	2.8%	2.7%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance. 2017 data represent OSPB estimates.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, and medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods/books/music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants). E-commerce retail trade and other sales by a retailer that does not have a state sales tax account are not included in these figures.

/ D 2016 and 2017 data are not final and represent OSPB's estimates.

/ E In 2018 the geography and data frequency of this series were revised. 2017 and prior years represent Denver-Boulder-Greeley regional prices.

Table 2. History and Forecast for Key National Economic Variables
Calendar Year 2012 – 2020

Line No.		Actual						September 2018 Forecast		
		2012	2013	2014	2015	2016	2017	2018	2019	2020
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$16,197.0	$16,495.4	$16,899.8	$17,386.7	$17,659.2	$18,050.7	$18,578.5	$19,061.5	$19,432.9
2	Change	2.2%	1.8%	2.5%	2.9%	1.6%	2.2%	2.9%	2.6%	1.9%
3	Personal Income (Billions) /B	$14,010.1	$14,181.1	$14,991.8	$15,719.5	$16,125.1	$16,830.9	$17,625.4	$18,436.2	$19,210.5
4	Change	5.1%	1.2%	5.7%	4.9%	2.6%	4.4%	4.7%	4.6%	4.2%
5	Per-Capita Income ($/person)	$44,619	$44,844	$47,052	$48,964	$49,860	$51,673	$53,732	$55,831	$57,815
6	Change	4.3%	0.5%	4.9%	4.1%	1.8%	3.6%	4.0%	3.9%	3.6%
7	Wage and Salary Income (Billions) /B	$6,928	$7,113.2	$7,473.2	$7,854.4	$8,080.7	$8,453.8	$8,884.9	$9,341.5	$9,780.5
8	Change	4.6%	2.7%	5.1%	5.1%	2.9%	3.2%	5.1%	5.1%	4.7%
	Population & Employment									
9	Population (Millions)	314.0	316.2	318.6	321.0	323.4	325.7	328.0	330.2	332.3
10	Change	0.8%	0.7%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%
11	Unemployment Rate	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	3.9%
12	Total Nonagricultural Employment (Millions)	134.2	136.4	139.0	141.8	144.4	146.6	149.0	151.1	152.6
13	Change	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.4%	1.0%
	Price Variables									
14	Consumer Price Index (1982-84=100)	229.6	233.0	236.7	237.0	240.0	245.1	251.2	257.3	262.9
15	Change	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.5%	2.4%	2.2%
16	Producer Price Index - All Commodities (1982=100)	202.2	203.4	205.3	190.4	185.4	193.5	202.8	207.0	207.5
17	Change	0.6%	0.6%	0.9%	-7.3%	-2.6%	4.4%	4.8%	2.1%	0.2%
	Other Key Indicators									
18	Corporate Profits (Billions)	$1,997.4	$2,010.7	$2,118.8	$2,057.3	$2,035.0	$2,099.3	$2,177.0	$2,246.6	$2,329.8
19	Change	10.4%	0.7%	5.4%	-2.9%	-1.1%	3.2%	3.7%	3.2%	3.7%
20	Housing Permits (Millions)	0.830	0.991	1.052	1.183	1.207	1.282	1.345	1.365	1.390
21	Change	32.9%	19.4%	6.2%	12.4%	2.0%	6.2%	4.9%	1.5%	1.8%
22	Retail Trade (Billions)	$4,826.4	$5,001.8	$5,215.7	$5,349.5	$5,514.9	$5,750.4	$6,053.8	$6,326.2	$6,547.6
23	Change	5.0%	3.6%	4.3%	2.6%	3.1%	4.3%	5.3%	4.5%	3.5%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Preliminary FY 2017-18	% Chg	September 2018 Estimate by Fiscal Year FY 2018-19	% Chg	FY 2019-20	% Chg	FY 2020-21	% Chg
	Excise Taxes:								
1	Sales	$3,093.6	9.5%	$3,348.0	8.2%	$3,527.1	5.3%	$3,694.8	4.8%
2	Use	$309.9	19.4%	$328.3	5.9%	$345.5	5.2%	$360.2	4.2%
3	Cigarette	$34.6	-5.5%	$32.8	-5.2%	$31.3	-4.5%	$30.1	-4.0%
4	Tobacco Products	$16.4	-22.7%	$23.8	45.2%	$24.7	3.8%	$25.7	4.1%
5	Liquor	$46.5	3.3%	$47.9	3.1%	$48.0	0.3%	$48.7	1.5%
6	**Total Excise**	**$3,501.0**	**9.8%**	**$3,780.9**	**8.0%**	**$3,976.7**	**5.2%**	**$4,159.6**	**4.6%**
	Income Taxes:								
7	Net Individual Income	$7,577.2	12.1%	$8,015.2	5.8%	$8,481.2	5.8%	$8,887.3	4.8%
8	Net Corporate Income	$781.9	53.5%	$885.5	13.2%	$977.0	10.3%	$1,059.7	8.5%
9	**Total Income**	**$8,359.1**	**15.0%**	**$8,900.7**	**6.5%**	**$9,458.2**	**6.3%**	**$9,947.0**	**5.2%**
10	*Less: State Education Fund Diversion*	*$617.0*	*14.3%*	*$658.6*	*6.8%*	*$698.7*	*6.1%*	*$746.0*	*6.8%*
11	**Total Income to General Fund**	**$7,742.1**	**15.0%**	**$8,242.0**	**6.5%**	**$8,759.6**	**6.3%**	**$9,201.0**	**5.0%**
	Other Revenue:								
12	Insurance	$303.6	4.5%	$317.0	4.4%	$330.9	4.4%	$344.0	4.0%
13	Interest Income	$19.5	32.4%	$14.2	-27.3%	$15.0	5.8%	$15.8	5.1%
14	Pari-Mutuel	$0.5	-10.7%	$0.5	-2.0%	$0.5	-2.0%	$0.5	-2.0%
15	Court Receipts	$4.4	7.6%	$4.5	2.3%	$4.6	2.2%	$4.6	0.0%
16	Other Income	$152.2	221.7%	$23.0	-84.9%	$24.1	4.7%	$25.2	4.6%
17	**Total Other**	**$480.2**	**34.4%**	**$359.2**	**-25.2%**	**$375.1**	**4.4%**	**$390.1**	**4.0%**
18	**GROSS GENERAL FUND**	**$11,723.2**	**14.1%**	**$12,382.1**	**5.6%**	**$13,111.3**	**5.9%**	**$13,750.6**	**4.9%**

