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STATE OF COLORADO

Governor's Office of State Planning and Budgeting

COLORADO ECONOMIC AND FISCAL OUTLOOK

COLORADO
Governor Jared Polis

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Forecast in Brief

NATIONAL ECONOMIC OUTLOOK

The U.S. economy is poised to rebound sharply in 2021, with GDP likely to grow at its fastest pace in decades. Business applications are growing, even in the most affected sectors, and aggregate job openings continue to outpace hirings due to labor supply constraints. Meanwhile aggregate household finances are strong overall, with wage growth supporting high savings and low debt, underpinned by a healthy housing market and accommodative financial conditions. Current high inflation is primarily due to supply chain disruptions and reopening sectors and is expected to subside, but persistent higher inflation remains a risk.

COLORADO ECONOMIC OUTLOOK

Colorado's labor force participation rate has returned to pre-pandemic levels, partially driving a slower recovery for the unemployment rate. While the state is benefiting from a return to domestic travel, downtown areas may lag as businesses allow more remote work and business travel returns slowly.

GENERAL FUND REVENUE

General Fund revenue is projected to increase by 12.1 percent in FY 2020-21 followed by 4.1 percent in FY 2021-22 and 4.2 percent in FY 2022-23. The forecast is revised upwards from March by a total of $3.7 billion between FY 2020-21 and FY 2022-23. This is due to higher than anticipated collections in recent months across all major revenue sources and stronger economic expectations, as vaccine distribution and high consumer spending fuel business activity.

CASH FUND REVENUE

Total cash fund revenue subject to TABOR was $2.3 billion in FY 2020-21, an increase of 2.1 percent from the prior fiscal year. In FY 2021-22, cash fund revenue is projected to increase by 9.2 percent followed by 5.7 percent growth in FY 2022-23.

TABOR

Revenue subject to TABOR is expected to exceed the voter-approved Referendum C cap (as restored by SB21-260) in each of the next 3 fiscal years. In FY 2020-21, revenue subject to TABOR is expected to exceed the cap by $696.6 million. In FY 2021-22 and FY 2022-23, revenue is projected to exceed the cap by $1,012.1 million and $1,133.6 million respectively. The temporary income tax rate reduction (from 4.55% to 4.50%) is expected to be triggered each year.

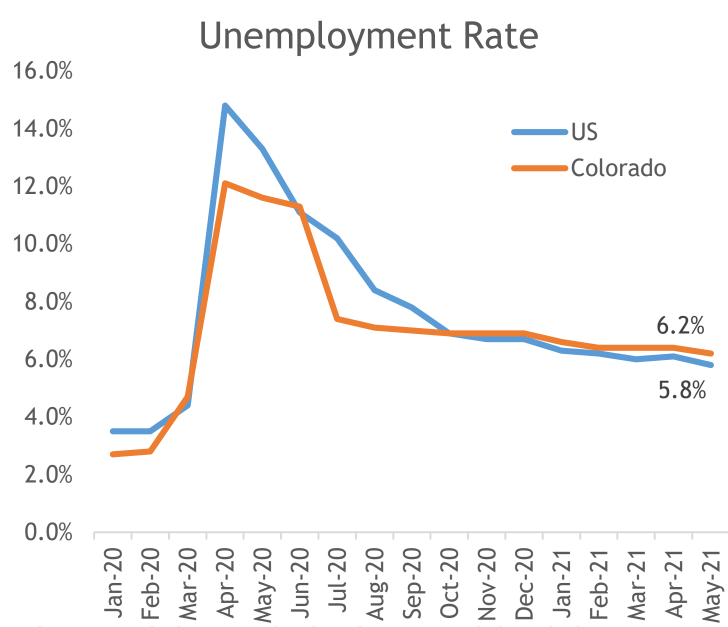
GENERAL FUND RESERVE

With these updated projections, the General Fund reserve is now projected to be $1.76 billion above the statutory reserve amount of 13.4 percent of appropriations in FY 2022 after accounting for legislation passed in the 2021 legislative session.

Economic Outlook

Colorado's economic recovery from the pandemic recession continues to look more optimistic, mirroring nationwide growth. However, across the U.S., labor supply has constrained greater improvements in the job market, with openings continuing to outpace hiring. Business applications are growing, even in the most affected sectors, and aggregate job openings are strong relative to the labor market recovery thus far. Furthermore, household finances are strong overall, with wage growth supporting high savings and low debt, underpinned by a healthy housing market and accommodative financial conditions. Higher wages, though, and price increases fueled by pent up demand along with supply chain disruptions are contributing to higher inflation in the coming year before returning to a more typical range. Consumer demand has showed signs of strength across sectors, with retail and goods consumption remaining high, while signs of life are emerging in service industries. Further, housing demand continues to outpace supply, leading to rising prices and concerns over affordability.

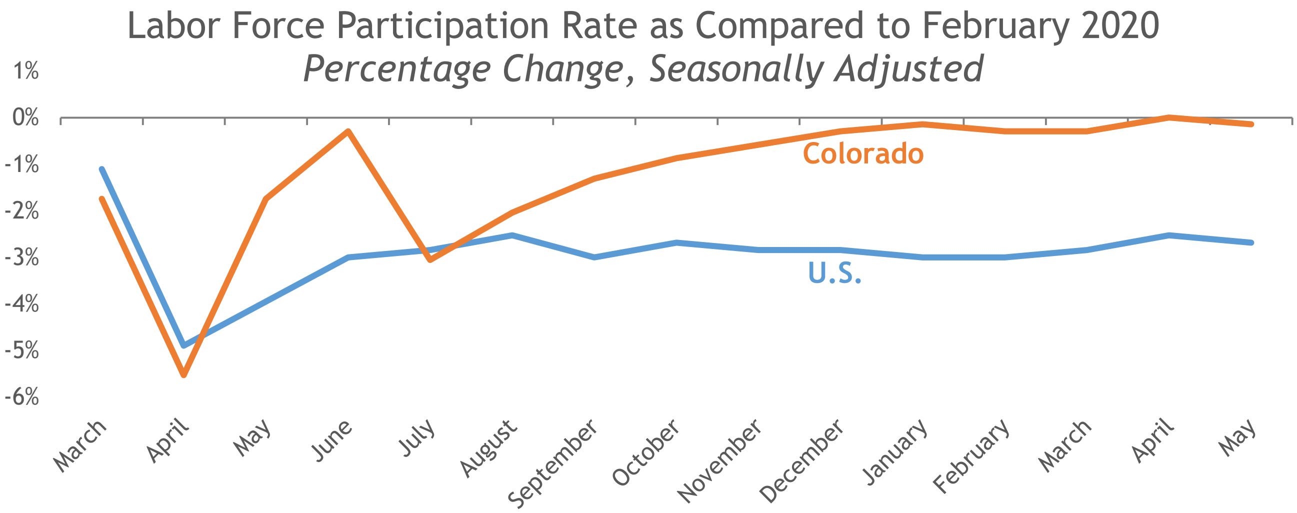
Employment



Source: U.S. Bureau of Labor Statistics; Colorado Department

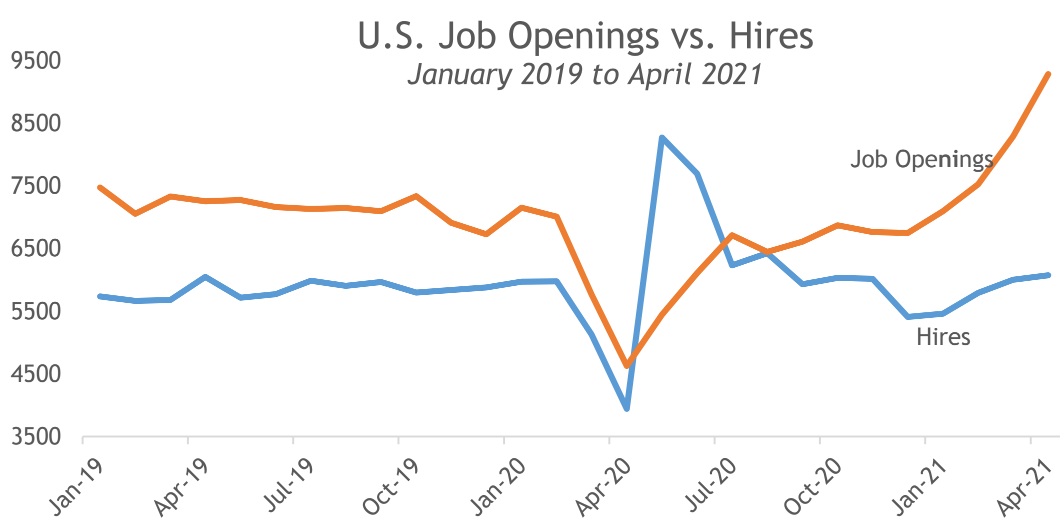
Prior to the pandemic, the Colorado unemployment rate stood at 2.5 percent, 1.1 percentage points lower than the U.S. unemployment rate of 3.6 percent. Despite the relatively high number of workers in industries hard hit by the pandemic such as leisure and hospitality and oil and gas, the Colorado unemployment rate also had a lower April 2020 peak than that of the U.S. as a whole. However, since Colorado's initial unemployment recovery last summer, the U.S. unemployment rate has declined at a faster rate than Colorado's. As of May 2021, the Colorado rate has declined to 6.2 percent as compared to a U.S. rate of 5.8 percent in May. Despite trending behind the national unemployment rate, the graph below shows that Colorado labor force participation (those looking for work plus those that are employed) recovered to pre-pandemic levels of 68.7 percent in April 2021 and remains at 68.6

percent in May while national labor force participation is down to 61.6 percent (May 2021), compared to a pre-pandemic level of 63.3 percent.[1] If Colorado's labor force participation remains steady at the achieved pre-pandemic levels, continued hirings will begin to reduce the state's unemployment rate more quickly than the national rate.



Source: U.S. Bureau of Labor Statistics.

The relationship between labor supply and labor demand is another topic of considerable interest, as labor supply currently exceeds labor demand across the economy. One simple way of looking at this relationship is by comparing the level of job openings to the level of hires in the economy, as shown in the graph below.

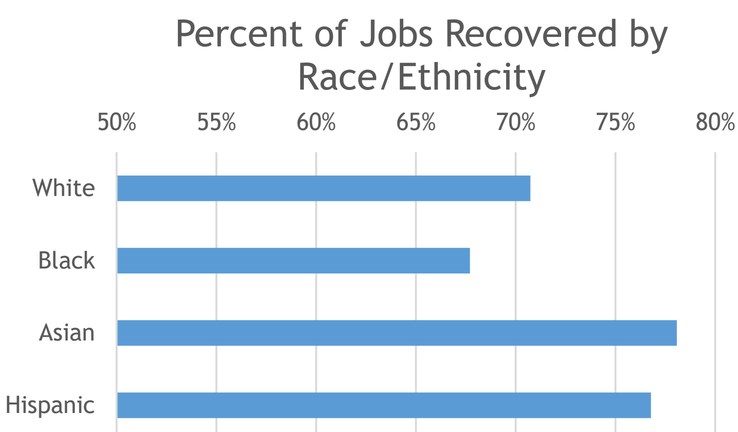


Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS).

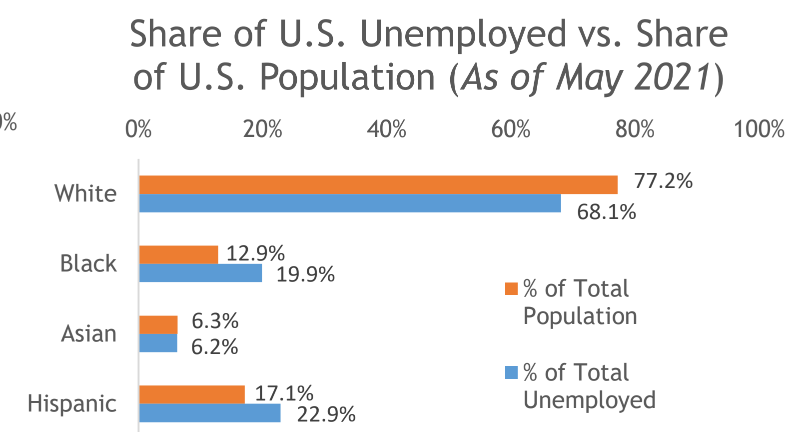
[1] U.S. Bureau of Labor Statistics; Colorado Department of Labor and Employment.

Prior to the pandemic, openings for jobs across the economy outpaced the number of people being hired for those jobs. However, during the height of the pandemic, this relationship flipped and slack developed in the labor market, as mass layoffs in hard-hit industries created an abundance of workers looking for jobs while lack of business confidence and consumer demand vastly decreased the number of openings. Between May 2020 and July 2020, hiring accelerated as many temporarily laid-off workers came back to work. Job openings have yet again begun to outpace the number of hires. Notably, as demonstrated by the graph above, the gap between job openings and hires has grown past the gap seen prior to the pandemic despite a relatively high unemployment rate that persists. This gap is likely due to some combination of the following factors: (1) skill mismatch between available jobs and job searchers' qualifications, (2) continued worker health concerns surrounding COVID-19, (3) ongoing issues such as lack of childcare exacerbated by the pandemic, and (4) relatively high pandemic unemployment benefits. While there is no state level data on these statistics, it is likely that Colorado is seeing less of an imbalance than that experienced nationally due to a relatively higher labor force participation rate. The result of the labor supply and demand imbalance is that it is difficult for employers to hire workers despite the high unemployment rate.

Another focus of labor market dynamics has been on the disproportionate recovery by demographic group, sector, geography, among other characteristics. The charts below illustrate the percentage of jobs recovered by race/ethnicity and by gender.[2] Despite continued job gains month over month, no racial or ethnic subset represented in the graph below has recovered even 80 percent of those jobs lost as a result of the pandemic, though Asian and Hispanic Americans have recovered relatively more jobs than White or Black Americans. Moreover, there still exist significant disparities in unemployment between racial and ethnic groups, as evidenced by the graph below on the right showing share of population vs. share of unemployment by group.



