



June 2018 | Legislative Council Staff

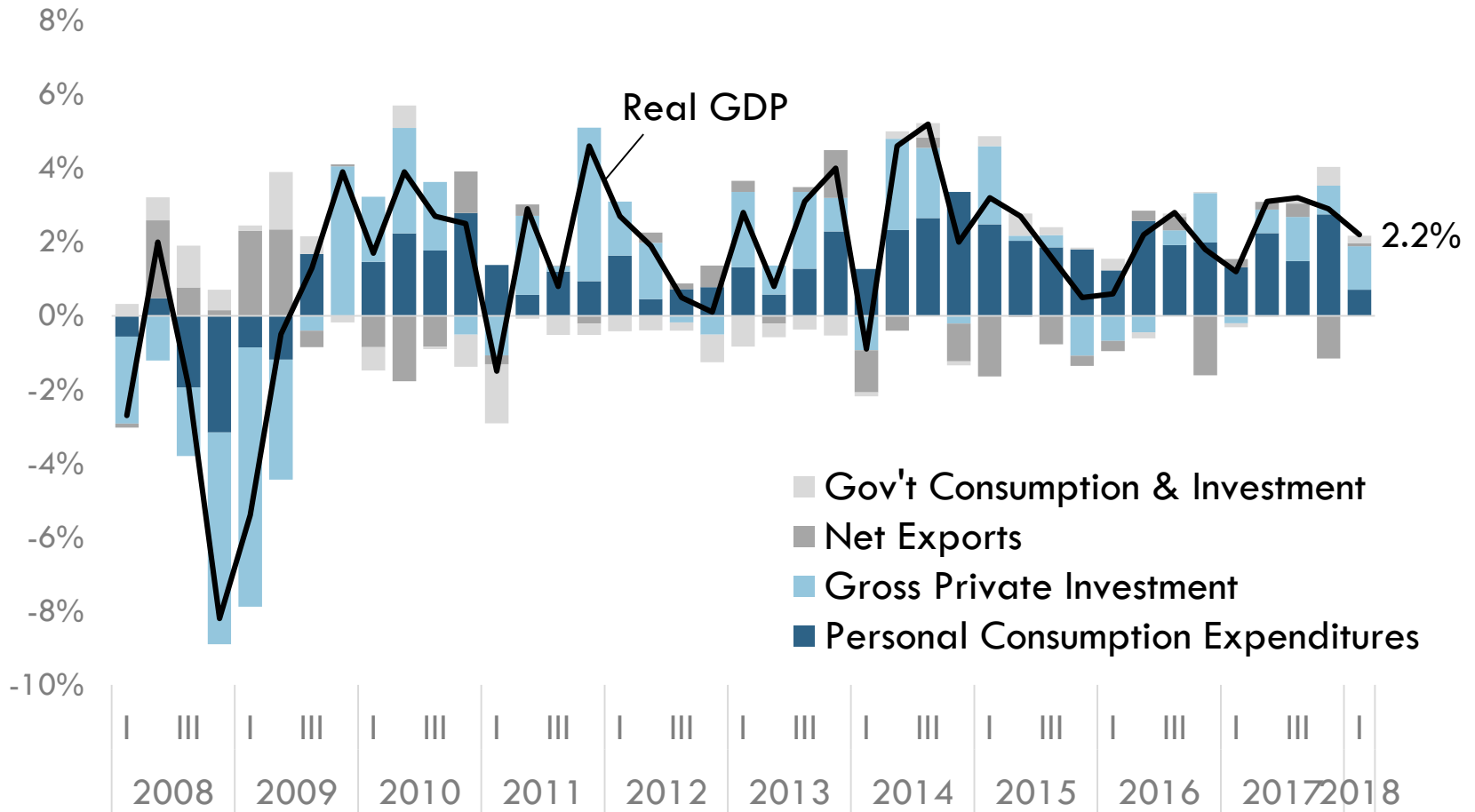
Economic & Revenue Forecast

Presentation to the Joint Budget Committee

June 20, 2018

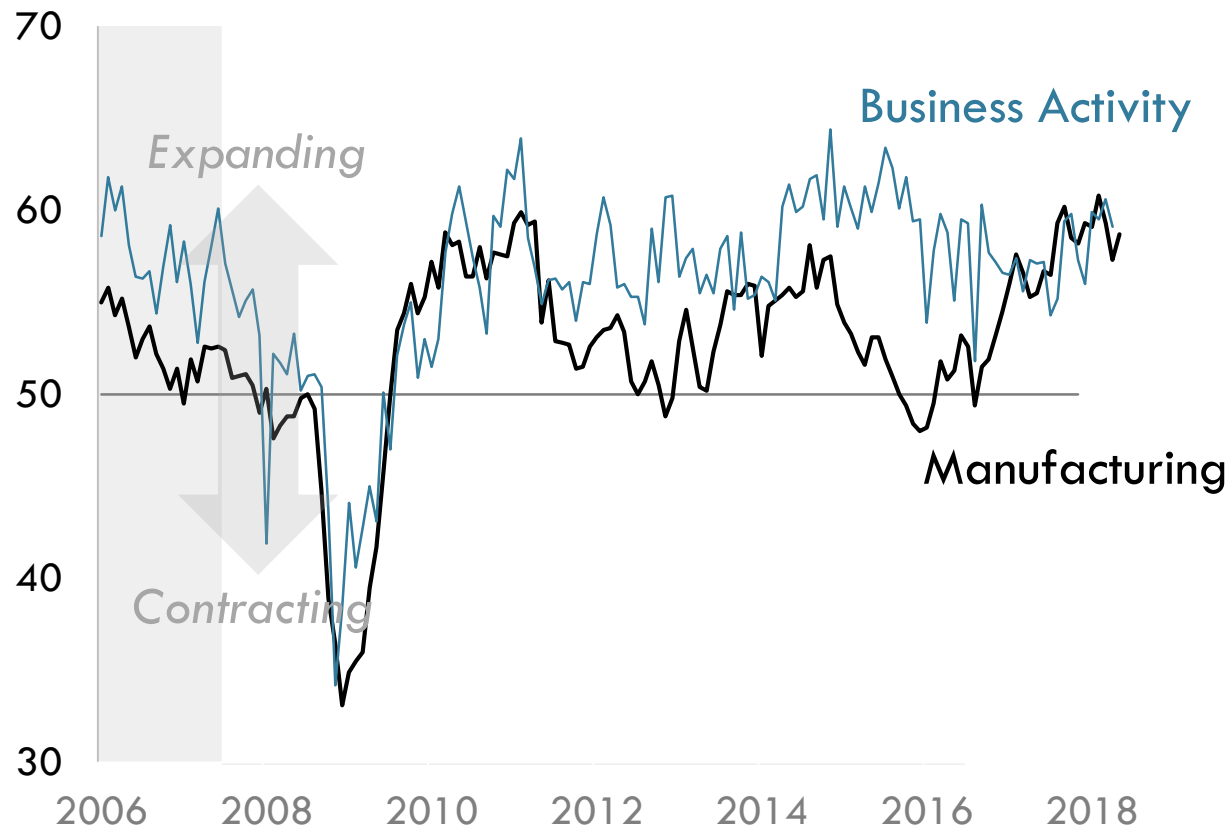
This economic expansion may become the longest ever