Table 4. General Fund Overview /A /B
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2017-18	September 2018 Estimate by Fiscal Year FY 2018-19	FY 2019-20	FY 2020-21
Revenue					
1	**Beginning Reserve**	**$614.5**	**$1,231.2**	**$1,026.0**	**$892.6**
2	**Gross General Fund Revenue**	**$11,723.2**	**$12,382.1**	**$13,111.3**	**$13,750.6**
3	*Transfers to the General Fund*	$98.5	$19.2	$20.1	$21.1
4	**TOTAL GENERAL FUND AVAILABLE**	**$12,436.2**	**$13,632.6**	**$14,157.4**	**$14,664.3**
Expenditures					
5	**Appropriation Subject to Limit**	**$10,430.9**	**$11,217.7**	**$12,311.9**	**$12,886.3**
6	*Dollar Change (from prior year)*	$646.4	$786.8	$1,094.2	$574.4
7	*Percent Change (from prior year)*	6.6%	7.5%	9.8%	4.7%
8	**Spending Outside Limit**	**$752.7**	**$1,388.9**	**$952.9**	**$843.8**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$37.5	$260.5	$381.3	$489.4
10	*Rebates and Expenditures*	$290.6	$249.9	$144.9	$149.9
11	*Transfers for Capital Construction*	$112.1	$179.2	$60.0	$0.0
12	*Transfers for Transportation*	$79.0	$495.0	$200.0	$50.0
13	*Transfers to State Education Fund under SB 13-234*	$25.3	$25.0	$0.0	$0.0
14	*Transfers to Other Funds*	$208.2	$179.4	$166.7	$154.5
15	*Other Expenditures Exempt from General Fund Appropriations Limit*	$0.0	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$11,183.7**	**$12,606.6**	**$13,264.8**	**$13,730.1**
17	*Percent Change (from prior year)*	7.3%	12.7%	5.2%	3.5%
18	Reversions and Accounting Adjustments	-$21.3	$0.0	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$1,231.2**	**$1,026.0**	**$892.6**	**$934.3**
20	*Year-End General Fund as a % of Appropriations*	11.8%	9.1%	7.25%	7.25%
21	*General Fund Statutory Reserve*	$674.9	$813.3	$892.6	$934.3
22	*Above/Below Statutory Reserve*	$556.3	$212.7	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 32 for information on the figures in this table.
/B Actual expenditures for FY 2019-20 and FY 2020-21 will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown are illustrative only.

