



Colorado State Economic & Budget Outlook

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Colorado School Finance Project
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Presentation Overview

- Economic & Budget Outlook
- TABOR Situation
- Budgetary Pressures
- Assessed Values Forecast
- K-12 Enrollment Forecast
- Census Bureau Differential Privacy

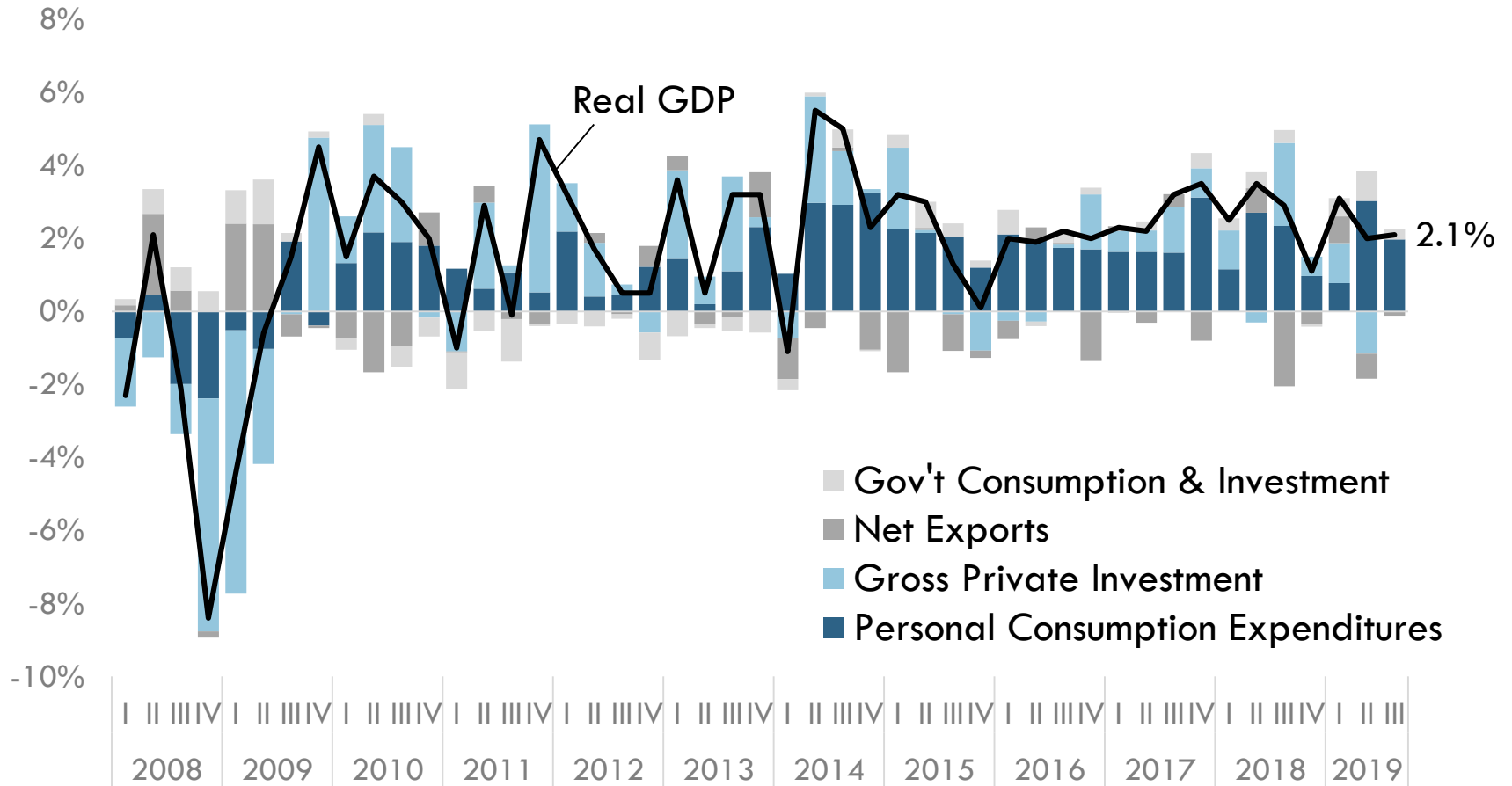
Economic Outlook



Consumers continue to drive growth in economic activity

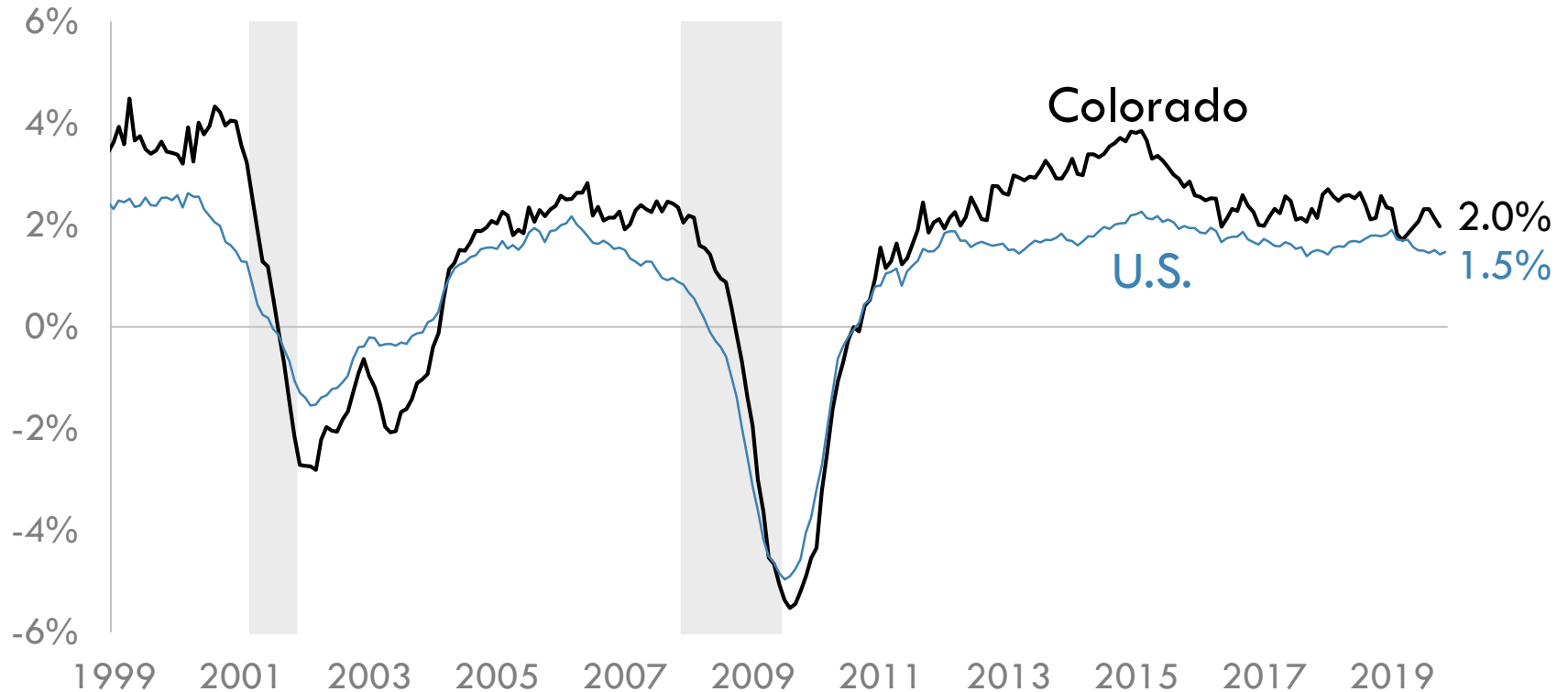
Contributions to Real Gross Domestic Product (GDP)

Annualized Change over the Prior Quarter



Employment growth continues, but will slow further as the labor market tightens

Year-over-Year Change in Nonfarm Employment

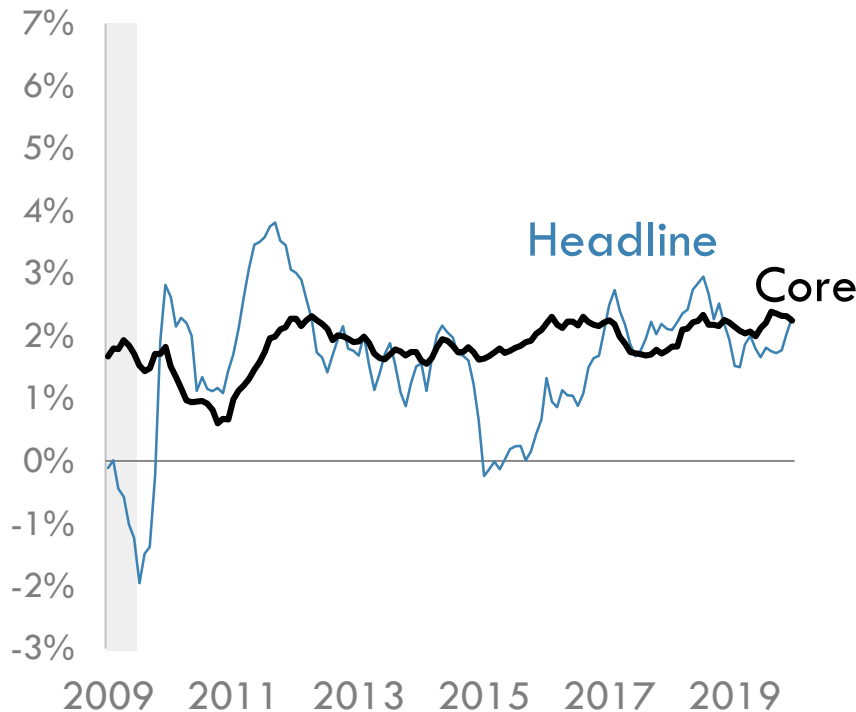


Source: U.S. Bureau of Labor Statistics. Seasonally adjusted. Colorado nonfarm employment estimates include estimates of revisions expected by Legislative Council Staff as a part of the annual rebenchmark process.

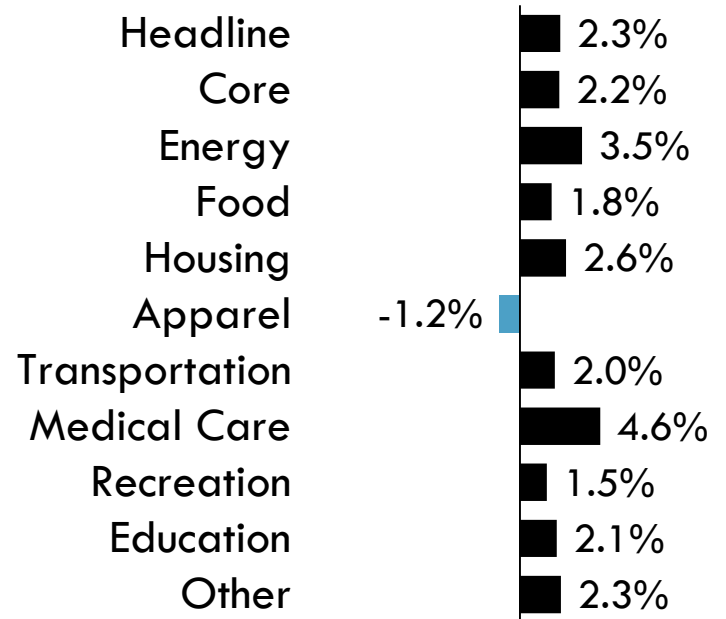
Inflationary pressures remain fairly subdued