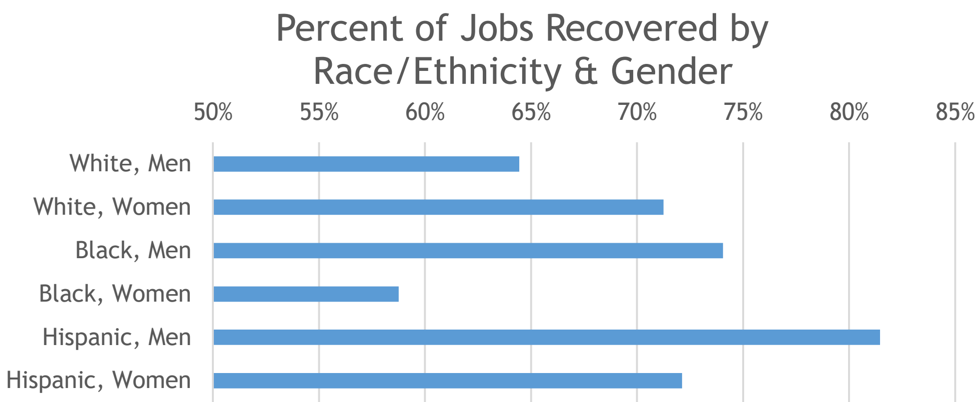
Source: U.S. Bureau of Labor Statistics, Current Population Statistics.



Source: U.S. Bureau of Labor Statistics, Current Population Statistics.

[2] Job Recovery is calculated as the number of total jobs regained by each group between April 2020 and May 2021 as compared to the number of total jobs lost by that group from February 2020 to April 2020.

In addition, it is noteworthy that while, overall, Black Americans have regained relatively fewer jobs than White, Asian, or Hispanic Americans, those sustained job losses have hit Black women particularly hard, as Black women have regained only 58.8 percent of the jobs lost over the course of the pandemic. Notably, Black men have actually regained relatively more jobs lost during the pandemic than nearly all of the other race and gender sub-groups, with the exception of Hispanic men, who have also regained a relatively higher percentage of jobs lost over the course of the pandemic.



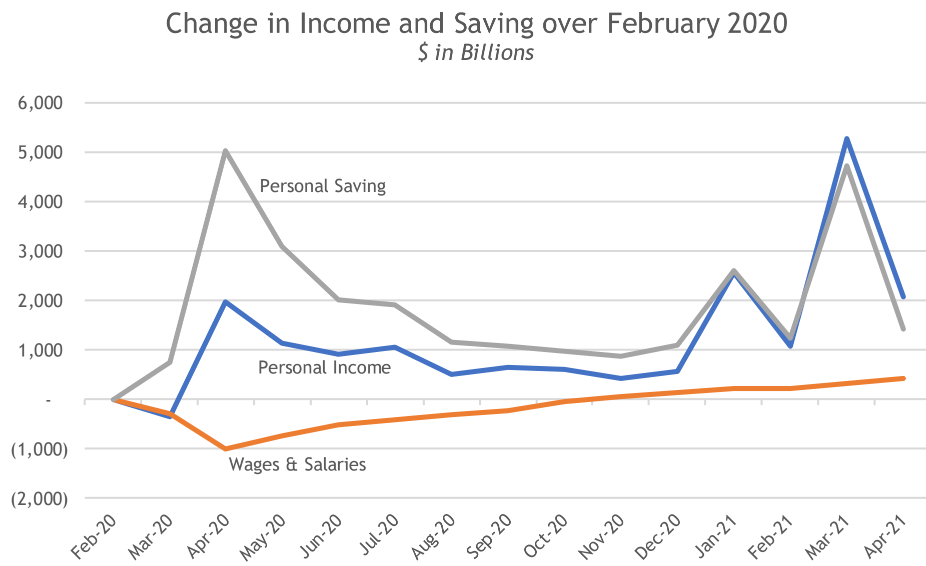
Source: U.S. Bureau of Labor Statistics, Current Population Statistics.

Household Finances

Personal income remains at elevated levels thanks to continuing growth in wages and salaries and large infusions of federal assistance (e.g., stimulus checks and enhanced unemployment benefits). Personal income spiked sharply in January and especially in March due to the distribution of federal stimulus checks.

Wages and salaries are the largest component of personal income, and they have steadily risen since the low point at the start of the pandemic. Wages and salaries grew by 2.1 percent between 2020 Q4 and 2021 Q1. This substantially outpaces the 0.8 percent compound quarterly growth observed between 2010 and 2019.

Personal saving, the difference between personal income and spending, also remains at elevated levels. Personal saving spiked in March, reaching a seasonally adjusted annual rate of $4.7 trillion, coinciding with the distribution of stimulus checks, and then falling back to $1.4 trillion in April. Since the start of the pandemic, consumers have accumulated $2 trillion in savings above pre-pandemic levels. Other major components of personal income include interest and dividends and proprietors' income (income earned by unincorporated businesses), and these categories are close to their pre-pandemic levels.

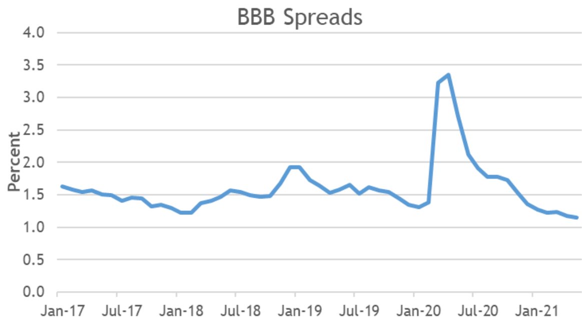


Source: U.S. Bureau of Labor Statistics; Colorado Department of Labor and Employment.

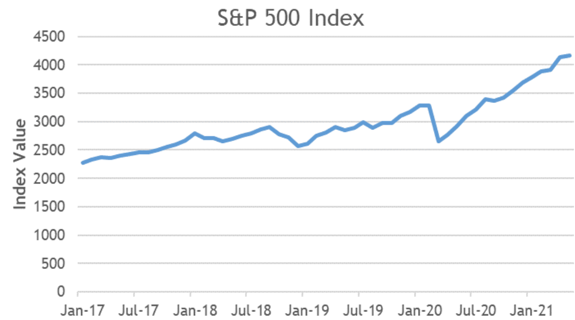
Household finances are also being bolstered by strong growth in asset values, largely reflecting the rising values of real estate and stock portfolios. Net worth, the difference between assets and liabilities, rose 10.3 percent between 2019Q4 and 2020Q4, despite the economic slowdown caused by the pandemic. Since 2010, growth has exceeded this pace only twice, according to data from the Federal Reserve.

Financial Conditions

Financial conditions are currently quite favorable, providing fertile ground for economic growth in the coming year as they encourage borrowing and spending by businesses and individuals alike. Since the height of the pandemic recession last spring, financial risks have lowered and market optimism has replaced fear. A financial indicator that illustrates lower risks is corporate bond spreads, as lower yields relative to Treasury bonds indicate the expectation of a lower risk of defaults. Additionally, market optimism is evident by looking at widespread equity gains, which generally are determined by forward looking economic performance and corporate earnings. As seen below, current corporate spreads for riskier investment grade bonds are lower than they were in the years leading up to the recession, while equity indices continue to achieve record levels.



Source: Federal Reserve Economic Data



Source: Federal Reserve Economic Data

Signed into law on March 11th, the American Rescue Plan (ARP) is a major contributing factor providing continued advantageous financial conditions for a strong recovery going forward by either directly providing aid to citizens, supporting businesses, or instituting COVID related relief. Colorado is receiving approximately $27 billion in funds from ARP, which is nearly 8% of the state's annual GDP.

The ARP's individual assistance reduced the likelihood of citizens defaulting on their loans, creating a lower-risk credit environment. Because of this, financiers did not need to raise their lending rates to cover additional risk, contributing to better financial conditions and a robust economic recovery. Some of the funding going directly to individuals, like unemployment benefits and stimulus checks, was dispersed quickly and has already boosted income and spending in the first quarter of 2021, inspiring optimism. Other relief is now emerging to provide continued support, such as child tax credits, which are expected to begin in July. Also, ARP funds have aided businesses that experienced significant losses during the pandemic recession, through Paycheck Protection Program (PPP) loan access and Economic Injury Disaster Loans (EIDL). The effect of such programs has lowered risks of closure, layoffs, or the inability to fulfill contractual obligations, while simultaneously shaping market optimism. Finally, ARP provided funds to support states' budgetary losses, thus stabilizing the credit quality of the public finance sector at a crucial juncture.

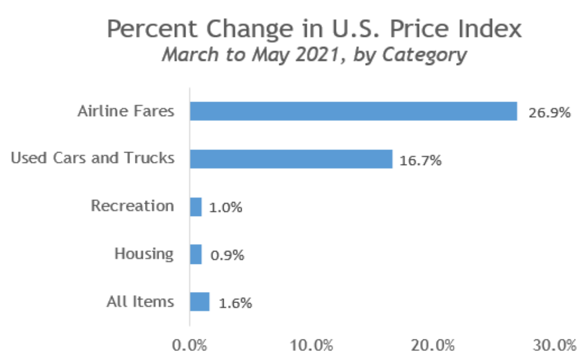
Estimated American Rescue Plan's Impact on Colorado

Target	Program	Funding (in $B)
Aid to Individuals	Stimulus checks	$7.19
	Unemployment Benefits	$2.41
	Child Tax Credit	$1.98
	Housing/Rental/Utility Assistance	$0.49
	Child Care	$0.48
	Additional Programs covering health, nutrition, etc.	Vary
Aid to Businesses	Program	Funding (in $B)
	Paycheck Protection Program (PPP)	$0.95
	Restaurant Revitilization Program/Shuttered Venues	$0.42
	Economic Injury Disaster Loan (EIDL) funding	$0.26
	Business New Hire/Retention Tax Credit	$0.19
COVID Related Relief	Program	Funding (in $B)
	National vaccination program, COVID testing	$0.48
	State and Local Governments	$6.19
	Education, mostly public K-12 Schools	$1.70

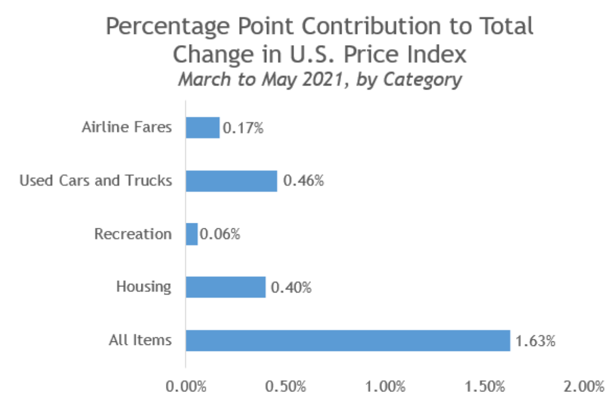
The expansionary fiscal action detailed here combined with loose monetary policy undoubtedly provide a foundation for resurgent growth in the short term. Additionally, given that the ARP's state funds can be spent until December 2024, there is the opportunity to reshape the economy and sustain that recovery for longer. Possible risks have emerged as a result of the record level of government support for improved financial conditions, including concerns over inflation expectations. Also, in the longer term, more accommodative policy for growth does pose risks, including potentially inflating asset price bubbles and tempting borrowers to take on too much debt.

Inflation

Since the Great Recession and recovery, inflation has remained subdued, with annual inflation rarely growing by more than two percent per year. As the economy recovers from the pandemic, one risk is that current levels of high inflation will persist and adversely impact the economic recovery. While it is unclear exactly what factors would drive longer-term, persistent inflation, current high inflation is largely explained by two primary factors: (1) pent-up demand and (2) supply chain disruptions. Pent-up demand largely stems from increased savings rates as a result of reduced opportunities to spend on services throughout the course of the pandemic and increased transfer payments to individuals, for example through stimulus checks and unemployment payments. These "above-trend savings," as described above in the section on household finances, amount to more than $2 trillion.



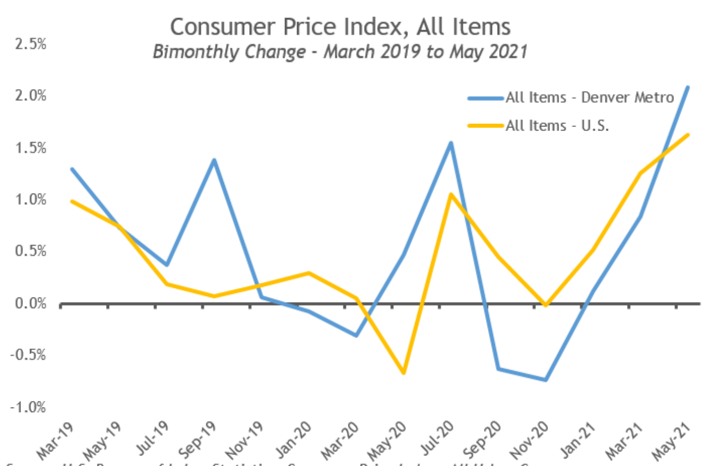
Source: U.S. Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers.



Source: U.S. Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers.

On the supply side, continued production shortages abroad and congestion of major shipping ports resulting from COVID-19 backlogs and other factors have constrained access to crucial inputs such as semiconductors, thus constraining the supply of finished products including cars and trucks in the U.S.

The graph above on the left shows total inflation across the U.S. from March to May and highlights some of the key components of the above-expectation increase in CPI. Notably, the prices increased 1.6 percent over the course of two months. Each month came in at monthly price increases not seen since June 2009 and well above expectations. Two of the categories with the highest increases were (1) airline fares at 26.9 percent and (2) used cars and trucks, at 16.7 percent. Each of these stems directly from the pent-up demand or constrained supply discussed above, namely: (1) the uptick in travel after over a year of relatively few flights and (2) supply shortages of microchips lowering new car inventory and sending used car prices upward. In addition, recreation was up 1.0 percent from March to May and is representative of pent-up demand for leisure activities. While each of these categories is relatively small as a portion of the broader basket of goods and services, these three categories (used cars and trucks, airline fares, and recreation) accounted for approximately 0.69 percentage points of the 1.63 percentage point total price increase from March to May. In addition to these increases that are likely more transitory in nature, housing costs[3] also saw a 0.9 percent increase from March to May, a figure that is potentially longer term in nature due to more structural demand issues and relatively constrained supply. Housing costs, a much larger portion of the basket of goods and services, accounted for nearly 0.40 percentage points of the 1.63 percentage point total price jump from March to May. These contributions are shown in the graph above on the right.



