



September 2020 Forecast & the Blue Book Process

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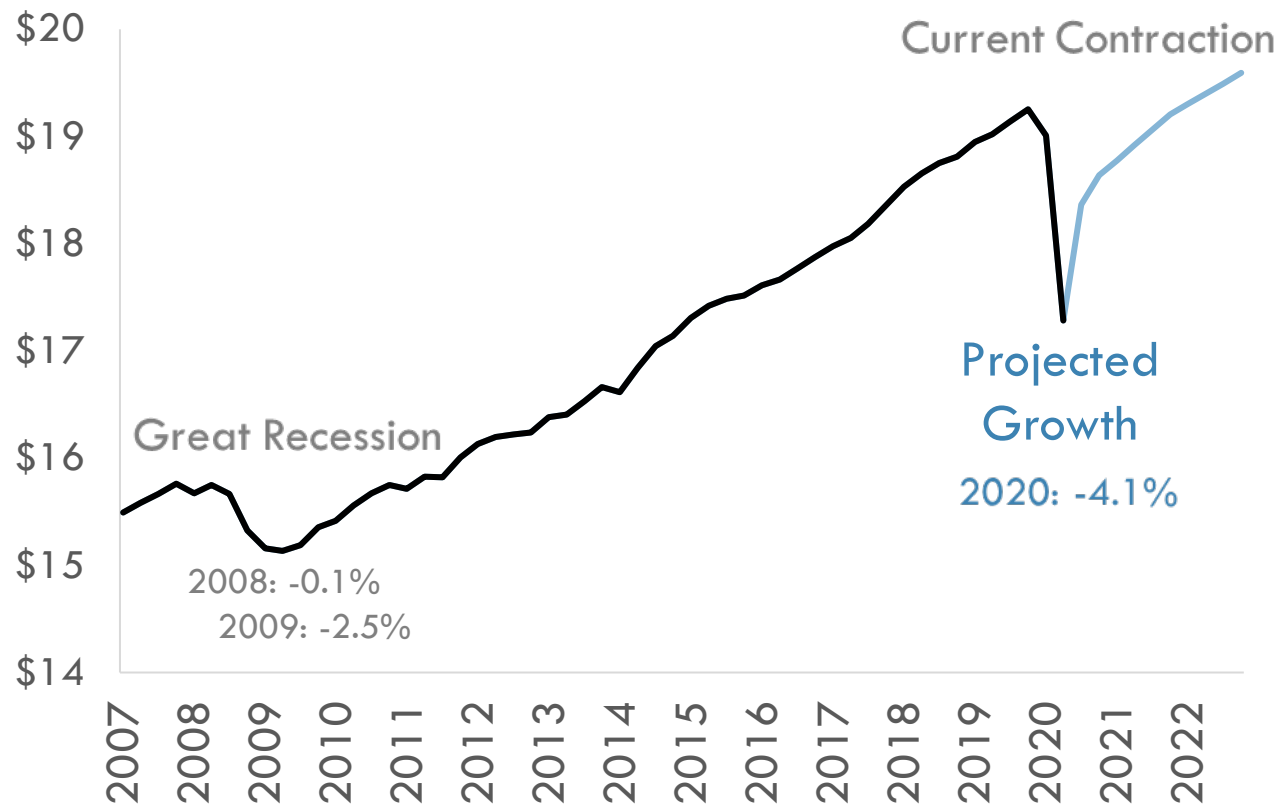
Economic Outlook



