



September 2021 | Legislative Council Staff

Economic & Revenue Forecast

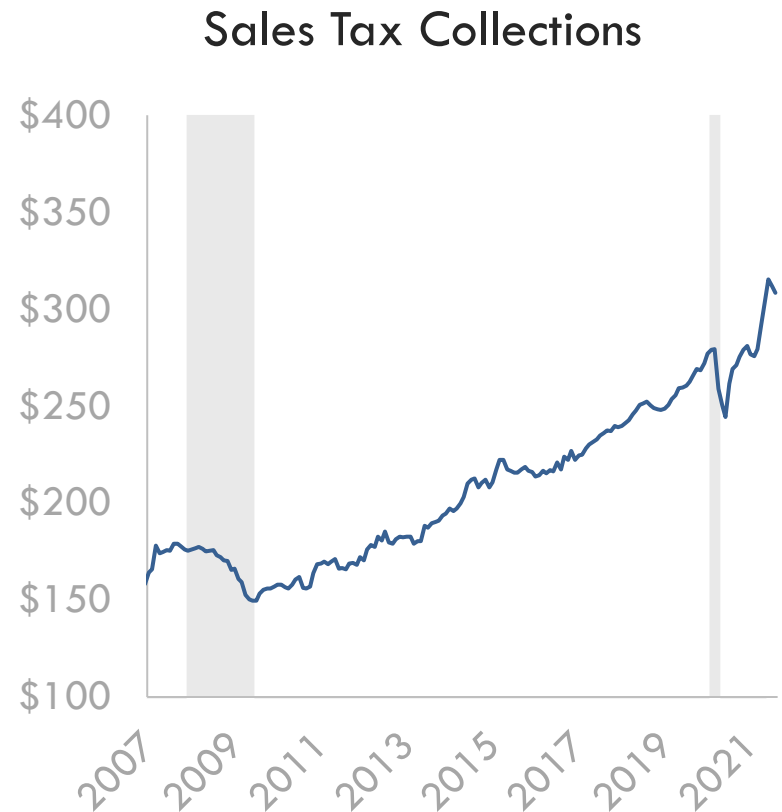
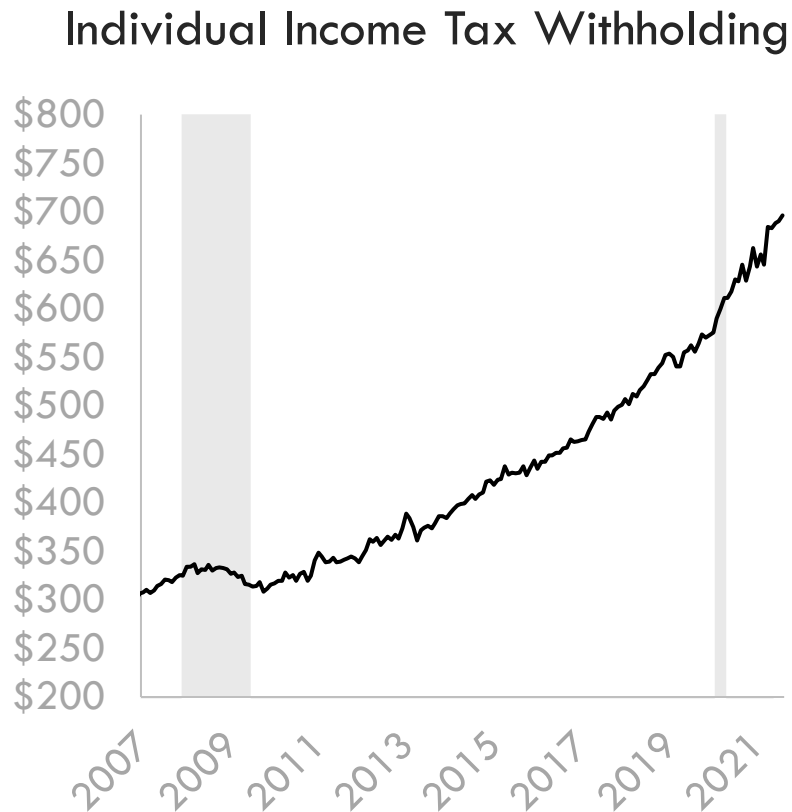
Kate Watkins
Chief Economist
Legislative Council Staff

Colorado School Finance Project
October 15, 2021

General Fund streams remained surprisingly resilient during the COVID-19 recession and recovery

Monthly General Fund Collections from Selected Sources

Dollars in Millions

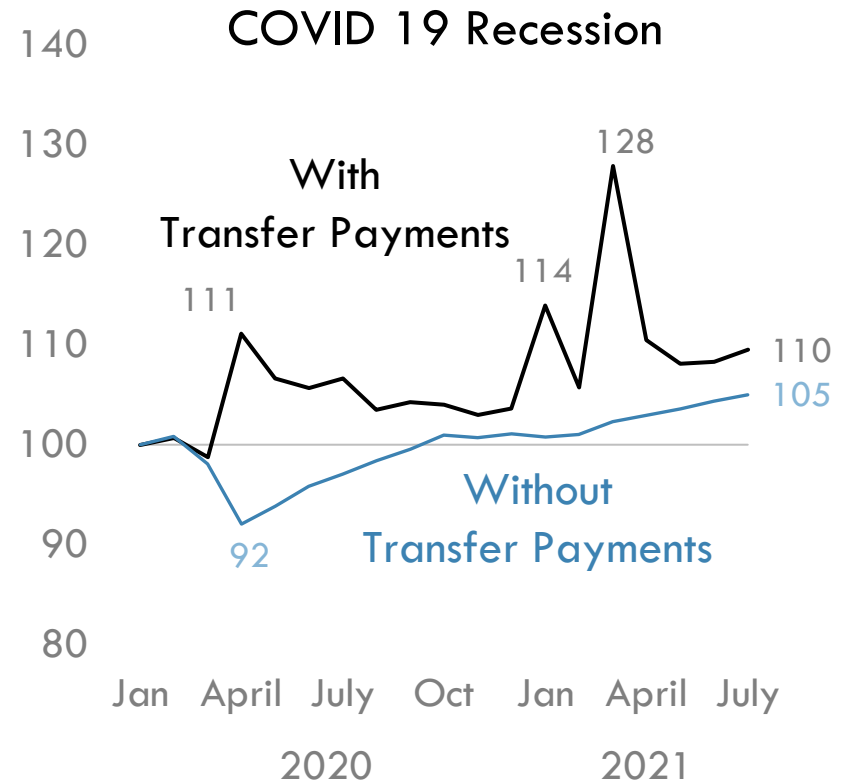
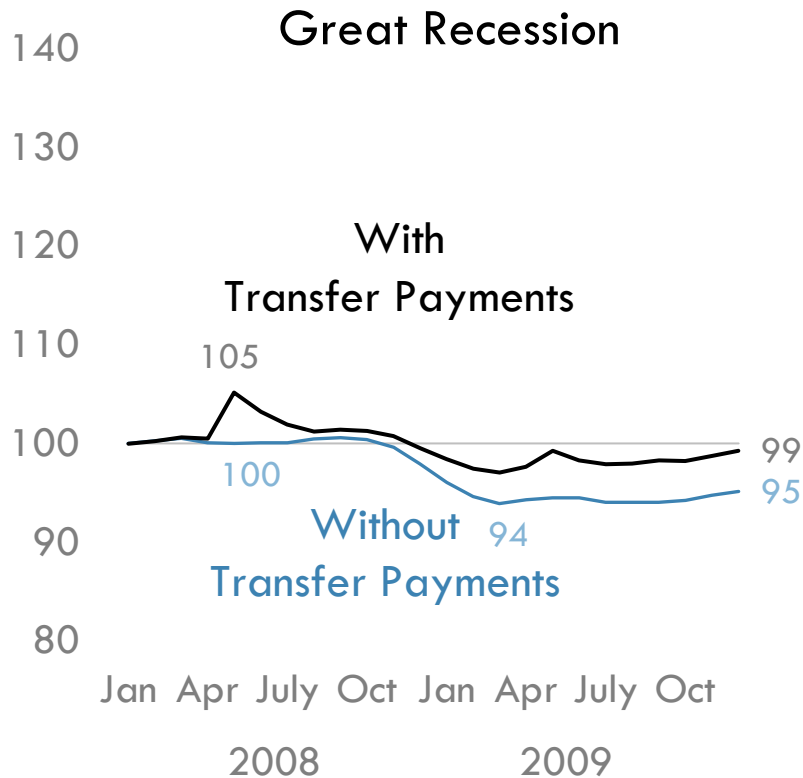


