June 2017
Legislative Council Staff
Economic and Revenue Forecast
ECONOMIC FORECAST
The U.S. economy continues to expand.

Source: National Bureau of Economic Research (NBER) and Colorado Legislative Council June 2017 forecast.
Colorado’s unemployment rate is at the lowest rate in the series history.

# Colorado Employment Growth by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Thousands of Jobs</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>12.8</td>
<td>4.0%</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>10.9</td>
<td>4.0%</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>9.6</td>
<td>2.1%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>8.0</td>
<td>2.0%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>5.7</td>
<td>2.0%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>5.0</td>
<td>1.5%</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>4.9</td>
<td>3.0%</td>
</tr>
<tr>
<td>Administrative &amp; Support Services</td>
<td>4.8</td>
<td>1.3%</td>
</tr>
<tr>
<td>Other Services</td>
<td>4.8</td>
<td>4.6%</td>
</tr>
<tr>
<td>Government</td>
<td>4.3</td>
<td>1.0%</td>
</tr>
<tr>
<td>Professional, Scientific &amp; Technical Services</td>
<td>3.8</td>
<td>1.8%</td>
</tr>
<tr>
<td>Local Government</td>
<td>3.3</td>
<td>1.3%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>3.3</td>
<td>4.1%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>2.8</td>
<td>1.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>2.5</td>
<td>1.6%</td>
</tr>
<tr>
<td>Arts, Entertainment &amp; Recreation</td>
<td>1.9</td>
<td>3.6%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1.5</td>
<td>3.0%</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>1.3</td>
<td>1.2%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1.3</td>
<td>1.2%</td>
</tr>
<tr>
<td>State Government</td>
<td>0.8</td>
<td>0.7%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>0.2</td>
<td>0.4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Information</td>
<td>-0.3</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Management of Companies &amp; Enterprises</td>
<td>-0.6</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>-0.8</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Mining &amp; Logging</td>
<td>-1.9</td>
<td>-7.8%</td>
</tr>
</tbody>
</table>

Colorado Labor Supply and Demand

Millions of Workers

1.5 2.0 2.5 3.0


Labor Force (Supply)

Employment (Demand)

U.S. Labor Force Participation Rate

Share of the Civilian Population

Prime Working Age
- 81.3% Aged 25 to 54

69.2% Men
67.1% Total Civilian
56.8% Women

State Unemployment Rates, April 2017

Wage Withholding

Millions in Monthly Collections

Source: Office of the State Controller and Colorado Department of Revenue with Legislative Council Staff seasonal adjustments. Data through May 2017.
Business Income

Business Investment, Income and Profits

Trillions of Dollars

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

Institute for Supply Management Indices

**Diffusion Index**

Source: Institute for Supply Management.
Will wages show up in prices?

CPI-U Inflation
Year-over-Year Change in Prices

Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.
*Headline inflation includes all products and services. **Core inflation excludes food and energy prices.
Constrained economic expansion is expected through the forecast period.

Several factors that will continue to slow growth:

1) Limited Availability of Workers
2) Competition for Business Inputs
3) Credit Limitations
4) Monetary Policy
REVENUE FORECAST
INDIVIDUAL INCOME TAX

Change in Expectations for FY 2016-17*
Individual income tax collections disappointed as taxpayers held off claiming income in anticipation of future tax cuts.

<table>
<thead>
<tr>
<th>Total Collections from Individual Income Taxes</th>
<th>Millions of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage Withholding</td>
<td>-$144.6</td>
</tr>
<tr>
<td>Estimated Payments</td>
<td>-$66.9</td>
</tr>
<tr>
<td>Cash with Returns</td>
<td>-$25.3</td>
</tr>
<tr>
<td>Refunds</td>
<td>-$78.2</td>
</tr>
<tr>
<td>Accrual Adjustment</td>
<td>-$49.2</td>
</tr>
</tbody>
</table>

*Change relative to the March 2017 Legislative Council Staff forecast.
INDIVIDUAL INCOME TAX

Change in Expectations for FY 2017-18*

The forecast for estimated payments was downgraded on lower capital gains expectations.

Total Collections from Individual Income Taxes
- $67.0

Wage Withholding

Estimated Payments
- $128.4

Cash with Returns
- $22.1

Refunds
- $16.9

Accrual Adjustment
$4.4

*Change relative to the March 2017 Legislative Council Staff forecast.
INDIVIDUAL INCOME TAX

Change in Expectations for FY 2018-19*

The forecast for estimated payments was downgraded on lower capital gains expectations.

Total Collections from Individual Income Taxes

- $105.7

Millions of Dollars

Wage Withholding

- $83.6

Estimated Payments

- $149.9

Cash with Returns

- $25.9

Refunds

- $14.3

Accrual Adjustment

$0.8

*Change relative to the March 2017 Legislative Council Staff forecast.
TABOR Outlook – June 2017 LCS Forecast

FY 2015-16: $122.1 million below limit
FY 2016-17: $281.4 million below limit
FY 2017-18: $430.1 million below limit
FY 2018-19: $420.6 million below limit

Source: Office of the State Controller and Legislative Council Staff June 2017 revenue forecast.
TABOR Outlook – Without Healthcare Enterprise
Senate Bill 17-267

FY 2015-16: $122.1 million below limit
FY 2016-17: $281.4 million below limit
FY 2017-18: $44.6 million below limit
FY 2018-19: $214.0 million surplus

Source: Office of the State Controller and Legislative Council Staff June 2017 revenue forecast.
Changes Attributable to Healthcare Enterprise Senate Bill 17-267

Source: Office of the State Controller and Legislative Council Staff June 2017 revenue forecast.

1. TABOR revenue reduced by $585.5M in FY 2017-18; $844.1M in FY 2018-19

2. Referendum C Cap reduced by $200M in FY 2017-18

3. TABOR surplus not expected through FY 2018-19
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 18-19f. Revenue values range from $1,503 to $2,068 per capita, with a projection of $1,778 to $1,847 in FY 17-18f.]

Source: Office of the State Controller and Legislative Council Staff June 2017 revenue forecast.
This Year’s **General Fund Budget Situation**
FY 2016-17

**General Fund Revenue Relative to Required Reserve**

<table>
<thead>
<tr>
<th>Month</th>
<th>Published</th>
<th>With Legislation</th>
<th>June 4.6% Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>-$169.1</td>
<td>$7.2</td>
<td>-$136.6</td>
</tr>
</tbody>
</table>

Source: Legislative Council Staff and Joint Budget Committee Staff.
Next Year’s General Fund Budget Situation
FY 2017-18

General Fund Revenue Relative to Benchmark

March
- Published: $254.2
- With Legislation: $13.3

June
- 4.8% Reserve
- -$179.1

Benchmark:
- Prior year’s budget
- Required reserve

Source: Legislative Council Staff and Joint Budget Committee Staff.
Upcoming Budget Year’s General Fund Situation
FY 2018-19

General Fund Revenue Relative to Prior Year’s Budget

Source: Legislative Council Staff and Joint Budget Committee Staff.