Shape of Recovery

Real U.S. Gross Domestic Product

Dollars in Trillions

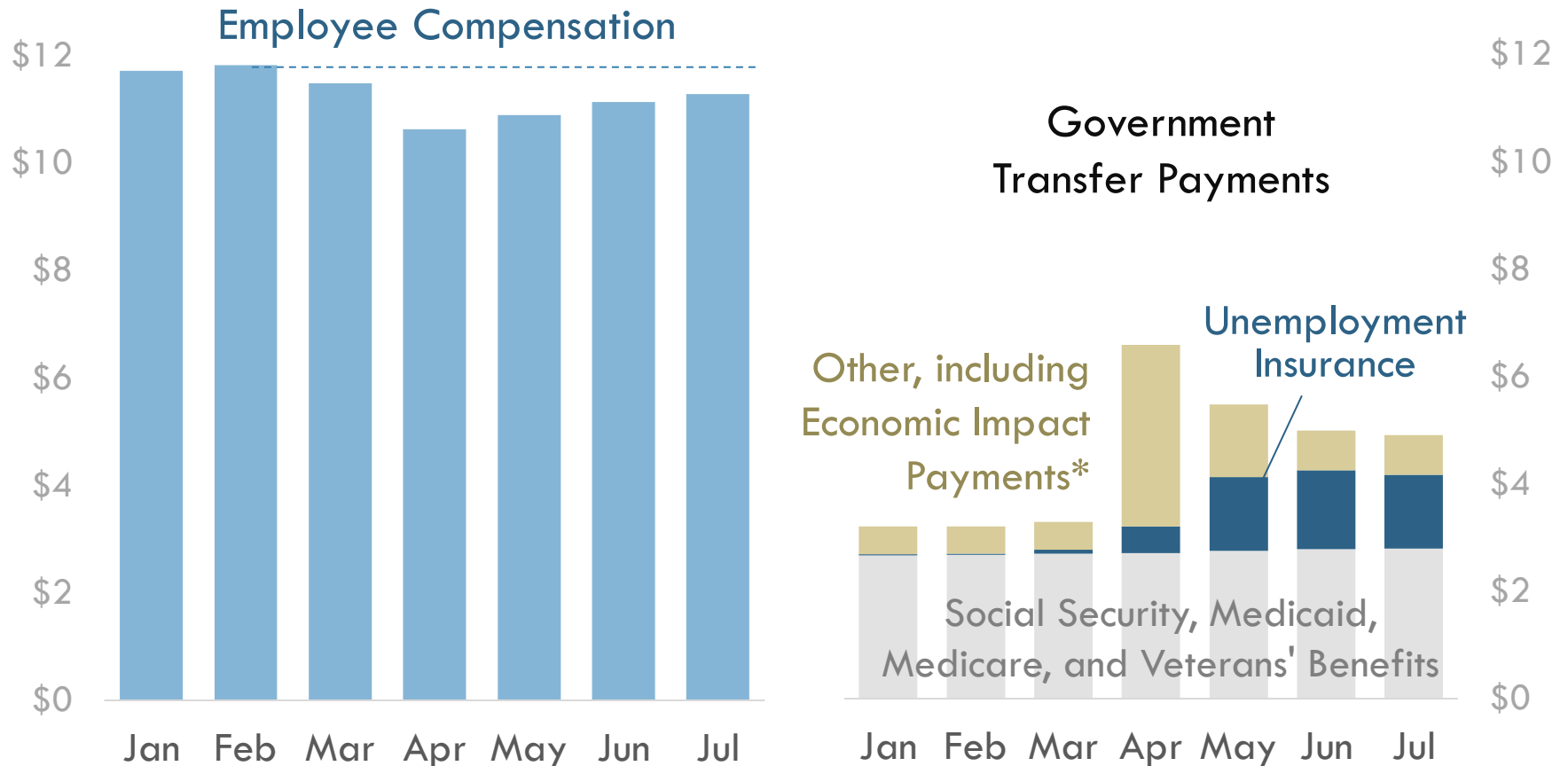


Source: U.S. Bureau of Economic Analysis and Legislative Council Staff September 2020 projections. Real GDP is inflation-adjusted to chained 2012 levels and shown at seasonally adjusted annualized rates.

Unprecedented federal stimulus has supported economic activity by offsetting wage losses and boosting consumption

Selected Components of U.S. Personal Income in 2020

Trillions of Dollars, Seasonally Adjusted Annualized Rates

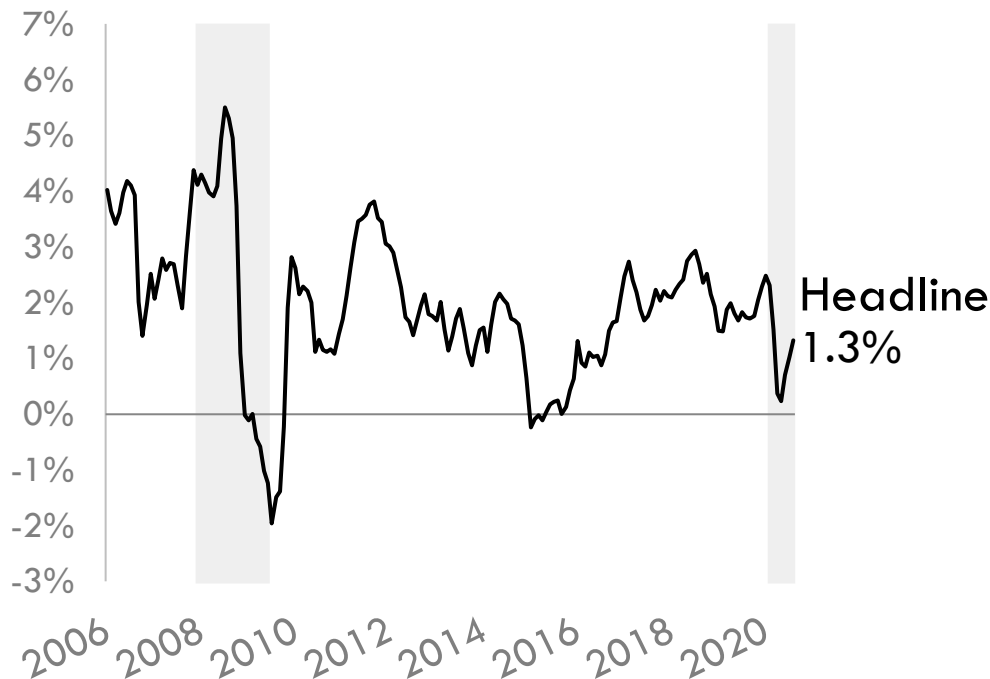


Source: U.S. Bureau of Economic Analysis.

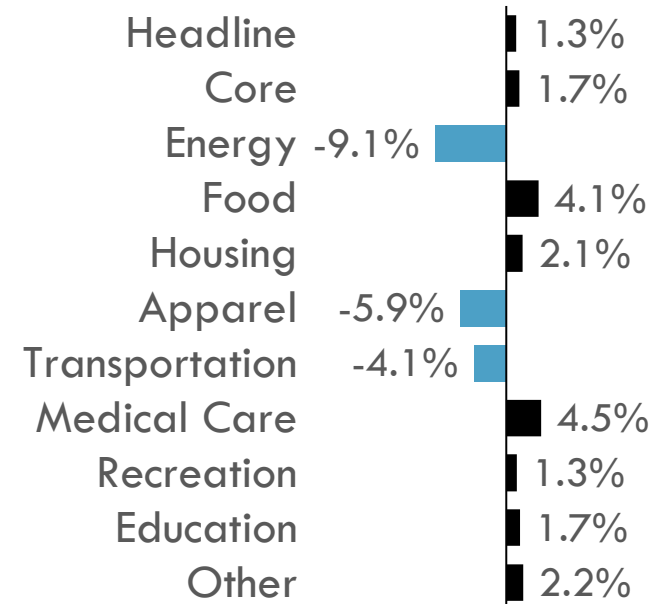
*Includes direct payments to households under the federal CARES act and other transfer receipts.