Source: Colorado Office of the State Controller with Legislative Council Staff seasonal adjustments. Data shown as three-month moving averages through August 2021. July and August 2021 data are preliminary.

Unprecedented federal fiscal stimulus propped up employment, incomes, and spending activity

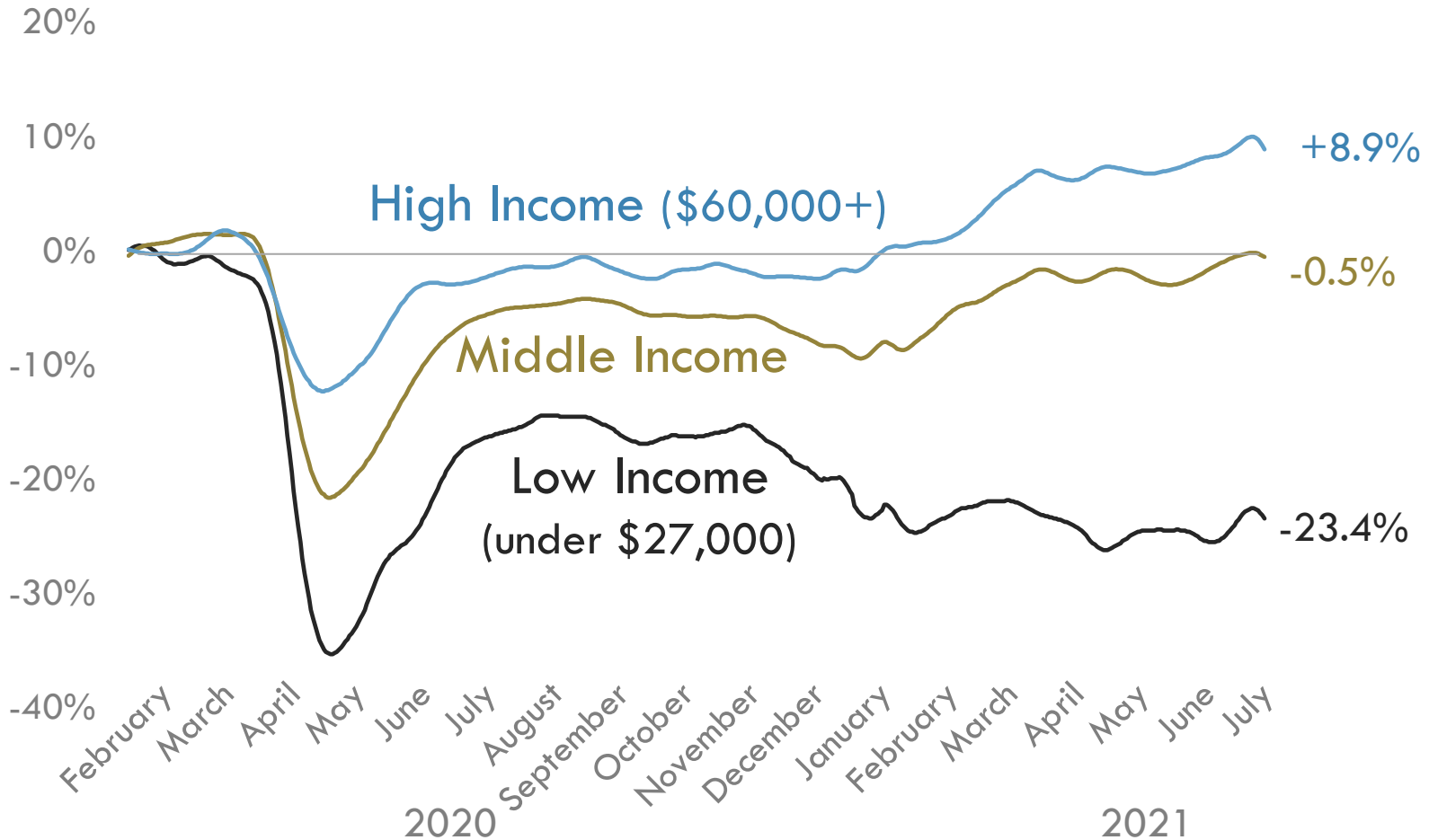
U.S. Personal Income

Indexed to Pre-Recession Levels



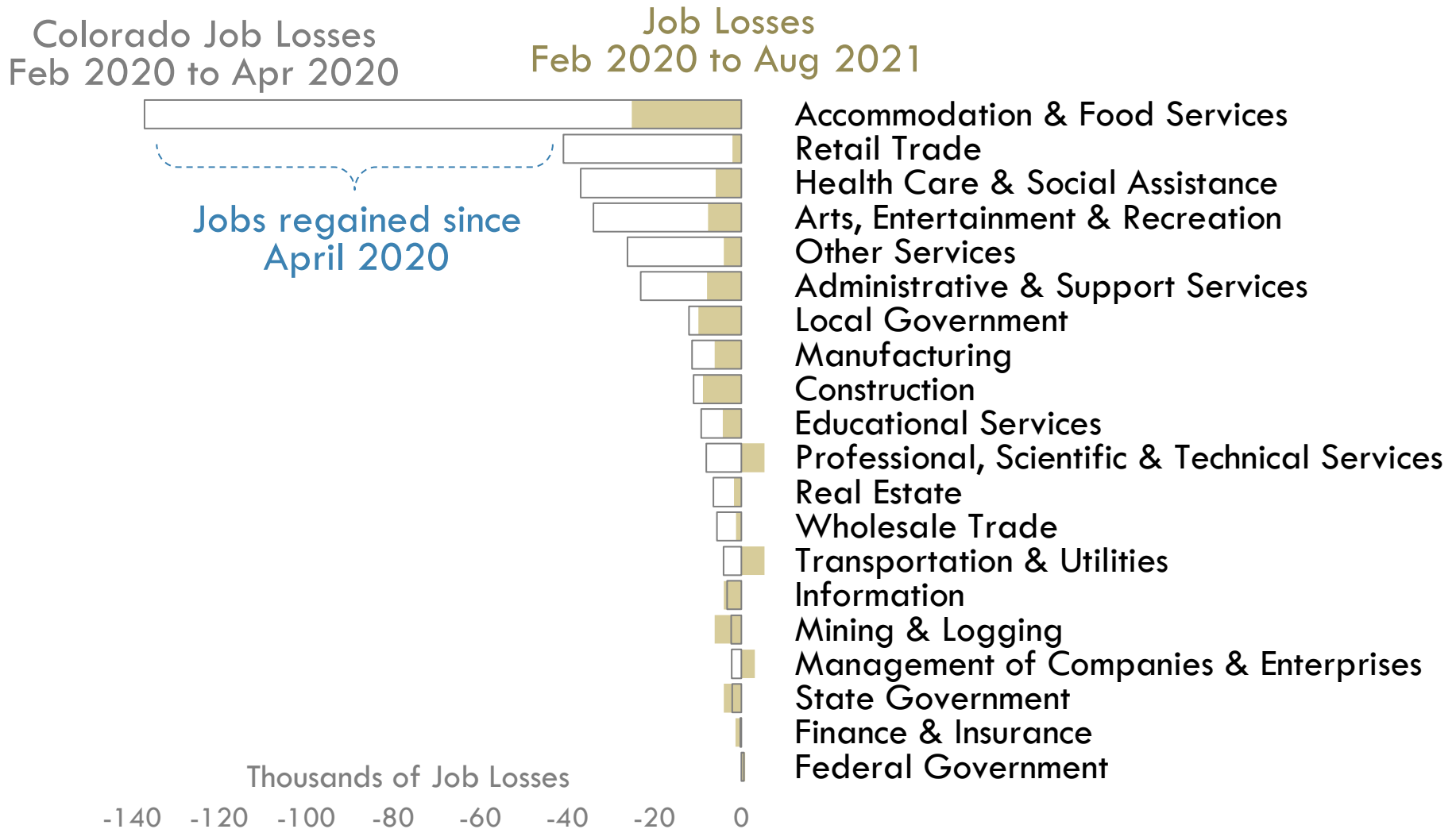
“K-Shaped” Recovery: Higher income workers were relatively unscathed by the pandemic