Table 5. General Fund and State Education Fund Overview /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2017-18	September 2018 Estimate by Fiscal Year FY 2018-19	FY 2019-20	FY 2020-21
Revenue					
1	**Beginning Reserves**	**$716.6**	**$1,441.4**	**$1,154.1**	**$997.7**
2	*State Education Fund*	$102.2	$210.2	$128.1	$105.0
3	*General Fund*	$614.5	$1,231.2	$1,026.0	$892.6
4	**Gross State Education Fund Revenue**	**$648.7**	**$690.5**	**$705.7**	**$753.5**
5	**Gross General Fund Revenue /B**	**$11,821.7**	**$12,401.4**	**$13,131.4**	**$13,771.7**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$13,187.1**	**$14,533.3**	**$14,991.2**	**$15,522.8**
Expenditures					
7	General Fund Expenditures /C	$11,183.7	$12,606.6	$13,264.8	$13,730.1
8	State Education Fund Expenditures	$540.7	$772.6	$728.8	$752.0
9	**TOTAL OBLIGATIONS**	**$11,724.4**	**$13,379.2**	**$13,993.5**	**$14,482.1**
10	*Percent Change (from prior year)*	4.7%	14.1%	4.6%	3.5%
11	*Reversions and Accounting Adjustments*	-$21.3	$0.0	$0.0	$0.0
Reserves					
12	**Year-End Balance**	**$1,441.4**	**$1,154.1**	**$997.7**	**$1,040.8**
13	State Education Fund	$210.2	$128.1	$105.0	$106.5
14	General Fund	$1,231.2	$1,026.0	$892.6	$934.3
15	*General Fund Above/Below Statutory Reserve*	$556.3	$212.7	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 32 for information on the figures in this table.
/B This amount includes transfers to the General Fund shown in line 3 of Table 4.
/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.
/D Actual expenditures for FY 2019-20 and FY 2020-21 will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown are illustrative only.

Table 6. Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amounts in Millions)

Category	Preliminary FY 2017-18	September 2018 Estimate by Fiscal Year FY 2018-19	FY 2019-20	FY 2020-21
Transportation-Related /A	**$1,274.8**	**$1,314.4**	**$1,347.5**	**$1,378.2**
Change	4.4%	3.1%	2.5%	2.3%
Limited Gaming Fund /B	**$106.8**	**$110.1**	**$113.5**	**$116.3**
Change	3.0%	3.1%	3.0%	2.5%
Capital Construction - Interest	**$4.7**	**$6.1**	**$5.6**	**$5.1**
Change	-0.5%	31.3%	-8.2%	-8.9%
Regulatory Agencies	**$80.5**	**$77.3**	**$80.0**	**$82.1**
Change	6.5%	-4.0%	3.6%	2.6%
Insurance-Related	**$17.8**	**$19.0**	**$17.6**	**$16.6**
Change	72.5%	6.6%	-7.0%	-5.7%
Severance Tax	**$142.6**	**$183.5**	**$138.6**	**$162.9**
Change	632.2%	28.6%	-24.5%	17.5%
Other Miscellaneous Cash Funds	**$674.8**	**$710.2**	**$746.7**	**$774.6**
Change	4.4%	5.2%	5.1%	3.7%
TOTAL CASH FUND REVENUE	***$2,302.0***	***$2,420.6***	***$2,449.6***	***$2,535.9***
Change	-15.9%	5.2%	1.2%	3.5%

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in House Bill 09-1272.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2017-18	September 2018 Estimate by Fiscal Year		
			FY 2018-19	FY 2019-20	FY 2020-21
	TABOR Revenues:				
1	General Fund /A	$11,416.6	$12,199.9	$12,923.6	$13,560.1
	Percent Change from Prior Year	12.4%	6.9%	5.9%	4.9%
2	Cash Funds /A	$2,302.0	$2,420.6	$2,449.6	$2,535.9
	Percent Change from Prior Year	-15.9%	5.2%	1.2%	3.5%
3	**Total TABOR Revenues**	**$13,718.6**	**$14,620.6**	**$15,373.2**	**$16,096.0**
	Percent Change from Prior Year	6.4%	6.6%	5.1%	4.7%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.7%	1.4%	1.4%	1.3%
5	Previous calendar year inflation	2.8%	3.4%	3.0%	2.8%
6	**Allowable TABOR Growth Rate**	4.5%	4.8%	4.4%	4.1%
7	TABOR Limit /B	$11,220.7	$11,759.3	$12,276.8	$12,780.1
8	General Fund Exempt Revenue Under Ref. C /C	$2,481.6	$2,600.7	$2,715.2	$2,826.5
9	**Revenue Cap Under Ref. C /B, /D**	**$13,702.4**	**$14,360.1**	**$14,991.9**	**$15,606.6**
10	***Amount Above/Below Cap***	**$16.2**	**$260.5**	**$381.3**	**$489.4**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$37.5**	**$260.5**	**$381.3**	**$489.4**
12	TABOR Reserve Requirement	$411.1	$430.8	$449.8	$468.2

/A Amounts differ from the General Fund and Cash Fund revenue reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/B The TABOR limit and Referendum C cap are adjusted to account for changes in the enterprise status of various state entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenue" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period. SB 17-267 reduced the Referendum C cap by $200 million in FY 2017-18. The lower cap then grows by inflation and population growth in subsequent years.

/E These adjustments are the result of: (a) changes that were made to State accounting records for years in which TABOR refunds occurred that resulted in changes in required refunds to taxpayers, and (b) the refund to taxpayers in previous years was different than the actual amount required. Such adjustments are held by the State until a future year in which a TABOR refund occurs when they adjust the total refund amount distributed to taxpayers.