Inflationary pressure remains subdued on low energy prices and depressed demand

U.S. City Average CPI-U Inflation
Year-over-Year Change in Prices



Selected Components, August 2020



Denver-Aurora-Lakewood	2020	2021
CPI-U Inflation	1.7%	2.2%

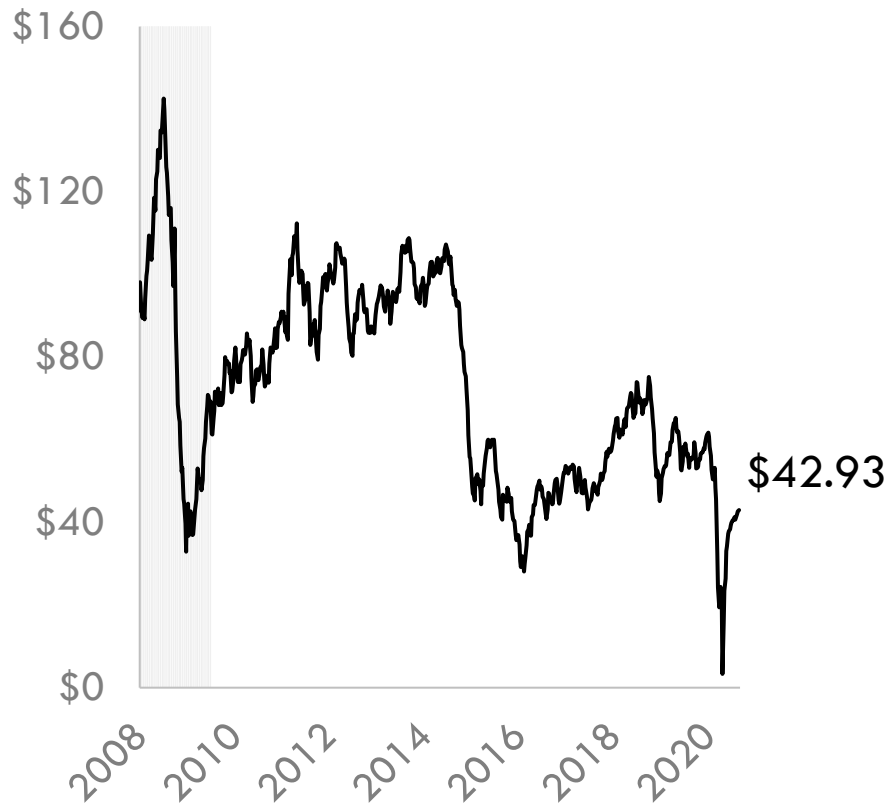
Source: U.S. Bureau of Labor Statistics.

Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.

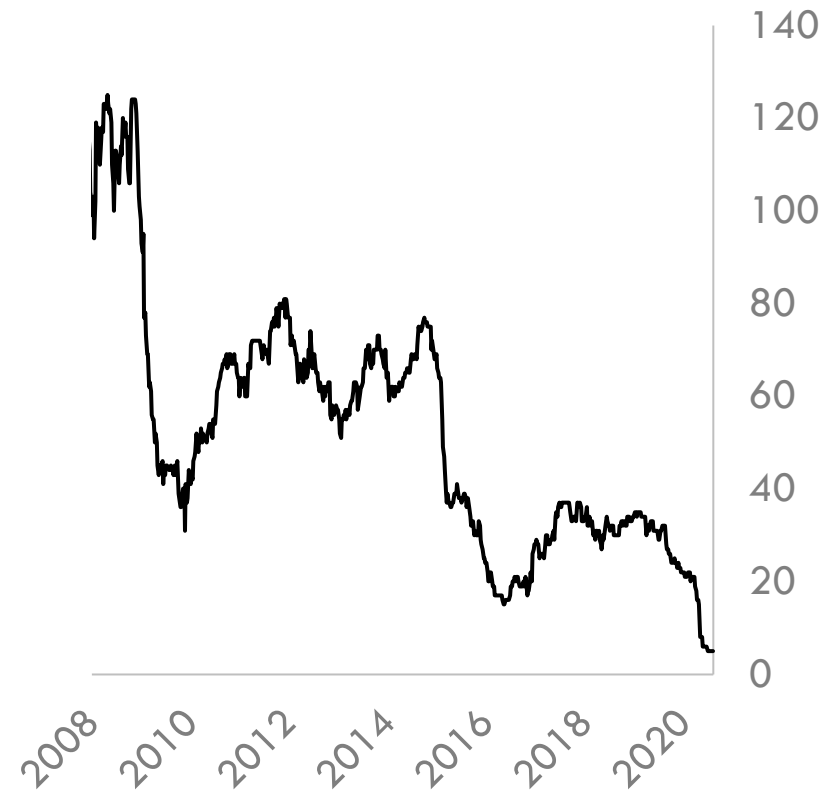
*Headline inflation includes all products and services. **Core inflation excludes food and energy prices.

Reduced travel activity continues to keep downward pressure on oil prices and new exploration

West Texas Intermediate
Crude Oil Prices
Dollars per Barrel



Active Rig Counts in Colorado



Outlook Summary

- The economic recovery over the past three months has outpaced expectations
- Damage has nevertheless been extensive, and the pace of improvement shows signs of slowing
- Business activity and consumer spending will continue to improve, but remain constrained by ongoing restrictions, health concerns, uncertainty, and some permanent closures
- Labor markets will remain weak, and layoffs could extend beyond the industries first affected by COVID-19-related closures
- Inflationary pressures will remain subdued as low energy prices, low global demand offset global supply constraints

Risks to the Forecast

Downside

- Strong resurgence of COVID-19
- Additional waves of layoffs with end of stimulus
- Long-term scarring

Upside

- COVID-19 vaccine sooner than expected
- Additional federal stimulus
- Structural shifts resulting from innovations

General Fund Budget Outlook



General Fund collections will decline with the contraction in business and household income, and reduced consumer activity