Contributions to Real Gross Domestic Product (GDP)



Business activity has not slowed

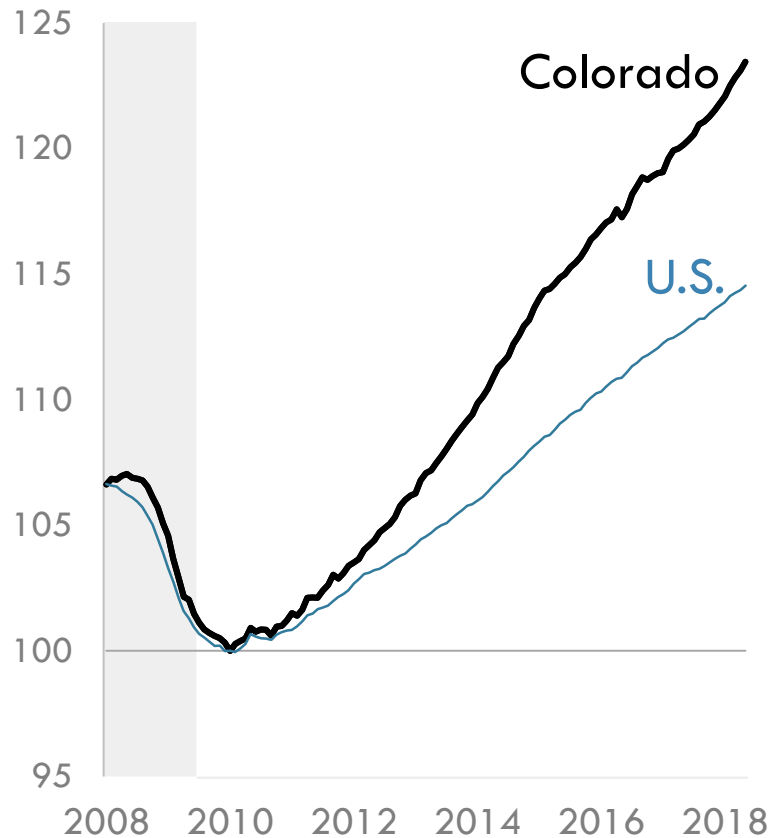
Institute for Supply Management Indices
Diffusion Index



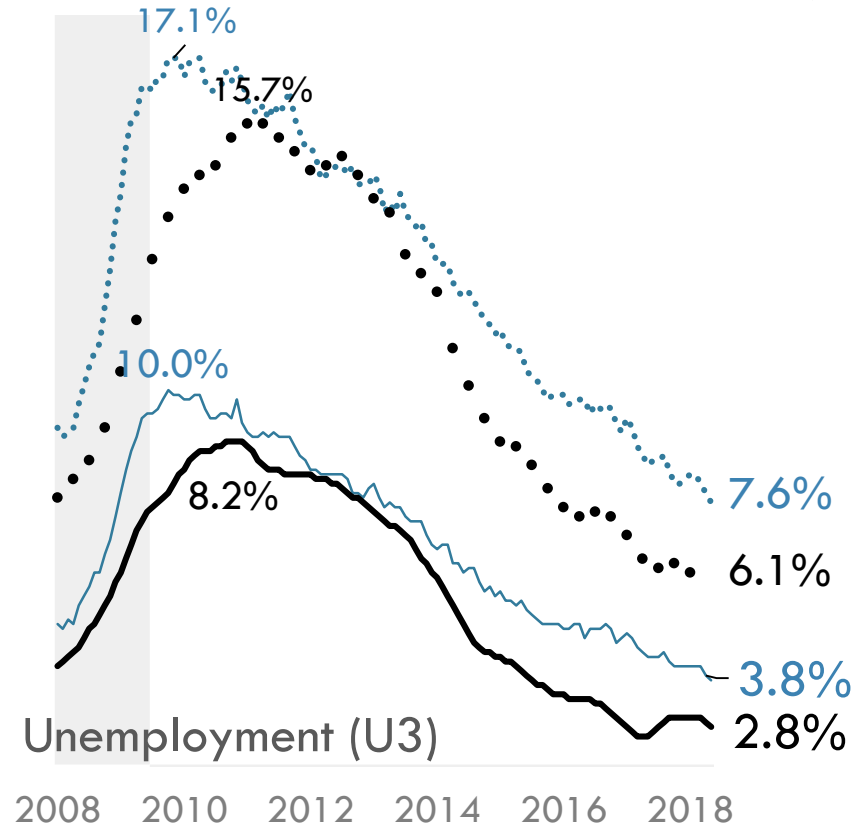
Labor markets are tight...