Source: U.S. Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers.

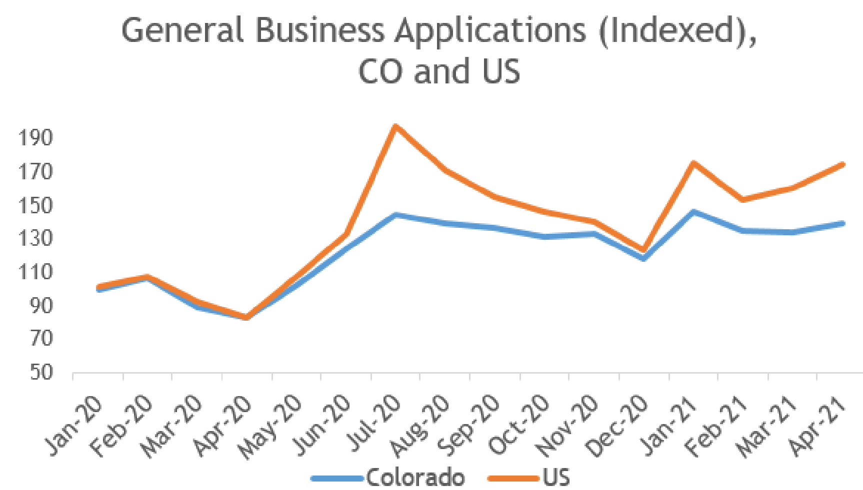
Though the insights from the April and May data validate some of the tenets of the current supply and demand hypotheses discussed above, there remains considerable uncertainty about the future of inflation in this economy. Accordingly, future months of data will be very informative as to the natural path of inflation going forward. Further, it must be noted that, if there is movement toward sustained inflation, the Federal Reserve will assert its monetary policy tools in an attempt to dampen the upward price pressures. In fact, in the June 16 Federal Open Market Committee meeting, the Federal Reserve announced that it would plan on an earlier timeline for increasing interest rates, now slated or 2023. Rising interest rates would have broad effects on the economy including borrowing costs for consumers to spend and businesses to expand, as well as impacting the historically low mortgage rates that have fueled rising real estate prices.

Small Business

Small business formation has continued to grow since the pandemic began. General business applications (most of which are from sole proprietors) have increased significantly since April 2020 in both Colorado and the US, although the national growth rate has surpassed the Colorado growth rate since then. High-propensity business applications – which are applications that are

[3] Note, CPI does not account directly for growth in for-sale home values, but tracks relatively closer to the price of rents.

more likely to lead to hiring – have also increased in Colorado, averaging 2,898 per month since April 2020, up from 2,434 per month during the previous twelve months.[4] At the same time, early national estimates based on payroll data suggest that businesses with less than 50 employees and 500 employees have been closing at rates *below* their 2015-2019 average since May 2020 and July 2020, respectively, although location-based estimates do show post-pandemic closure rates significantly above average in certain industries including personal care services, automotive repair and maintenance, and clothing stores.[5] Some of this is likely due to laid-off workers starting new businesses. The Kaufman Foundation estimates that 23 percent of new Colorado entrepreneurs in 2020 were unemployed and created their business by necessity rather than choice, the highest level since 2013 and significantly higher than the 18 percent average of the last two decades. [6]

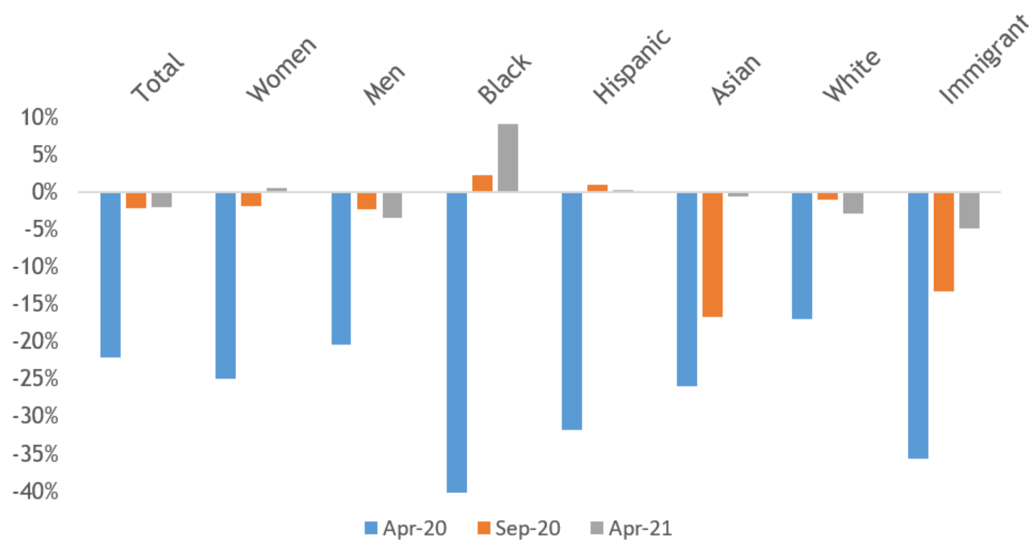


Source: US Census Bureau

However, this masks large differences between demographic groups and over time. While in May 2020, the estimated number of active business owners in the US (most of whom own small businesses) declined by 15 percent relative to February 2020, the decline was 11 percent for White entrepreneurs, 19 percent for Hispanics, 21 percent for Asians, 25 percent for immigrants, and 26 percent for Blacks. As of April 2021, however, many of these trends have reversed. The number of Black active business owners in particular has been on the rise since last summer, up 9 percent from February 2020 (compared a 2 percent reduction among all business owners).

[4] US Census Bureau Business Formation Statistics
[5] Crane, Leland D., Ryan A. Decker, Aaron Flaaen, Adrian Hamins-Puertolas, and Christopher Kurz (2021). \Business Exit During the COVID-19 Pandemic: Non- Traditional Measures in Historical Context," Finance and Economics Discussion Series 2020-089r1. Washington: Board of Governors of the Federal Reserve System, https://doi.org/10.17016/FEDS.2020.089r1.
[6] Kauffman Foundation Indicators of Entrepreneurship, https://indicators.kauffman.org/state/colorado

Percent Change in Number of Active Business Owners of Various Demographics *Relative to February 2020*, US

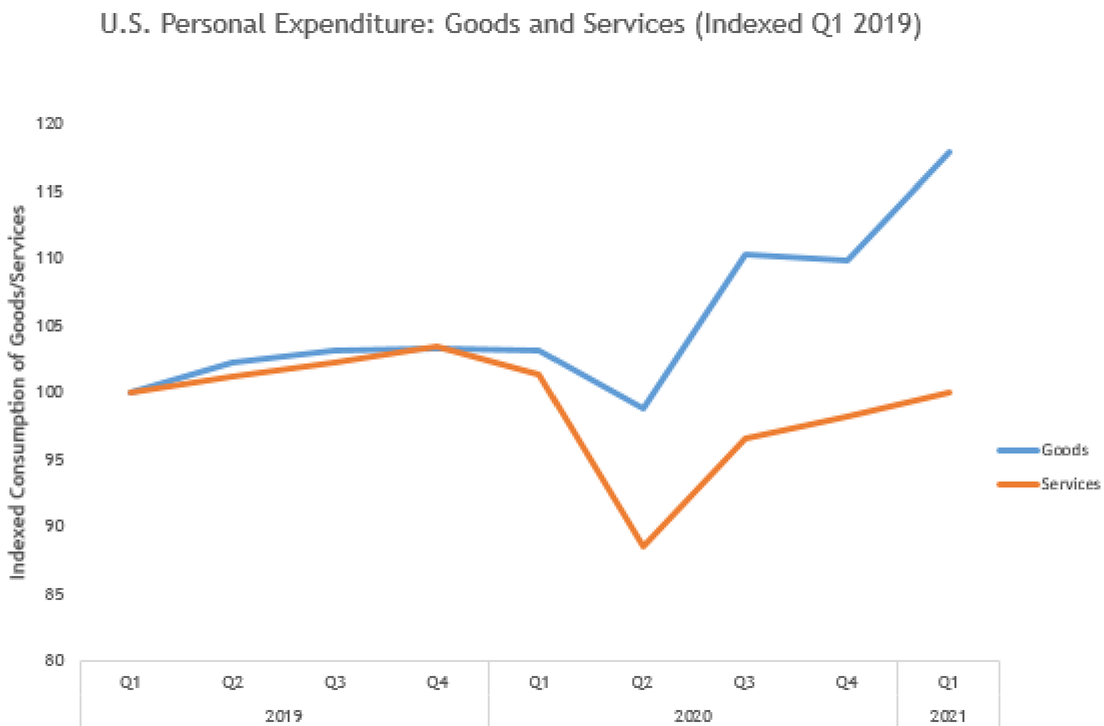


Source: Analysis of US Census Bureau microdata by Robert Fairlie (UC Santa Cruz)

Still, Colorado small businesses existing pre-COVID have not yet fully recovered. Across all sectors between April 2019-March 2020 and April 2020-March 2021, the average monthly number of sales tax returns filed has declined by 13.7 percent for small vendors and only 6.1 percent for larger ones, while average gross sales per vendor has decreased by 10.9 percent for small businesses and 4.6 percent for larger ones. Some of the largest disparities occurred in the accommodation (-31.9 percent change in small business filings vs. -7.5 percent large businesses), real estate (-32.5 percent small vs. -6.8 percent large), nonstore retail (-14.7 percent small vs. -0.6 percent large), agriculture (-15.4 percent small vs. -1.3 percent large), and general merchandise sectors (-18.8 percent small vs. -0.8 percent large).

Consumer Spending

Consumer spending is expected to remain strong in Colorado, driven by high levels of goods consumption and recovering spending on services. The growth in consumer spending can partially be attributed to the following drivers: (1) large growth in personal income driving increasing consumption of durable goods in the reopening economy and (2) recovery in services consumption as the pandemic fades and the economy reopens.



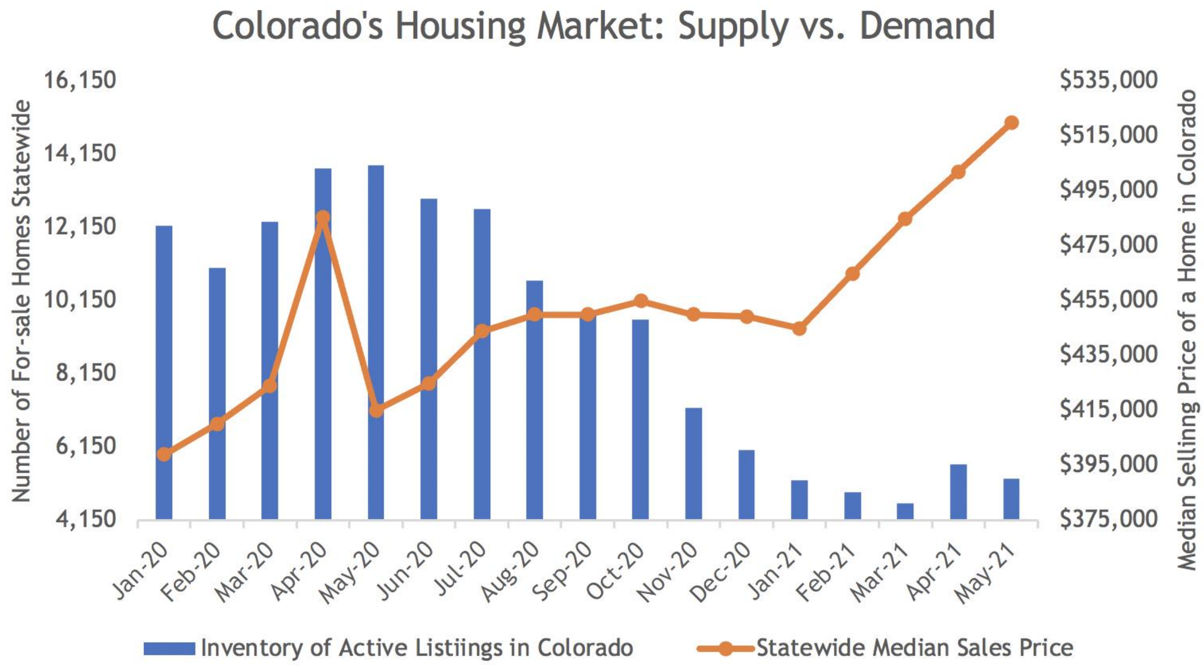
Source: U.S. Bureau of Economic Analysis and the Center for Disease Control.

Services activity across the Federal Reserve's Tenth District (encompassing Colorado, New Mexico, Wyoming, Kansas, Missouri, Nebraska, and Oklahoma) continued to expand at high levels throughout May, and expectations for future business activity increased to the highest level since late 2019.[7] Regional month-over-month sales indexes have remained positive for the fifth consecutive month in May and support anticipations for further economic growth.

Housing

Favorable market conditions have been a major factor driving up home prices across Colorado, with the median price of a single-family home sold in April crossing above $500,000 for the first time in state history. Last month saw an additional increase in median price, bumping up by $18,000 dollars to reach $520,000 dollars.[8] Robust demand for homeownership statewide has led to high-end sales becoming more dominant. This is especially true along the Front Range and in mountain towns that have seen a steady influx of remote workers.

[7] Kansas City Federal Reserve
[8] Colorado Association of Realtors



Source: Colorado Association of Realtors, Housing Reports.

The affordability factor has the potential to cause long-lasting spillover effects on Coloradans, as potential homebuyers across the state face an extremely limited supply of for-sale inventory. In metro Denver for example, inventory listings declined by 20 percent between late April and the end of May and are down 71 percent compared to the same time last year.[9]

Despite a tight market, rent prices have remained fairly steady throughout the pandemic. Renters across the Metro Denver area paid an average of $8 dollars more in April than they did the previous year.[10] Since data tracking on rental payments began in April 2020, Colorado's rent collection rate has continued to outperform national rates, with 97.9 percent of tenants paying their rent in May. According to a recent release issued by the Colorado Apartment Association, as of May 27, Colorado's collection level was 0.9 percent higher than the national average and 1.1 percent higher than aggregate payments from the previous year.