Gross General Fund Revenue

Billions of Dollars

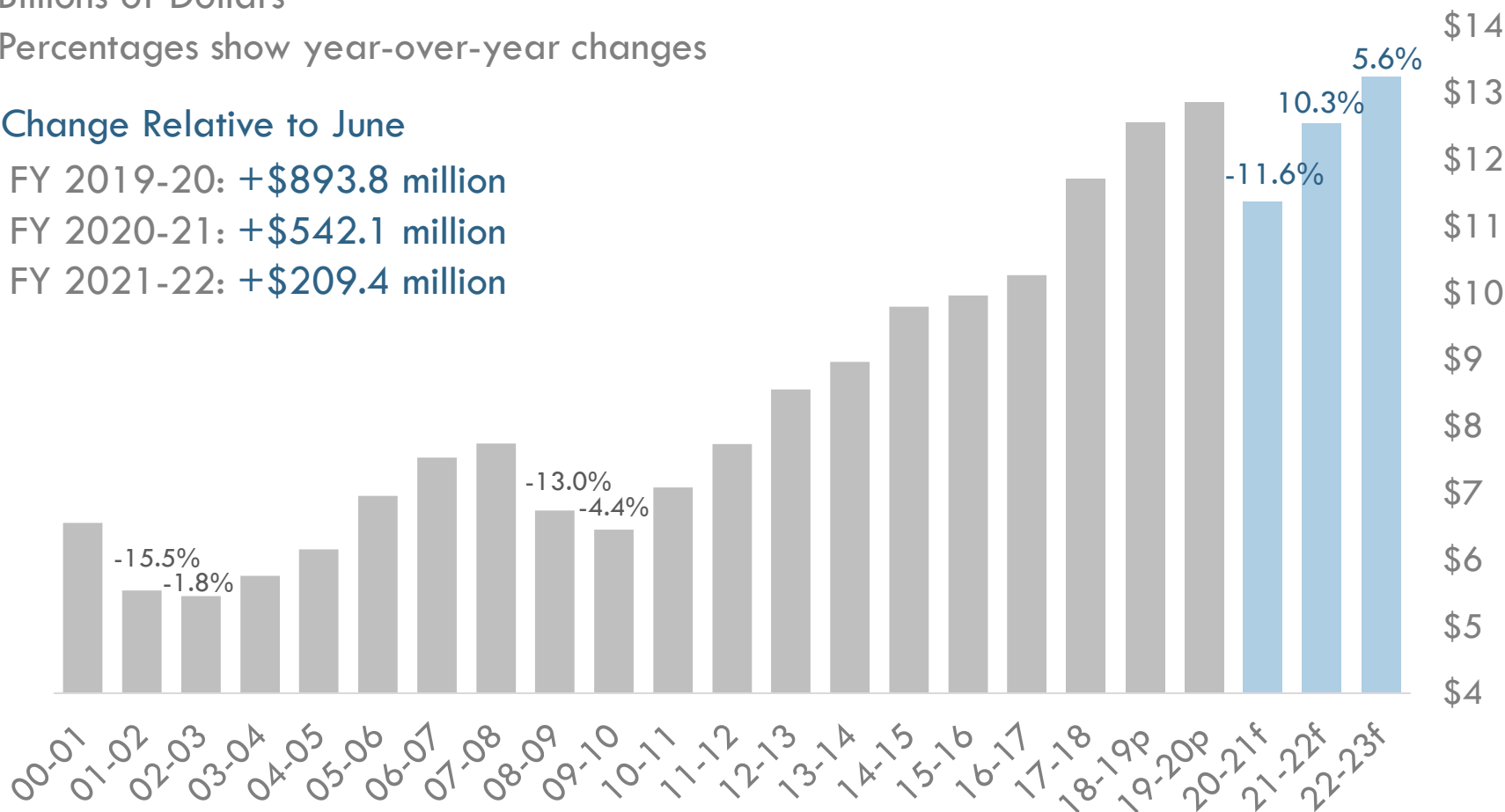
Percentages show year-over-year changes

Change Relative to June

FY 2019-20: +\$893.8 million

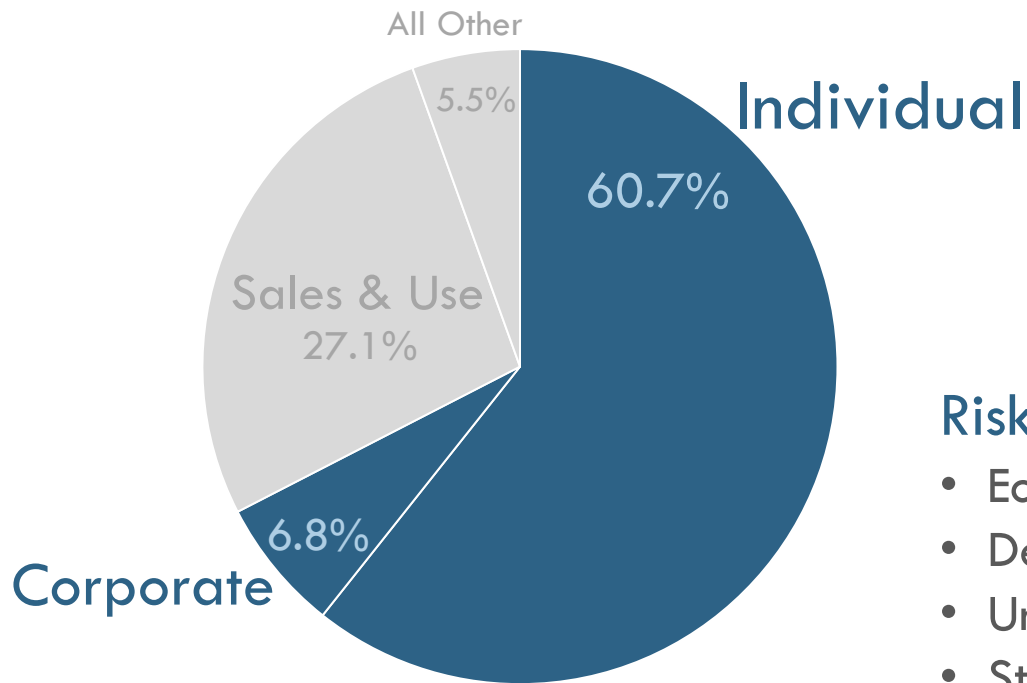
FY 2020-21: +\$542.1 million

FY 2021-22: +\$209.4 million



Income taxes represent the largest and most volatile General Fund revenue stream...