Total Nonfarm Employment

Index 100 = January 2010

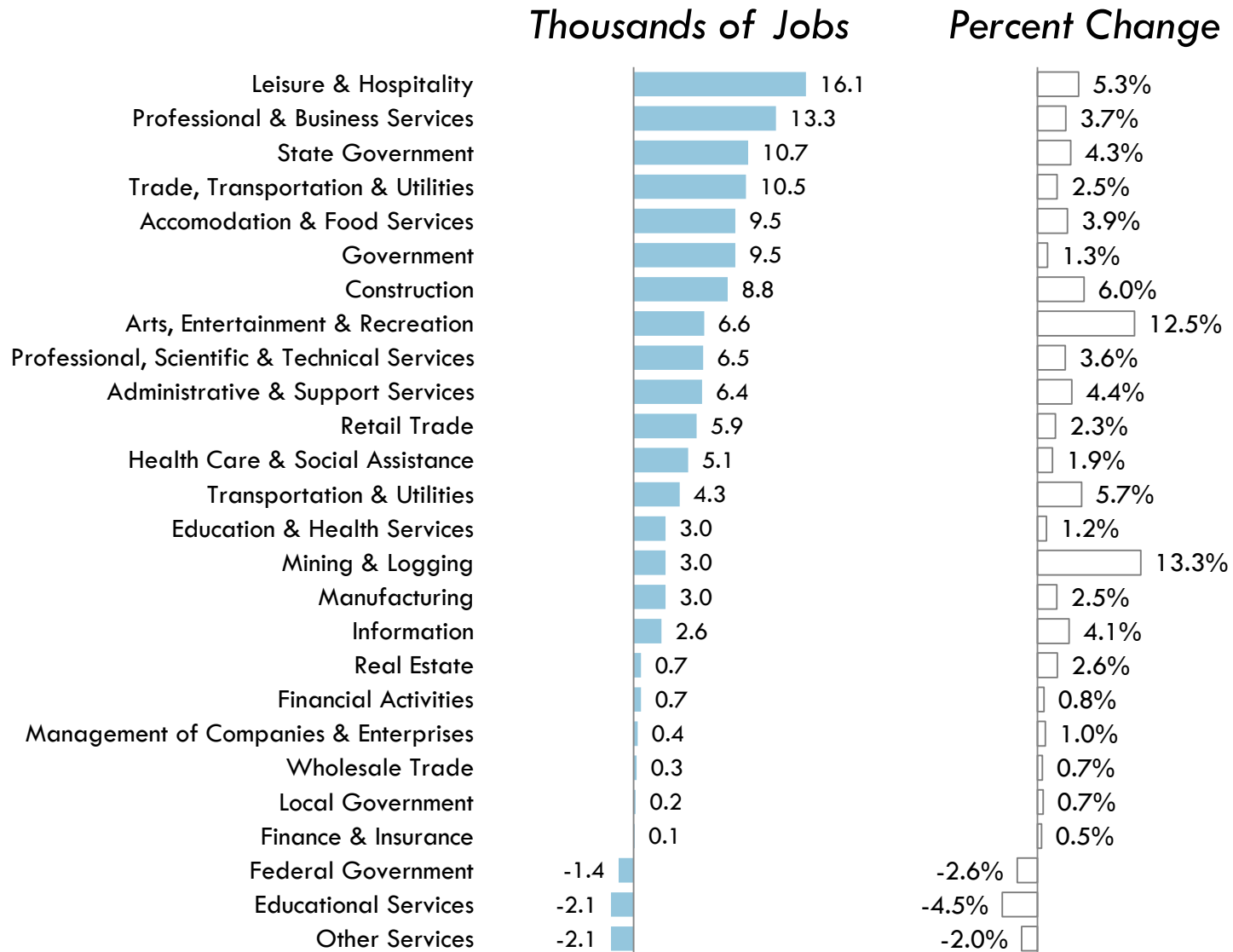


Underemployment (U6)



...but firms continue to demand workers

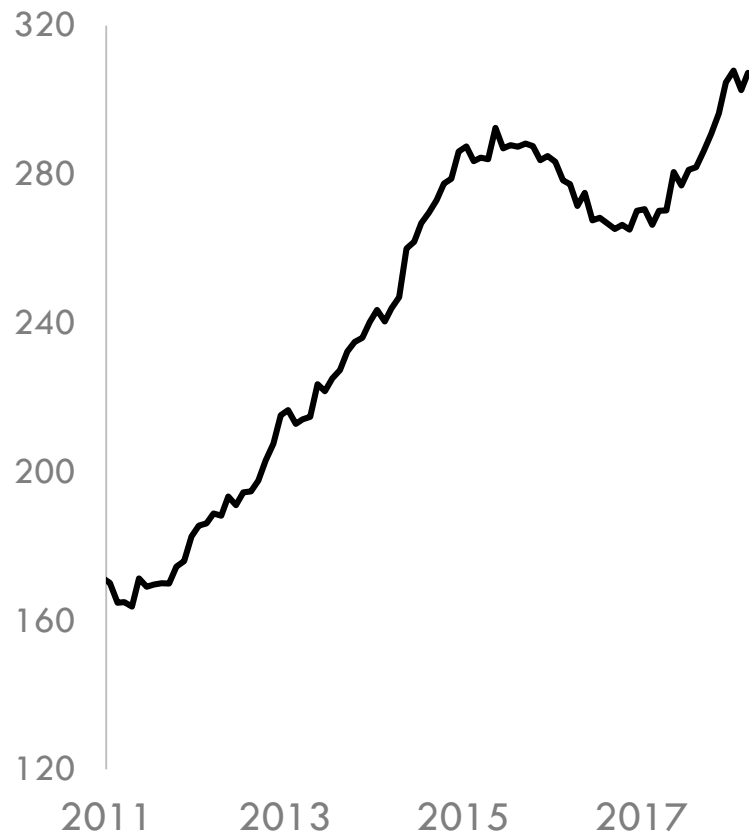
Year-over-Year Colorado Nonfarm Employment Change in May 2018



