### Economic Outlook

Economic activity continues to expand, though growth is expected to remain subdued.

**Contributions to Real Gross Domestic Product (GDP)**

![Graph showing contributions to Real Gross Domestic Product (GDP)](image)

- **Gov’t Consumption & Investment**
- **Net Exports**
- **Gross Private Investment**
- **Personal Consumption Expenditures**

Source: Bureau of Economic Analysis. Seasonally adjusted annual rates.
Business indicators have generally improved over the past three months.

Business Investment, Income and Profits

Trillions of Dollars

Source: Bureau of Economic Analysis. Profits and income with inventory valuation and capital consumption adjustments.

Commodity prices have inched upward but remain low on excess supply and muted demand.

Crude Oil Price

Dollars per Barrel

Source: Energy Information Administration (weekly average prices).
Data show West Texas Intermediate crude oil prices and Henry Hub natural gas prices.
Several factors will continue to slow growth.

1) Full employment
2) Demographic change
3) Rising inflationary pressures and interest rates
4) Subdued global demand

Risks to the forecast are skewed to the downside on elevated global political uncertainty.

At full employment, labor shortages and rising wage pressure will slow business growth.
The aging of the population is changing income and consumption patterns.

Average Income by Age, 2015


The aging of the population is changing income and consumption patterns.

Average Expenditures by Age, 2015

Inflationary pressures and interest rates are rising.

CPI-U Inflation

Year-over-Year Change in Prices

November 2016 over November 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline</td>
<td>1.7%</td>
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<tr>
<td>Core</td>
<td>2.1%</td>
</tr>
<tr>
<td>Energy</td>
<td>1.1%</td>
</tr>
<tr>
<td>Food</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Housing</td>
<td>2.9%</td>
</tr>
<tr>
<td>Apparel</td>
<td>0.3%</td>
</tr>
<tr>
<td>Transportation</td>
<td>0.4%</td>
</tr>
<tr>
<td>Medical Care</td>
<td>4.0%</td>
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<tr>
<td>Recreation</td>
<td>0.9%</td>
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<tr>
<td>Education</td>
<td>2.6%</td>
</tr>
<tr>
<td>Other</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau. Seasonally adjusted.

Higher housing costs are expected to weigh on consumer activity.

Case-Shiller Home Price Indices

Index 100 = January 2000

Source: S&P Dow Jones Indices, LLC.
4 The dollar has strengthened and global demand remains subdued.

Trade-Weighted U.S. Dollar
U.S. Dollar Relative to Trade Partners

U.S. Exports
Millions of Dollars


Expectations for revenue were increased slightly relative to the September forecast.

General Fund Revenue
Billions of Dollars

- Source: Office of the State Controller and Legislative Council Staff December 2016 revenue forecast.
General fund revenue is projected to grow at a rate consistent with inflation and population growth.

General Fund Revenue
*Inflation-Adjusted, per Capita*

![Bar chart showing general fund revenue from FY 00-01 to FY 18-19.](chart.png)

Source: Office of the State Controller and Legislative Council Staff December 2016 revenue forecast.

Adult Correctional Populations
Prison population fell significantly during FY 2015-16

Population fell by about 1,000 inmates, or 4.9 percent
  • Reduced admissions from parole revocations
  • Corresponding increase in parole population

Population increasing thus far in FY 2016-17
  • Admissions from revocations stabilizing
  • Increasing admissions from court commitments
  • Reduced releases

Revocations drove population in FY 2015-16

State Prison Admissions by Source*

Source: Colorado Department of Corrections.