In addition, Colorado's eviction filings remain low. May's fillings were 25 percent of what they were in May 2019 and foreclosure rates have declined by more than 80 percent across the state.[11] Policy interventions – such as expanded unemployment insurance benefits, economic relief payments, moratoriums on evictions and foreclosures, and forbearance provisions – have helped keep evictions at relatively low levels throughout the pandemic, despite higher unemployment.

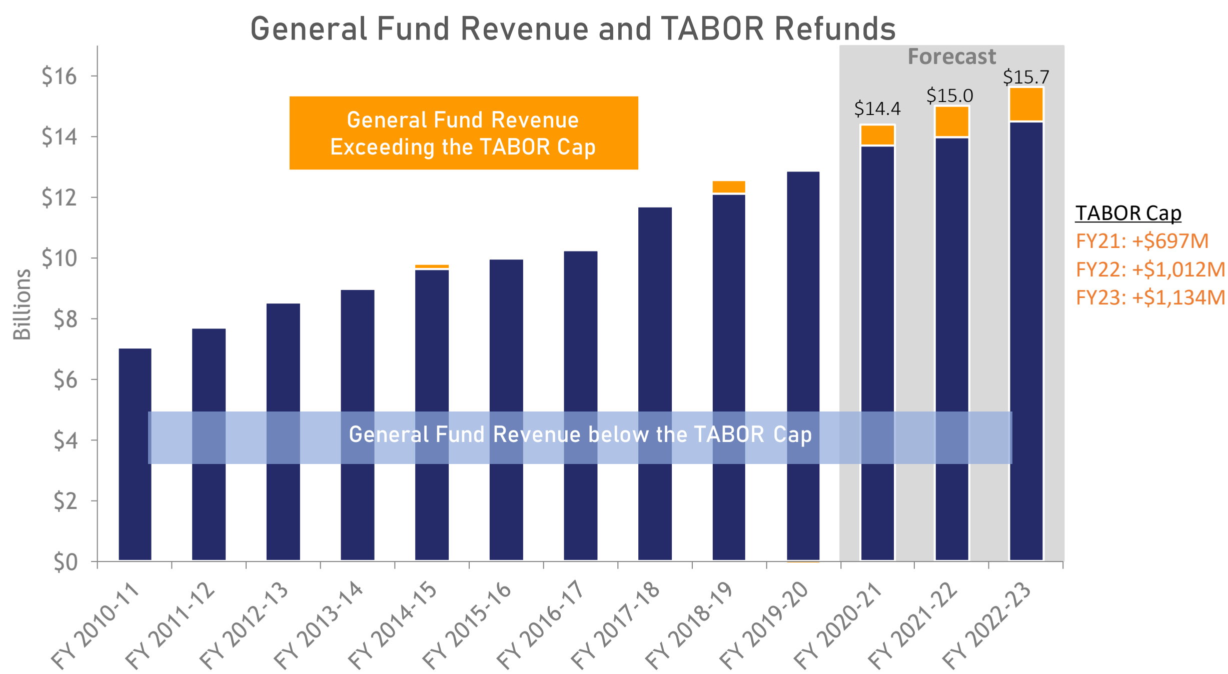
[9] Denver Association of Realtors
[10] Apartment Association of Metro Denver
[11] Colorado Department of Local Affairs, Division of Housing

Forecast Risks

Overall, risks to the forecasts are viewed as balanced. There is downside risk to the forecast as continued labor market misalignment and possible supply chain disruptions may be a drag on further growth. Certain industries continue to be disproportionately harmed by the pandemic recession, especially low-wage and service-sector industries. However, offsetting upside risks exist as well in the form of household finances and financial conditions that are historically strong, fueling consumer spending and possibly accelerating the recovery further.

Revenue Outlook – General Fund

General Fund revenue is projected to increase sharply to $14.4 billion in FY 2020-21, a 12.1 percent change from the prior fiscal year. The growth rate is projected to moderate to 4.1 percent in FY 2021-22 and 4.2 percent in FY 2022-23. Since March, the GF revenue forecast has been revised upward by a total of $3.7 billion for FY 2020-21 through FY 2022-23.



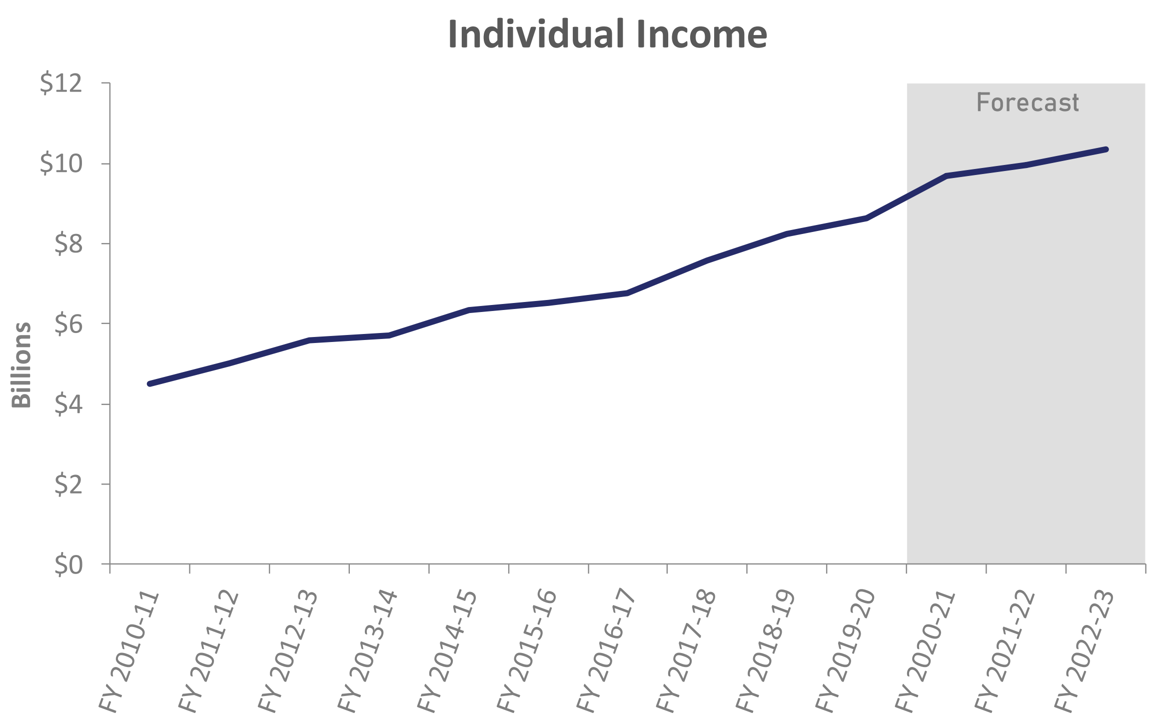
The upward revision to the forecast is due to higher than anticipated collections in recent months across all of the major revenue sources, including sales tax, individual income tax and corporate tax. The speed of the current economic recovery has exceeded expectations, as vaccine distribution and high consumer demand fuel business activity.

General Fund revenue is now projected to exceed the TABOR cap in the current fiscal year and throughout the forecast period. This contrasts with the March 2021 forecast, which did not anticipate surpassing the TABOR cap until FY 2021-22. Revenue is expected to exceed the cap by $697 million in FY 2020-21 and by more than $1 billion in each of the following two fiscal years.

Individual Income Tax

Following a 4.8 percent increase in FY 2019-20, individual income tax is projected to increase in FY 2020-21 by 12.1 percent to $9.7 billion. This is sharply higher than the March 2021 forecast, which projected a 2.4 percent decline. The revised FY2020-21 forecast is $1.0 billion higher than FY 2019-20 receipts.

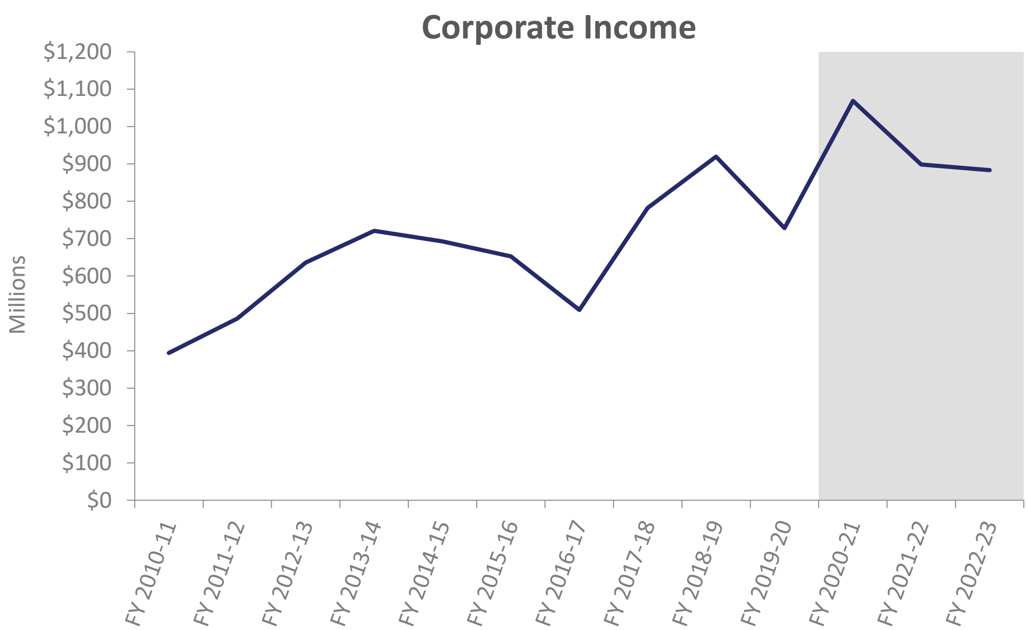
Based on data through May 2021, individual income tax receipts have shown sustained strength as the economy continues to emerge from the pandemic. The largest component of individual income tax revenue is withholdings and is projected to be 10.5 percent higher than FY 2019-20. This is consistent with national trends showing that wages and salaries for this fiscal year are higher than in FY 2019-20. Estimated payments and cash returns are also sharply higher.



Individual income tax revenue is forecasted to climb in subsequent fiscal years, though at a slower pace: 2.8 percent in FY 2021-22 and 4.0 percent in FY 2022-23. These annual growth rates are lower than estimated in March 2021 and reflect the expectation that taxpayers are managing their tax liabilities strategically in expectation of higher federal tax rates. Nevertheless, individual income tax revenue in FY 2022-23 is still forecasted to be $747 million higher than projected in March 2021.

Corporate Income Tax

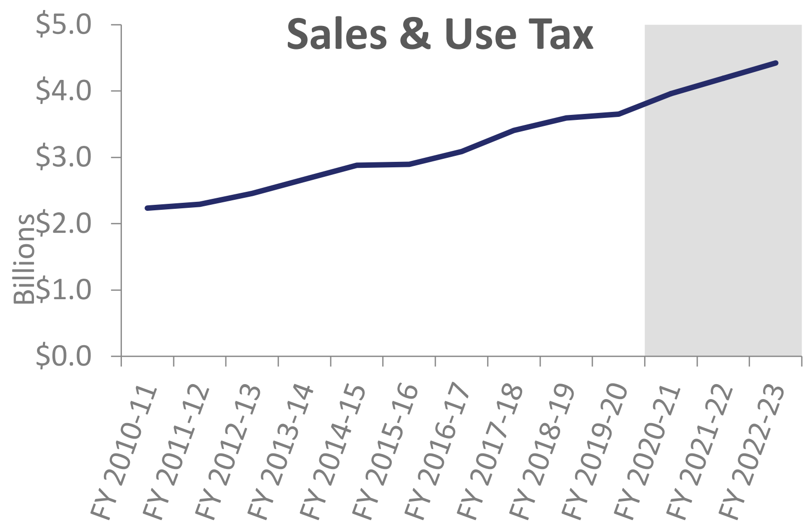
Despite the COVID pandemic, corporate income tax receipts are expected to grow by 46.7 percent in FY 2020-21. One major reason for the growth is that there has been a shift towards big retailers over the past year, who were in a better position to succeed during the pandemic. As conditions begin to normalize in FY 2021-22, revenue is expected to fall by nearly 16 percent. Recently passed legislation is expected to limit certain deductions in FY 2021-22 and FY 2022-23, but the overall impact on corporate revenue collections is rather limited. Therefore, even as these bills have the greatest impact on revenue in FY 2022-23, expectations are that totals will decline by less than 2 percent from the prior year. Even though revenue is falling in FY 2021-22 and FY 2022-23, they would remain the third and fourth highest tallies on record.



Sales and Use Taxes

Sales tax revenue grew 4.7 percent in FY 2019-20 and is expected to grow by an additional 8.4 percent in FY 2020-21 before slowing to 5.9 percent growth in FY 2021-22. Relative to the March forecast, the projection for FY 2020-21 was revised upward by approximately $133.6 million to $3.5 billion. The projections for FY 2021-22 and FY 2022-23 were also revised upward, by $195.3 million and $252.0 million, respectively.

The large upward revision to FY 2020-21 is a result of rapid growth in collections starting in April, as additional stimulus has flowed into the economy, public health restrictions have lifted, and vaccination rates have vastly increased in recent months. Detailed Colorado data regarding collections through April shows that the largest portions of the increase resulted from spending at food and drinking places, and motor vehicle and parts dealers, up 137 percent and 27 percent month-over-month, respectively. Most other categories of retail sales also saw stronger than expected month-over-month increases in sales. Upward revisions to growth in FY 2021-22 and FY 2022-23 reflect an assumption that, while some of this major increase in demand will be short-lived, the effects of increased levels of savings and pent-up demand across the economy will continue longer than anticipated a few months ago.