CPI-U Inflation, U.S. City Average

Year-over-Year Change in Prices



December 2019 over December 2018

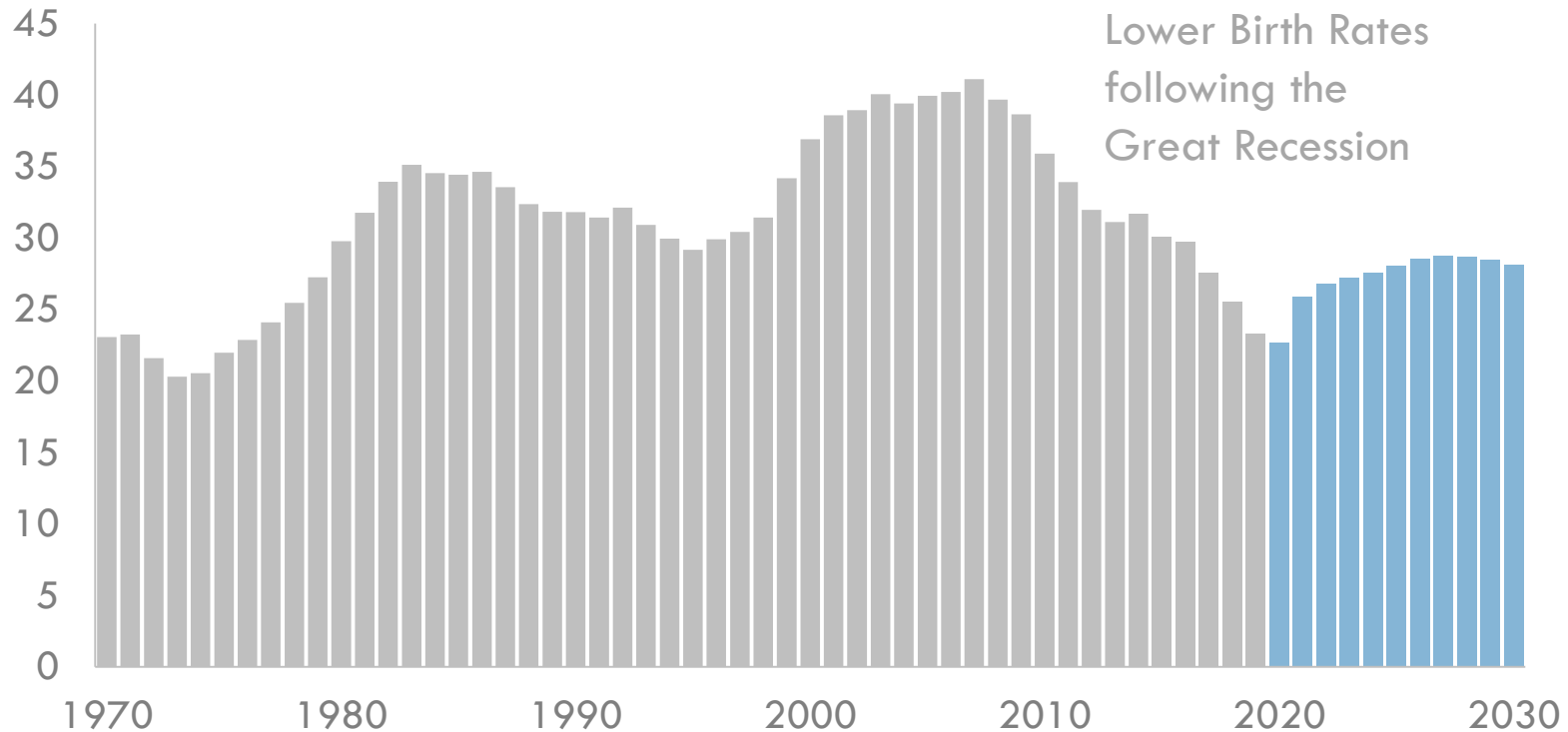


December Forecast	2019	2020	2021
U.S. City Average	1.8%	2.1%	2.1%
Denver-Aurora-Lakewood	1.9%	2.1%	2.2%

Lower birth rates have slowed natural population growth

Natural Population Growth (Births minus Deaths)

Thousands of People

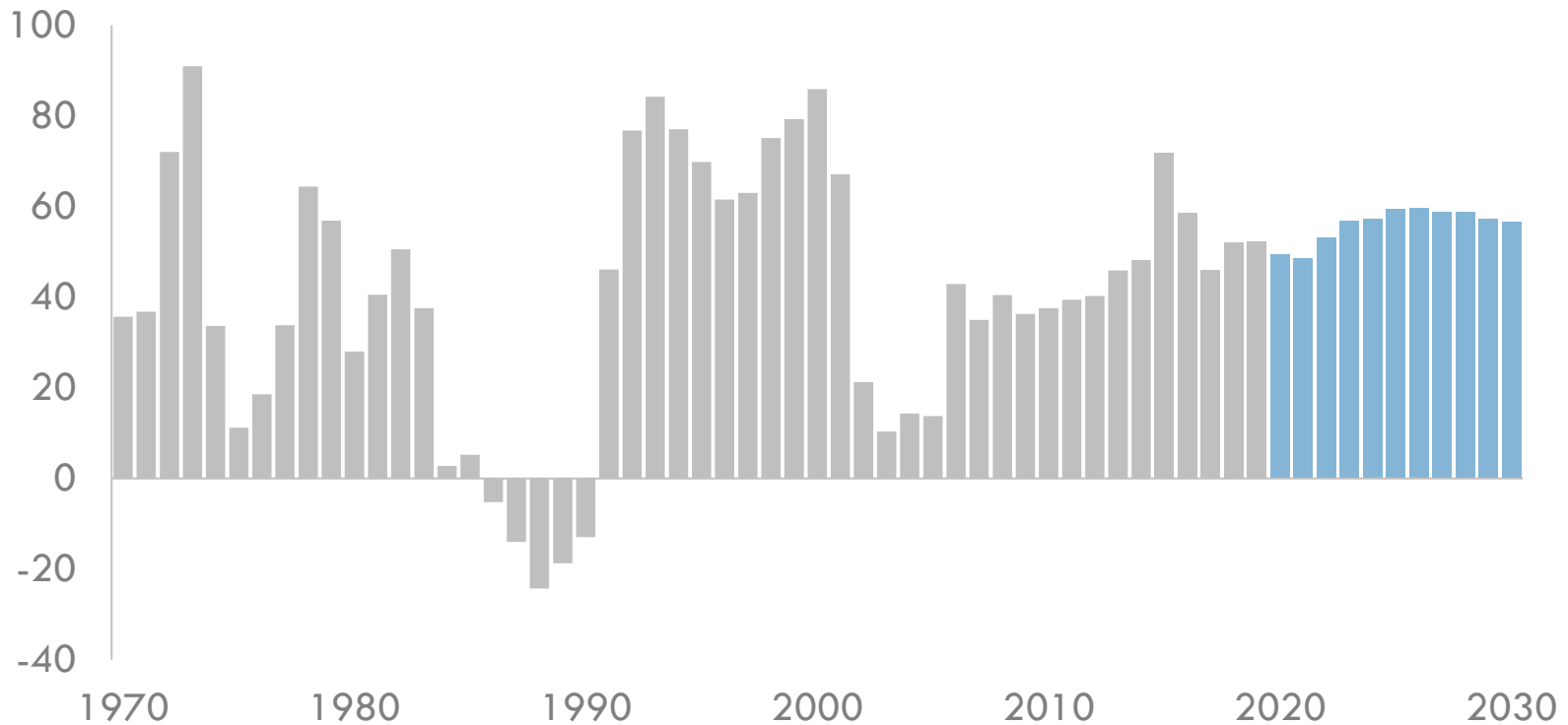


Source: Colorado State Demography Office 2019 estimates and projections.

Housing costs continue to influence Colorado migration

Net Migration to Colorado

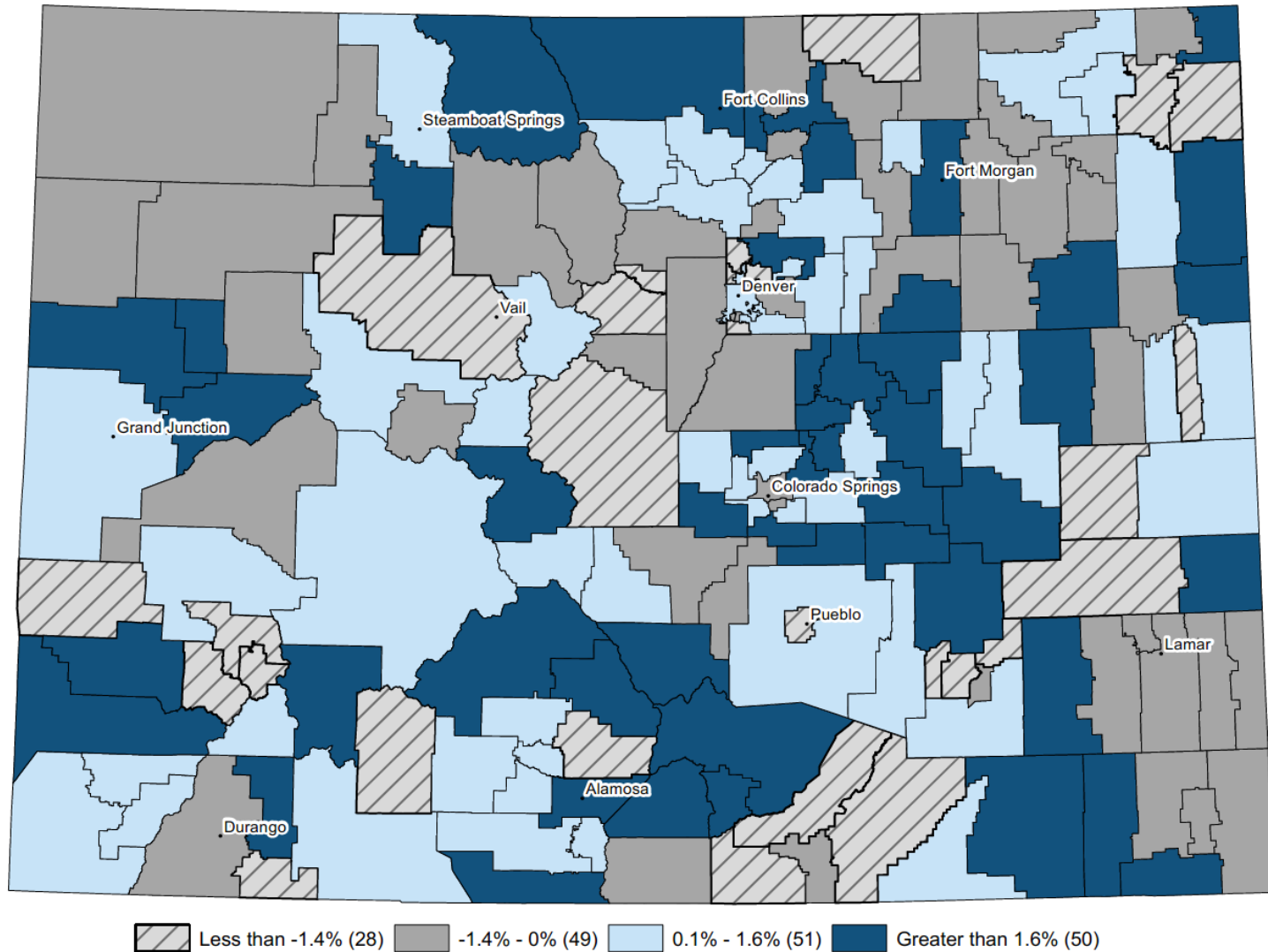
Thousands of People



Source: Colorado State Demography Office 2019 estimates and projections.

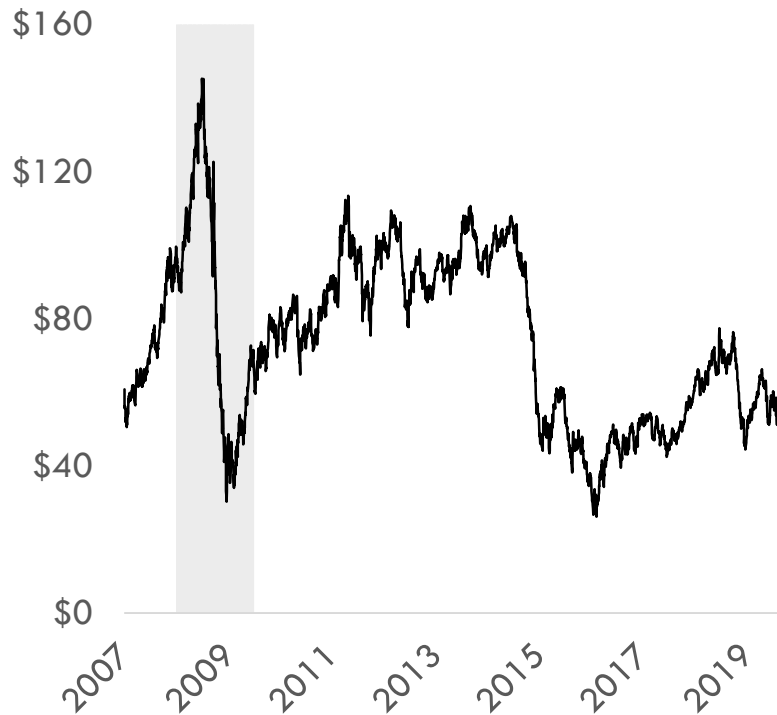
Forecast Change in Enrollment

FY 2019-20 to FY 2020-21, Student FTE



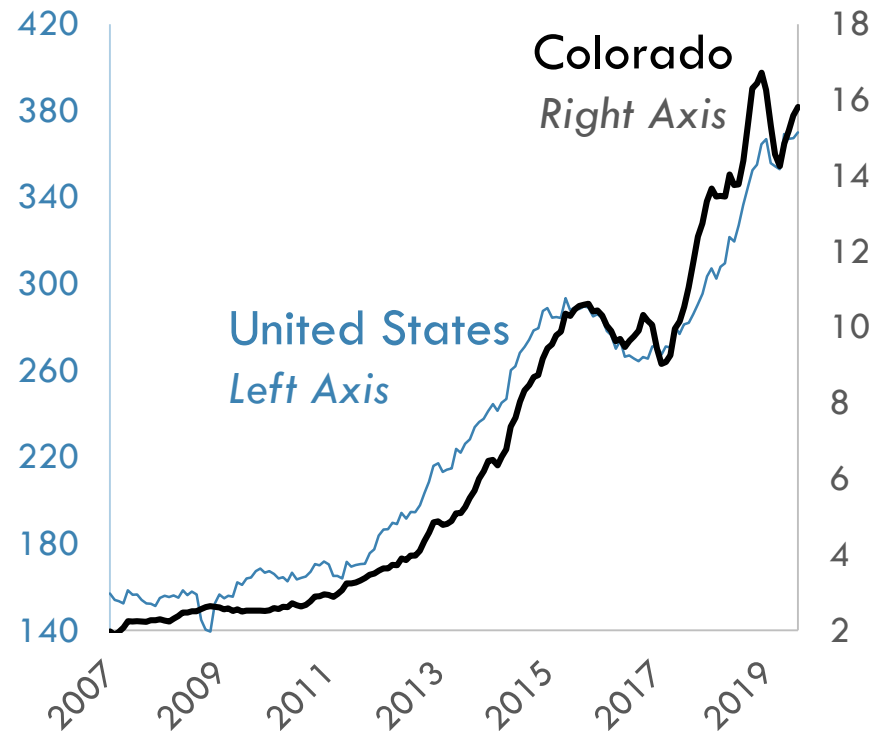
Crude oil prices remain subdued by strong supply, weaker demand

West Texas Intermediate
Crude Oil Price
Dollars per Barrel



Source: Energy Information Administration.
Average weekly prices through December 13, 2019.