Percent change in Colorado employment since January 2020



Source: Opportunity Insights. More interactive charts available: www.tracktherecovery.org

The jobs recovery is uneven; accommodation & food services industries remain the biggest losers

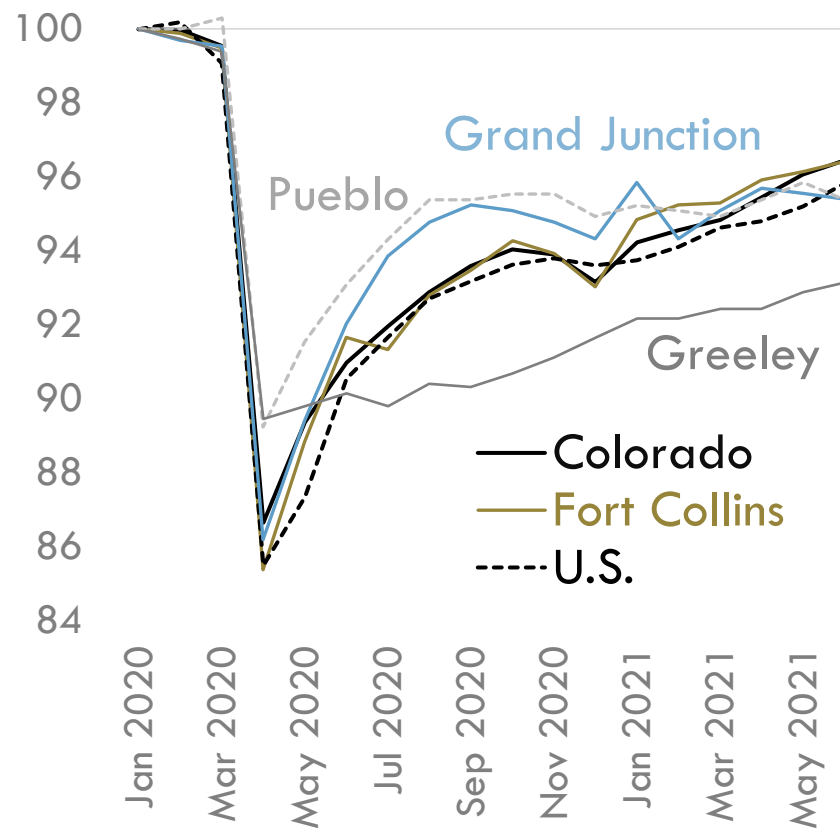
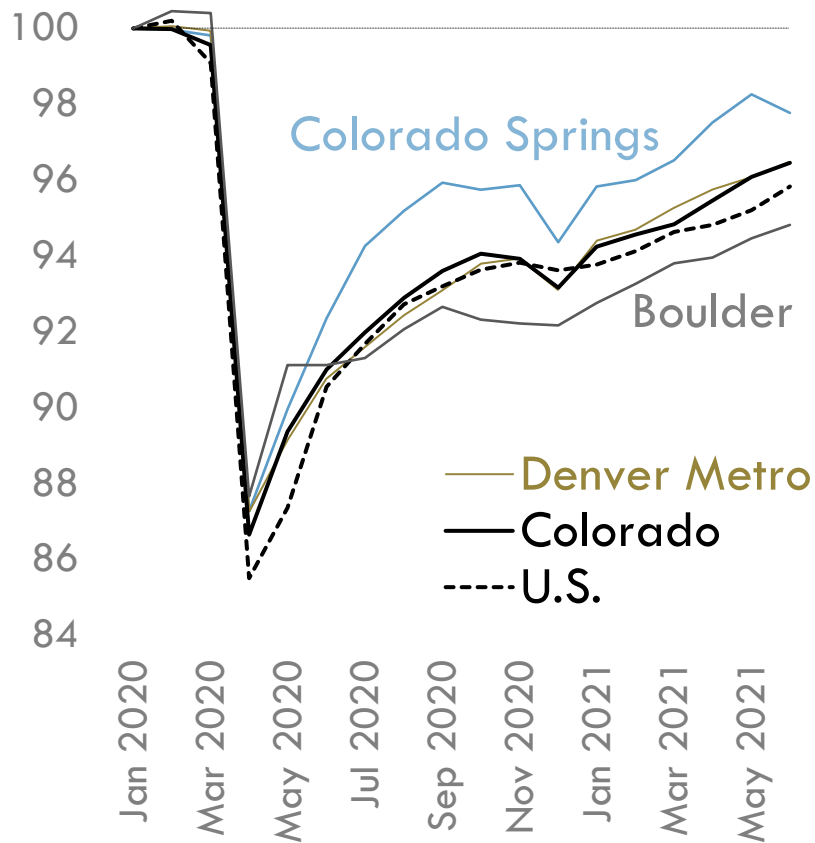


Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

Jobs recovery varies across the state

Employment Growth Since January 2020

January 2020 = 100

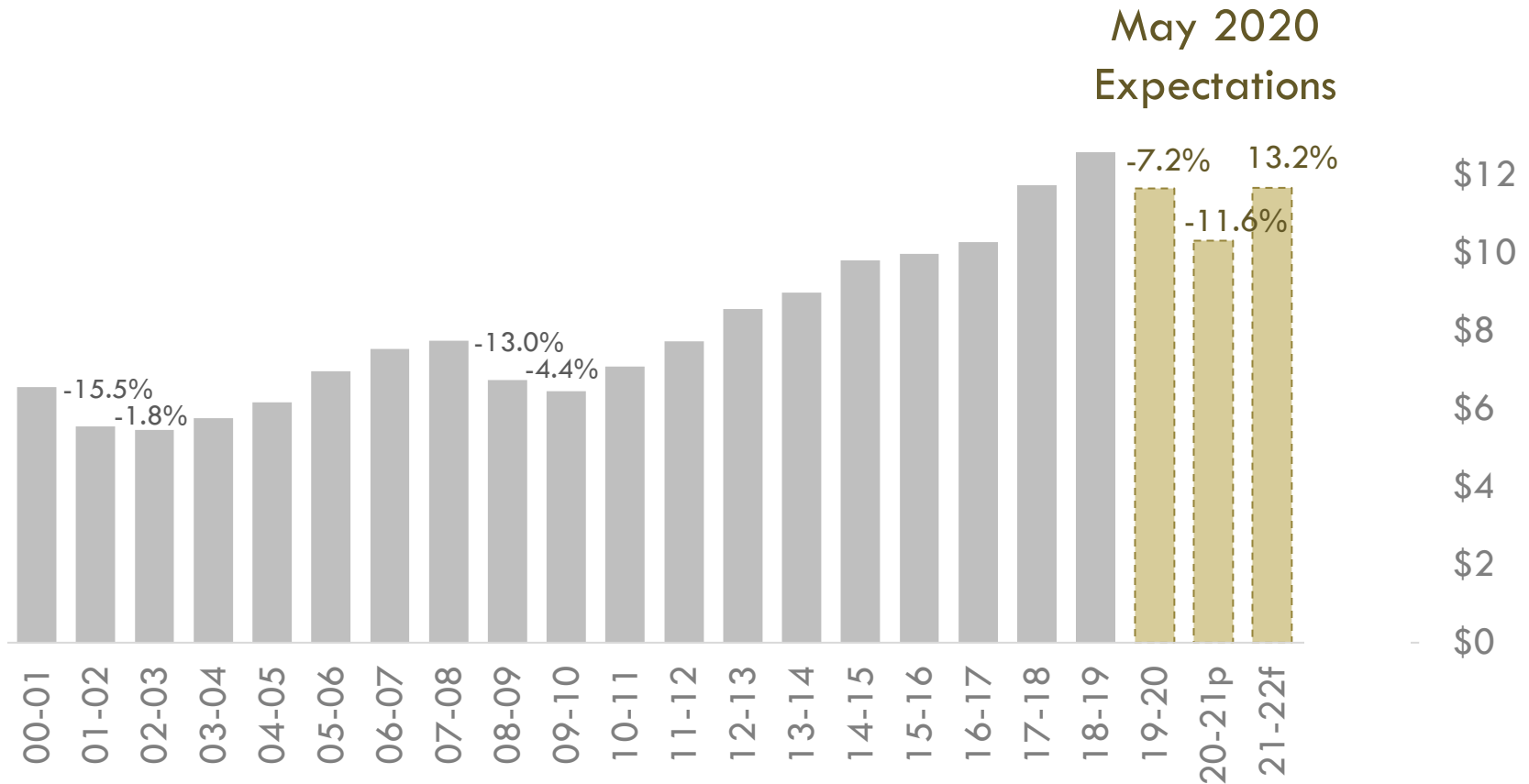


The COVID-19 recession was expected to result in state revenue declines similar to prior recessions

Colorado State General Fund Revenue

Billions of Dollars

Percentages show year-over-year changes



Source: Colorado Office of the State Controller and Legislative Council Staff September 2021 forecast.

Instead, revenue grew unabated on the strength of income and sales tax collections

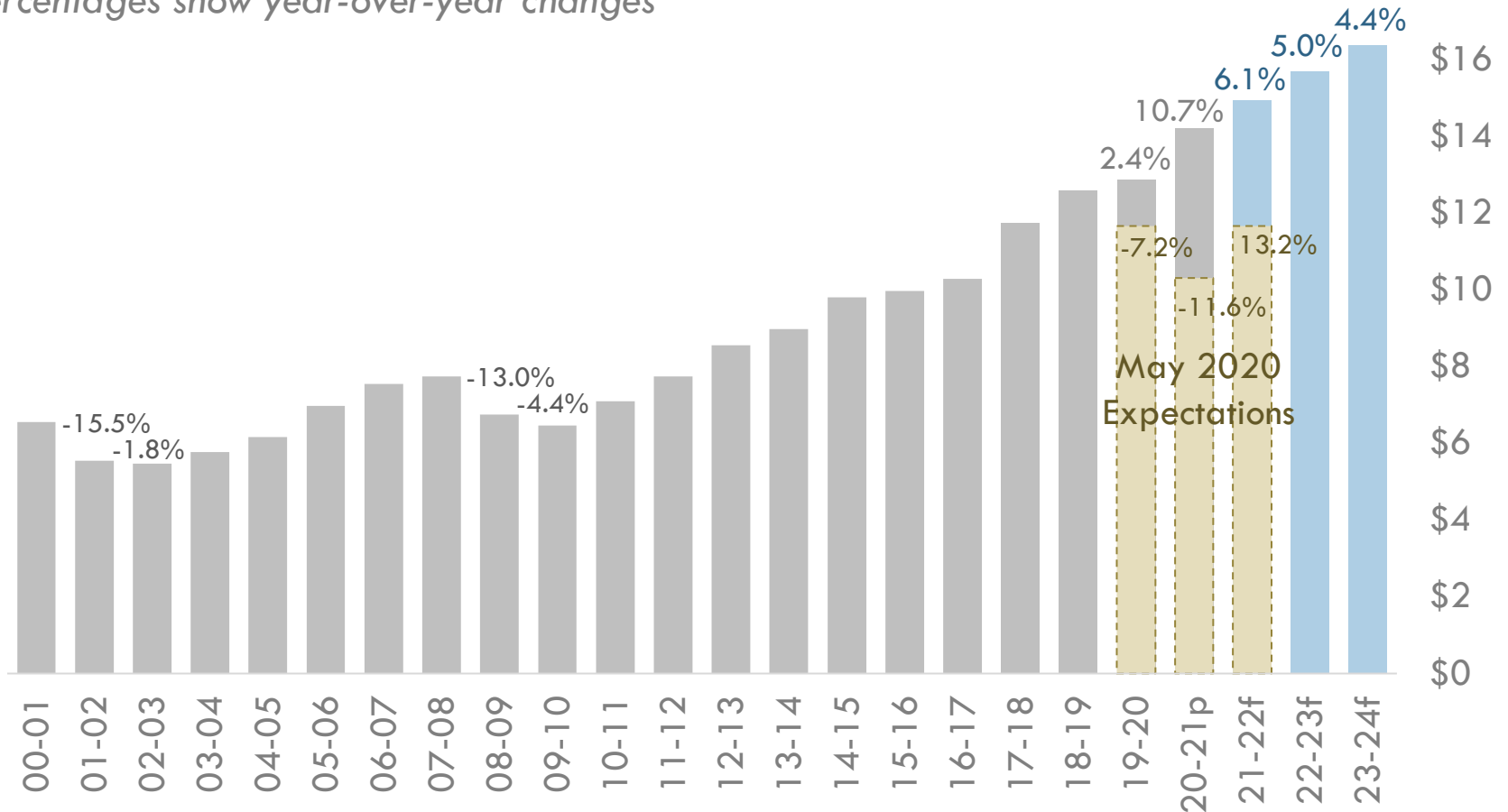
Colorado State General Fund Revenue

Billions of Dollars

Percentages show year-over-year changes

September 2021
Expectations

May 2020
Expectations



Source: Colorado Office of the State Controller and Legislative Council Staff September 2021 forecast.

TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions

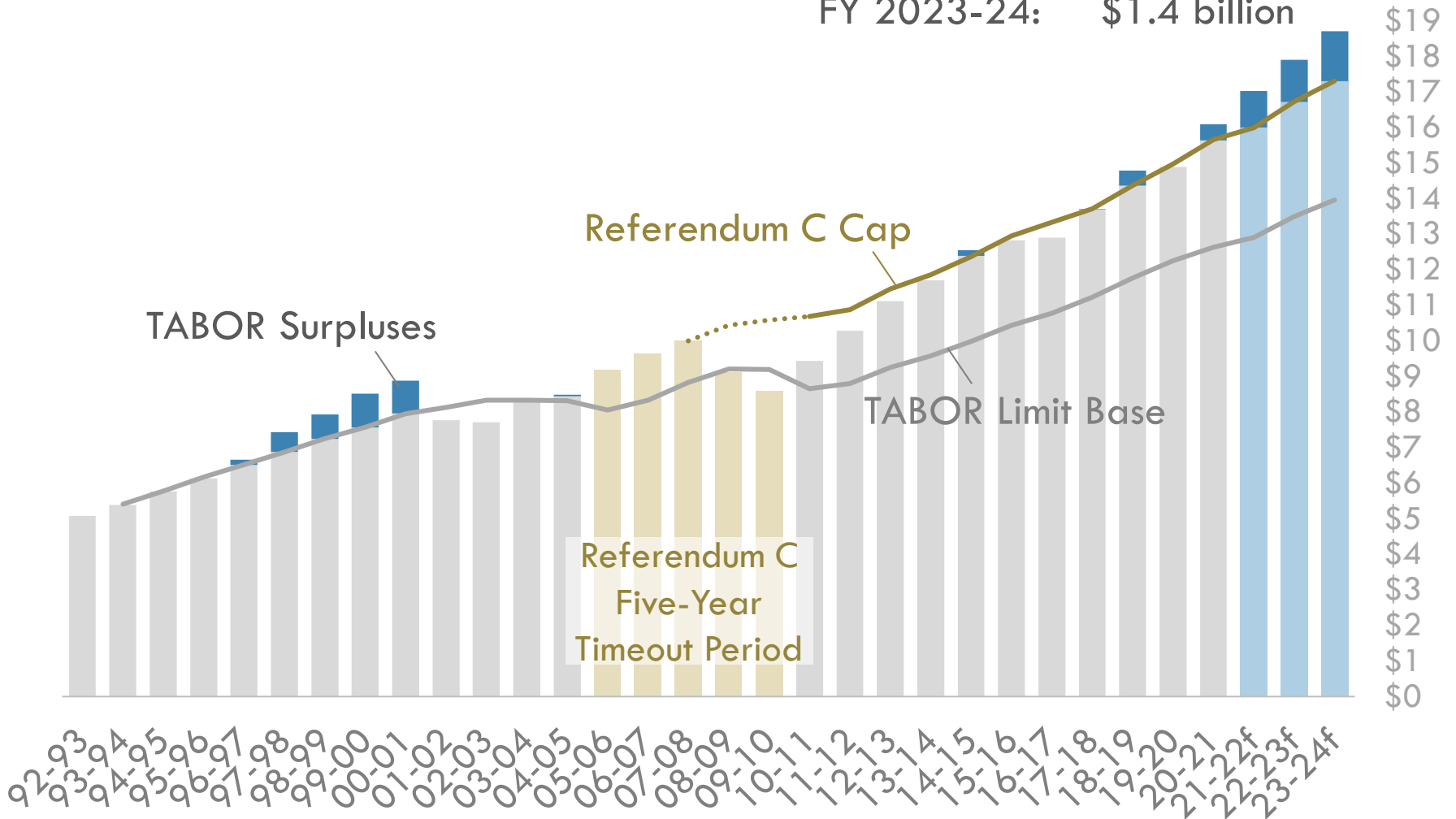
Revenue Above the Ref C Cap

FY 2020-21: \$453.6 million

FY 2021-22: \$1.0 billion

FY 2022-23: \$1.2 billion

FY 2023-24: \$1.4 billion



Source: Colorado Office of the State Controller and Legislative Council Staff September 2021 forecast.

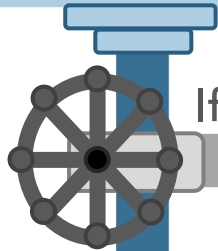
TABOR Refund Obligation



TABOR Refund Mechanisms

#1

Reimburse Local Gov'ts for
Property Tax Exemptions
Up to ~\$165 million



If ~\$295 million+

#2

Temporary
Income Tax Rate Reduction
Next ~\$130 million
If the refund is large enough