Share of General Fund Revenue*



Risks to the Income Tax Forecast

- Economic uncertainty
- Delayed filing deadlines
- Unemployment insurance benefits
- State and federal policy changes

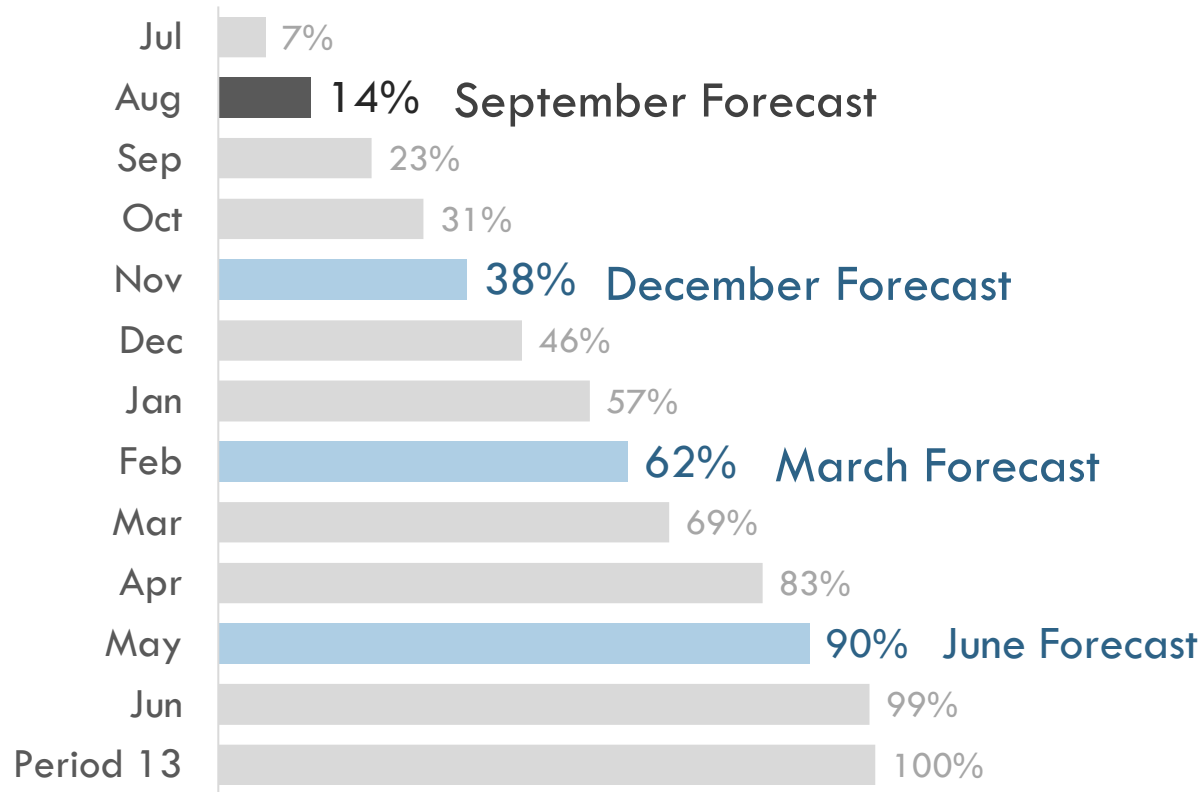
Source: Colorado Office of the State Controller and Legislative Council Staff calculations.

*Based on FY 2018-19 collections. Income taxes net of the State Education Fund diversion.

Projections for FY 2020-21 are based on limited data

How Much Do We Know About FY 2020-21?

Available General Fund Collections Data as a Share of Total Fiscal Year Collections*