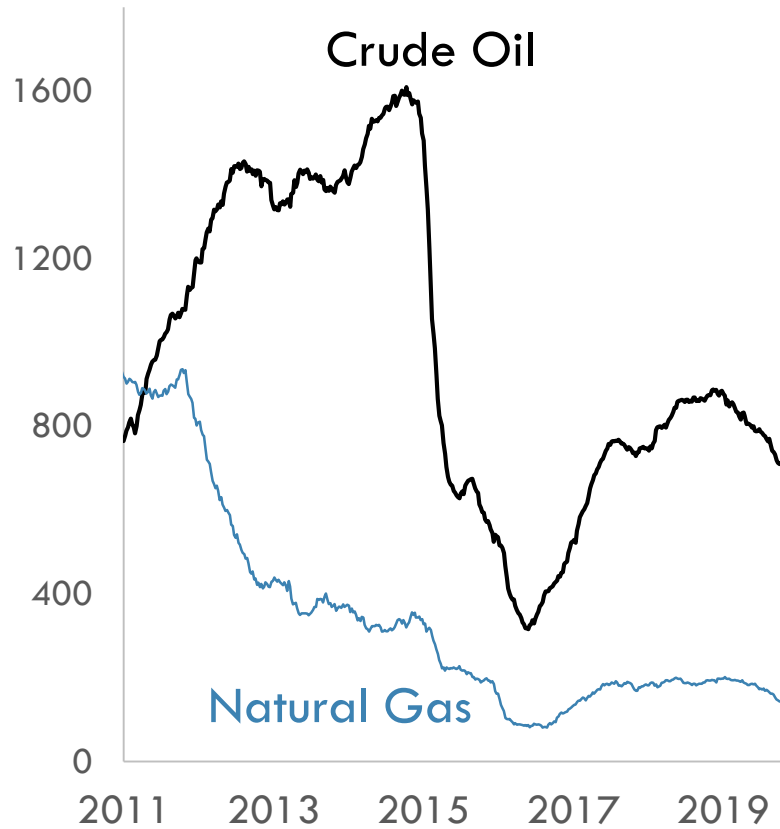
Crude Oil Production
Millions of Barrels per Month



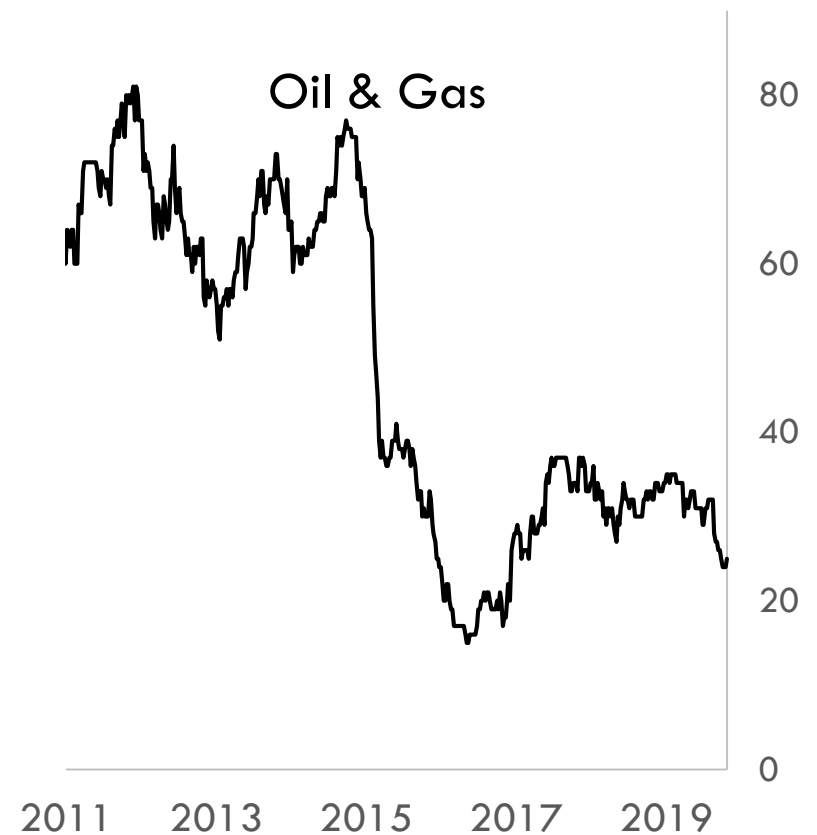
Source: Energy Information Administration. Three-month moving averages. Data are through August 2019.

New oil and gas activity has fallen off

U.S. Active Drilling Rig Counts

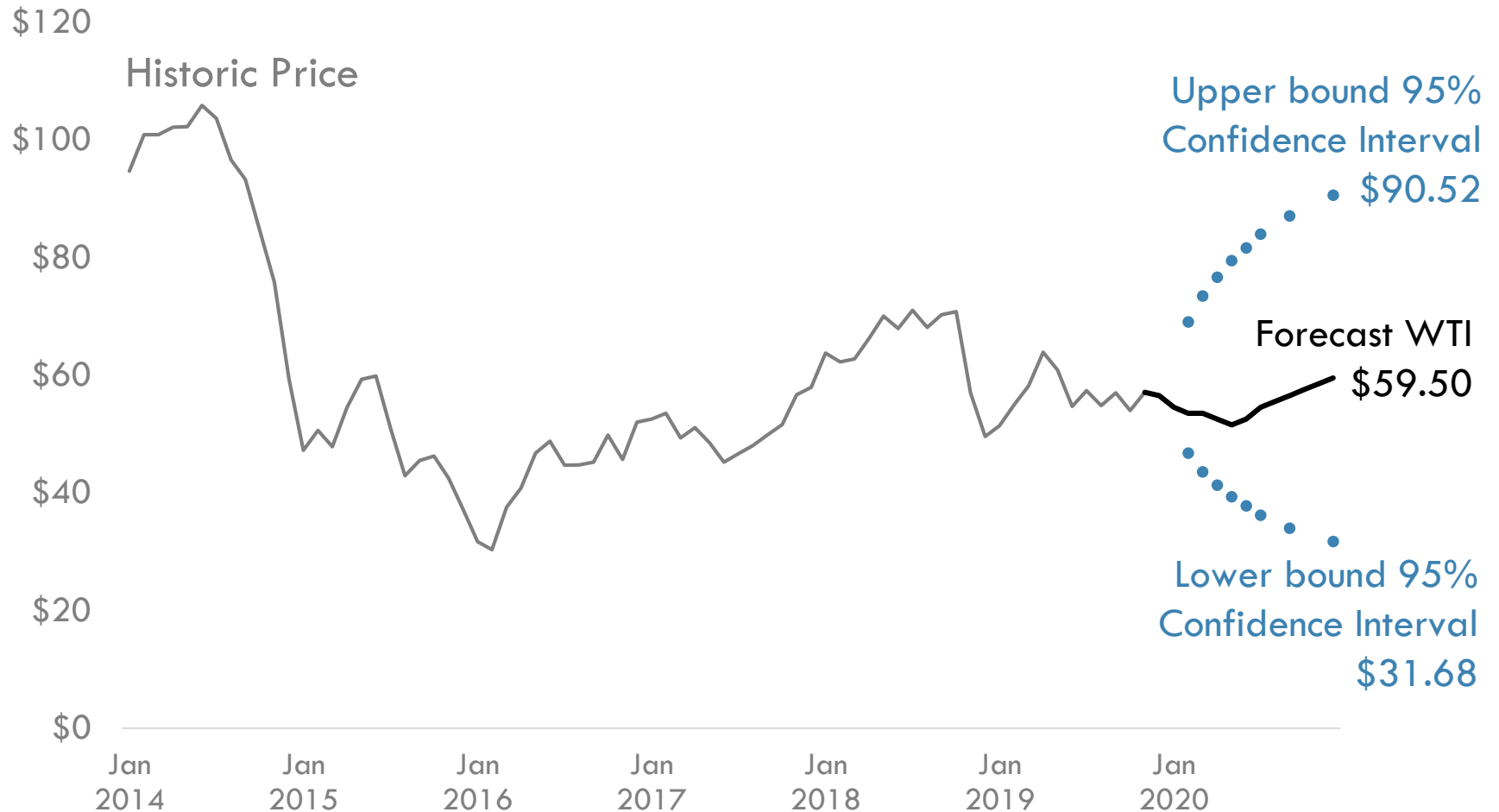


Colorado Rig Counts



Oil prices pose a risk to the forecast

West Texas Intermediate (WTI) Crude Oil Price



Economic Outlook

U.S. and Colorado economic growth will continue, but at slower rates

- Labor markets will tighten further, constricting business growth and profits with higher wages
- Inflationary pressures will remain subdued on slower global economic demand for goods and slowing housing costs
- Energy, manufacturing, and export industry activity expected to remain soft into 2020

Recessionary risk for 2020 has eased, but risk remains elevated for 2021 and 2022.

General Fund Budget Outlook

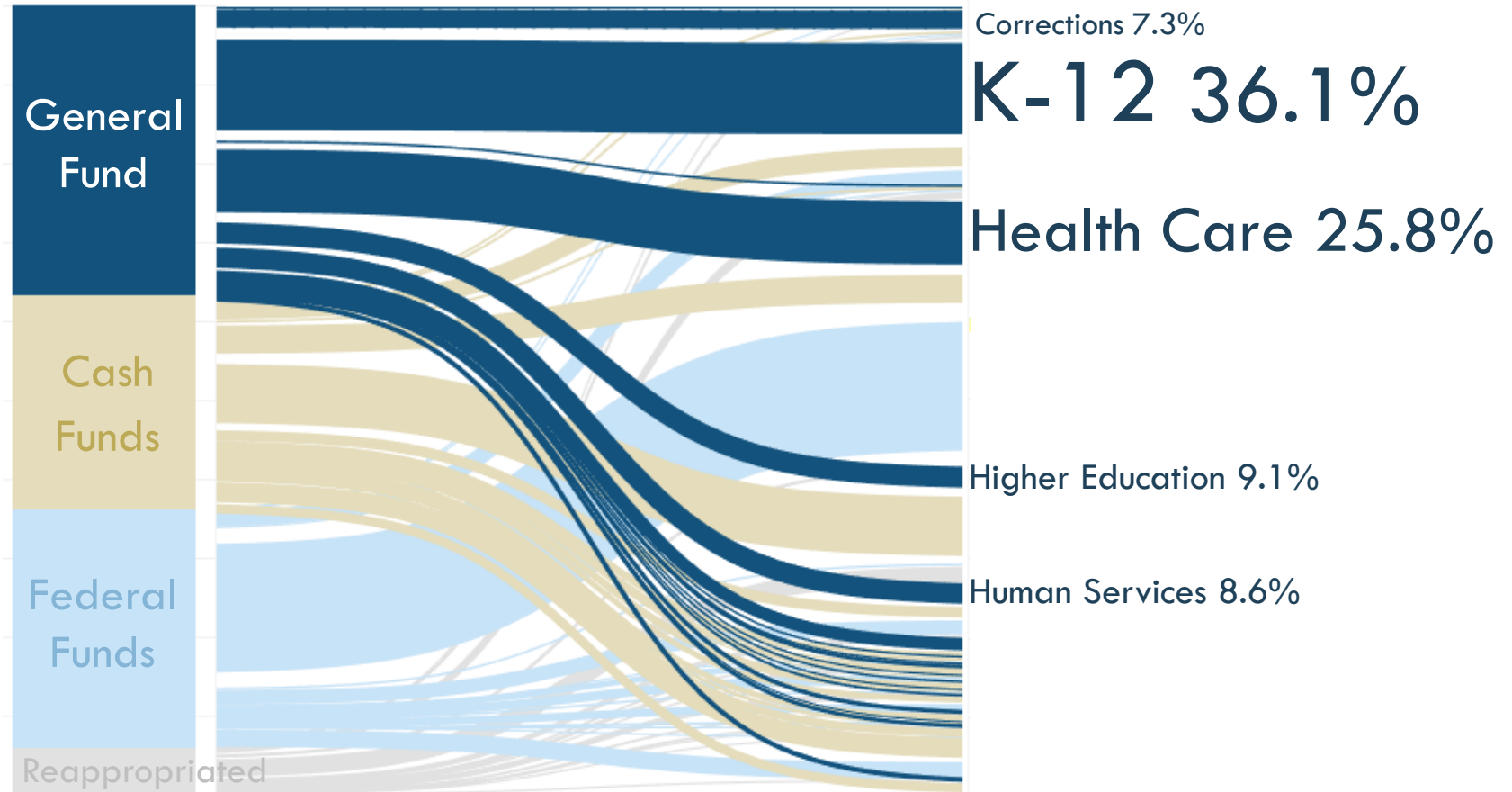


General Fund Budget

FY 2019-20: \$12.2 Billion*

Fund Source

Spending by Department



Ongoing shifts in taxpayer behavior and slowing economic growth are expected to drive General Fund revenue growth