Energy industry conditions have improved

U.S. Crude Oil Production

Millions of Barrels per Month

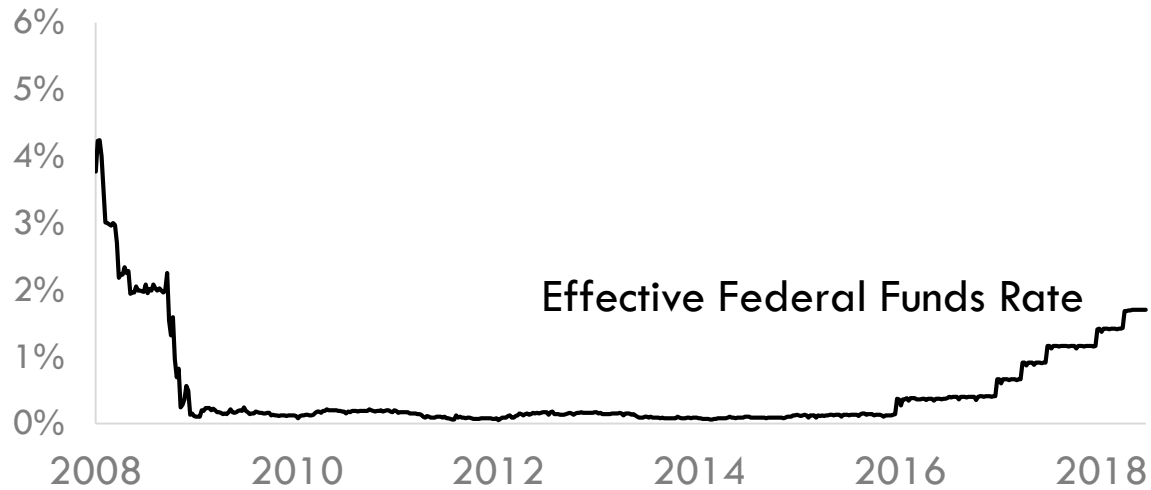


U.S. Crude Oil Stocks

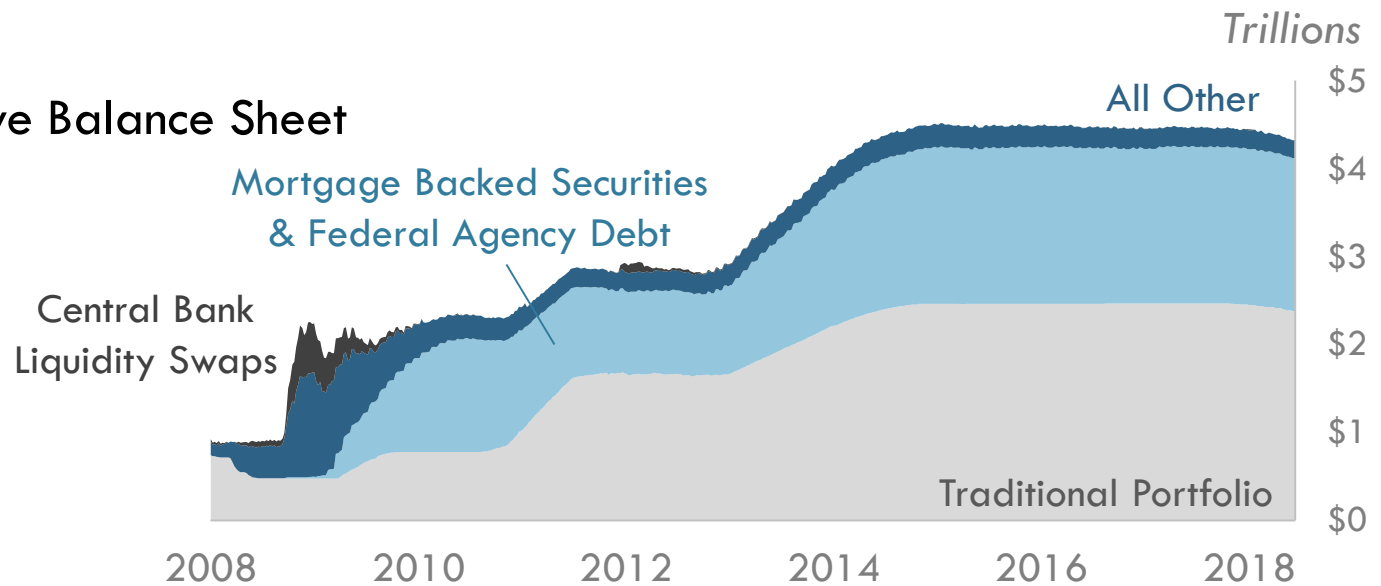
Billions of Barrels