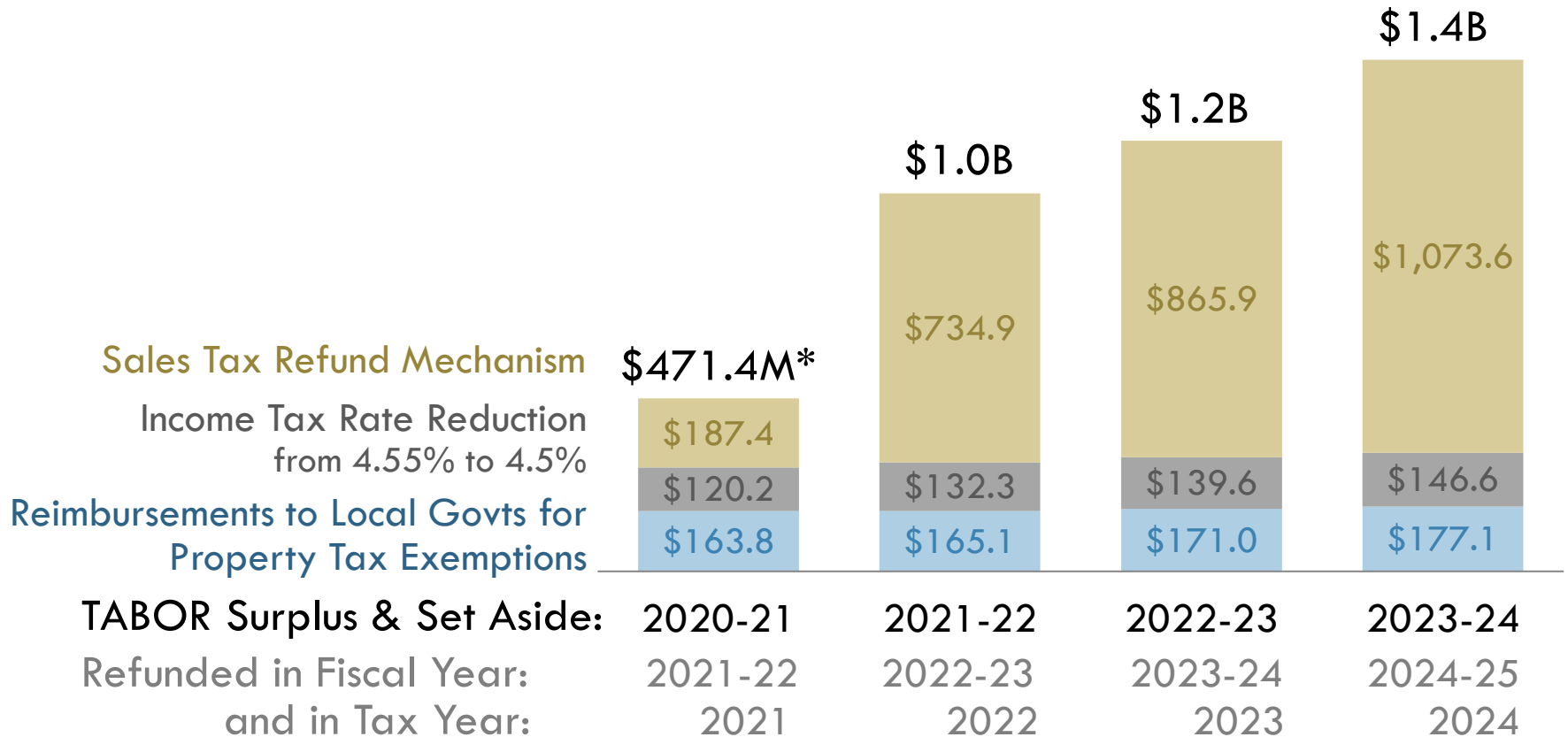
#3

Sales Tax Refund
Any remaining

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

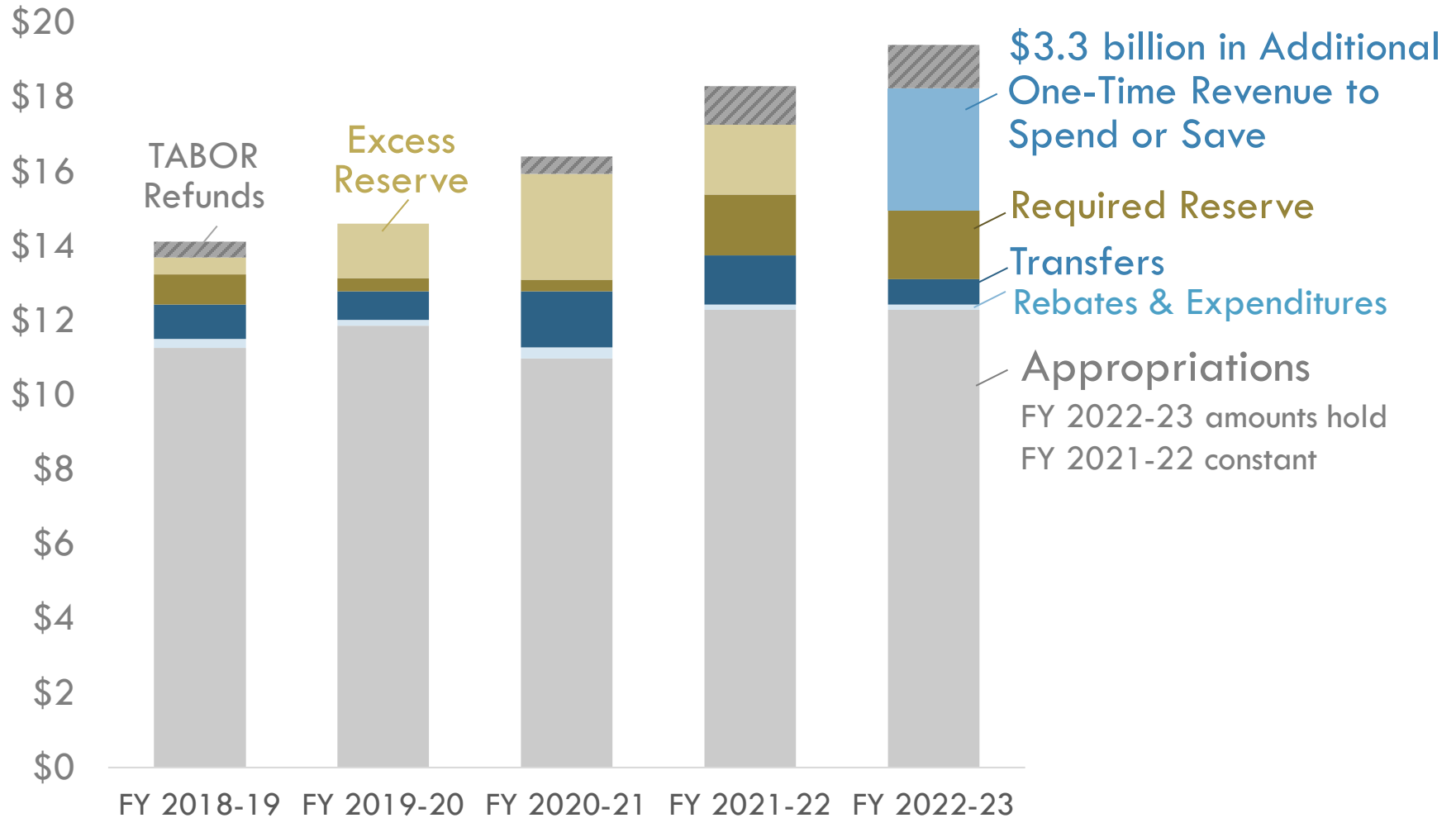


Source: Colorado Office of the State Controller and Legislative Council Staff September 2021 forecast.

*The refund from the FY 2020-21 surplus is adjusted for \$17.8 million in under-refunds from prior years.

General Fund Budget (Spending or Saving)

Dollars in Billions



Risks to the Forecast

Ongoing risks

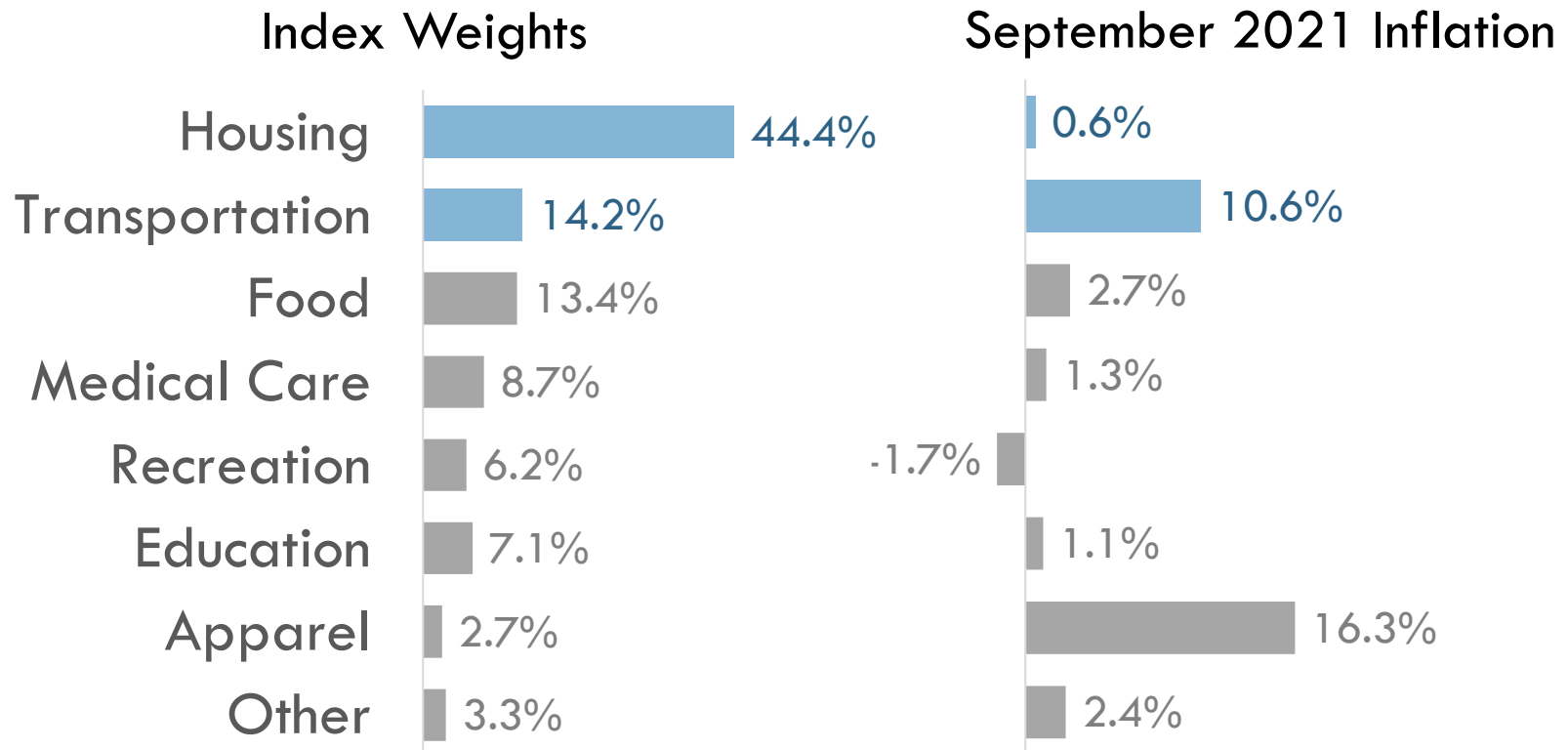
- Pandemic's trajectory
- Evolving tax policy environment
- More federal stimulus?
- Difficult to gauge underlying health of the economy
 - What happens when the stimulus wears off?
 - Extent of economic damage and its lasting effects (“scarring”)
- November election outcomes

