Colorado Economy and State Budget Outlook

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Economic Outlook

• Middle Phase of this Business Cycle
  • business-led recovery
  • labor market healthy and improving
  • households and banks in better shape
  • broader economy offers support for real estate markets

• Few Reasons for Concern
  • Fed will tighten the money supply
  • global economy
  • oil prices and capital investment
Gross Domestic Product

Source: U.S. Bureau of Economic Analysis.

Employment: Colorado Outpacing U.S.

Index July 2009 = 100

Measures of Unemployment:  
Colorado Outpacing U.S.

Shaded area indicates recession. Data through November 2014.

Income: Colorado Outpacing U.S.

Source: U.S. Bureau of Economic Analysis. Data through the third quarter of 2014.  
Shaded area indicates recession.
Retail Trade:  Colorado Outpacing U.S.

Sources:  U.S. Census Bureau and Colorado Department of Revenue.

Federal Reserve Assets & Core Inflation

Percent Change in Employment, Second Quarter 2013-14


Colorado Oil Production

Source: Colorado Oil and Gas Conservation Commission. Data through July 2014.
Oil Prices
West Texas Intermediate

Source: U.S. Energy Information Administration. Data through the second week of 2015.

Sources of State Revenue
FY 2011-12 Total Revenue $25.5 Billion

Source: Colorado State Controllers Office.
General Fund Revenue Outlook

Tight Budgets Will Persist...

- TABOR Refunds
- Structural Issues
- Demographics
TABOR Refunds

- **TABOR 7 (d)**
  - Money in excess of the limit
  - Currently expected to begin for FY 2015-16
  - Ongoing until law change or recession

- **TABOR 3 (c)**
  - Money in excess of specific amounts communicated to voters for a specific ballot measure
  - Proposition AA – Marijuana Taxes
  - One year only: FY 2014-15

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TABOR’s Election Provisions and Proposition AA

Table 3 shows the revenue expected from the two new taxes for FY 2014-15, the first full fiscal year for which the taxes would be in place; state fiscal year spending without these taxes; and the sum of the two.

<table>
<thead>
<tr>
<th>Description</th>
<th>2014-15 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Spending Without the New Taxes</td>
<td>$12.08 billion</td>
</tr>
<tr>
<td>State Revenue from the New Excise and Sales Taxes</td>
<td>$67 million</td>
</tr>
<tr>
<td>State Spending Plus the New Taxes</td>
<td>$12.15 billion</td>
</tr>
</tbody>
</table>

**September 2014 Expectations:**

- FY Spending: $12.30 billion + $219 million
- New Taxes: $58.7 million
TABOR and Referendum C

White bars indicate the Referendum C time out
Darker green bars indicate years revenue exceeded or is expected to exceed the limit

*Legislative Council Staff December 2014 forecast.

Source: Colorado State Controllers Office and Legislative Council Staff.

TABOR Refund Outlook

FY 2015-16 Surplus ($120 million):
Set Aside in FY 2015-16 Budget; Refunded in FY 2016-17 and Income Tax Year 2016

Sales Tax Refund: $390.7 million
Estimated amount per taxpayer /A
First 35%: $82
Next 27%: $109
Next 17%: $126
Next 9%: $149
Next 4%: $161
Last 7%: $259

Source: Legislative Council Staff December 2014 forecast.

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What Revenue is Subject to TABOR?

**General Fund Revenue (Subject to TABOR)**
- Corporate Income Tax
- Insurance Taxes
- All Other
- Individual Income Tax
- Sales & Use Taxes
- Regulatory Agencies
- Gaming Revenue
- Severance Tax
- Hospital Provider Fee
- Transportation-Related
- Cash Funds Revenue (Subject to TABOR)

**FY 2012-13**
- TABOR Exempt Revenue (Includes Cash Funds Also)
- General Fund 29%
- TABOR-Exempt 62%
- Cash Funds 9%
- All Other
- Federal Funds
- Enterprises
- All Other Revenue
- Cash Funds
- Transportation-Related
- Corporate Income Tax
- Insurance Taxes
- All Other
- Individual Income Tax
- Sales & Use Taxes
- Regulatory Agencies
- Gaming Revenue
- Severance Tax
- Hospital Provider Fee
- Transportation-Related
- Cash Funds Revenue (Subject to TABOR)

**Source:** Colorado State Controllers Office, TABOR Schedule of Computations for FY 2012-13.

**Higher Education**

**Billions of Dollars**
- Academic Fees
- Nonresident Tuition
- Resident Tuition
- Tobacco/Gaming/Other
- General Fund

**Source:** Joint Budget Committee Staff.
Revenue Limit: TABOR
Revenue Subject to TABOR and Total Revenue

 FY 2014-15 General Fund Budget

Source: Colorado State Controllers Office, TABOR Schedule of Computations.
Colorado State Budget
Caseload Growth & the General Fund Budget


Demographics Matter

• During the next 15 years, the aging of the population will:
  • Change the housing mix, likely dampening growth in housing values and the property tax base;
  • Change income and spending patterns, likely dampening growth in the income and sales tax bases; and
  • Increase demand for government services, applying further budget pressure on governments.
School Finance

Source: Joint Budget Committee, Legislative Council Staff, and Governor's Office of Stat Planning and Budgeting.

Per Pupil Funding

Source: Joint Budget Committee and Legislative Council Staff.
School Finance: Governor’s Proposal
Assuming December LCS and OSPB Revenue Forecasts

![Graph showing LCS and OSPB revenue forecasts for FY 2015-16 and FY 2016-17.]

State Education Fund Year-End Balance
LCS Revenue Forecast

School Finance: Governor’s Proposal
Assuming December LCS and OSPB Revenue Forecasts

![Graph showing LCS and OSPB revenue forecasts for FY 2015-16 and FY 2016-17.]

State Education Fund Year-End Balance
LCS Revenue Forecast

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Statewide Property Tax Assessed Values
Includes Tax Increment Financing

Statewide Property Tax Assessed Values
Includes Tax Increment Financing

Residential
$44.6B in 2015
$2.3B more than 2009

Nonresidential
$55.6B in 2015
$193 million less than 2009

Source: Colorado Division of Property Taxation
*Legislative Council Staff December 2014 Forecast
Residential Assessment Rate

Source: Colorado Department of Local Affairs, Division of Property Taxation

Questions?
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