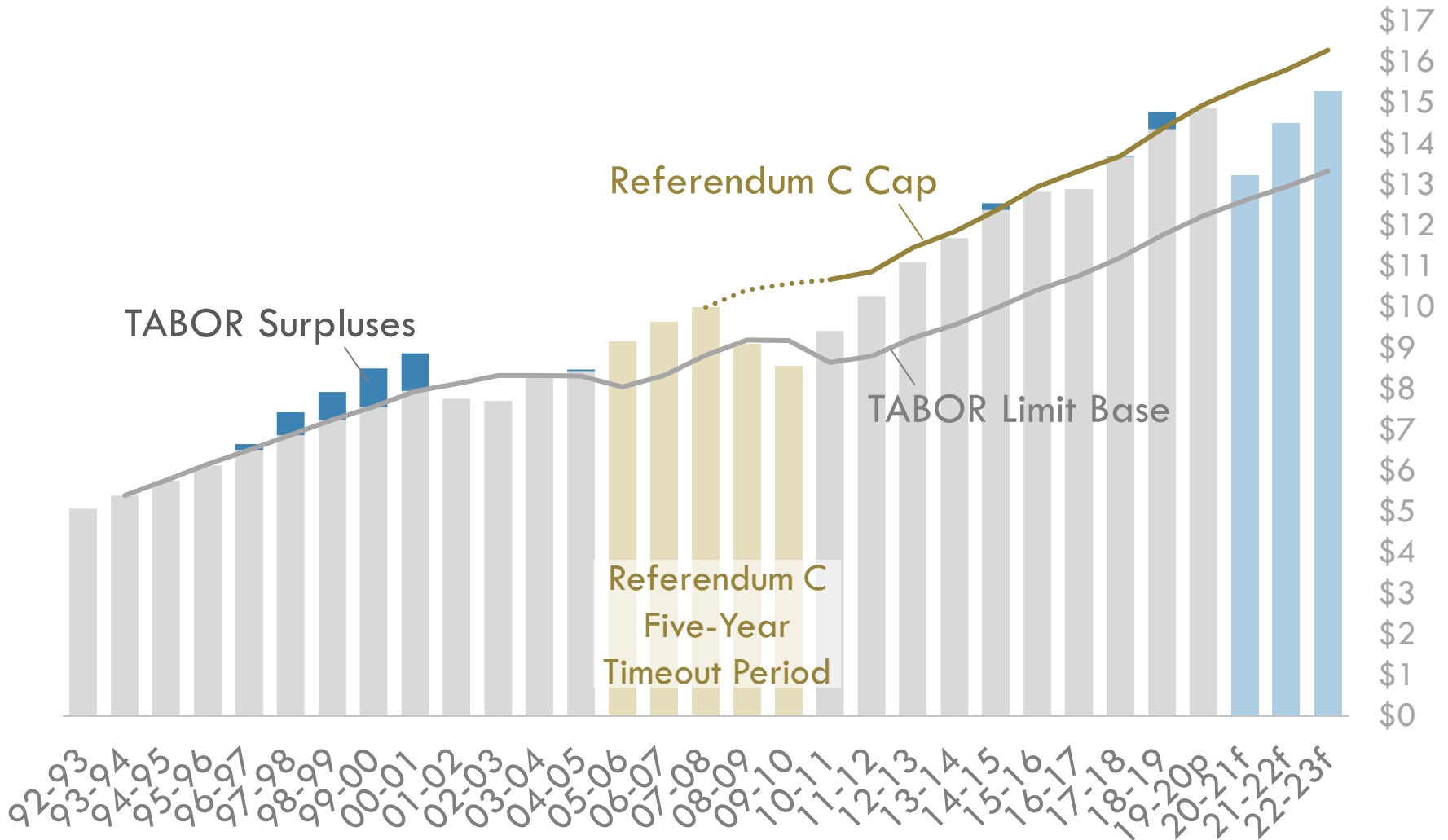
Source: Colorado Office of the State Controller and Legislative Council Staff calculations.

*Six-year average of actual collections data, FY 2013-14 to FY 2018-19.

TABOR Outlook

Revenue Subject to TABOR

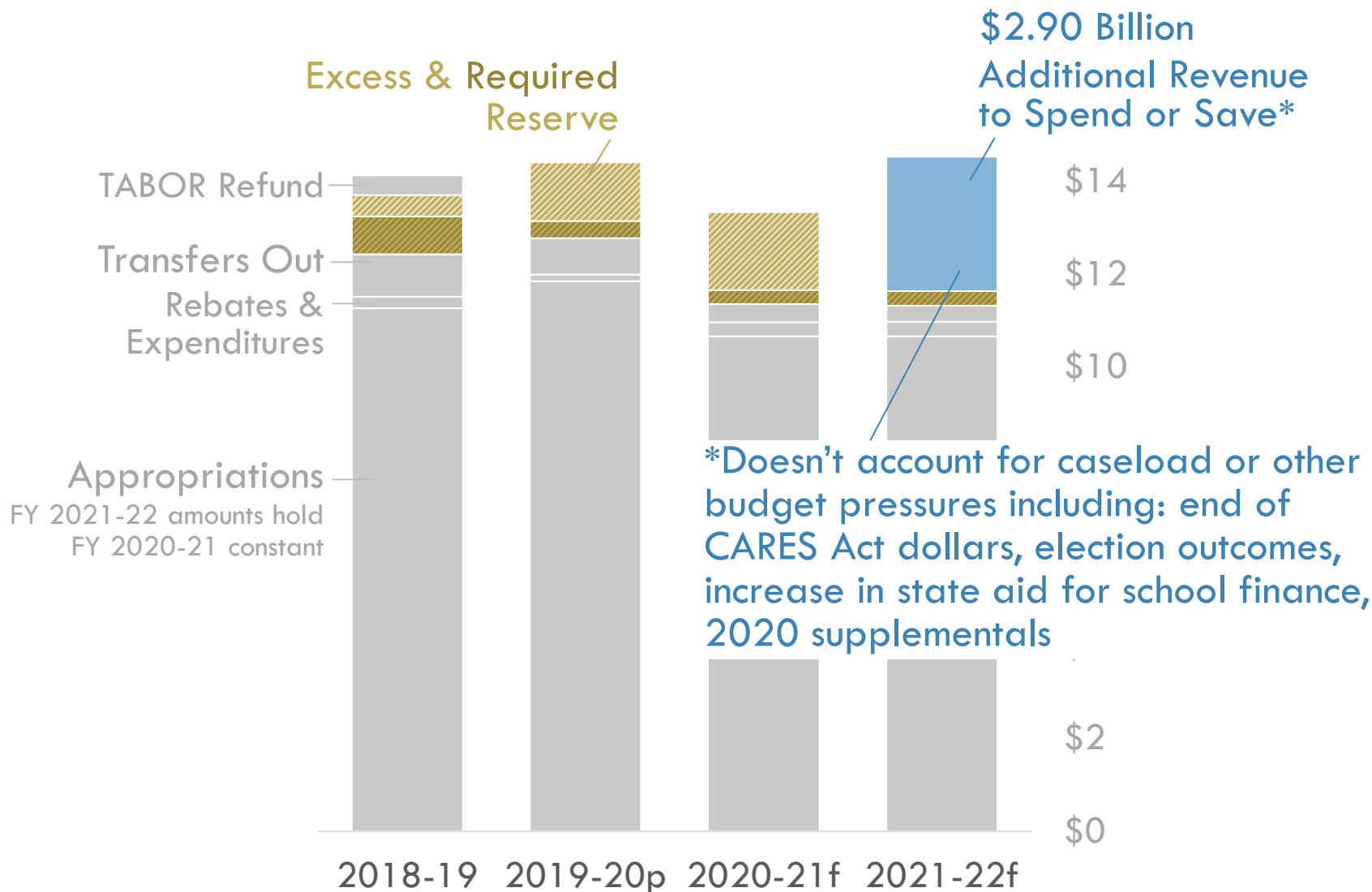
Dollars in Billions



Source: Colorado Office of the State Controller and Legislative Council Staff September 2020 forecast.