Upside and downside budget risks viewed as balanced

- Collections remain strong, though downside risks continue to cloud the outlook
- Revenue will be constrained by the Referendum C cap throughout the forecast period, capping General Fund budget growth

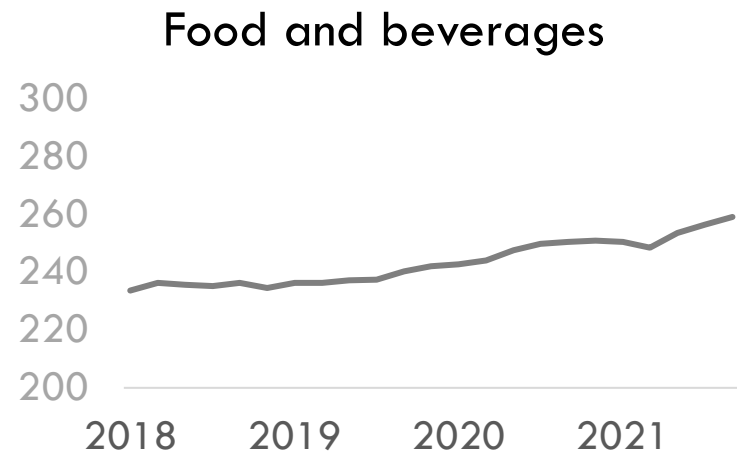
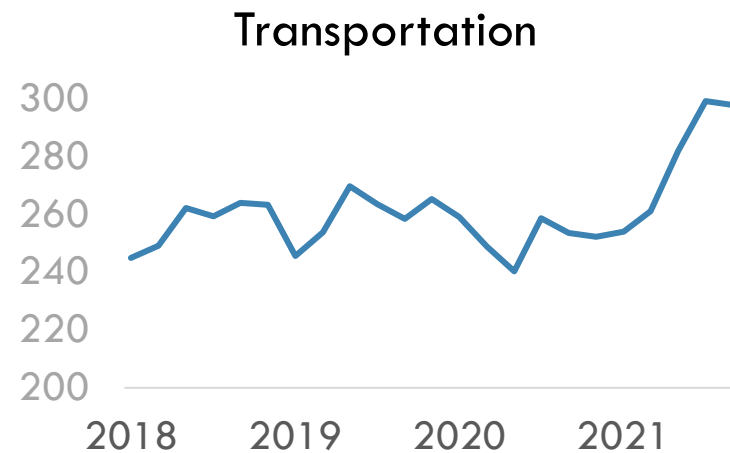
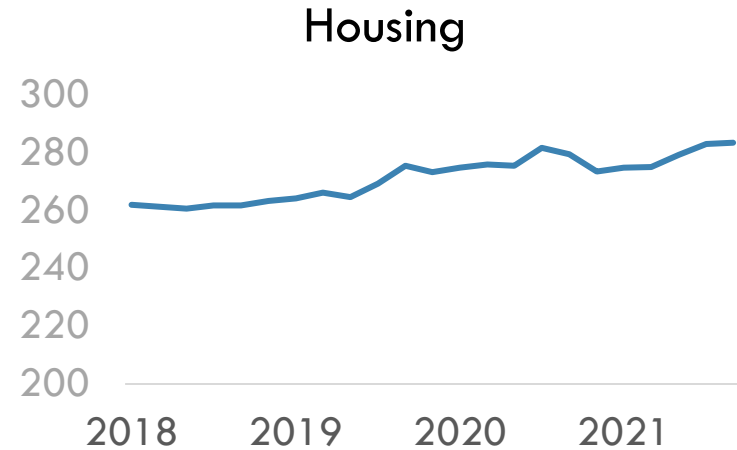
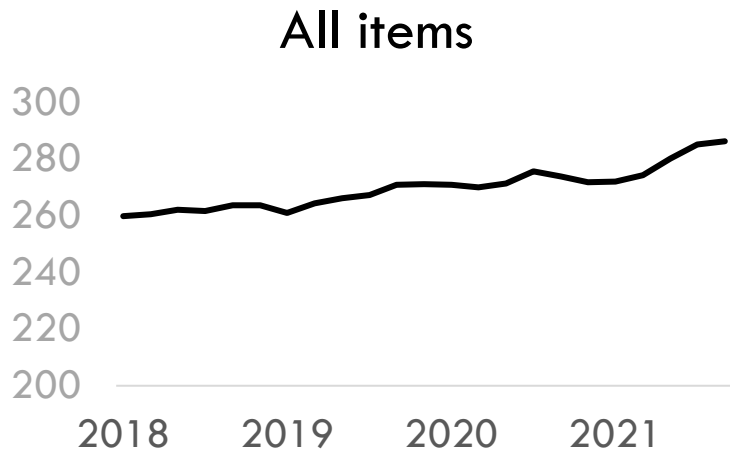
Colorado's inflationary pressures are more subdued than the nation's year-to-date in 2021