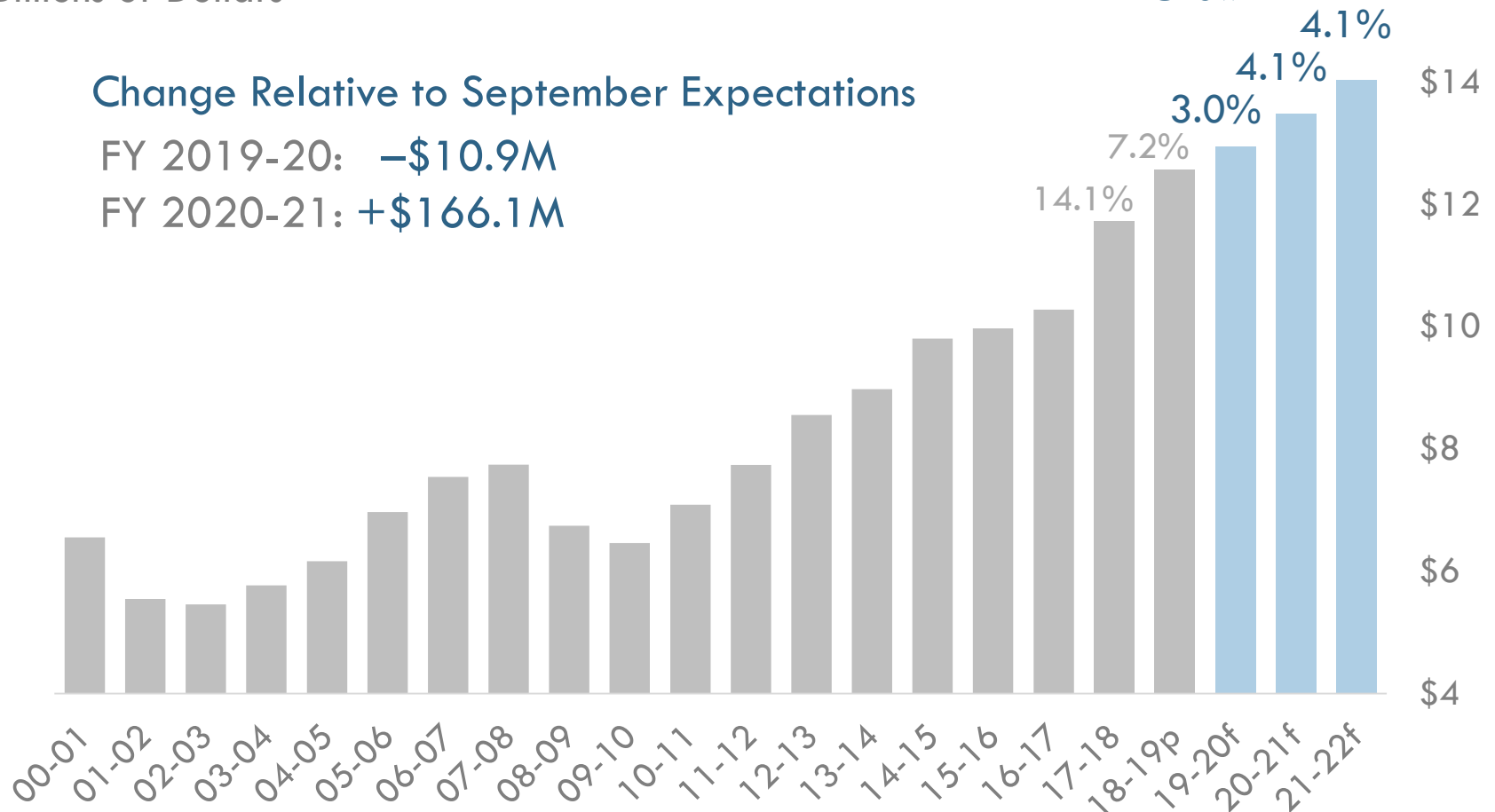
Gross General Fund Revenue
Billions of Dollars

Year-over-Year
Growth

Change Relative to September Expectations

FY 2019-20: $-\$10.9M$

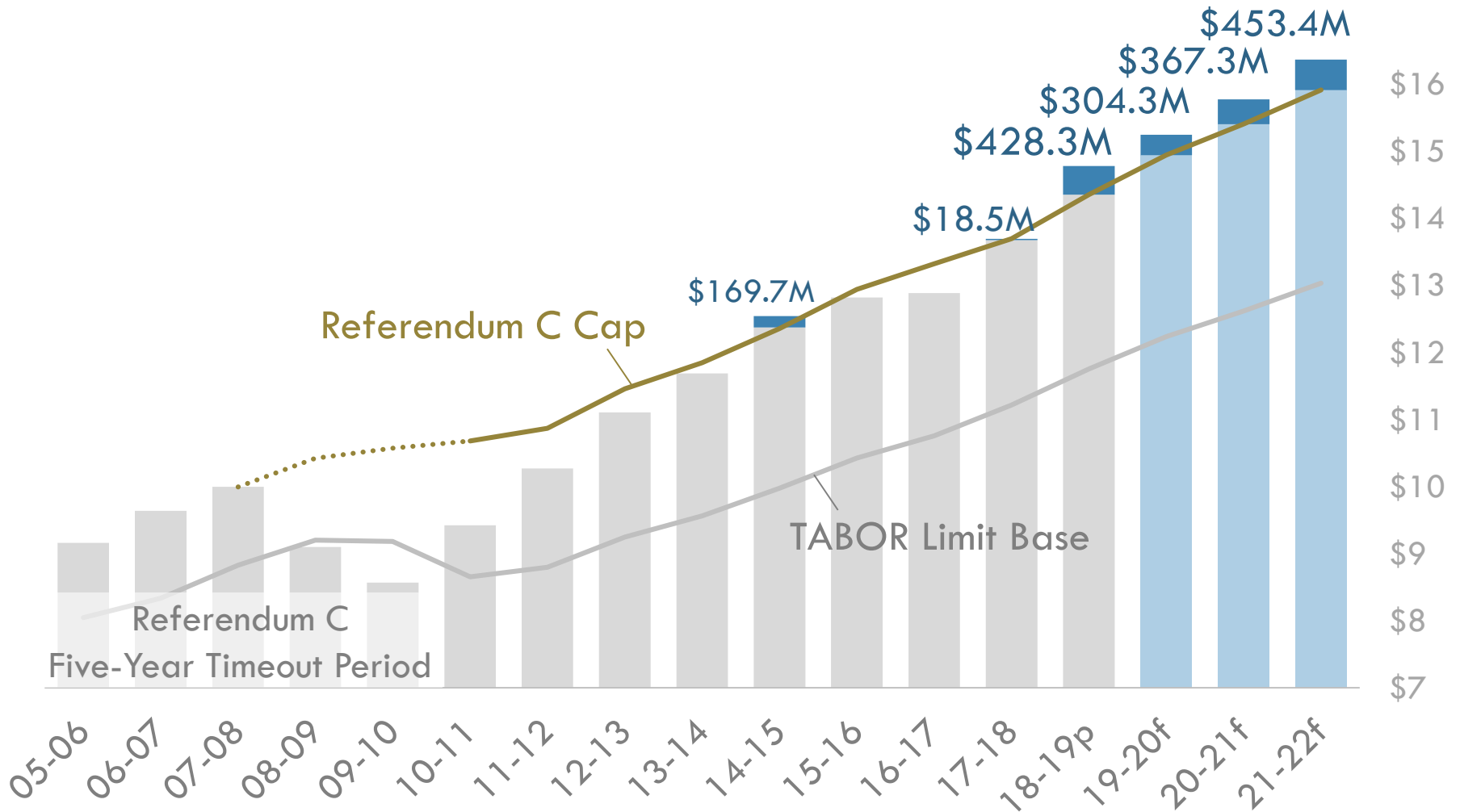
FY 2020-21: $+\$166.1M$



TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions

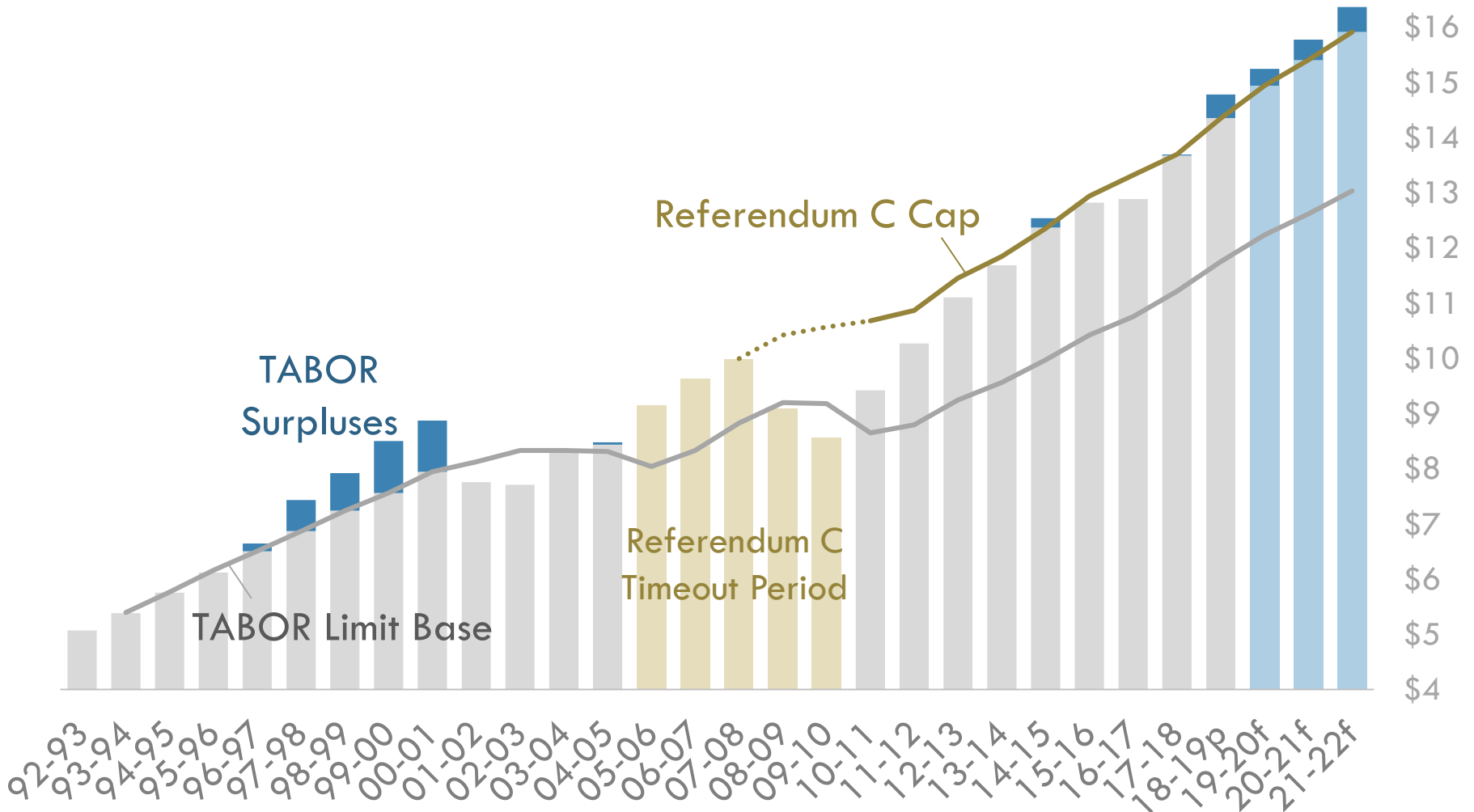


Source: Colorado Office of the State Controller and Legislative Council Staff December 2019 forecast.