*Omits admissions for returns from prior releases to probation, court order discharge or appeal bond, interstate compact, and youthful offender system terminations. These streams produced a combined average of 10 admissions per month over the sample period.
Inmate growth slow, coming sooner than anticipated

Adult Inmate Population Forecasts as of June 30

Parole caseload growing slowly from a high base

Adult Parole Caseload Forecasts as of June 30
Juvenile Correctional Populations

Decreases in juvenile commitments are not slowing

DYC Commitment Average Daily Population Forecasts

Source: Department of Human Services, Division of Youth Corrections and *Legislative Council Staff forecast.
Continued decreases in juvenile detentions…

DYC Detention Average Daily Population Forecasts

…and flat parole caseloads

DYC Parole Average Daily Caseload Forecasts

Source: Department of Human Services, Division of Youth Corrections and *Legislative Council Staff forecast.
K-12 Enrollment

Percent Change in School Enrollment by Economic Region
Current School Year, 2016-17
Percent Change in School Enrollment by Economic Region
2017-18 School Year

Assessed Value Forecast
Property Taxes in Colorado

Actual Values × Assessment Rate = Assessed Values

Assessed Values × Local Mill Levy = Taxes Owed

*2016 Residential Assessment Rate

Market Value

Residential 75%
Nonresidential 25%

Target Share

Residential 45%
Nonresidential 55%
Residential Market Value

Residential Assessment Rate

% 0

Actual (Market) Values
The Colorado Property Tax Base

Source: Division of Property Taxation and Legislative Council Staff forecast.
*Calculated as assessed values divided by an assumed 29 percent assessment rate.
Actual (Market) Values
The Colorado Property Tax Base

Source: Division of Property Taxation and Legislative Council Staff forecast.
*Calculated as assessed values divided by an assumed 29% assessment rate.

Assessed Values
Actual Values × Assessment Rate = Assessed Values

Source: Division of Property Taxation and Legislative Council Staff forecast.
Assessed Values
Actual Values × Assessment Rate = Assessed Values

Non-Residential
29% assessment rate

Residential
7.96% assessment rate

Target Percentage


Billions

0 20 40 60 80 100 120

Source: Division of Property Taxation and Legislative Council Staff forecast.

Assessed Values with Required Residential Rate Reductions

Non-Residential
29% assessment rate

Residential
7.96% assessment rate
6.85%
6.10%


Billions

0 20 40 60 80 100 120

Source: Division of Property Taxation and Legislative Council Staff forecast.
Assessed Values with Required Residential Rate Reductions

Source: Division of Property Taxation and Legislative Council Staff forecast.
Change in Assessed Values by Region

Source: Legislative Council Staff forecast.

School Finance Outlook
State Budget Situation

Expectations for revenue were increased slightly relative to the September forecast.

General Fund Revenue

Billions of Dollars

- Increase relative to September expectations

Source: Office of the State Controller and Legislative Council Staff December 2016 revenue forecast.
**TABOR Outlook**

*Revenue Above/(Below) the TABOR Limit*

- **2.5% of General Fund Revenue**
- **Halved Senate Bill 09-228 Transfers**

<table>
<thead>
<tr>
<th>Month</th>
<th>Current Year FY 2016-17</th>
<th>FY 2017-18 Budget Year</th>
<th>FY 2018-19 Out Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>September</td>
<td>$-209.4</td>
<td>$62.7</td>
<td>$256.5</td>
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<tr>
<td>December</td>
<td>$-113.8</td>
<td>$189.3</td>
<td>$287.2</td>
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</table>

**General Fund Budget Situation**

*Surplus/Shortfall Relative to Required Reserve*

- **FY 2015-16 Last Year**
  - September: $9.7
  - December: $49.7
- **Current Year FY 2016-17**
  - September: $-329.6
  - December: $-169.2
General Fund Budget Situation

Surplus/Shortfall Relative to Required Reserve

- September: $9.7
- December: $49.7

Revenue Relative To Current Year Expenditures

- FY 2016-17: -$329.6
- FY 2017-18: $215.7

Change in Revenue & Obligations
FY 2016-17 to FY 2017-18

- New Revenue: $509.3 million
- New Obligations:
  - Revenue Available for Other Obligations: $215.7 million
  - Refill Reserve to 6.5%*: $169.2 million
  - Other Constitutional Spending: $256.5 million
  - Set Aside for TABOR Refund: -$77.4 million
  - Capital Cons. & Transportation: -$64.2 million

*Assumes $169.2 million FY 2016-17 shortfall is addressed by reducing the reserve and no change in operating appropriations between FY 2016-17 and FY 2017-18.