The economic outlook is improving, but the crisis remains severe
Personal incomes and savings are high
Low-wage sectors are most affected
Retail sales have returned to pre-COVID trend
Leading national forecasts are improving
Why are forecasts improving?

- Reduced economic activity increasingly appears to be driven by public health concerns rather than by household financial constraints, consumers and businesses are adapting quickly.

- Aggressive fiscal policy response has supported personal incomes and generally prevented a crises in household finances.

- Aggressive monetary policy response has supported financial markets and prevented a financial crisis.
Economic Forecast Risks

Downside risks
- Economic recovery still dependent on the course of the virus

Upside risks
- Extra savings in the economy start being spent
- Additional federal fiscal relief to individuals, businesses, and governments
General Fund revenue collections are coming in above expectations
General Fund Revenue

General Fund Revenue and TABOR Refunds

- General Fund Revenue below the TABOR Cap
- General Fund Revenue Exceeding the TABOR Cap

<table>
<thead>
<tr>
<th>Fiscal Year (FY)</th>
<th>Revenue (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010-11</td>
<td>$7.0</td>
</tr>
<tr>
<td>FY 2011-12</td>
<td>$7.2</td>
</tr>
<tr>
<td>FY 2012-13</td>
<td>$7.4</td>
</tr>
<tr>
<td>FY 2013-14</td>
<td>$7.6</td>
</tr>
<tr>
<td>FY 2014-15</td>
<td>$7.8</td>
</tr>
<tr>
<td>FY 2015-16</td>
<td>$8.0</td>
</tr>
<tr>
<td>FY 2016-17</td>
<td>$8.2</td>
</tr>
<tr>
<td>FY 2017-18</td>
<td>$8.4</td>
</tr>
<tr>
<td>FY 2018-19</td>
<td>$8.6</td>
</tr>
<tr>
<td>FY 2019-20</td>
<td>$8.8</td>
</tr>
<tr>
<td>FY 2020-21</td>
<td>$9.0</td>
</tr>
<tr>
<td>FY 2021-22</td>
<td>$9.2</td>
</tr>
<tr>
<td>FY 2022-23</td>
<td>$9.4</td>
</tr>
</tbody>
</table>

Forecast:
- FY 2019-20: $12.8
- FY 2020-21: $12.8
- FY 2021-22: $13.5
- FY 2022-23: $13.5
General Fund revenue revised higher
General Fund outlook still poor
Revenue Forecast Risks

Downside risks
- Economic recovery still dependent on the course of the virus

Downside and upside risks
- Ballot initiatives that reduce/increase revenue

Upside risks
- Additional federal relief
Additional revenue helps the budget, but a significant shortfall remains.
General Fund Budget Gap Remains

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>2-yr gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY revenue avail for appropriation*</td>
<td>12.1</td>
<td>12.4</td>
<td></td>
</tr>
<tr>
<td>Spending pressures (minimum)</td>
<td>13.7</td>
<td>14.6</td>
<td></td>
</tr>
<tr>
<td>Budget gap</td>
<td>-1.6</td>
<td>-2.2</td>
<td>-3.8</td>
</tr>
</tbody>
</table>

*Expected new revenue in the fiscal year, after deduction for statutory reserve and spending outside the limit.
Why should we remain conservative?

1. Virus pattern, including unknown seasonal impacts
2. Uncertain impact of rapid economic changes on tax collections
3. Uncertain continued federal stimulus
4. State emergency response needs
5. Reserves significantly reduced
FY 2021-22 Budget Process Update

- Agencies submitted requests to OSPB July 15th, meeting guidance with proposals to reach -10% from FY 2019-20 levels (about -$500M GF)
- Today’s forecast alleviates the need for deeper reductions at this time, although contingencies for downward revisions still being developed
- OSPB evaluating agency requests for consistency and minimal programmatic impact
- Governor’s budget request will be submitted Monday, Nov 2
Other updates

1. OSPB submitting reports pursuant to HB20-1426 and will post on our website
2. New OSPB website for Emergency funds
   www.colorado.gov/ospb/emergency_funds
3. Federal stimulus
Questions?