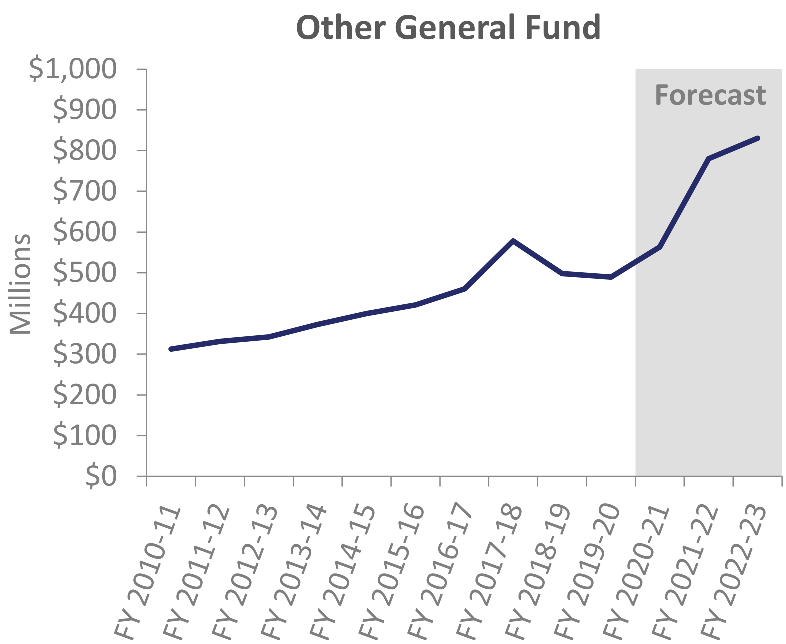


Use tax revenue declined by 39.1 percent to $210.5 million in FY 2019-20 as a result of the increase in the collection of out-of-state sales taxes as per House Bill 19-240. While the effects of this change in collections favoring sales over use taxes weighed on the use tax collections in the early months of FY 2020-21, the effects of HB 19-240 seem to be stabilizing at their new long term level as use tax collections began to rise in line with sales taxes in recent months. Thus, use taxes are expected to decline by less than anticipated in FY 20-21, at 0.6 percent. This projection is an upward revision of $11.9 million from the March forecast. Further, it is expected that use taxes will resume relatively stable low growth again from FY 2021-22 onward.

The 15 percent special sales tax on marijuana retail sales is projected to increase by 16.5 percent to $286.0 million in FY 2020-21, after a 27.4 percent increase to $245.5 million in FY 2019-20. Growth will continue at 7.0 percent in FY 2021-22. Further analysis of marijuana tax collections can be found in the Revenue Outlook – Cash Funds section of this report.

Other General Fund Revenue

Other General Fund revenue includes excise taxes on cigarettes, tobacco, nicotine, and liquor, as well as insurance premium tax revenue and interest income. Other General Fund revenue is expected to increase by 15.0 percent in FY 2020-21, followed by growth of another 38.5 percent in FY 2021-22. For FY 2020-21 in particular, this is a revision downward from the March forecast due to lower than expected cigarette revenues in recent months. In particular, bulk buying of cigarettes and other tobacco products in December 2020, just prior to the imposition of the new Proposition EE taxes on cigarettes, nicotine, and other tobacco products, weighed heavily on collections through April. However, given that May revenue stabilized back to near pre-Proposition EE trends, it is expected that cigarettes and other tobacco revenue will return closer to expected going forward.

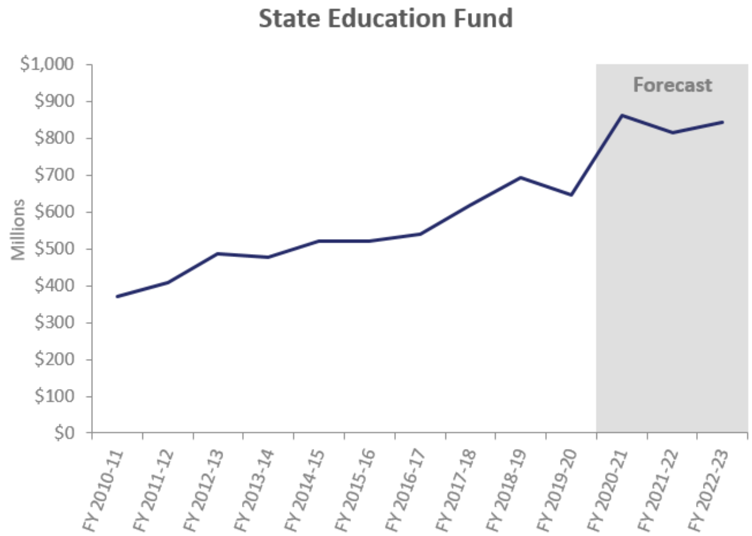


The increases over the FY 2019-20 forecast for FY 2020-21 and FY 2021-22 (despite lower than expected sales of cigarettes and other tobacco products) are largely due to additional revenues resulting from the approval of Proposition EE. Proposition EE, a ballot measure approved in November, imposes additional taxes on cigarettes and other tobacco products and creates a tax on other nicotine products such as e-cigarettes. Specifically, Proposition EE adds a tax of $1.10 per pack of cigarettes, more than doubling the current tax of $0.84 per pack. In addition, Proposition EE increases the tax on other tobacco products by 10 percent from 40 percent of manufacturer's list price (MLP) to 50 percent of MLP. Finally, Proposition EE creates a tax on other nicotine products, starting at 30 percent of MLP and increasing to 50 percent of MLP by the end of this forecast period (FY 2022-23). Through FY 2022-23, revenue from the Proposition EE-imposed taxes is largely transferred to the State Education Fund, with smaller amounts going to the Rural Schools Cash Fund, the Housing Development Grant Fund, the Tobacco Tax Cash Fund, the Eviction Legal Defense Fund, and the Preschool Programs Cash Fund. Looking past FY 2022-23, Proposition EE increases each of these taxes and will generate additional revenue for the state going forward. Starting in FY 2023-24, these funds will be transferred almost entirely into the Preschool Programs Cash Fund and the Tobacco Education Programs Fund.

Another major reason for the large upward revision is HB21-1312's modification of two large insurance premium tax expenditures. The bill required insurers who claim the state's Regional Home Office Rate Reduction (which cuts in half their premium tax liability) to maintain at least two percent of their total domestic workforce in Colorado during Calendar Year 2022, 2.25 percent during 2023, and 2.5 percent in all future years. It also restricted the exemption for annuities to those annuities purchased in connection with pensions, 401(k)s, Individual Retirement Accounts, other qualified retirement plans, and structured settlements. These two changes are expected to significantly increase insurance premium tax revenues.

State Education Fund

Revenue to the State Education Fund from income taxes fell by 6.7 percent in FY 2019-20 but is expected to increase 33.2 percent to $861.5 million in FY 2020-21 and then decline 5.4 percent to $814.7 million in FY 2021-22. This does not include transfers from other funds. The forecast for State Education Fund revenue in FY 2021-22 has been revised upward from the March forecast in conjunction with the revisions to the forecasts for individual and corporate income tax collections.



The Colorado Constitution requires that 1/3 of 1 percent of Colorado taxable income be credited to the State Education Fund. As the State Education Fund revenue is derived from taxable income, it generally follows the trends in individual income and corporate income tax revenue collections. However, the State Education Fund deviates from income tax trends in FY 2020-21 due to the impact of a delayed transfer incurred from FY 2019-20 revenue collections.

Revenue Outlook – Cash Funds

Cash funds are taxes, fees, fines, and interest collected by various State programs to fund services and operations. These revenue sources are designated by statute for a particular program and as such are distinct from General Fund revenue, which is available for general purpose expenditures. The following discussion highlights those cash fund revenues that are subject to TABOR or have significant fiscal implications.

Total cash fund revenue subject to TABOR was $2.3 billion in FY 2020-21, an increase of 2.1 percent from the prior fiscal year. In FY 2021-22, cash fund revenue is projected to increase by 9.2 percent followed by 5.7 percent growth in FY 2022-23.

Transportation

Transportation-related cash fund revenue fell by 6.1 percent in FY 2019-20, and is expected to decline by 1.6 percent in FY 2020-21. The forecast for FY 2020-21 has been revised downward slightly since March. Motor fuel tax revenue, which typically accounts for over half of all Highway Users Cash Fund revenue, has come in lower than expected since the winter as commuting travel has returned at a more subdued pace than previously expected. Motor fuel taxes are expected to pick up in FY 2021-22 on increased tourism into the state and a return to offices. Strong vehicle purchases have helped bolster registration-related collections, but declines are expected in FY 2021-22 and FY 2022-23 due to the impact of the recent Sustainability of the Transportation System bill, SB21-260. This bill begins to have an impact on revenues in FY 2021-22, but the changes next fiscal year lower registrations by an estimated $32.8 million. In FY 2022-23, the bill begins to affect revenue flows more broadly, with still reduced road safety surcharge collections which is more than offset by a range of fees to fuel taxes and other categories to total a $28.6 million expected increase to the Highway Users Tax Fund and $6.9 million in other funds subject to TABOR. Total transportation revenue is forecast to grow by 4.6 percent in FY 2021-22 and by 6.7 percent in FY 2022-23.

Transportation Revenue	Preliminary FY 19-20	Forecast FY 20-21	Forecast FY 21-22	Forecast FY 22-23
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	**$624.5**	**$601.2**	**$657.2**	**$725.3**
Change	-4.6%	-3.7%	9.3%	10.4%
Total Registrations	**$381.8**	**$400.1**	**$376.2**	**$373.4**
Change	-0.2%	4.8%	-6.0%	-0.7%
Registrations	*$227.0*	*$238.1*	*$246.3*	*$256.2*
Road Safety Surcharge	*$134.0*	*$137.8*	*$107.7*	*$93.6*
Late Registration Fees	*$20.9*	*$24.3*	*$22.2*	*$23.6*
Other HUTF	**$62.9**	**$52.8**	**$62.7**	**$76.9**
Change	-11.50%	-16.0%	18.8%	22.6%
Total HUTF	**$1,069.2**	**$1,054.1**	**$1,096.1**	**$1,175.6**
Change	-3.6%	-1.4%	4.0%	7.3%
Non-HUTF				
State Highway Fund	**$27.5**	**$26.9**	**$29.6**	**$25.2**
Change	-30.9%	-2.2%	9.9%	-14.9%
Other Transportation Funds	**$101.4**	**$98.2**	**$108.1**	**$116.1**
Change	-20.4%	-3.1%	10.1%	7.4%
Total Transportation Revenue	**$1,198.2**	**$1,179.3**	**$1,233.8**	**$1,316.9**
Change	-6.1%	-1.6%	4.6%	6.7%

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a number of smaller cash funds. The primary revenue source for the largest portion of transportation cash funds is the HUTF, which consists mainly of motor fuel taxes and registration fees. The table below illustrates HUTF distributions based on the first and second stream allocation formulas with the current forecast for HUTF revenue. Off-the-top deductions for Colorado State Patrol include the FY 2020-21 appropriation, the FY 2021-22 budget request, and is assumed to be held flat in FY 2022-2023.

HUTF Revenue Distributions	Forecast FY 20-21	Forecast FY 21-22	Forecast FY 22-23
Off-the-Top Deductions	$163.5	$171.8	$171.8
State Highway Fund (CDOT)	$550.4	$572.0	$622.0
Counties	$208.8	$217.3	$236.6
Cities	$131.4	$134.9	$145.1
Total HUTF Distribution	**$1,054.1**	**$1,096.1**	**$1,175.6**

Limited Gaming

After a steep decline of 35.4 percent in FY 2019-20 due to COVID-related public health closures and operating restrictions, limited gaming revenue is expected to grow nearly 42 percent to $116.5 million in FY 2020-21 due to resiliency in gaming revenues over the winter and strong collections through April. This represents an upward revision of $9.2 million over the March forecast. In addition, a quicker return to relatively normal levels of gaming revenue this spring has raised expectations for revenue in early FY 2021-22, leading to an upward revision of $9.9 million over the March forecast in FY 2021-22.