The Fed is beginning to apply the brakes



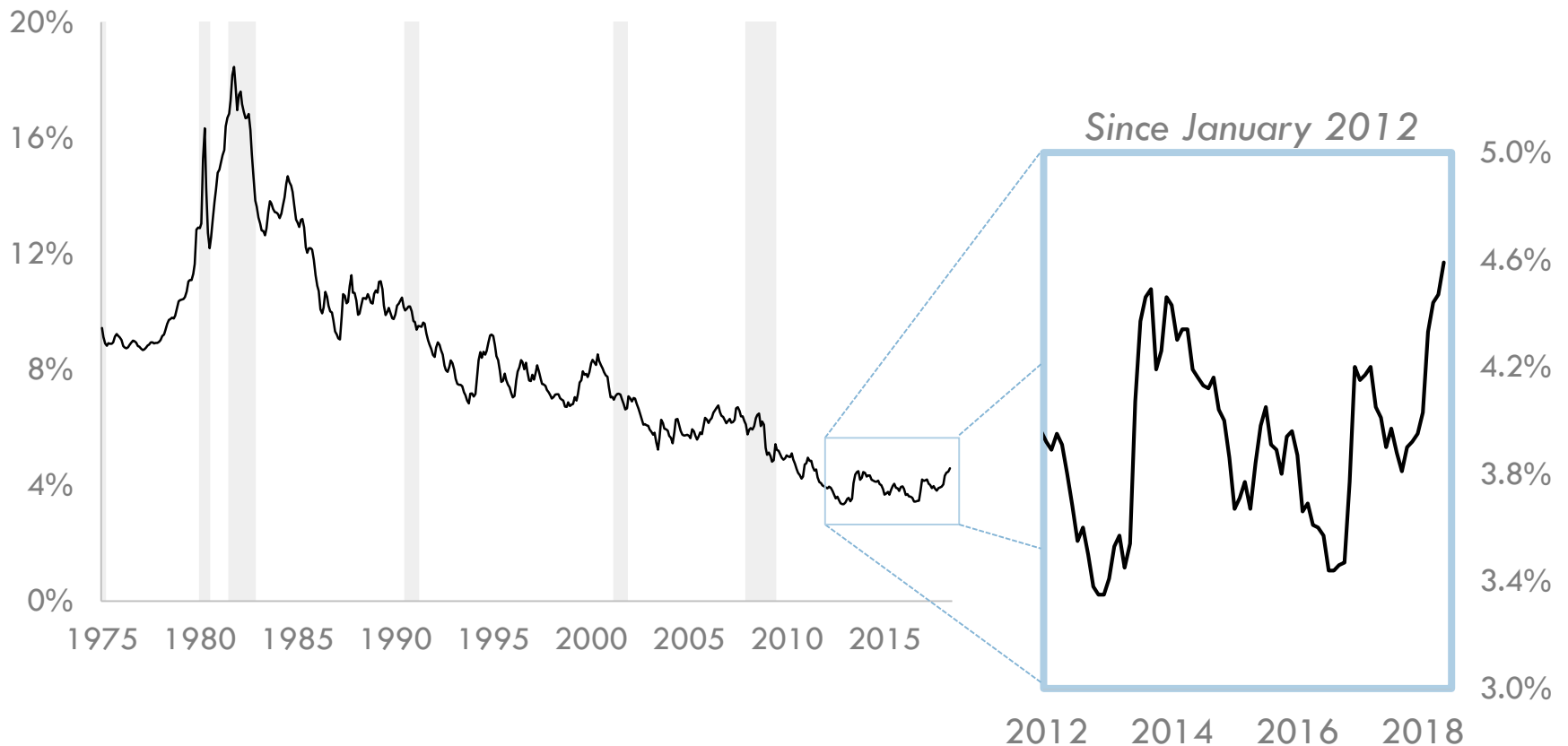
Federal Reserve Balance Sheet



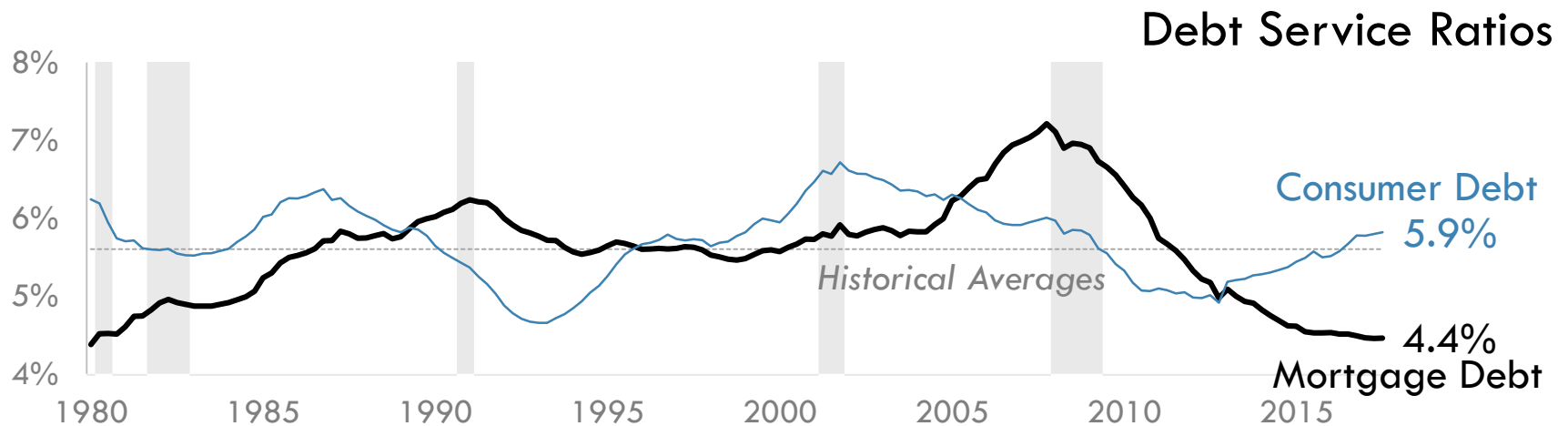
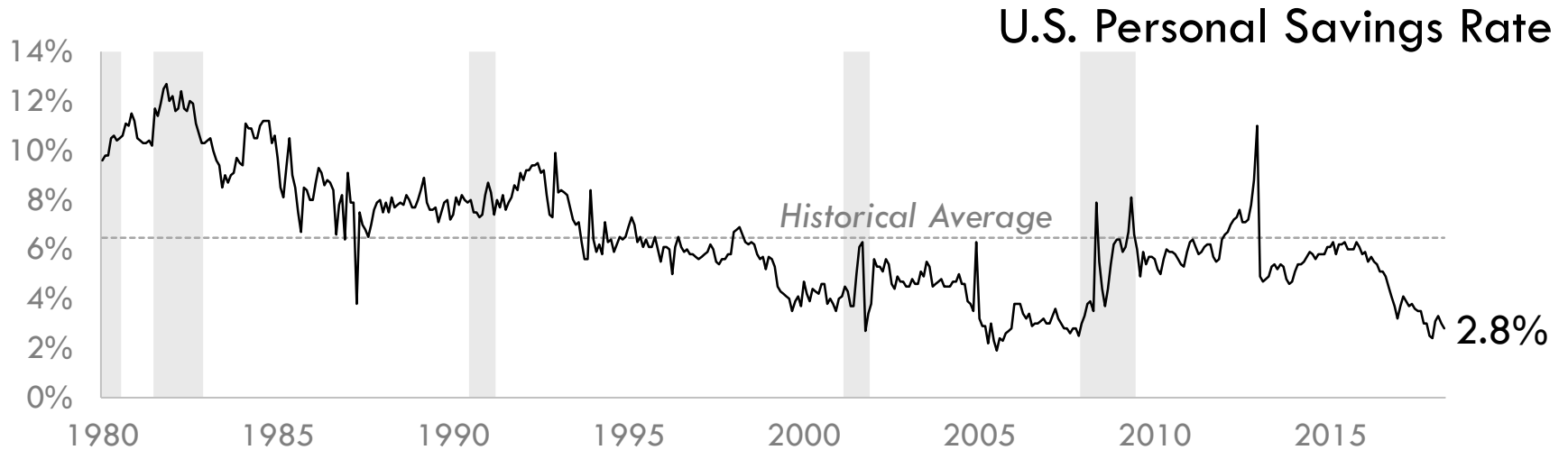
Rate hikes are already apparent in the housing market