General Fund Budget (Spending or Saving)

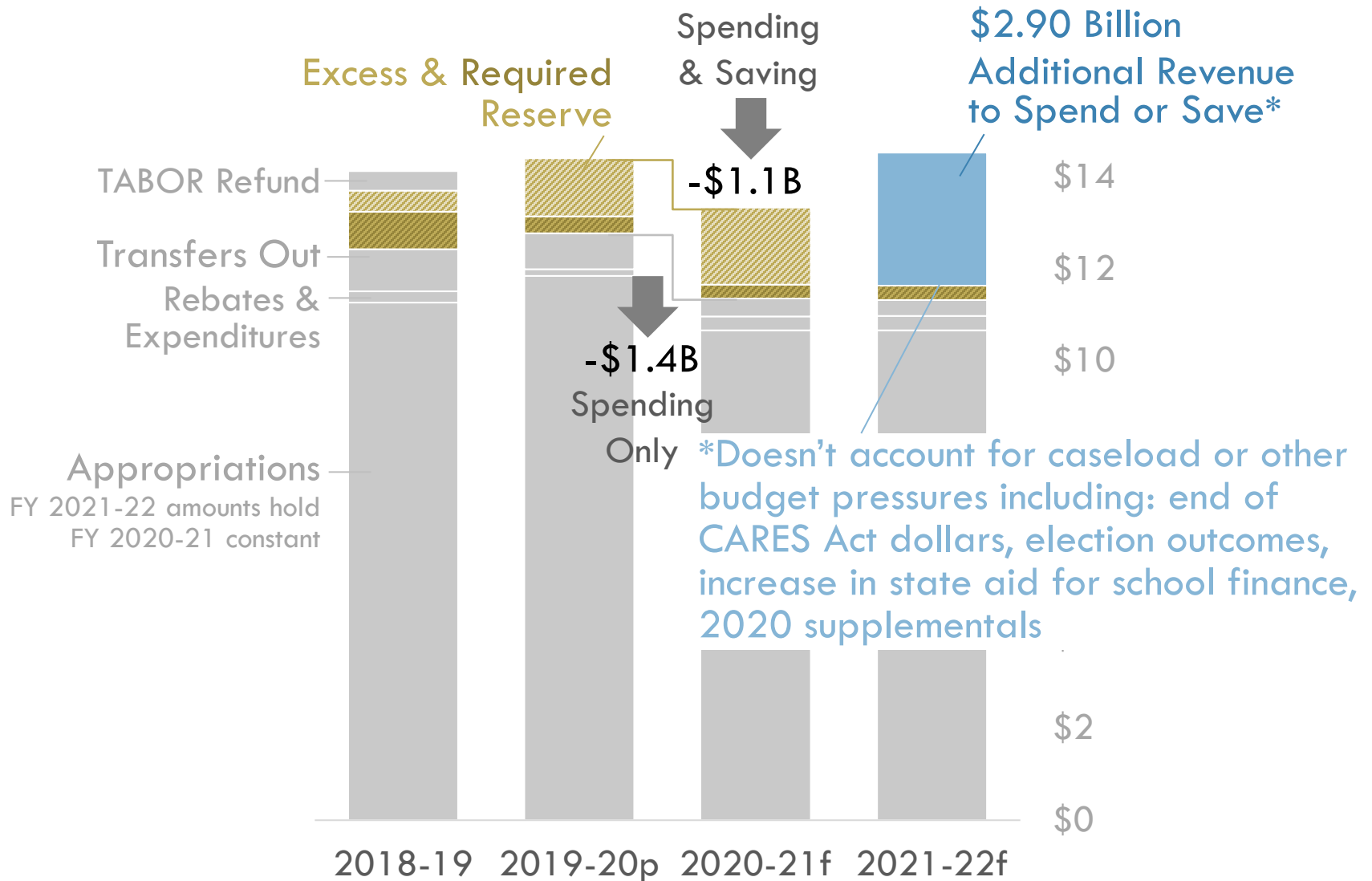
Dollars in Billions



Source: Legislative Council Staff September 2020 forecast and current law. p = Preliminary. f = Forecast.

General Fund Budget (Spending or Saving)

Dollars in Billions



Source: Legislative Council Staff September 2020 forecast and current law. p = Preliminary. f = Forecast.

Colorado CARES Act Funds

Millions of Dollars

Distribution based on EO 2020 070	2019-20	2020-21
Medical and public health expenses	\$48	\$157
Public health measures related to veterans living facilities, state prisons, etc.	\$2	\$8
Caseload increases for at-risk pupils and human services programs	\$2	\$57
Emergency rental and mortgage assistance	\$10	
K-12 Education		\$510
Higher Education		\$450
Payroll for state public safety, public health, health care, human services, etc.		\$85
Local Governments*		\$275
General Fund		\$70
Totals	\$62	\$1,612

*Local governments that did not already receive disbursements.

Revenue Forecast Summary

Tax year 2019 income tax revenue exceeded June expectations, boosting FY 2019-20 General Fund collections

FY 2020-21 expectations increased on stronger beginning balance and slightly stronger economic expectations.

Yet, sizable risks and uncertainty remain...