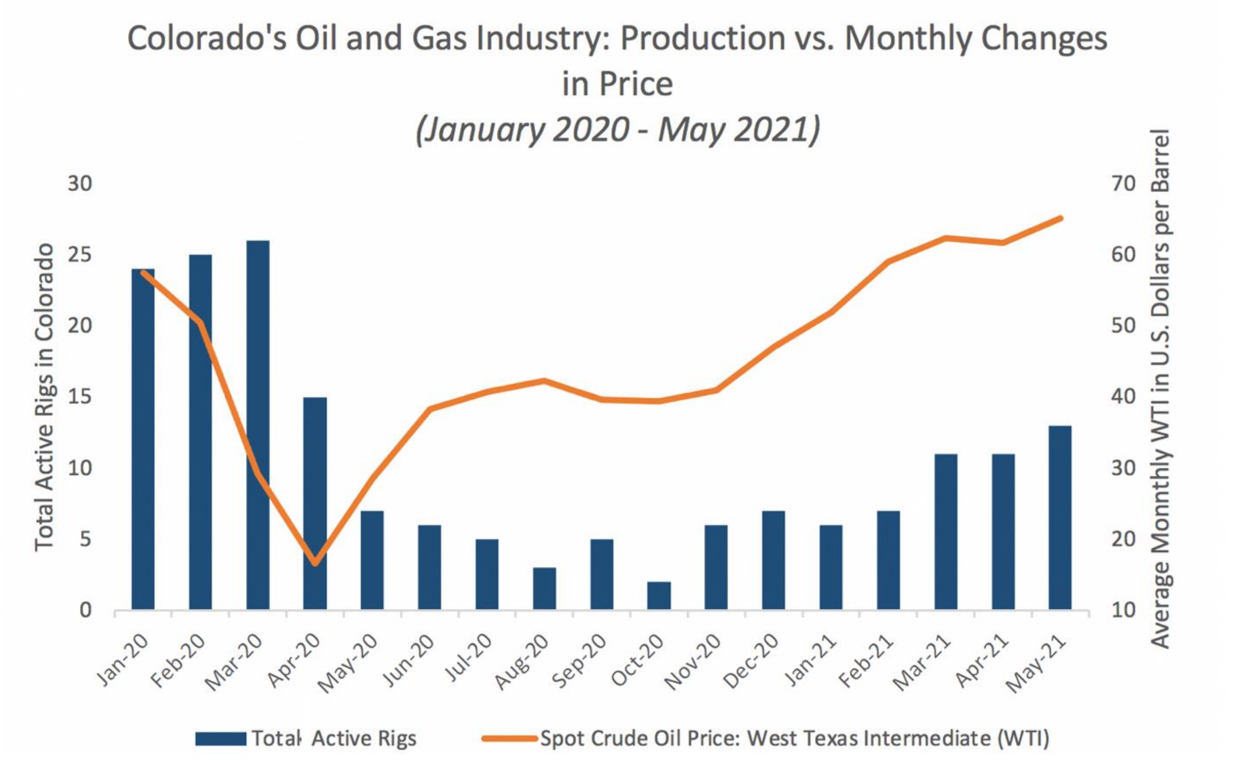
Distribution of Limited Gaming Revenues	Actual FY 19-20	Forecast FY 20-21	Forecast FY 21-22	Forecast FY 22-23
A. Total Limited Gaming Revenues (Includes Fees and Interest)	**$82.1**	**$116.5**	**$134.0**	**$135.6**
Annual Percent Change	-35.4%	41.8%	15.1%	1.2%
B. Gaming Revenue Exempt from TABOR (Extended Limited)	**$13.0**	**$20.0**	**$20.7**	**$21.0**
Annual Percent Change	-35.7%	54.1%	3.7%	1.2%
C. Gaming Revenue Subject to TABOR	**$69.1**	**$96.5**	**$113.3**	**$114.7**
Annual Percent Change	-35.4%	39.5%	17.5%	1.2%
D. Total Amount to Base Revenue Recipients	**$50.3**	**$82.7**	**$99.2**	**$100.7**
Amount to State Historical Society (28%)	$14.1	$23.1	$27.8	$28.2
Amount to Counties (12%)	$6.0	$9.9	$11.9	$12.1
Amount to Cities (10%)	$5.0	$8.3	$9.9	$10.1
Amount to Distribute to Remaining Programs (State Share) (50%	$25.2	$41.3	$49.6	$50.3
Amount to Local Government Impact Fund	$0.0	$0.0	$5.4	$5.5
Colorado Tourism Promotion Fund	$0.0	$0.0	$15.0	$15.0
Creative Industries Cash Fund	$0.0	$0.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.0	$0.0	$0.5	$0.5
Advanced Industries Acceleration Fund	$0.0	$0.0	$5.5	$5.5
Innovative Higher Education Research Fund	$0.0	$0.0	$2.1	$2.1
Transfer to the General Fund	$25.2	$41.3	$19.1	$19.8
E. Total Amount to Amendment 50 Revenue Recipients	**$15.1**	**$17.1**	**$18.2**	**$18.3**
Community Colleges, Mesa and Adams State (78%)	$11.8	$13.4	$14.2	$14.3
Counties (12%)	$1.8	$2.1	$2.2	$2.2
Cities (10%)	$1.5	$1.7	$1.8	$1.8

With these revised expectations, gaming revenue is expected to exceed nominal pre-pandemic revenue of $125 million by FY 2021-22. Accordingly, the provisions of HB20-1400 related to the gaming revenue distribution will no longer apply in FY 2022-23 and the distribution of gaming revenue will return to normal. The return to normal gaming revenue distributions comes one year earlier than expected in March as a result of the upward revisions to the forecast.

Going forward, we will begin to monitor the response of gaming revenues to the recent Amendment 77 legislation allowing gaming counties to raise maximum bets and expand games. Notably, all three major gaming counties in Colorado have voted on and passed the measure. Accordingly, we have assumed that this will have a minor ($2-$5 million) positive effect on gaming revenue going forward.

Severance

Low year-to-date collection levels, high ad valorem tax credit claims and nearly three quarters of reduced market activity due to COVID-19 related disruptions have weighed heavily on severance tax collections in FY 2020-21. Severance tax revenue fell to $131.7 million in FY 2019-20 and is expected to decline further in FY 2020-21 to negative $13.1 million. This projection has been revised downwards from the March forecast by $6.3 million for the current fiscal year, due largely to refunds issued since the March forecast.



Source: The Anderson Rig Report and the Federal Reserve Bank of St. Louis.

Production in Colorado remained constrained throughout the pandemic and is now rebounding modestly. Rising confidence in vaccine rollouts and the economic recovery have bolstered recent market prices and future expectations, reaching levels that once again incentivize increased production activity.[12]

Extraction activity is anticipated to increase further in FY 2021-22 as a stronger economy emerges from the pandemic, encouraging industrial growth and reducing the oil demand gap. These expectations, along with legislative changes surrounding Colorado's tax system, support a more positive outlook for collection levels during the outer years of the forecast, with projected revenue increasing to $94.7 million in FY 2021-22 and $132.3 million in FY 2022-23. These figures have been revised upward by $26.4 million and $35.4 million in those years, respectively.

Marijuana

Marijuana taxes grew 32.4 percent overall in FY 2019-20, totaling $347.3 million at year-end. The prominent increase in marijuana revenue over previous years was primarily driven by high sales after the start of the pandemic, in May and June. Record sales of marijuana have continued throughout FY 2020-21 and it is expected that total marijuana collections will grow at 22.0 percent over FY 2019-20. While strong sales have largely continued, total marijuana revenue is expected to come in $2.8 million below March forecast projections due to slightly below-forecast collections in recent months, though not all revenue streams have lagged expectations. Notably, revenue from the 15 percent special sales tax on medical marijuana (the largest source of marijuana revenue for the state) has come in $9.6 million lower than anticipated, while revenue from the 15 percent excise tax on retail marijuana has come in $6.8 million higher than anticipated.

Tax Revenue from the Marijuana Industry	Actual FY 19-20	Forecast FY 20-21	Forecast FY 21-22	Forecast FY 22-23
Proposition AA Taxes				
Retail Marijuana 15% Special Sales Tax	$245.5	$286.0	$306.0	$322.8
Retail Marijuana 15% Excise Tax	$88.5	$122.7	$130.0	$133.7
Total Proposition AA Taxes	**$334.0**	**$408.7**	**$436.1**	**$456.5**
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$11.7	$13.0	$13.2	$13.3
Retail Marijuana 2.9% State Sales Tax	$1.3	$1.6	$1.6	$1.6
Interest Earnings	$0.3	$0.3	$0.4	$0.4
Total 2.9% Sales Taxes & Interest	**$13.3**	**$15.0**	**$15.1**	**$15.3**
Total Marijuana Taxes	**$347.3**	**$423.7**	**$451.2**	**$471.8**

[12] International Energy Agency (EIA)

Expansion of the consumer base and higher average transaction size continue to boost marijuana sales through increased demand for marijuana. Relatedly, these demand pressures have also elevated the imbalance between demand for and supply of marijuana, thus keeping marijuana prices elevated. While each of these effects is seen through elevated marijuana collections across the board, the supply effects in particular help to explain the relatively stronger increases in 15 percent excise tax collections, as these collections are more responsive to higher market prices.

The revenue from the 15 percent special sales tax goes to the General Fund, the Marijuana Tax Cash Fund, local governments, and the Public School Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana sales that is credited to public school cash funds. The forecasted distribution of marijuana tax revenue is shown in the table below.

Fiscal Year	Total Marijuana Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Permanent Fund	Public School Fund	Marijuana Tax Cash Fund
FY 2019-20 Actual	$347.3	$24.5	$34.4	$88.5	$0.0	$27.8	$172.1
FY 2020-21 Projected	$423.7	$28.6	$40.0	$40.0	$0.0	$115.1	$199.9
FY 2021-22 Projected	$451.2	$30.6	$42.9	$130.0	$0.0	$34.7	$213.0
FY 2022-23 Projected	$471.7	$32.3	$45.2	$133.7	$0.0	$36.6	$224.0

Federal Mineral Lease

Federal Mineral Lease (FML) revenue decreased by 44.9 percent to $62.7 million in FY 2019-20. This decrease is largely explained by the enactment of a Routt County coal mine royalty rate reduction granted by the Bureau of Land Management coupled with the effects of lower natural gas and oil prices. The economic downturn brought by the COVID-19 pandemic and oversupply across oil and gas markets induced heavy production cuts during this fiscal year. With little extraction activity taking place throughout the pandemic, FML revenue in Colorado is expected to slightly decrease further by 2.1 percent to $61.4 million in FY 2020-21. Largely due to recovery in production value of oil and natural gas, this projection has been revised upwards slightly since the March forecast by approximately $0.8 million.

New expectations for a faster recovery of global oil demand paired with stronger oil and gas price forecasts have led to a more positive outlook for FY 2021-22 and FY 2022-23. Subsequently, collection levels are projected to rebound gradually as prices stabilize and bolster mineral industries. Royalties collected in FY 2021-22 and FY 2022-23 is forecast to increase by 22.5 percent and 8.6 percent in those years, respectively.

FML Forecast Distribution Table	Preliminary FY20	Forecast FY21	Forecast FY22	Forecast FY23
Total FML Revenue	**62.7**	$61.4	$75.2	$81.7
Change	-44.9%	-2.1%	22.5%	8.6%
Bonus Payments (portion of total FML revenue)	1.9	0.4	1.7	0.9
Local Government Perm Fund	0.9	0.2	0.9	0.5
Higher Ed FML Revenues Fund	0.9	0.2	0.9	0.5
Other (non-bonus) FML Revenue	60.9	61.0	73.5	80.8
State Public School Fund	29.1	29.4	35.5	39.0
Colorado Water Conservation Board	6.0	6.1	7.3	8.1
DOLA Grants	12.1	12.2	14.7	16.2
DOLA Direct Distribution	12.1	12.2	14.7	16.2
School Districts	1.0	1.0	1.2	1.4
Total HiEd FML Rev Fund	0.9	0.2	0.9	0.5

While FML revenue is exempt from TABOR, it is included here because a portion of the money is distributed to the Public School Fund, where it is used for the State's share of K-12 school finance.

Other Cash Funds

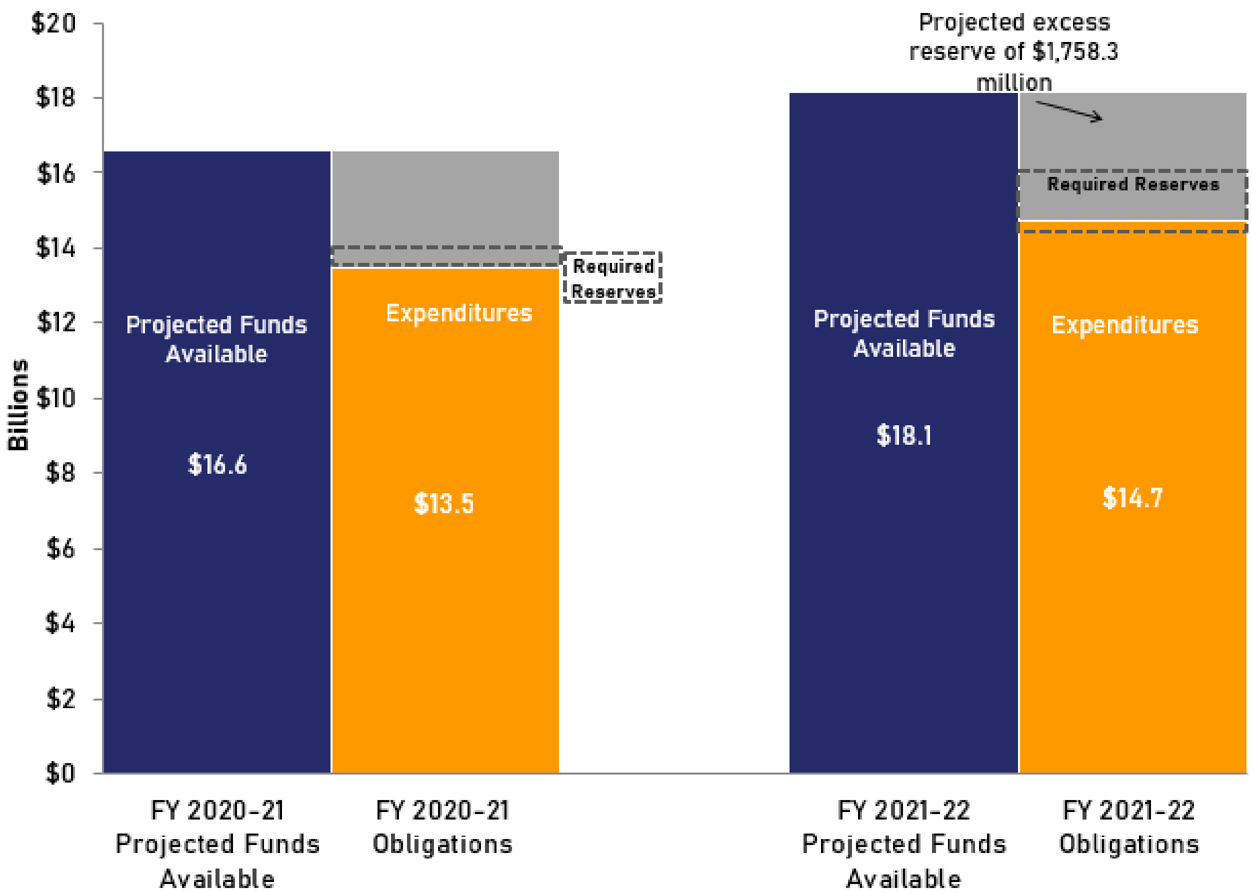
The State receives revenue from a variety of other cash funds as well. This includes cash fund revenue to the Department of Regulatory Agencies (DORA), which has been modified upwards slightly from the March forecast in FY 2020-21 to $91.7 million. The reason for this marginal uptick in total collection levels is due to a few components trending higher than the previous fiscal year. These include fees relating to health insurance affordability, an increased use of premium tax by the Department of Insurance (DOI) cash fund for reinsurance, and a $2.6 million net revenue increase associated with licensing fees (the latter is primarily an outcome of fund balance management). Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance and has been adjusted downward for the next fiscal year on expectations of a slight decrease in interest revenue. The forecasted revenue is $21.3 million in FY 2021-22.