U.S. 30-Year Fixed Mortgage Rate

History since 1975

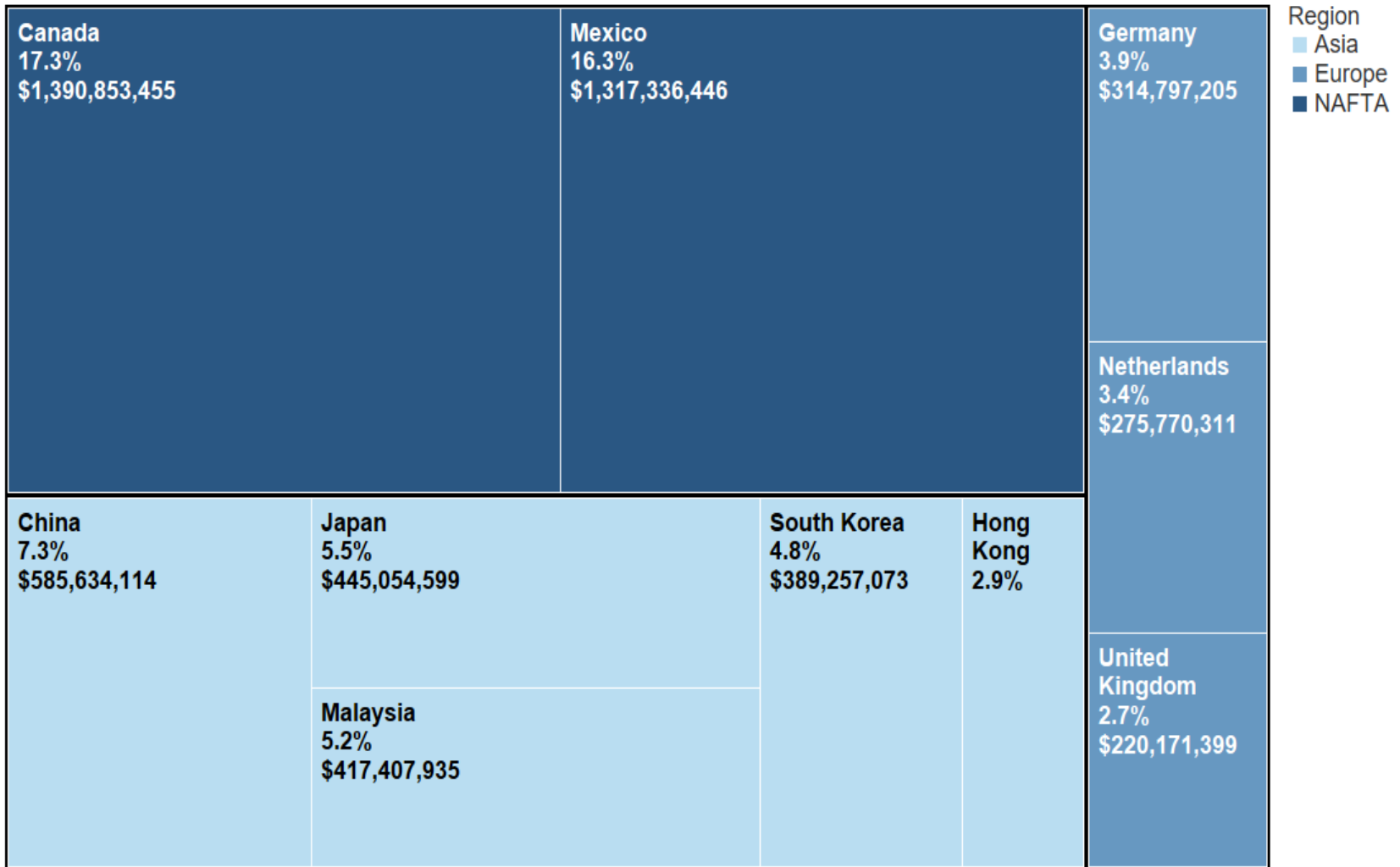


...but they have yet to shape household behavior



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



General Fund Budget Situation

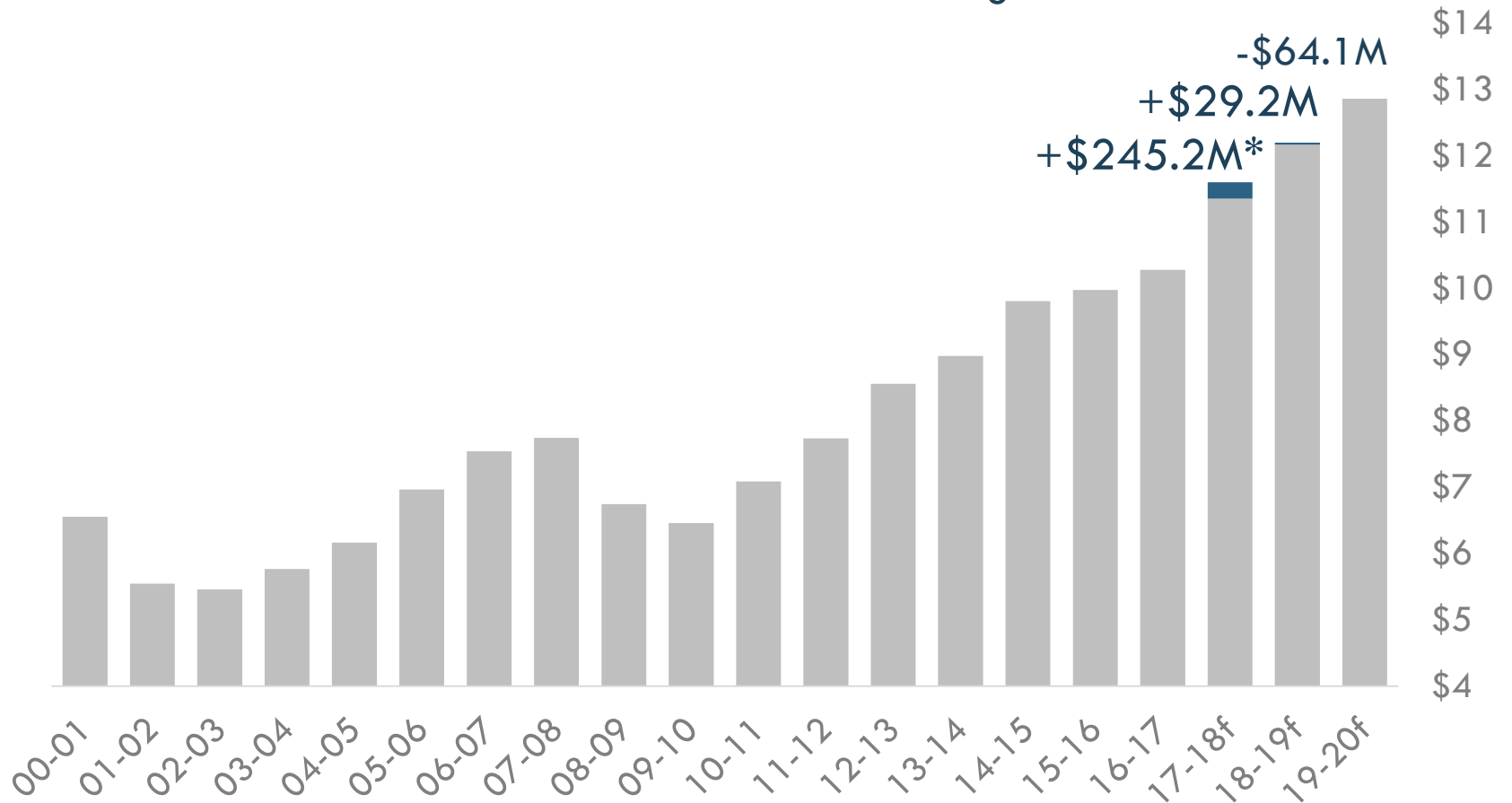


The forecast for FY 2017-18 and FY 2018-19 was revised upward on higher expectations for corporate income tax collections