Denver-Aurora-Lakewood CPI-U Indices



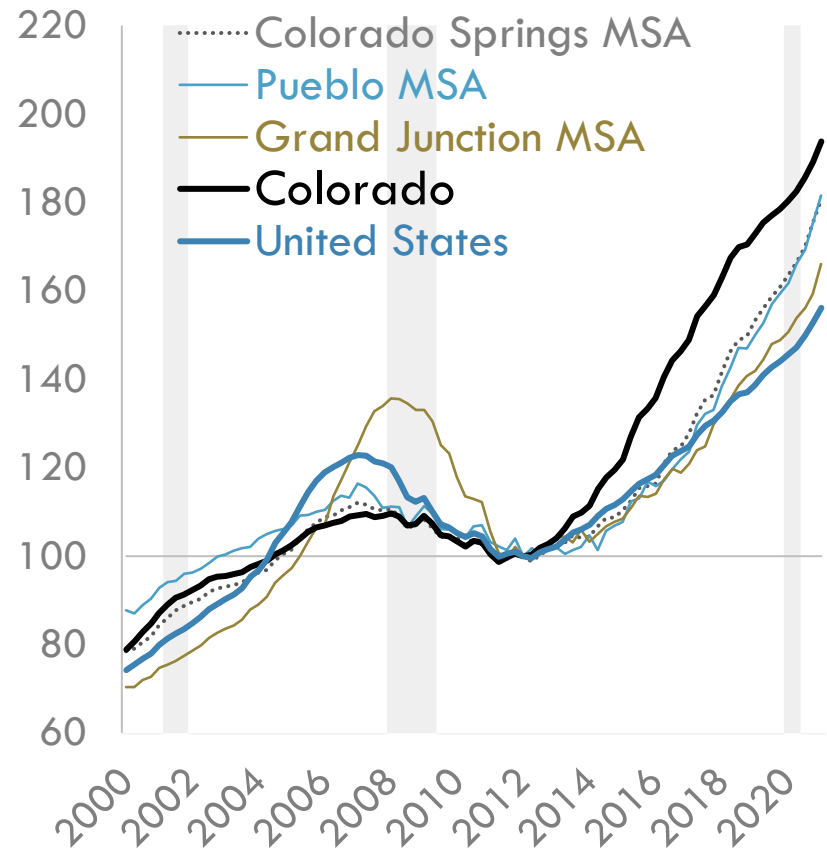
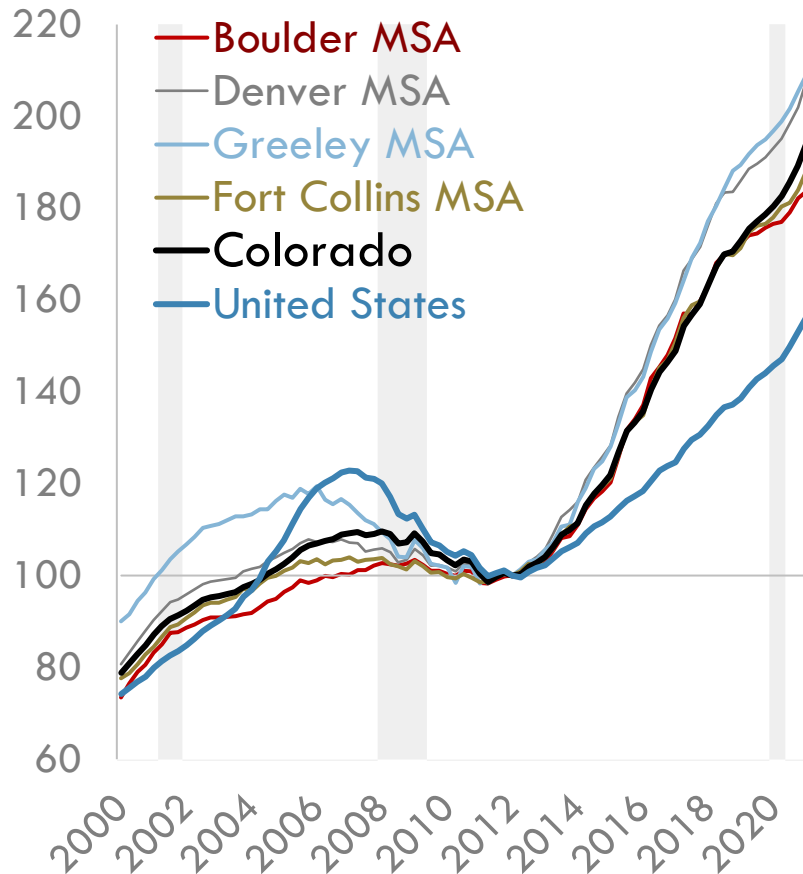
Colorado's inflationary pressures are more subdued than the nation's year-to-date in 2021

Denver-Aurora-Lakewood CPI-U Indices



Home prices accelerated during the pandemic but are expected to level off some in the years ahead

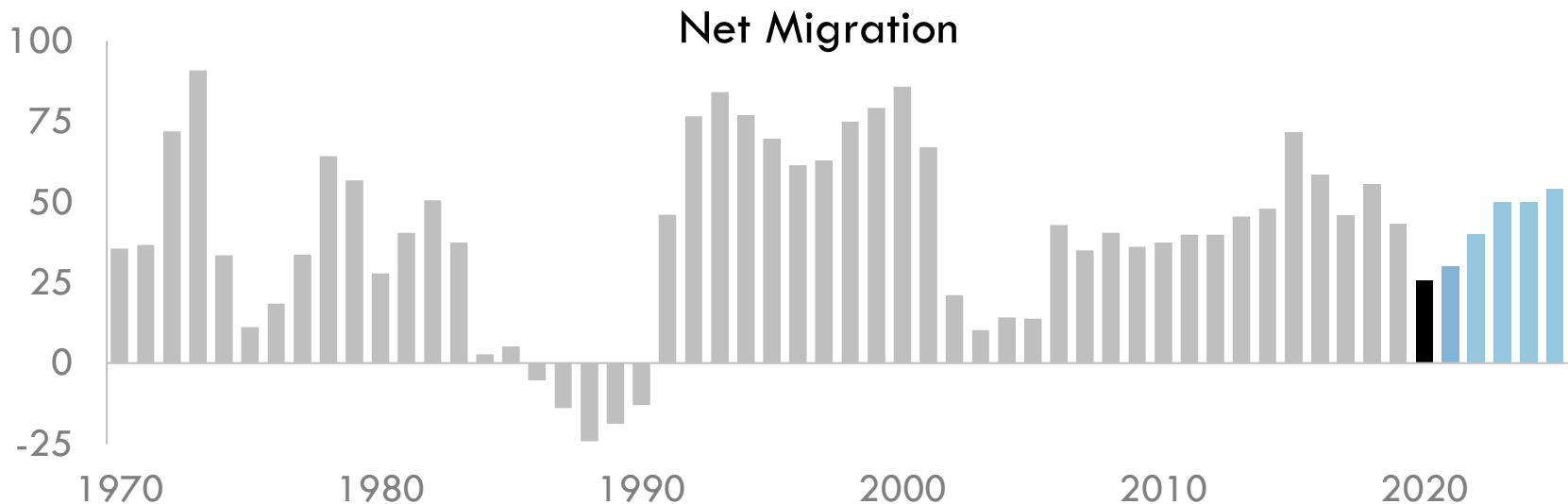
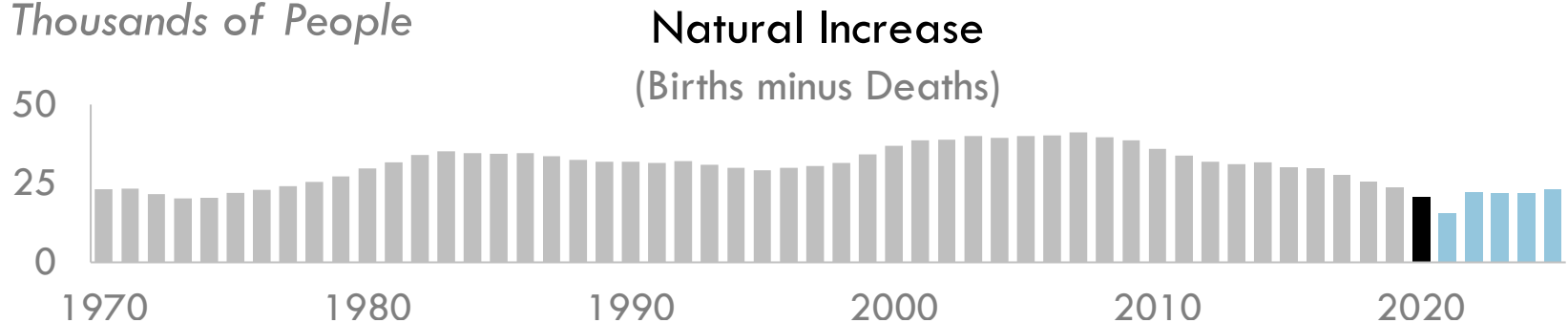
FHFA All Transactions Home Price Index
Index 100 = 2012Q2 (trough)



Colorado population growth slowed during the pandemic

Colorado Population

Thousands of People



Questions?

Kate Watkins

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