Finally, the "Other Miscellaneous Cash Funds" category includes revenue from over 300 cash fund programs which collect revenue from fines, fees, and interest earnings. This broad category is less sensitive to general economic conditions than revenue sources like income and severance taxes. The miscellaneous cash fund forecast remains similar to the March forecast and stands at $875.6 million in FY 2020-21. Miscellaneous cash funds for FY 2020-21 are on pace for a 20.7 percent increase compared to the prior fiscal year. Revenue in FY 2021-22 is projected to grow 3.7 percent to $907.9 million.

Budget Outlook

General Fund

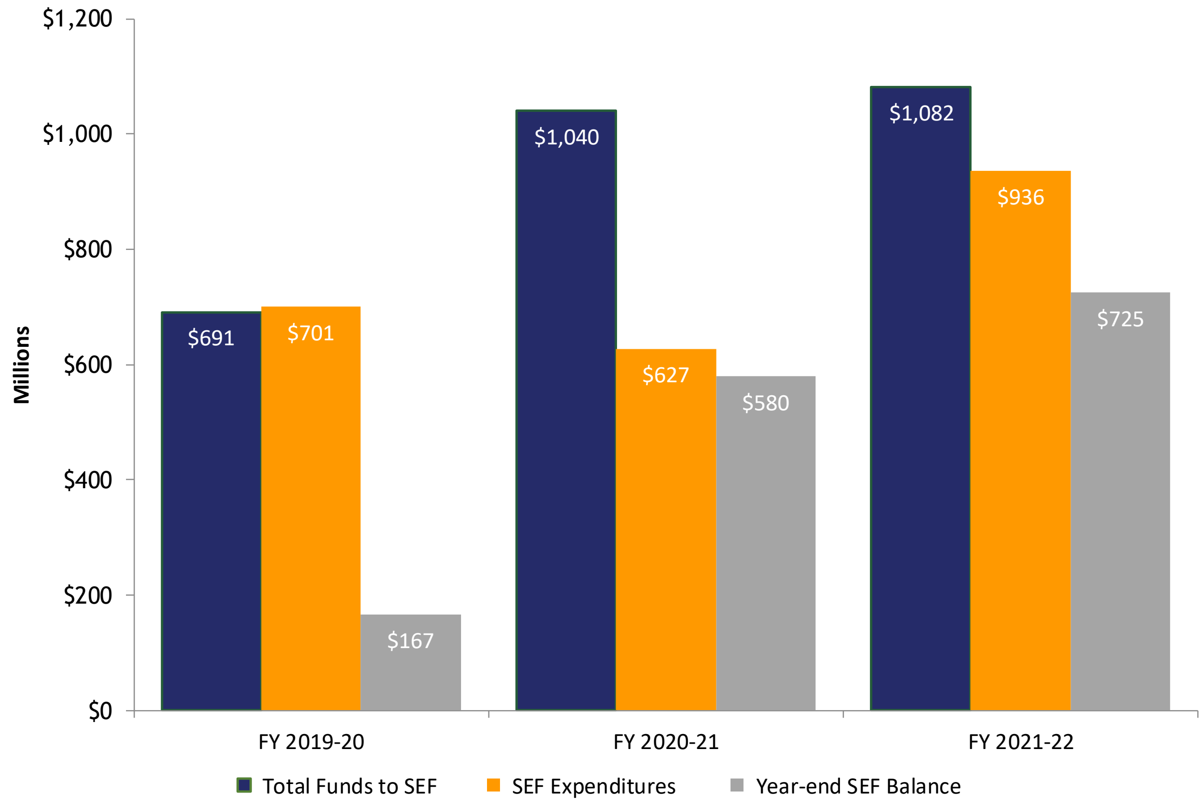
General Fund revenue increased 2.4 percent in FY 2019-20 and is projected to increase 12.1 percent in FY 2020-21 before growing 4.1 percent in FY 2021-22 and 4.2 percent in FY 2022-23. General Fund revenue for FY 2020-21 is $1,511.3 million, or 11.7 percent higher than was estimated in March, as State revenue collections are exceeding expectations. The forecast for FY 2021-22 is $1,161.5 million, or 8.4 percent higher than estimated in March.



The General Fund reserve was above the required statutory reserve amount of 3.07 percent of appropriations in FY 2019-20. Under this forecast, the General Fund ending balance is projected to be $1,758.3 million above the statutory reserve level of 13.4% of appropriations in FY 2021-22. The chart above summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2020-21 and FY 2021-22 under current law.

State Education Fund

The State Education Fund's year-end balance was $167 million in FY 2019-20 and is projected to increase to $580 million in FY 2020-21, including transfers. This is an $82 million upward revision compared to the March 2021 forecast, due primarily to higher projected income tax revenue, a portion of which is diverted to the State Education Fund. The figure below summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2019-20, FY 2020-21, and FY 2021-22.



Forecast Risks

This budget outlook is based on OSPB's economic forecast as detailed in Tables 1 and 2 of the Reference Tables at the end of this document. This economic forecast is subject to both upside and downside risks.

On the upside, the economy has performed better than expected since the March forecast, given pent up demand and consumer spending exceeding expectations. Additionally, financial conditions are currently very supportive of a strong economic recovery, due to federal and state fiscal stimulus programs combined with loose monetary policy.

However, on the downside, the slow job market recovery in 2021 thus far is largely a labor supply concern, which could be a drag on the economy unless labor supply increases. Although economic conditions could be more negative than described in this forecast, the risks to the budget outlook are balanced.

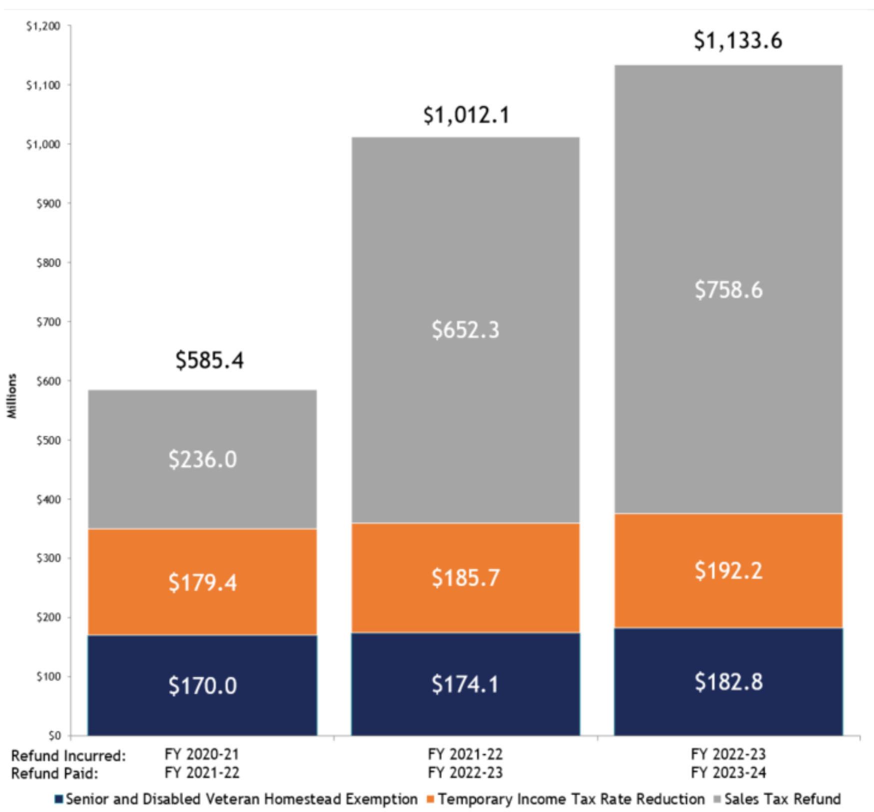
Supplemental Materials

An overview of General Fund and State Education Fund revenue, expenditures, and end-of-year reserves is provided in the Reference Tables at the end of this document. A more detailed discussion of the information presented in the Reference Tables can be found at the Office of State Planning and Budgeting's website: www.colorado.gov/governor/economics

TABOR Outlook

Under Article X, Section 20 of the State Constitution, the Taxpayer's Bill of Rights (TABOR), revenue received from certain sources is subject to an annual limit determined by the prior year's limit after adjustments for inflation and population growth. Any TABOR revenue received above the cap is to be refunded to taxpayers in the subsequent fiscal year. Revenue subject to TABOR did not exceed the revenue cap in FY 2019-20 but is projected to exceed it in FY 2020-21 and each year of the forecast. Current projections indicate that TABOR revenue will be $696.6 million above the cap in FY 2020-21; $1,012.1 million above the cap in FY 2021-22; and $1,133.6 million above the cap in FY 2022-23.

Current law specifies three mechanisms by which revenue in excess of the cap is to be refunded to taxpayers: the senior homestead and disabled veterans property tax exemptions, a temporary income tax rate reduction (from 4.55 percent to 4.50 percent), and a sales tax refund. The size of the refund determines which refund mechanisms are utilized.



The $696.6 million refund obligation in FY 2021 is reduced by $111.2 million to account for over-refunding of the FY 2018-19 TABOR surplus. An estimated $179.4 million of the remaining $584.6 million refund obligation will be paid out as an income tax rate reduction, while $170.0 million will be refunded via the senior homestead and disabled veterans property tax exemption expenditures and $236.0 million via a sales tax refund in FY 2021-22. Any difference between estimated refunds and actual refunds will be corrected in the next fiscal year in which a refund is owed, which in this forecast is FY 2021-22.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

Line No.		Actual						June 2021 Forecast		
		2015	2016	2017	2018	2019	2020	2021	2022	2023
	Income									
1	Personal Income (Billions) /A	$284.8	$290.7	$312.0	$335.2	$352.2	$368.9	$391.4	$404.1	$423.2
2	Change	5.0%	2.1%	7.4%	7.4%	5.1%	4.8%	6.1%	3.2%	4.7%
3	Wage and Salary Income (Billions) /A	$146.6	$151.1	$160.8	$170.3	$182.1	$184.4	$195.0	$204.9	$214.4
4	Change	5.8%	3.1%	6.5%	5.9%	6.9%	1.3%	5.7%	5.1%	4.6%
5	Per-Capita Income ($/person) /A	$52,219.0	$52,431.0	$55,550.0	$58,836.0	$61,159.0	$63,462.0	$66,799.1	$68,280.6	$70,795.5
6	Change	3.0%	0.4%	5.9%	5.9%	3.9%	3.8%	5.3%	2.2%	3.7%
	Population & Employment									
7	Population (Thousands)	5,454.3	5,543.8	5,617.4	5,697.2	5,758.5	5,813.2	5,859.7	5,918.3	5,977.5
8	Change	1.9%	1.6%	1.3%	1.4%	1.1%	1.0%	0.8%	1.0%	1.0%
9	Net Migration (Thousands)	69.7	58.4	44.8	53.2	41.9	28.5	30.0	36.0	40.0
10	Unemployment Rate	3.7%	3.1%	2.6%	3.0%	2.7%	7.3%	5.6%	4.4%	3.6%
11	Total Nonagricultural Employment (Thousands)	2,541.0	2,601.7	2,660.3	2,727.3	2,790.1	2,646.7	2,727.4	2,818.1	2,870.9
12	Change	3.1%	2.4%	2.2%	2.5%	2.3%	-5.1%	3.0%	3.3%	1.9%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	31.9	39.0	40.7	42.6	38.6	40.5	48.2	50.7	52.6
14	Change	11.0%	22.3%	4.4%	4.8%	-9.4%	4.8%	19.0%	5.2%	3.8%
15	Nonresidential Construction Value (Millions) /B	$4,990.8	$5,987.8	$6,154.9	$8,141.4	$5,059.0	$5,250.4	$5,171.6	$5,329.3	$5,655.8
16	Change	14.7%	20.0%	2.8%	32.3%	-37.9%	3.8%	-1.5%	3.1%	6.1%
	Prices									
17	Retail Trade (Billions)	$182.8	$184.7	$194.6	$206.1	$224.6	$228.8	$253.2	$265.9	$274.5
18	Change	0.1%	1.0%	5.4%	5.9%	9.0%	1.9%	10.7%	5.0%	3.2%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100) /C	240.0	246.6	255.0	262.0	267.0	272.2	281.0	287.4	293.8
20	Change	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%	3.2%	2.3%	2.2%

/A Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, and medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C In 2018, the geography and data frequency of this series were revised. 2017 and prior years represent Denver-Boulder-Greeley regional prices.