Gross General Fund Revenue

Billions of Dollars

Change Relative to March

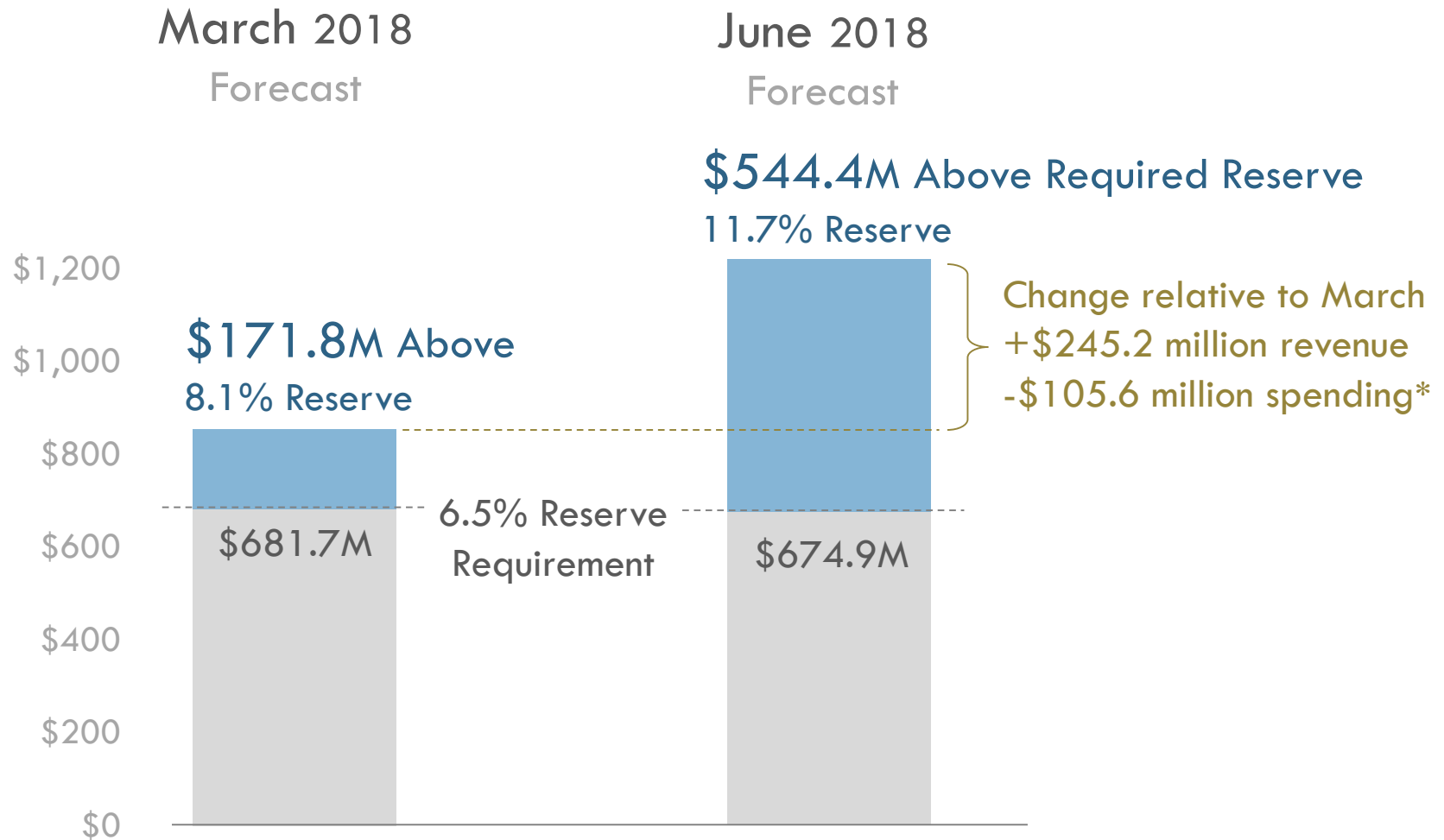


Source: Colorado Office of the State Controller and Legislative Council Staff June 2018 forecast.

*Includes a one-time \$110.7 million Tobacco Master Settlement Agreement payment.