- COVID-19 resurgence? Vaccine? Other treatment?
- Another round of federal fiscal stimulus?
- Federal, state and local election outcomes?

...stay tune for the December forecast.

Colorado Economic Indicators

Calendar Years	2015	2016	2017	2018	2019	Legislative Council Staff Forecast		
						2020	2021	2022
Population (<i>Thousands, as of July 1</i>) ¹	5,450.6	5,539.2	5,611.9	5,691.3	5,758.7	5,810.6	5,857.0	5,915.6
Percent Change	1.9%	1.6%	1.3%	1.4%	1.2%	0.9%	0.8%	1.0%
Nonfarm Employment (<i>Thousands</i>) ²	2,541.2	2,601.2	2,660.2	2,727.5	2,785.8	2,660.4	2,740.3	2,781.4
Percent Change	3.2%	2.4%	2.3%	2.5%	2.1%	-4.5%	3.0%	1.5%
Unemployment Rate ²	3.9%	3.3%	2.8%	3.2%	2.8%	6.9%	5.6%	4.6%
Personal Income (<i>Millions</i>) ³	\$284,234	\$289,581	\$310,755	\$332,943	\$353,089	\$370,391	\$380,021	\$397,122
Percent Change	4.8%	1.9%	7.3%	7.1%	6.1%	4.9%	2.6%	4.5%
Wage and Salary Income (<i>Millions</i>) ³	\$146,531	\$151,016	\$160,719	\$170,115	\$182,118	\$181,936	\$187,394	\$196,577
Percent Change	5.7%	3.1%	6.4%	5.8%	7.1%	-0.1%	3.0%	4.9%
Housing Permits (<i>Thousands</i>) ¹	31.9	39.0	40.7	42.6	38.6	39.0	40.7	41.0
Percent Change	11.1%	22.3%	4.4%	4.8%	-9.4%	0.9%	4.3%	0.8%
Nonresidential Building (<i>Millions</i>) ⁴	\$4,990.8	\$5,989.0	\$6,156.1	\$8,140.3	\$5,038.3	\$4,877.1	\$4,652.7	\$4,750.4
Percent Change	14.7%	20.0%	2.8%	32.2%	-38.1%	-3.2%	-4.6%	2.1%
Denver-Aurora-Lakewood Inflation ⁵	1.2%	2.8%	3.4%	2.7%	1.9%	1.7%	2.2%	2.4%

Sources

¹U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.

²U.S. Bureau of Labor Statistics.

³U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation. Forecast shown for 2019.

⁴F.W. Dodge.

⁵U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index.

Note: Legislative Council Staff has discontinued the Colorado retail trade forecast due to data limitations.

National Economic Indicators

Calendar Years	2015	2016	2017	2018	2019	Legislative Council Staff Forecast		
						2020	2021	2022
Real GDP (<i>Billions</i>) ¹	\$17,432.2	\$17,730.5	\$18,144.1	\$18,687.8	\$19,091.7	\$18,308.9	\$19,132.8	\$19,687.7
Percent Change	3.1%	1.7%	2.3%	3.0%	2.2%	-4.1%	4.5%	2.9%
Nonfarm Employment (<i>Millions</i>) ²	141.8	144.3	146.6	148.9	150.9	142.6	148.5	153.2
Percent Change	2.1%	1.8%	1.6%	1.6%	1.4%	-5.5%	4.1%	3.2%
Unemployment Rate ²	5.3%	4.9%	4.3%	3.9%	3.7%	8.2%	6.3%	5.6%
Personal Income (<i>Billions</i>) ¹	\$15,724.2	\$16,160.7	\$16,948.6	\$17,851.8	\$18,551.5	\$19,386.3	\$19,619.0	\$20,031.0
Percent Change	4.9%	2.8%	4.9%	5.3%	3.9%	4.5%	1.2%	2.1%
Wage and Salary Income (<i>Billions</i>) ¹	\$7,859.5	\$8,089.1	\$8,471.5	\$8,894.2	\$9,309.3	\$9,225.5	\$9,465.4	\$9,881.9
Percent Change	5.1%	2.9%	4.7%	5.0%	4.7%	-0.9%	2.6%	4.4%
Inflation ²	0.1%	1.3%	2.1%	2.4%	1.8%	1.3%	1.9%	2.2%

Sources

¹U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.

²U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

Blue Book Process



Blue Book Process

- **May-Aug:** Up to three **drafts distributed** to interested persons for comment (second or third drafts include fiscal information; revised with the June revenue forecast)
- **Late-Aug/Early-Sept:** Final draft and public comments from the prior draft are provided to the 18-member Joint Committee of Legislative Council. **Committee votes** on amendments to and approval of language in a public hearing
- **30+ days prior to election:** Blue Book **printed and distributed** to all households; fiscal impact statements posted to website*

For more information on the Blue Book process, visit:
leg.colorado.gov/content/ballot-analysis-process

*The Blue Book and fiscal statements can be found at:

leg.colorado.gov/content/initiatives/initiatives-blue-book-overview/ballot-information-booklet-blue-book

Budget Impacts of Ballot Outcomes

Amendment B: Gallagher Repeal

- **If approved:** Residential and nonresidential assessment rates statutorily required to stay at 7.15% and 29%, respectively.
- **If fails:** The residential assessment rate is expected to fall, putting downward pressure on property taxes and greater pressure on the state aid for total program

Proposition EE: Cigarette, Tobacco & Nicotine Tax

- **If approved:** Increases state funds, including a portion for preschool and rural schools. Total funding increase estimated at \$87M in FY 2020-21 (half-year impact) and \$177M in FY 2021-22

Proposition 117: Income Tax Rate Reduction

- **If approved:** Lowers rate from 4.63% to 4.55% resulting in an estimated \$203M+ reduction in General Fund revenue beginning in FY 2020-21

Questions?

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