This economic expansion may become the longest ever

Contributions to Real Gross Domestic Product (GDP)

Business activity has not slowed

Institute for Supply Management Indices

Diffusion Index

Source: Institute for Supply Management.
Labor markets are tight...

Total Nonfarm Employment
Index 100 = January 2010

Underemployment (U6)

Unemployment (U3)

...but firms continue to demand workers

Year-over-Year Colorado Nonfarm Employment Change in May 2018

Energy industry conditions have improved

U.S. Crude Oil Production
*Millions of Barrels per Month*

U.S. Crude Oil Stocks
*Billions of Barrels*

Source: Energy Information Administration (production shown as three-month moving averages).
The Fed is beginning to apply the brakes

Effective Federal Funds Rate

Federal Reserve Balance Sheet

Source: Federal Reserve Board of Governors.
Rate hikes are already apparent in the housing market

U.S. 30-Year Fixed Mortgage Rate

History since 1975

...but they have yet to shape household behavior

U.S. Personal Savings Rate

Debt Service Ratios

Source: U.S. Bureau of Economic Analysis. Seasonally adjusted annual rates. Calculated as personal savings and debt service payments as a percent of disposable personal income.
The economy is exposed to trade risks

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP (2020)</th>
<th>GDP (2021)</th>
<th>GDP (2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>17.3%</td>
<td>$1,390,853,455</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>3.9%</td>
<td>$314,797,205</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.4%</td>
<td>$275,770,311</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>7.3%</td>
<td>$585,634,114</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>5.5%</td>
<td>$445,054,599</td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>4.8%</td>
<td>$389,257,073</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>5.2%</td>
<td>$417,407,935</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.7%</td>
<td>$220,171,399</td>
<td></td>
</tr>
</tbody>
</table>

Source: WiserTrade.
General Fund Budget Situation
The forecast for FY 2017-18 and FY 2018-19 was revised upward on higher expectations for corporate income tax collections.

Gross General Fund Revenue
Bilions of Dollars

Change Relative to March
$245.2M*
$29.2M
-$64.1M

Source: Colorado Office of the State Controller and Legislative Council Staff June 2018 forecast.
*Includes a one-time $110.7 million Tobacco Master Settlement Agreement payment.
Current Year | FY 2017-18 General Fund Reserve
Millions of Dollars

March 2018 Forecast

$171.8M Above
8.1% Reserve

$681.7M
6.5% Reserve Requirement

June 2018 Forecast

$544.4M Above Required Reserve
11.7% Reserve

Change relative to March
+$245.2 million revenue
-$105.6 million spending*

Source: Legislative Council Staff forecasts based on current law.
*For more information see Table 2 on page 7 of the June 2018 forecast document.
Next Year | FY 2018-19 General Fund Reserve
Millions of Dollars

June 2018 Forecast

$92.6M Above 8.1% Reserve
$813.3M 7.25% Reserve Requirement

Changes relative to March

Revenue
+$365.7M beginning balance
+ $29.2M revenue expectations
+ $23.7M transfers to the GF (HB18-1338)

Expenditures
+$681.2M more in expenditures relative to FY 2017-18
+$699.2M transfers from the GF
+$132.3M required reserve (SB18-276)
+$117.3M TABOR set-aside
− $12.8M property tax exemption expectations

Source: Legislative Council Staff forecasts based on current law.
For more information see Table 2 on page 7 of the June 2018 forecast document.
Out-Year Outlook | FY 2019-20 Budget Outlook

General Funds available above FY 2018-19 appropriations to spend, save, or return to taxpayers

$1.0 billion*

*Reflects revenue expectations and transfers required under current law for FY 2019-20. Since a budget has not yet been set for FY 2019-20, this amount assumes FY 2018-19 appropriations and reserve requirements. Any changes to current law, including FY 2018-19 appropriations, will result in changes to this amount.

Source: Legislative Council Staff June 2018 forecast based on current law and FY 2018-19 appropriations.
TABOR Outlook

Revenue Subject to TABOR
Dollars in Billions

Source: Colorado Office of the State Controller and Legislative Council Staff June 2018 forecast.
TABOR Refund Budget Impacts

General Fund
Set-Asides…

FY 2018-19 $126.2 million
FY 2019-20 $126.2 million FY 2018-19 surplus
+$21.3 million FY 2014-15 remaining surplus
$147.5 million refund obligation

FY 2019-20 $104.1 million
FY 2020-21 $104.1 million refund obligation

*Pursuant to SB17-267, the TABOR refund is first allocated toward reimbursements to local governments for the senior homestead and disabled veteran property tax exemption. Local government reimbursements are not reduced. Instead, TABOR surplus revenue is set aside to pay for these reimbursements in the following budget year.
Questions?

Kate Watkins
Chief Economist • Legislative Council Staff
kate.watkins@state.co.us • (303) 866-3446
www.leg.colorado.gov/lcs