Table 2: National Economic Variables – History and Forecast

Line No.		Actual						June 2021 Forecast		
		2015	2016	2017	2018	2019	2020	2021	2022	2023
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$17,432.2	$17,730.5	$18,144.1	$18,687.8	$19,091.7	$18,426.1	$19,660.6	$20,506.0	$20,895.6
2	Change	3.1%	1.7%	2.3%	3.0%	2.2%	-3.5%	6.7%	4.3%	1.9%
3	Personal Income (Billions) /B	$15,724.2	$16,160.7	$16,948.6	$17,851.8	$18,551.5	$19,727.9	$20,951.1	$21,403.6	$22,199.8
4	Change	4.9%	2.8%	4.9%	5.3%	3.9%	6.3%	6.2%	2.2%	3.7%
5	Per-Capita Income ($/person)	$49,046	$50,049	$52,150	$54,645	$56,525	$59,875	$63,334	$64,380	$66,443
6	Change	4.1%	2.0%	4.2%	4.8%	3.4%	5.9%	5.8%	1.7%	3.2%
7	Wage and Salary Income (Billions) /B	$7,859.0	$8,089.0	$8,471.0	$8,894.0	$9,309.0	$9,371.0	$9,914.0	$10,372.5	$10,792.6
8	Change	5.1%	2.9%	4.7%	5.0%	4.7%	0.7%	5.8%	4.6%	4.1%
	Population & Employment									
9	Population (Millions)	320.7	322.9	325.0	326.7	328.2	329.5	330.8	332.5	334.1
10	Change	0.8%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%
11	Unemployment Rate	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.5%	4.4%	3.9%
12	Total Nonagricultural Employment (Millions)	141.8	144.3	146.6	148.9	150.9	142.2	146.7	151.2	153.1
13	Change	2.1%	1.8%	1.6%	1.6%	1.3%	-5.8%	3.2%	3.0%	1.3%
	Other Key Indicators									
14	Consumer Price Index (1982-84=100)	237.0	240.0	245.1	251.1	255.7	258.8	267.1	273.3	278.8
15	Change	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%	3.2%	2.3%	2.0%
16	Pre-Tax Corporate Profits (Billions)	$2,060.5	$2,023.7	$2,114.5	$2,243.0	$2,250.5	$2,120.3	$2,364.7	$2,432.1	$2,525.7
17	Change	-2.8%	-1.8%	4.5%	6.1%	0.3%	-5.8%	11.5%	2.9%	3.9%
18	Housing Permits (Millions)	1.183	1.207	1.282	1.329	1.386	1.471	1.810	1.901	1.951
19	Change	12.4%	2.0%	6.3%	3.6%	4.3%	6.1%	23.0%	5.0%	2.6%
20	Retail Trade (Billions)	$5,352.2	$5,506.1	$5,732.9	$5,985.1	$6,184.6	$6,215.1	$6,978.3	$7,295.1	$7,509.6
21	Change	2.6%	2.9%	4.1%	4.4%	3.3%	0.5%	12.3%	4.5%	2.9%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3: General Fund Revenue Estimates by Tax Category /A

Line No.	Category	Actual FY 2019-20	% Chg	June 2021 Estimate by Fiscal Year FY 2020-21	% Chg	FY 2021-22	% Chg	FY 2022-23	% Chg
	Excise Taxes:								
1	Sales	$3,196.0	4.7%	$3,464.8	8.4%	$3,668.8	5.9%	$3,875.1	5.6%
2	Use	$210.5	-39.1%	$209.2	-0.6%	$215.4	3.0%	$222.6	3.4%
3	Retail Marijuana Sales - Special Sales Tax	$245.5	27.4%	$286.0	16.5%	$306.0	7.0%	$322.8	5.5%
4	Cigarette	$32.5	-0.1%	$30.1	-7.5%	$27.3	-9.2%	$26.2	-4.0%
5	Tobacco Products	$24.4	9.5%	$30.0	23.0%	$12.7	-57.6%	$26.7	109.9%
6	Liquor	$50.1	3.7%	$53.6	7.1%	$52.8	-1.4%	$54.0	2.2%
7	Proposition EE/Nicotine	$0.0	N/A	$50.5	N/A	$186.6	269.8%	$190.5	2.1%
8	**Total Excise**	**$3,759.0**	**1.7%**	**$4,124.1**	**9.7%**	**$4,469.6**	**8.4%**	**$4,717.9**	**5.6%**
	Income Taxes:								
9	Net Individual Income	$8,644.9	4.8%	$9,690.1	12.1%	$9,964.8	2.8%	$10,360.2	4.0%
10	Net Corporate Income	$728.3	-20.8%	$1,068.7	46.7%	$898.2	-15.9%	$883.5	-1.6%
11	**Total Income**	**$9,373.2**	**2.3%**	**$10,758.8**	**14.8%**	**$10,863.0**	**1.0%**	**$11,243.6**	**3.5%**
12	*Less: State Education Fund Diversion*	*$646.7*	*-6.7%*	*$861.5*	*33.2%*	*$814.7*	*-5.4%*	*$843.3*	*3.5%*
13	**Total Income to General Fund**	**$8,726.5**	**3.0%**	**$9,897.3**	**13.4%**	**$10,048.3**	**1.5%**	**$10,400.3**	**3.5%**
	Other Revenue:								
14	Insurance	$337.4	7.2%	$341.0	1.1%	$434.0	27.3%	$486.0	12.0%
15	Interest Income	$31.1	17.2%	$42.7	37.3%	$36.9	-13.6%	$17.0	-53.9%
16	Pari-Mutuel	$0.4	-23.7%	$0.3	-15.5%	$0.5	55.0%	$0.5	-2.0%
17	Court Receipts	$3.9	-6.7%	$3.6	-6.7%	$4.2	16.1%	$4.1	-2.4%
18	Other Income	$9.7	-80.2%	$11.3	16.1%	$24.9	121.5%	$24.9	0.0%
19	**Total Other**	**$382.5**	**-3.1%**	**$398.9**	**4.3%**	**$500.5**	**25.5%**	**$532.5**	**6.4%**
20	**GROSS GENERAL FUND**	**$12,868.0**	**2.4%**	**$14,420.3**	**12.1%**	**$15,018.5**	**4.1%**	**$15,650.8**	**4.2%**

/A Dollars in millions.

Table 4: General Fund Overview under Current Legislation /A

Line No.		Actual FY 2019-20	June 2021 Estimate by Fiscal Year FY 2020-21	FY 2021-22	FY 2022-23
Revenue					
1	**Beginning Reserve**	**$1,262.6**	**$1,823.2**	**$3,103.7**	**$3,405.8**
2	**Gross General Fund Revenue**	**$12,868.0**	**$14,420.3**	**$15,018.5**	**$15,650.8**
3	*Transfers to the General Fund*	$248.0	$333.9	$22.1	$20.4
4	**TOTAL GENERAL FUND AVAILABLE**	**$14,378.6**	**$16,577.3**	**$18,144.3**	**$19,077.1**
Expenditures					
5	**Appropriation Subject to Limit**	**$11,805.2**	**$10,980.5**	**$12,294.8**	**$14,901.5**
6	*Dollar Change (from prior year)*	$546.4	-$824.7	$1,314.3	$2,606.6
7	*Percent Change (from prior year)*	4.9%	-7.0%	12.0%	21.2%
8	**Spending Outside Limit**	**$910.5**	**$2,493.2**	**$2,443.6**	**$1,940.4**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$0.0	$585.4	$1,012.1	$1,133.6
10	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$157.9	$0.0	$0.0
11	*Other Rebates and Expenditures*	$145.7	$138.4	$138.1	$140.7
12	*Transfers for Capital Construction*	$213.6	$43.0	$348.8	$50.0
13	*Transfers for Transportation*	$300.0	$0.0	$294.0	$115.0
14	*Transfers to State Education Fund*	$40.3	$115.8	$248.1	$124.0
15	*Transfers to Other Funds*	$210.9	$1,452.7	$402.5	$377.1
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$12,715.6**	**$13,473.7**	**$14,738.4**	**$16,841.9**
17	*Percent Change (from prior year)*	-1.1%	6.0%	9.4%	14.3%
18	Reversions and Accounting Adjustments	-$160.3	$0.0	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$1,823.2**	**$3,103.7**	**$3,405.8**	**$2,235.2**
20	*Year-End General Fund as a % of Appropriations*	15.4%	28.3%	27.7%	15.0%
21	*General Fund Statutory Reserve*	$362.4	$314.0	$1,647.5	$2,235.2
22	*Above/Below Statutory Reserve*	$1,460.8	$2,789.6	$1,758.3	$0.0

/A. FY 2020-21 and FY 2021-22 expenditures reflect all legislation that has passed through both the Colorado House and Senate as of June 18, 2021. FY 2022-23 appropriations will be adopted in future budget legislation. Therefore, FY 2022-23 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

Table 5: General Fund and State Education Fund Overview under the Governor's Budget Request /A

Line No.		Actual FY 2019-20	June 2021 Estimate by Fiscal Year FY 2020-21	FY 2021-22	FY 2022-23
Revenue					
1	**Beginning Reserves**	**$1,438.6**	**$1,989.9**	**$3,683.2**	**$4,130.8**
2	*State Education Fund*	$176.0	$166.7	$579.6	$725.0
3	*General Fund*	$1,262.6	$1,823.2	$3,103.7	$3,405.8
4	**Gross State Education Fund Revenue /B**	**$691.3**	**$1,040.1**	**$1,081.5**	**$982.3**
5	**Gross General Fund Revenue /C**	**$13,116.0**	**$14,754.1**	**$15,040.6**	**$15,671.2**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$15,245.8**	**$17,784.1**	**$19,805.3**	**$20,784.3**
Expenditures					
7	General Fund Expenditures /D	$12,715.6	$13,473.7	$14,738.4	$16,841.9
8	State Education Fund Expenditures	$700.6	$627.2	$936.1	$1,452.5
9	**TOTAL OBLIGATIONS**	**$13,416.2**	**$14,100.9**	**$15,674.5**	**$18,294.4**
10	*Percent Change (from prior year)*	-0.2%	5.1%	11.2%	16.7%
11	*Reversions and Accounting Adjustments*	-$160.3	$0.0	$0.0	$0.0
Reserves					
12	**Year-End Balance**	**$1,989.9**	**$3,683.2**	**$4,130.8**	**$2,490.0**
13	State Education Fund	$166.7	$579.6	$725.0	$254.8
14	General Fund	$1,823.2	$3,103.7	$3,405.8	$2,235.2
15	*General Fund Above/Below Statutory Reserve*	$1,460.8	$2,789.6	$3,516.7	$0.0

/A FY 2020-21 and FY 2021-22 expenditures reflect all legislation that has passed through both the Colorado House and Senate as of June 18, 2021. FY 2022-23 appropriations will be adopted in future budget legislation. Therefore, FY 2022-23 expenditures and fund balance projections shown are illustrative only. Dollars in millions.
/B These amounts include the following transfers: $115.8 million in FY 2020-21, $248.1 million in FY 2021-22, and $124.0 million in FY 2022-23.
/C This amount includes transfers to the General Fund.
/D General Fund expenditures include appropriations subject to the limit of 5.0 percent of Colorado personal income as well as all spending outside the limit.

Table 6: Cash Fund Revenue Subject to TABOR /A

Line No.	Category	Actual FY 2019-20	June 2021 Estimate by Fiscal Year FY 2020-21	FY 2021-22	FY 2022-23
1	**Transportation-Related /A**	**$1,198.2**	**$1,179.3**	**$1,233.8**	**$1,316.9**
2	Change	-6.1%	-1.6%	4.6%	6.7%
3	**Limited Gaming Fund /B**	**$69.1**	**$96.5**	**$113.3**	**$114.7**
4	Change	-35.4%	39.5%	17.5%	1.2%
5	**Capital Construction - Interest**	**$6.3**	**$2.8**	**$3.7**	**$4.2**
6	Change	33.6%	-30.0%	2.3%	1.1%
7	**Regulatory Agencies**	**$81.1**	**$91.7**	**$93.7**	**$93.8**
8	Change	2.9%	10.2%	2.2%	0.3%
9	**Insurance-Related**	**$24.9**	**$21.5**	**$21.3**	**$21.9**
10	Change	10.5%	-13.8%	-0.9%	2.8%
11	**Severance Tax**	**$131.7**	**($13.1)**	**$94.7**	**$132.3**
12	Change	-48.4%	-109.9%	-822.9%	39.7%
13	**Other Miscellaneous Cash Funds**	**$725.3**	**$875.6**	**$907.9**	**$936.3**
14	Change	4.5%	24.9%	3.7%	3.1%
15	**TOTAL CASH FUND REVENUE**	***$2,236.7***	***$2,254.3***	***$2,468.3***	***$2,620.0***
16	Change	-8.3%	2.1%	9.2%	5.7%

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40 percent of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table. Dollars in millions. Additionally, includes the impact of SB 21-260 which dedicates funding and creates new state enterprises to enable the planning, funding, development, construction, maintenance, and supervision of a sustainable transportation system.
/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in House Bill 09-1272.

Table 7: TABOR and the Referendum C Revenue Limit/A

Line No.		Actual FY 2019-20	June 2021 Estimate by Fiscal Year FY 2020-21	FY 2021-22	FY 2022-23
	TABOR Revenues:				
1	General Fund /A	$12,629.5	$14,087.3	$14,532.9	$15,142.3
	Percent Change from Prior Year	2.3%	11.5%	3.2%	4.2%
2	Cash Funds /A	$2,244.2	$2,254.3	$2,468.3	$2,620.0
	Percent Change from Prior Year	-7.9%	0.4%	9.5%	6.1%
3	**Total TABOR Revenues**	**$14,873.8**	**$16,341.6**	**$17,001.3**	**$17,762.3**
	Percent Change from Prior Year	0.6%	9.9%	4.0%	4.5%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.4%	1.2%	0.3%	0.8%
5	Previous calendar year inflation	2.7%	1.9%	2.0%	3.2%
6	**Allowable TABOR Growth Rate**	**4.1%**	**3.1%**	**2.2%**	**4.0%**
7	TABOR Limit /B	$12,249.0	$12,628.7	$12,906.6	$13,422.8
8	General Fund Exempt Revenue Under Ref. C /C	$2,624.8	$3,016.3	$3,082.6	$3,205.9
9	**Revenue Cap Under Ref. C /B /D**	**$14,956.4**	**$15,645.0**	**$15,989.2**	**$16,628.7**
10	***Amount Above/Below Cap***	**-$82.6**	**$696.6**	**$1,012.1**	**$1,133.6**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$0.0**	**$585.4**	**$1,012.1**	**$1,133.6**
12	TABOR State Emergency Reserve Requirement	$446.2	$469.3	$479.7	$498.9

/A Amounts differ from the revenue totals reported in Table 3 and Table 6 due to accounting adjustments, and because some General Fund revenue is exempt from TABOR. Dollars in millions.

/B The TABOR limit and Referendum C cap are adjusted to account for changes in the enterprise status of various state entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenue" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period. SB 17-267 reduced the Referendum C cap by $200 million in FY 2017-18. SB 21-260 raises the Referendum C cap back to its pre-SB 17-267 levels, adjusted for inflation and population growth since the passage of SB 17-267. The new cap, in line with the original Referendum C cap, then grows by inflation and population growth in subsequent years.

/E These adjustments are the result of: (a) changes that were made to State accounting records for years in which TABOR refunds occurred that resulted in changes in required refunds to taxpayers, and (b) the refund to taxpayers in previous years was different than the actual amount required. Such adjustments are held by the State until a future year in which a TABOR refund occurs when they adjust the total refund amount distributed to taxpayers.