Full TABOR History and Outlook

Revenue Subject to TABOR

Dollars in Billions

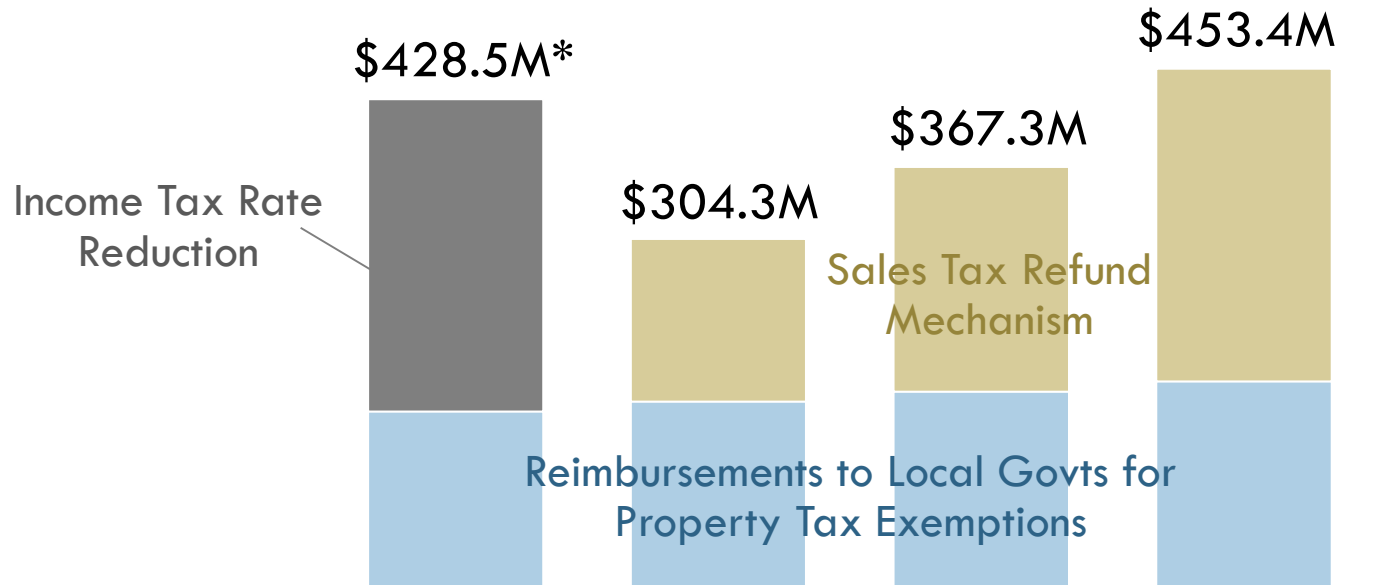


Source: Colorado Office of the State Controller and Legislative Council Staff December 2019 forecast.

TABOR surplus revenue is set aside in the year in which a surplus occurs to pay refunds in the following budget year

Expected TABOR Refunds & General Fund Budget Impacts

Dollars in Millions

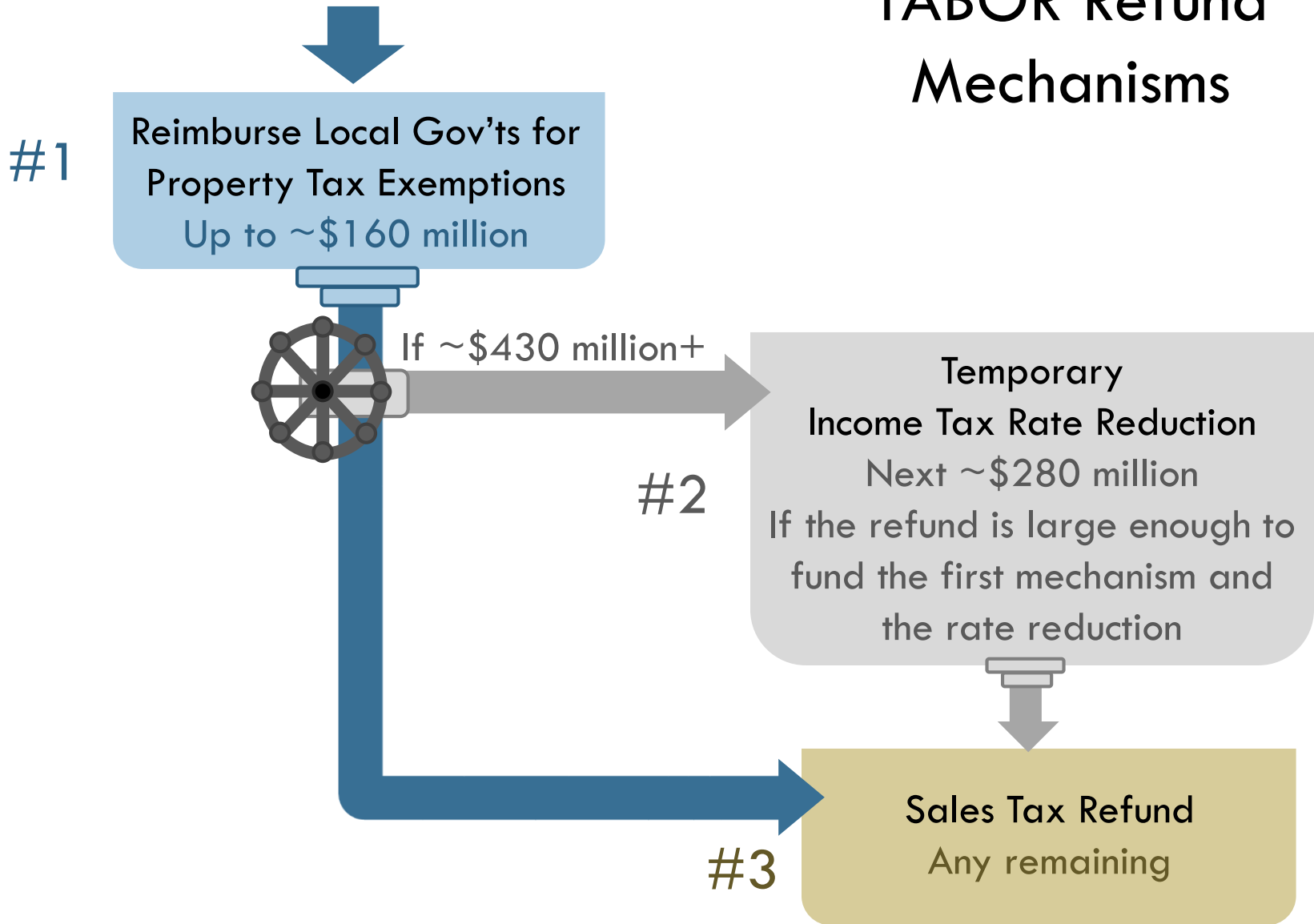


TABOR Surplus & Set Aside:	2018-19	2019-20	2020-21	2021-22
Refunded in Fiscal Year:	2019-20	2020-21	2021-22	2022-23

Source: Colorado Office of the State Controller and Legislative Council Staff December 2019 forecast.

*This amount includes \$0.1 million in underrefunds from the FY 2014-15 surplus.

TABOR Refund Obligation



TABOR Refund Mechanisms

Risks to the Forecast

Upside Risks for FY 2019-20

- Ongoing shifts in taxpayer behavior with federal tax law changes
- Taxation of out-of-state (including online) sales tax collections

Elevated downside risk for FY 2020-21 and FY 2021-22

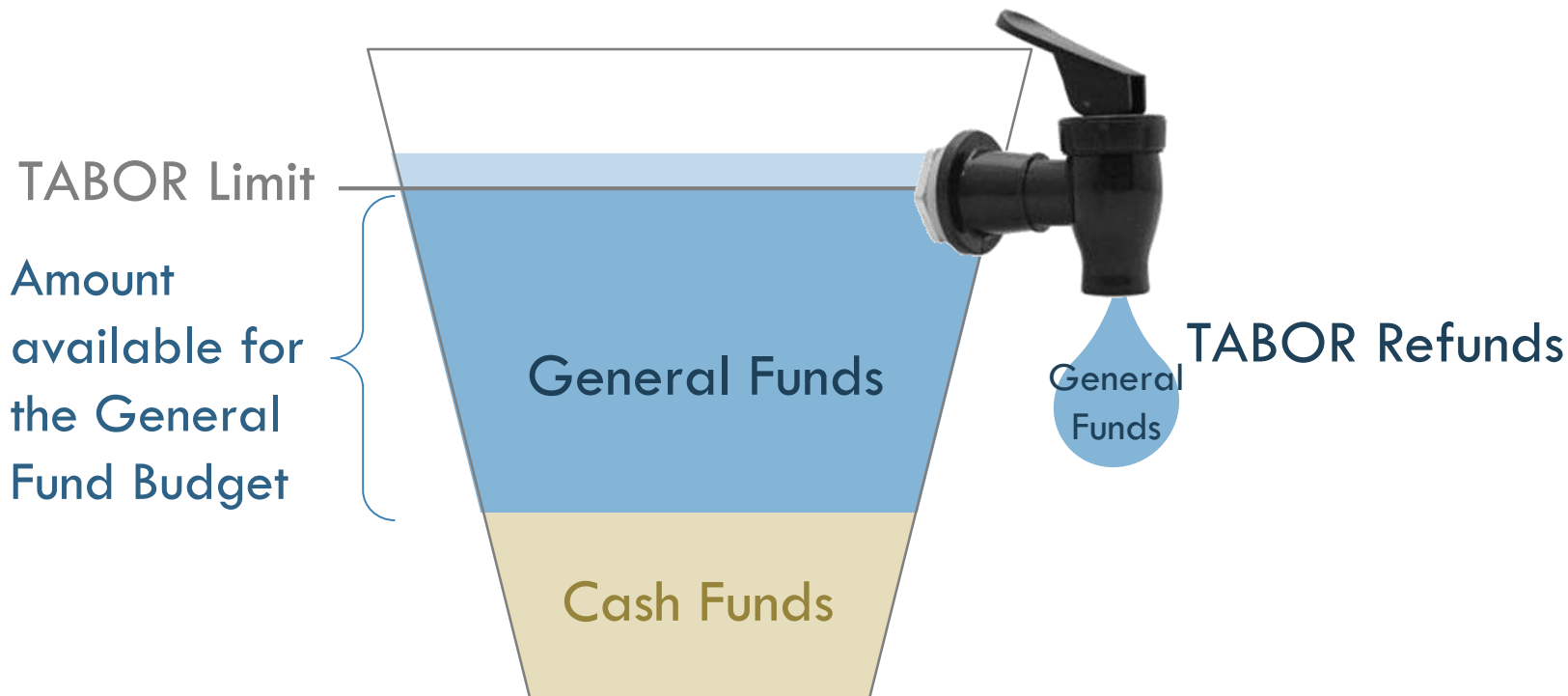
- Slower growth as the economic expansion matures
- Leading indicators improved some, but still flashing warning signs

In the current TABOR refund situation...

- The TABOR limit will constrain revenue growth
- Upside surprises mean larger TABOR refunds
- Higher than expected *cash fund* revenue will increase General Fund budgetary pressures

TABOR Refunds are refunded from General Funds

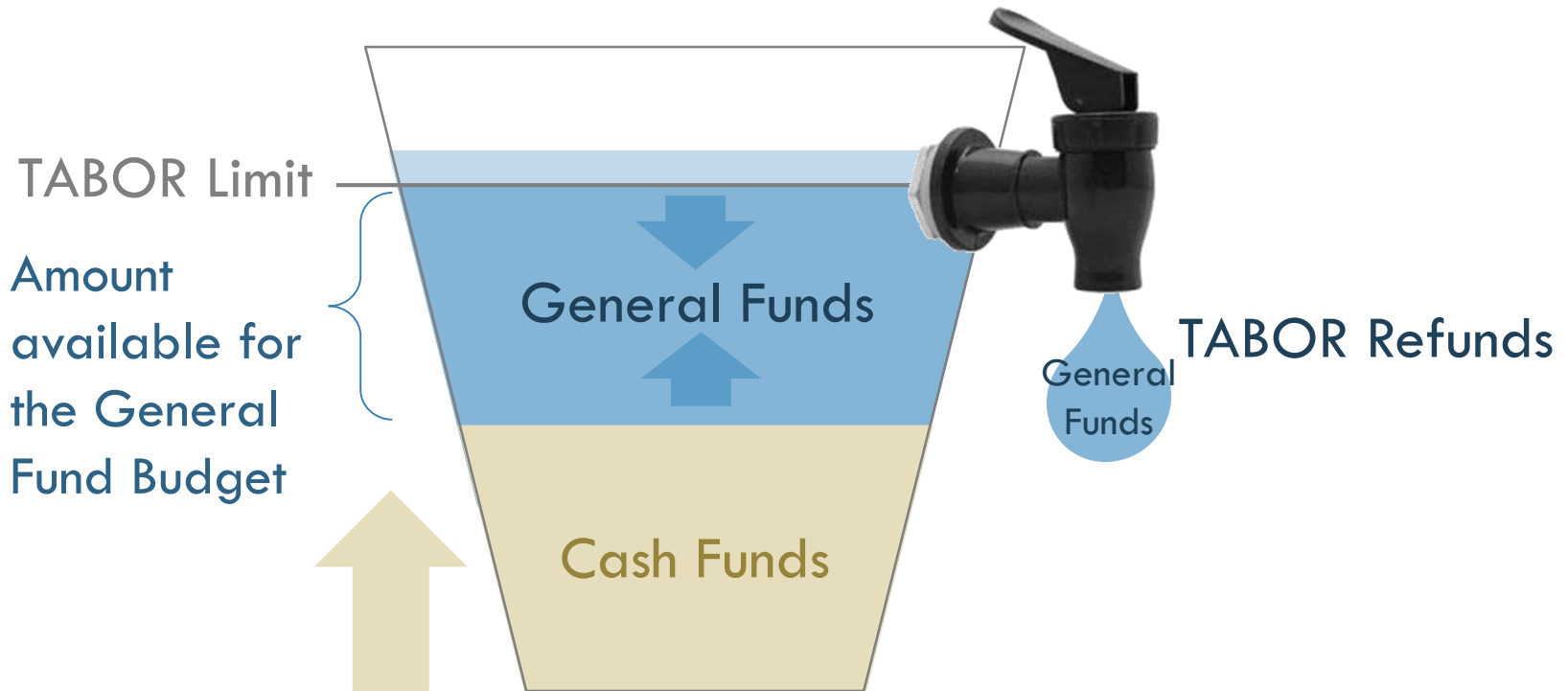
In a TABOR surplus situation...