Current Year | FY 2017-18 General Fund Reserve

Millions of Dollars

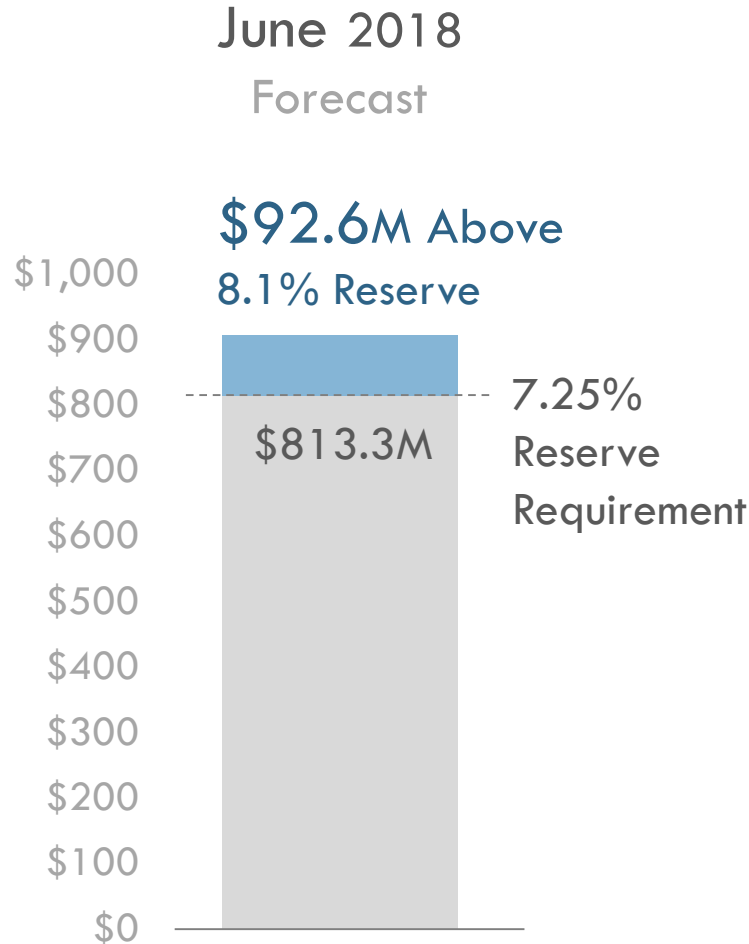


Source: Legislative Council Staff forecasts based on current law.

*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



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

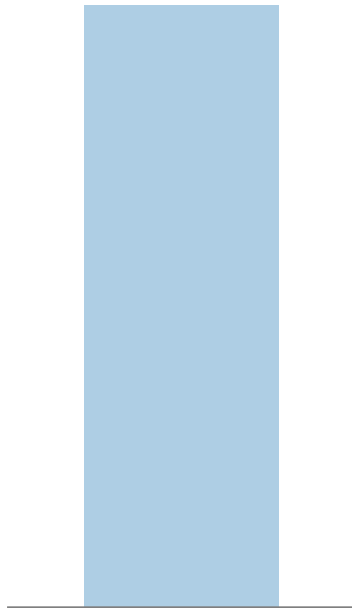
Source: Legislative Council Staff forecasts based on current law.

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*

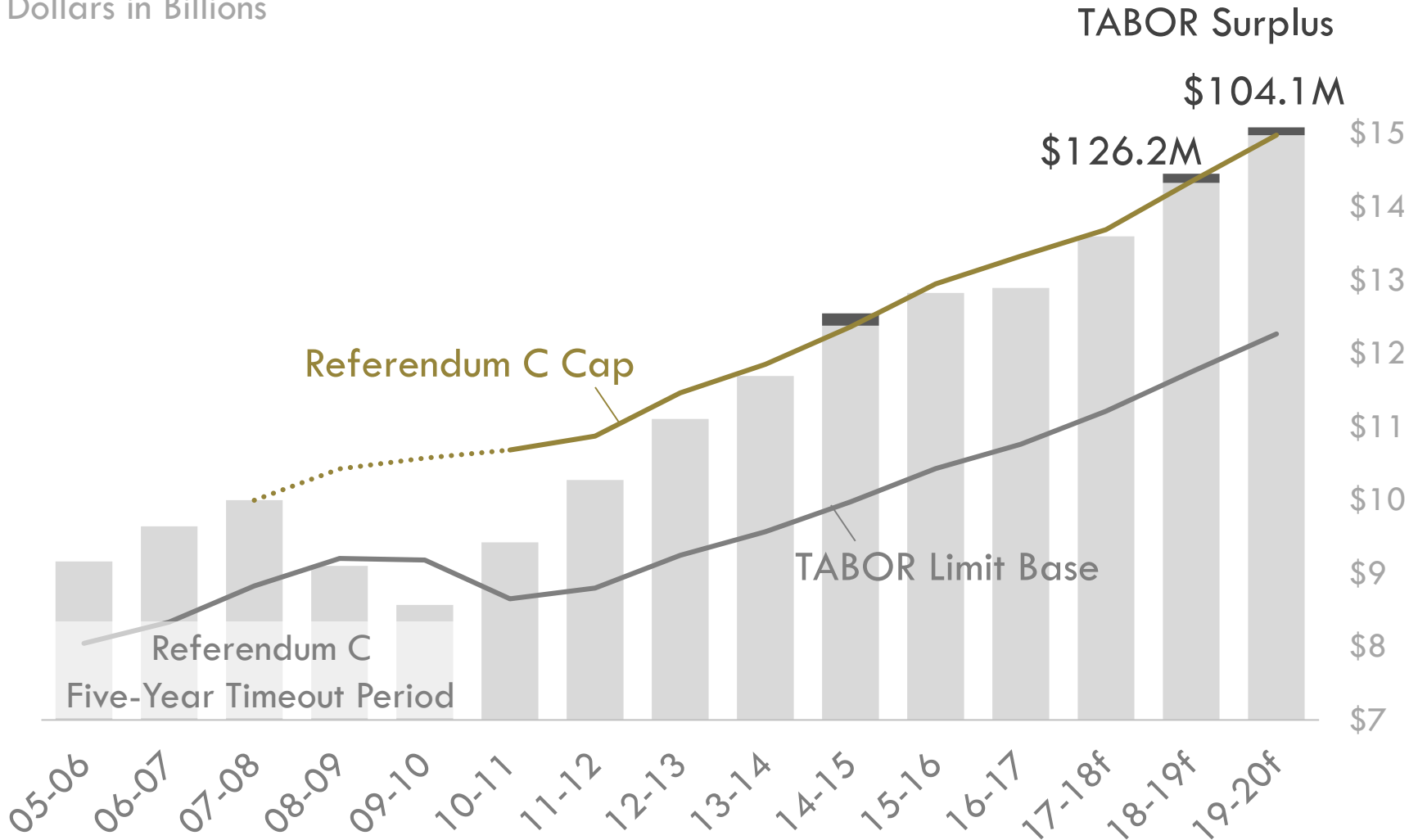


*Reflects revenue expectations and transfers required under current law for FY 2019-20. Since a budget has not yet been set for FY 2019-20, this amount assumes FY 2018-19 appropriations and reserve requirements. Any changes to current law, including FY 2018-19 appropriations, will result in changes to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

TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions



TABOR Refund Budget Impacts

General Fund
Set-Asides...

...go toward reimbursements to local governments for property tax exemptions in the next fiscal year*

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?

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