General Fund dollars in = General Fund dollars out

TABOR Refunds are refunded from General Funds

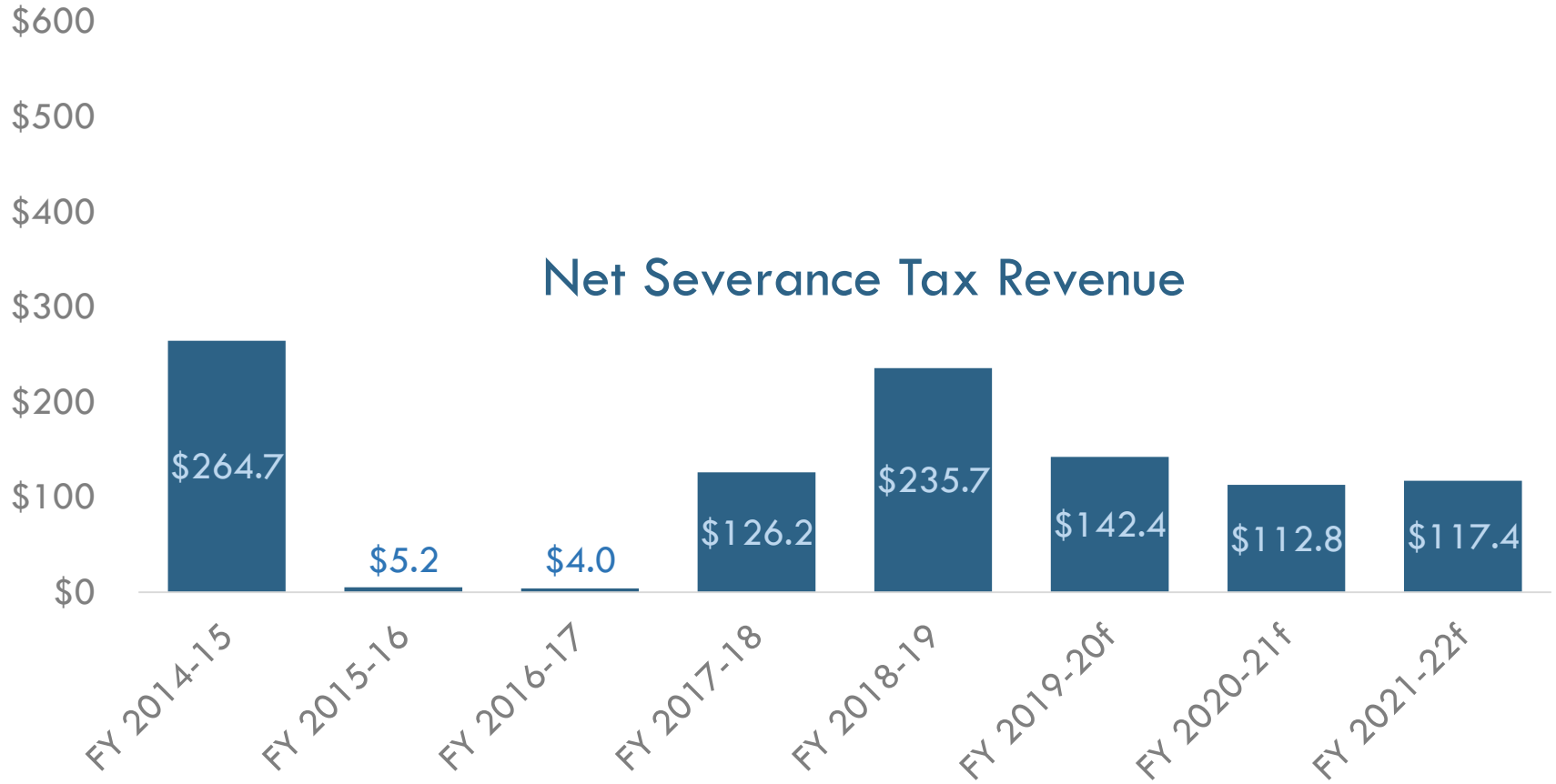
In a TABOR surplus situation...



Cash Fund dollars in = General Fund dollars out

Severance Taxes Are Noisy

Dollars in Millions



Budgetary Pressures

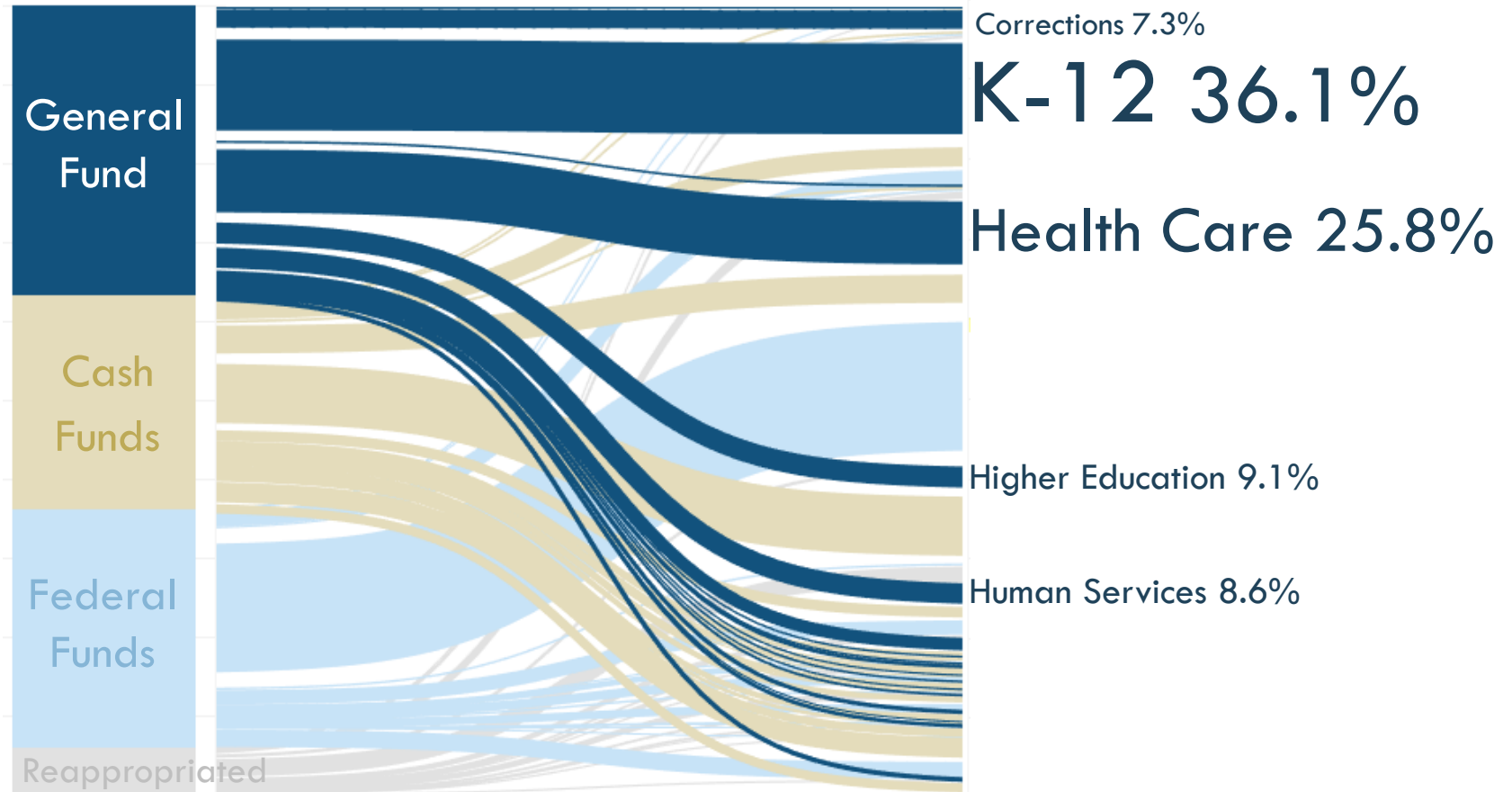


General Fund Budget

FY 2019-20: \$12.2 Billion*

Fund Source

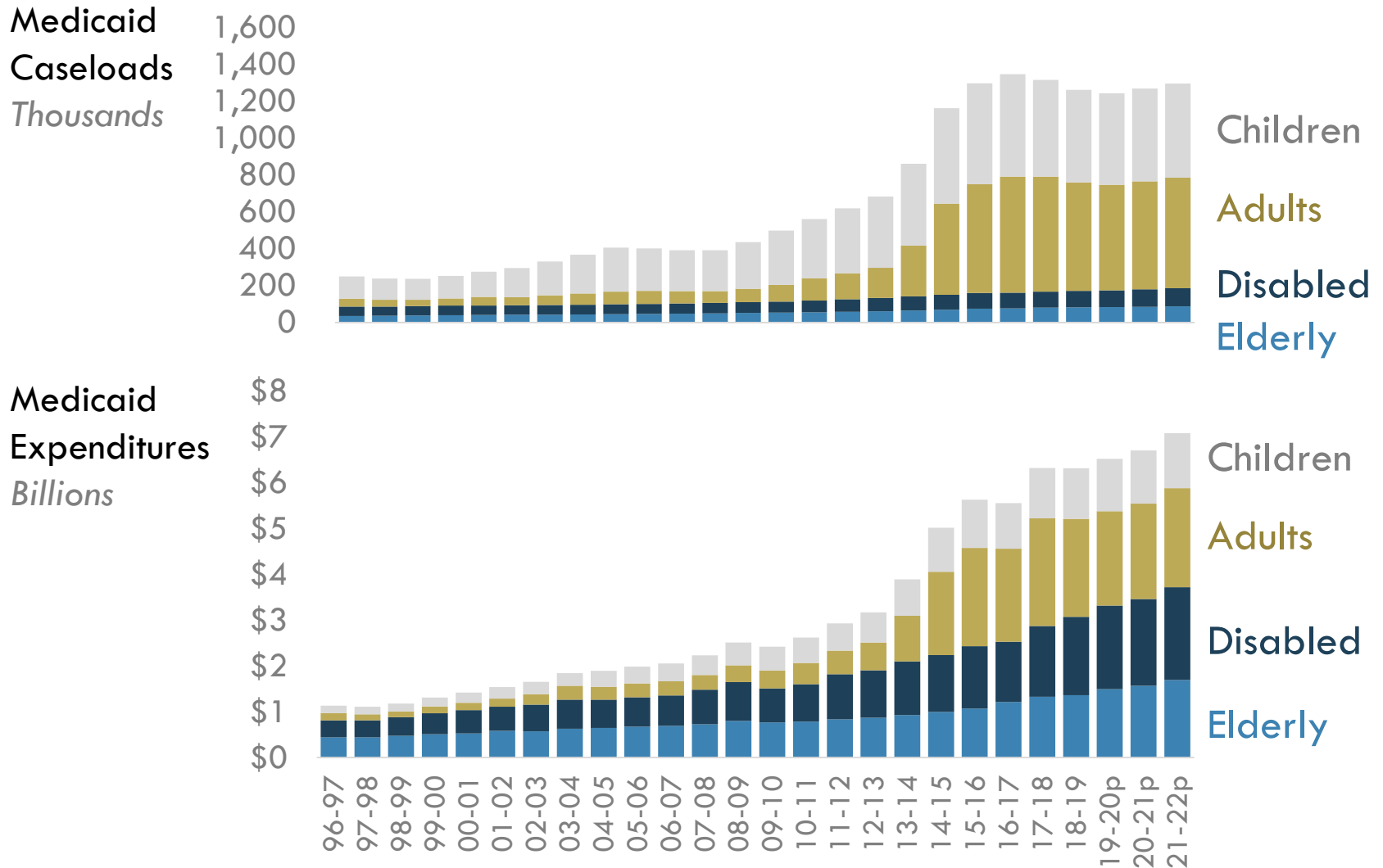
Spending by Department



General Fund Budgetary Pressures

- **Cash fund volatility:** In a TABOR refund situation, higher cash fund revenue means less General Fund revenue
- **Full-day kindergarten**
- **Medicaid costs:** Rising costs, aging population
- **Technology costs:** Higher costs, greater reliance, rising risks
- **Transportation:** New sources of funding?

A disproportionate share of Medicaid spending is for the elderly and disabled



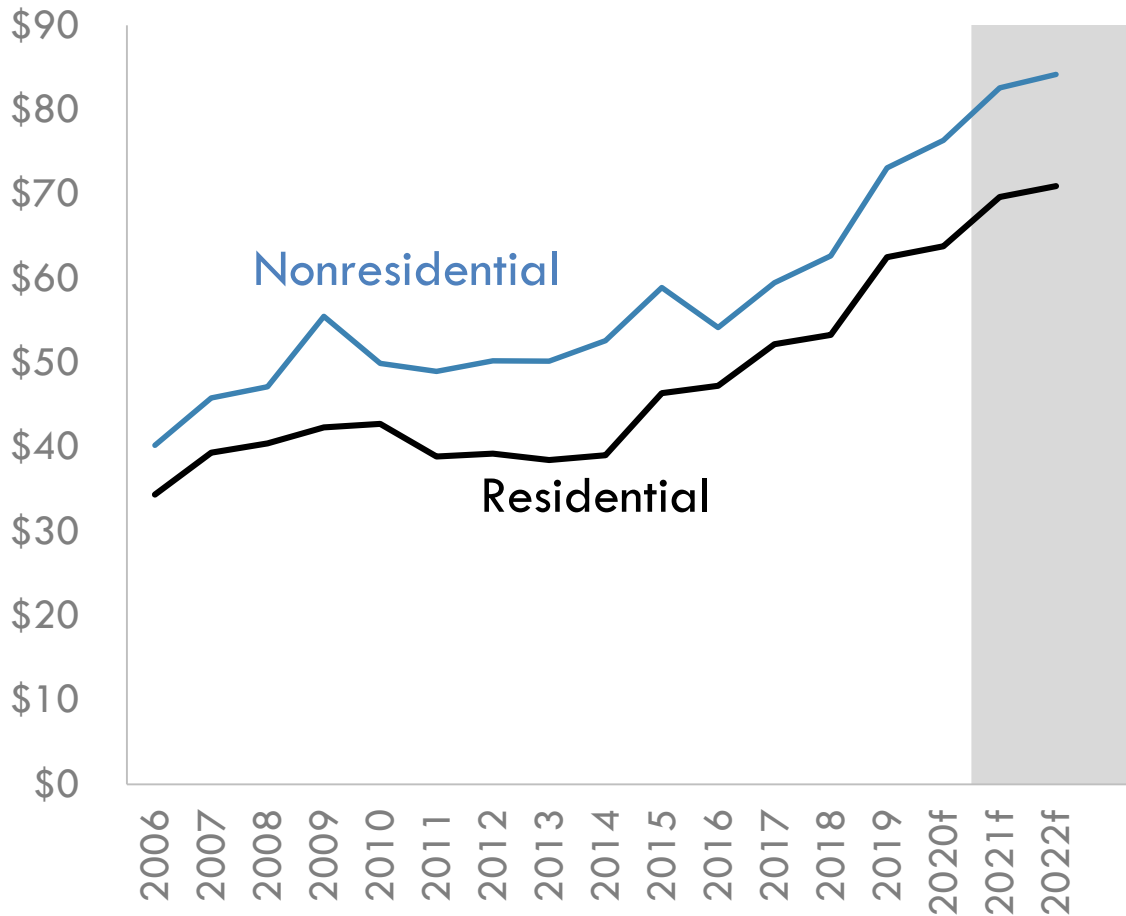
Source: Colorado Department of Health Care Policy and Financing. p = Projection.

Assessed Valuation Forecast



Assessed Values in Colorado

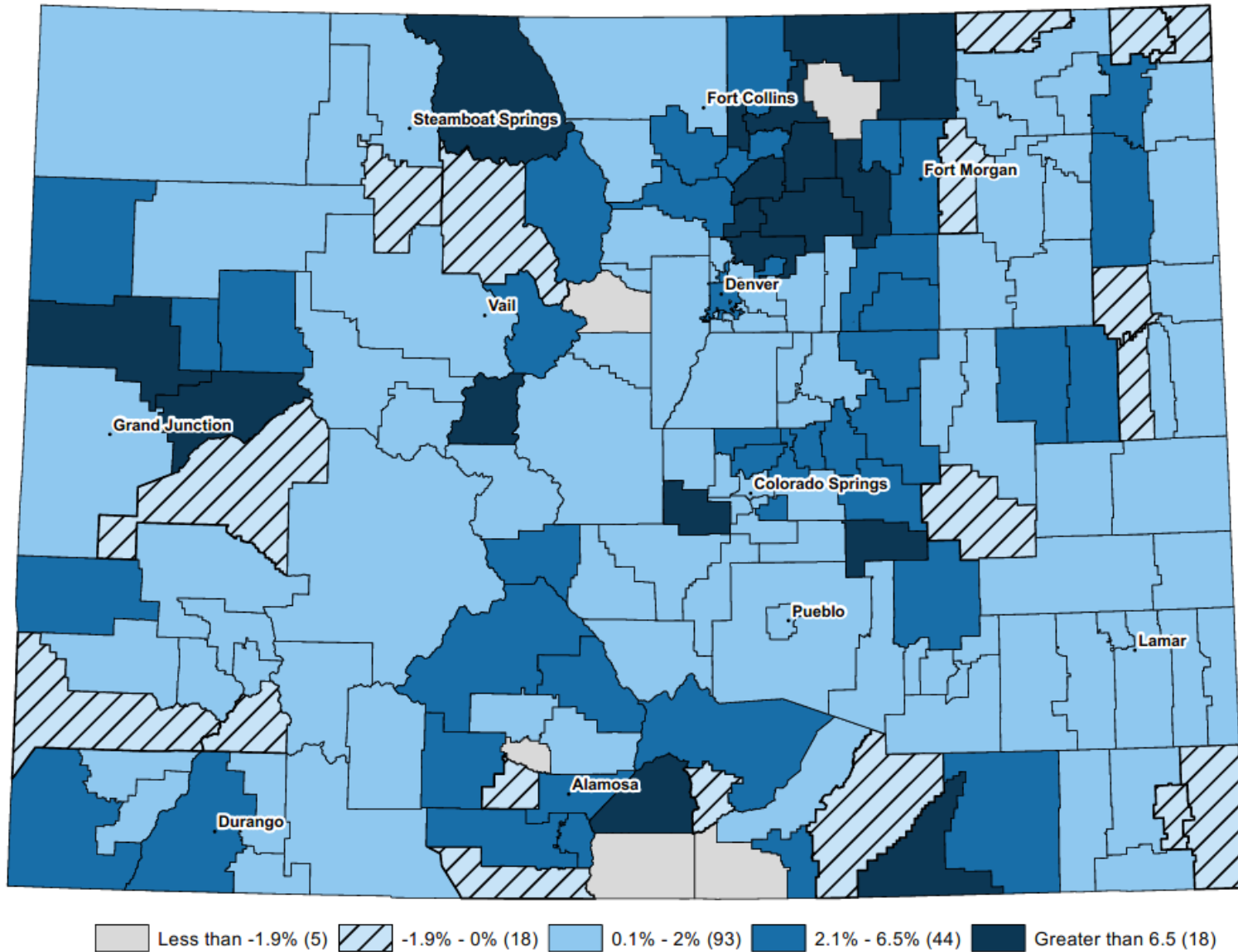
Dollars in Billions

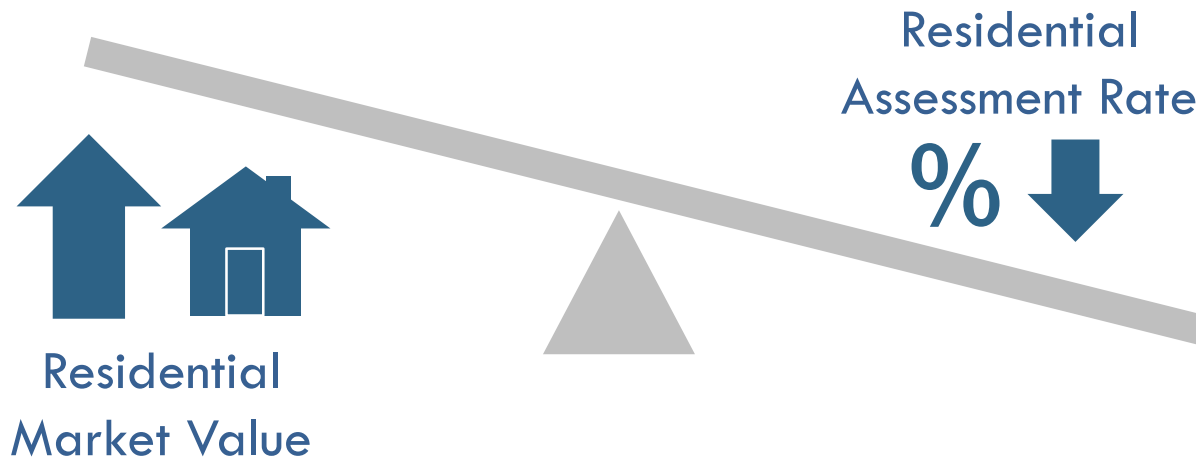


Year	Total Assessed Value	Percent Change
2014	\$91.6	3.3%
2015	\$105.3	15.0%
2016	\$101.4	-3.7%
2017	\$111.6	10.1%
2018	\$115.9	3.8%
2019	\$135.6	17.0%
2020f	\$140.1	3.4%
2021f	\$152.2	8.6%
2022f	\$155.1	1.9%

Change in Total Assessed Values

2020 to 2021





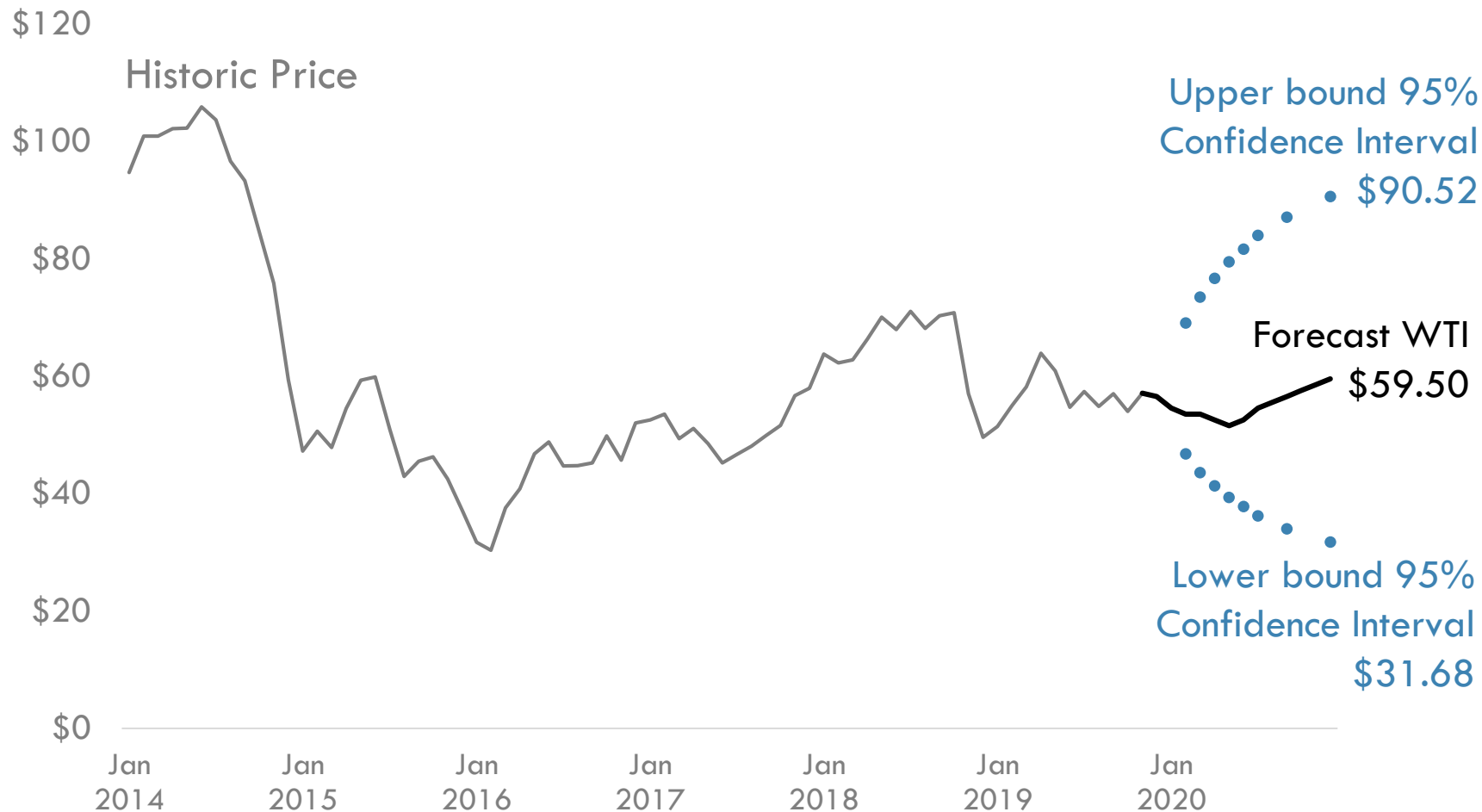
Residential Assessment
Rate
2021 & 2022

=

7.15%
7.13%

But the forecast is not without risks

West Texas Intermediate (WTI) Crude Oil Price



K-12 Enrollment Forecast



K-12 Public School Enrollment

Full-Time Equivalent (FTE) Students

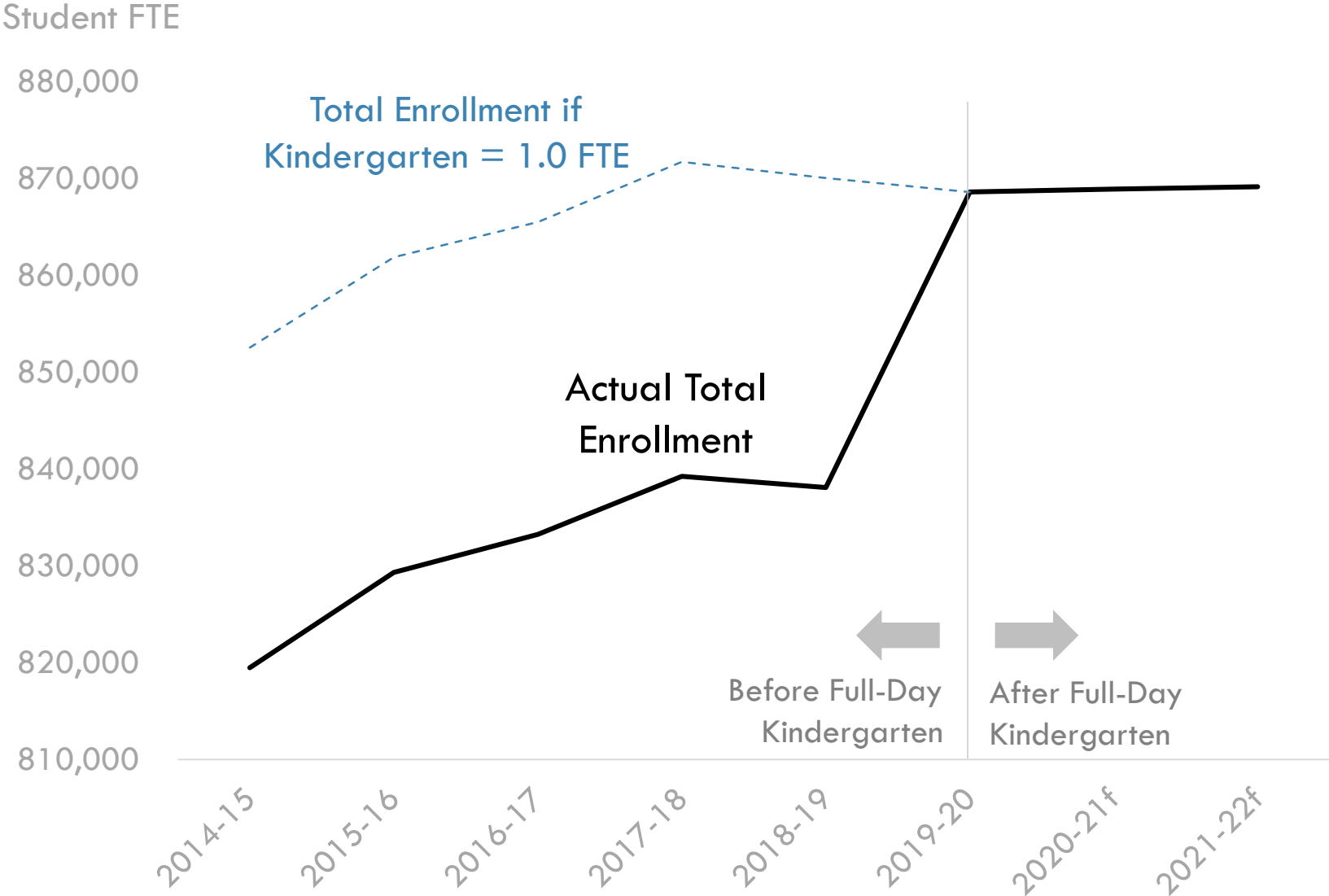
Region	Actual 2019-20	Percent Change*	Estimated 2020-21	Percent Change	Estimated 2021-22	Percent Change	Average Growth**
Metro Denver	494,190	3.2%	491,985	-0.4%	490,832	-0.2%	-0.3%
Northern	91,722	4.8%	93,069	1.5%	93,690	0.7%	1.1%
Colorado Springs	124,019	4.7%	125,051	0.8%	125,791	0.6%	0.7%
Pueblo	33,370	4.0%	33,139	-0.7%	32,809	-1.0%	-0.8%
Eastern Plains	26,898	4.4%	27,188	1.1%	27,456	1.0%	1.0%
San Luis Valley	7,414	2.8%	7,489	1.0%	7,545	0.7%	0.9%
Mountain	25,489	2.6%	25,368	-0.5%	25,272	-0.4%	-0.4%
Southwest	13,589	4.1%	13,615	0.2%	13,680	0.5%	0.3%
Mountain							
Western	51,909	3.3%	52,002	0.2%	52,064	0.1%	0.1%
Statewide Total	868,597	3.6%	868,907	0.0%	869,138	0.0%	0.0%

Source: Colorado Department of Education and Legislative Council Staff December 2019 forecast.

*Percent change from 2018-19, when kindergarten students were counted as 0.5 FTE.

**Compound average annual growth rate between 2019-20 and 2021-22.

Total K-12 Enrollment



Source: Colorado Department of Education and Legislative Council Staff December 2019 forecast (f).

*Prior to 2019-20, kindergarten students were counted as 0.5 FTE.

Census Bureau Differential Privacy

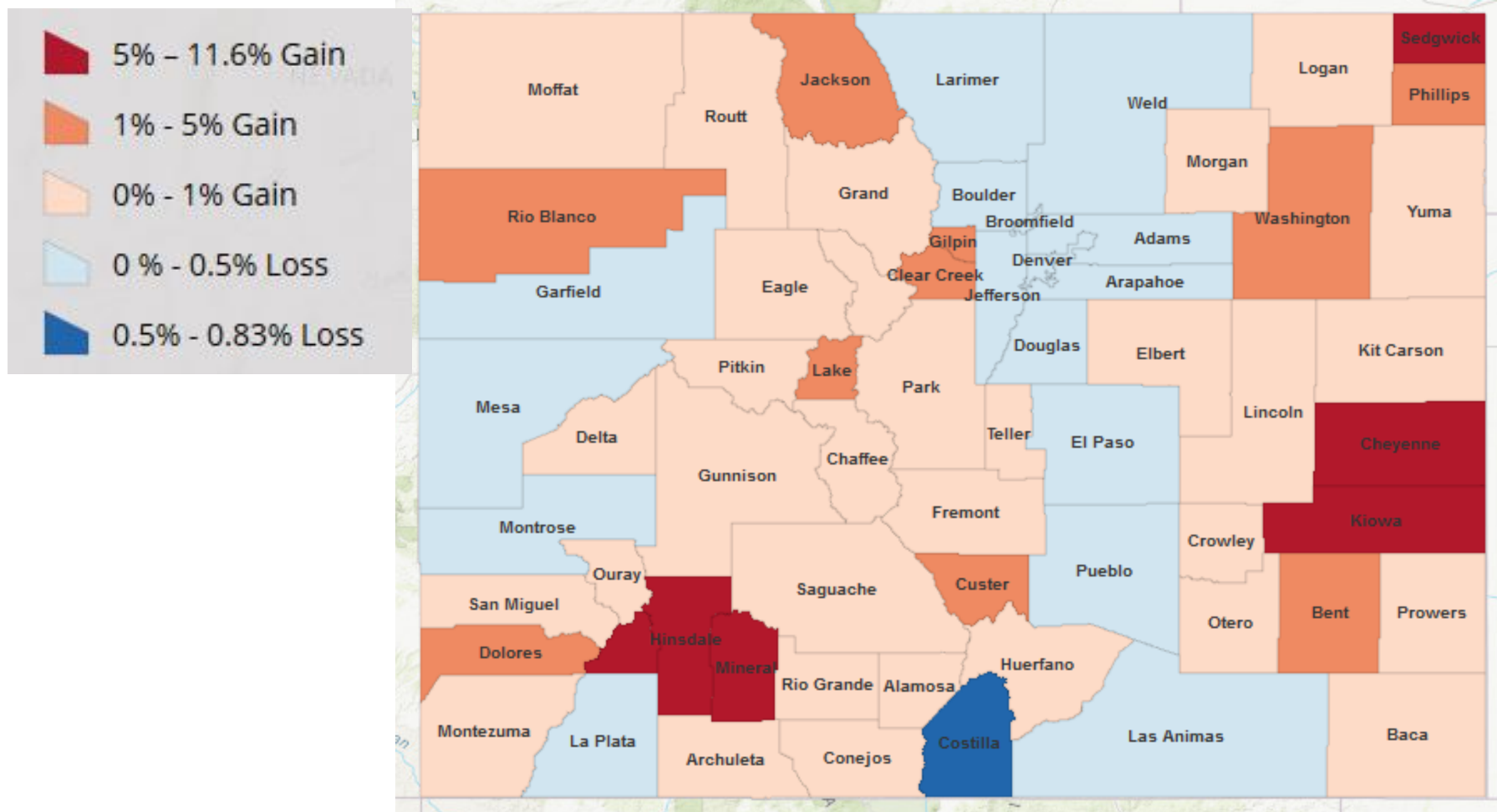


Census Bureau Differential Privacy

- Beginning with the 2020 Census, the Census Bureau is planning to implement new “differential privacy” changes that will add noise to data at the sub-state level
- Proposed changes will result in population counts that differ from actual counts
- This may impact funding distributions and data reliability
- The Census Bureau is accepting feedback on the proposed changes: dcmd.2010.demonstration.data.products@census.gov

DOLA's Interactive Maps: Total Population

Difference in Population Between Counts and Differential Privacy Data

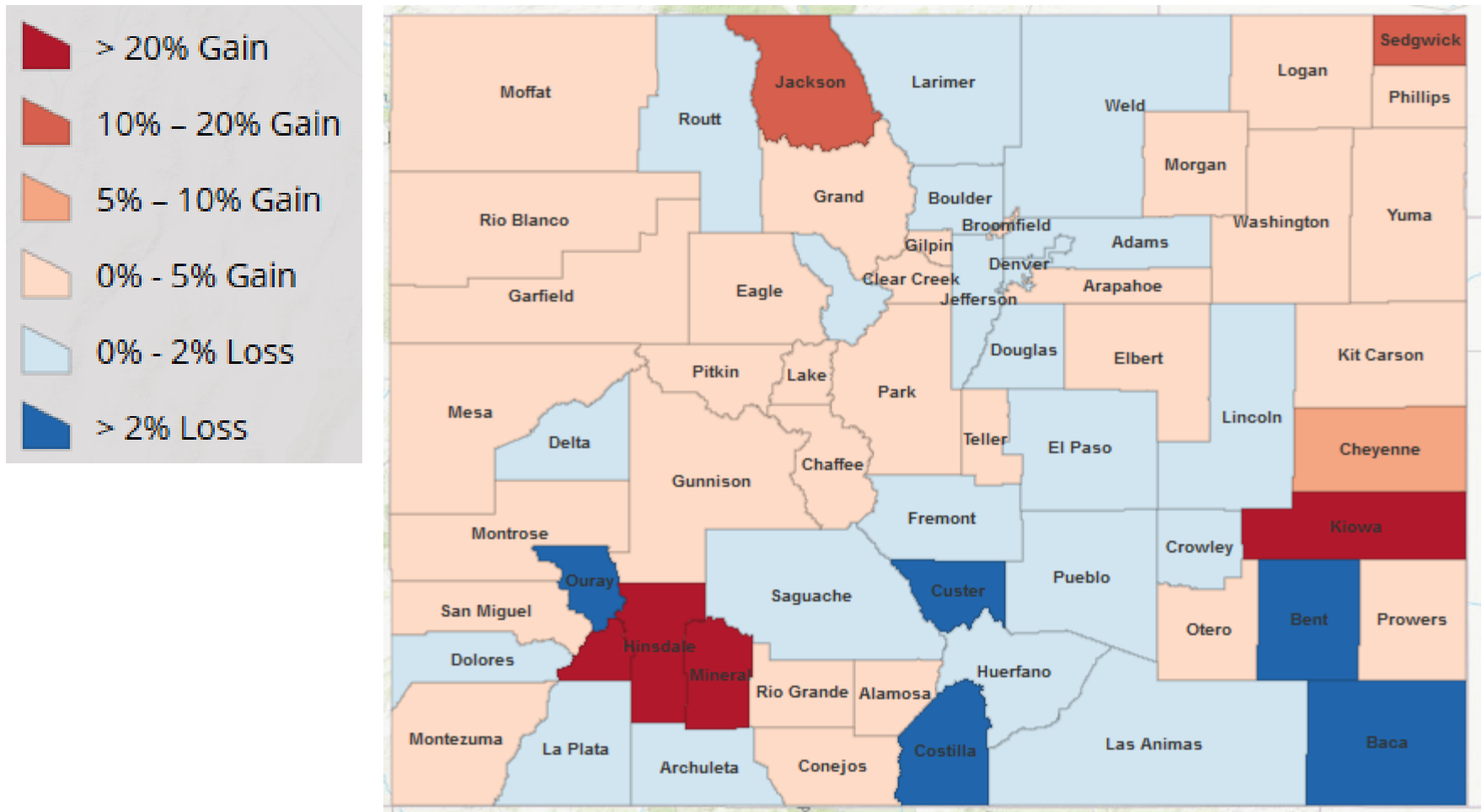


Source: Colorado State Demography Office Analysis of demonstration file data for Census 2010.

Maps available at: <http://arcg.is/1X4afz>

DOLA's Interactive Maps: Ages 0 to 17

Difference in Population Between Counts and Differential Privacy Data



Source: Colorado State Demography Office Analysis of demonstration file data for Census 2010.

Maps available at: <http://arcg.is/1X4afz>

More Information on Differential Privacy

Census Bureau Website

https://www.census.gov/about/policies/privacy/statistical_safeguards/disclosure-avoidance-2020-census.html

Colorado State Demography Office Contacts

<https://demography.dola.colorado.gov/contact/>

Interactive Maps: <http://arcg.is/1X4afz>

National Academies Workshop Presentations

https://sites.nationalacademies.org/DBASSE/CNSTAT/DBASSE_196518

Questions?

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