Economic Outlook
Employment growth is slowing as the labor market tightens

Total Nonfarm Employment

Index 100 = January 2010

Wages are rising, yet consumer activity has slowed

Real Average Hourly Earnings
2019 Dollars

Colorado

United States

Real Retail Sales
Billions of 2019 Dollars

Business activity remains elevated, but is expected to slow on labor market shortages and rising wages.

Source: Bureau of Economic Analysis. Profits and income with inventory valuation and capital consumption adjustments.
Home price appreciation has slowed considerably in the higher-cost areas of the state.

FHFA Home Price Indices

*Index 100 = January 2008*

Source: Federal Housing Finance Agency (FHFA). FHFA data are seasonally adjusted data through 2018Q4.
The value of oil and gas production remains low.

Source: Energy Information Administration, weekly average prices (left) and three month moving averages (right).
Economic Outlook Summary

Growth will continue to moderate through 2021

• Weaker than expected growth over the past 4 months
• Labor market shortages will dampen business activity
• Global economic slowdown will mute demand and put downward pressure on commodity prices

Uncertainties remain elevated

• Shift toward more cautious optimism among investors and consumers
General Fund Budget Outlook
Revenue expectations were reduced on lower than expected collections to date and a slower economic outlook.

Gross General Fund Revenue

Source: Colorado Office of the State Controller and Legislative Council Staff (LCS) and Office of State Planning and Budgeting (OSPB) forecasts.
Revenue expectations were reduced on lower than expected collections to date and a slower economic outlook.

**Gross General Fund Revenue**

**Change in the LCS Forecast**
- FY 2018-19: -$260.4M
- FY 2019-20: -$249.4M
- FY 2020-21: -$168.9M

Source: Colorado Office of the State Controller and Legislative Council Staff (LCS) and Office of State Planning and Budgeting (OSPB) forecasts.
Growth in wage withholding remains strong, while sales tax collections growth has slowed.

Source: Colorado Office of the State Controller and Department of Revenue. Monthly collections shown on a cash basis. February data are preliminary.
Estimated payments of individual income tax are the largest source of General Fund forecast volatility.

**Monthly State Revenue Collections**

<table>
<thead>
<tr>
<th>Millions</th>
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<tbody>
<tr>
<td>$1,200</td>
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<tr>
<td>$1,000</td>
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<tr>
<td>$800</td>
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<tr>
<td>$600</td>
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<tr>
<td>$400</td>
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<tr>
<td>$200</td>
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<td>$0</td>
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**Estimated Payments**

- **FY 2018-19**
- **FY 2017-18**
- ----- **FY 2016-17**

**Net Individual Income Tax**

Source: Colorado Office of the State Controller and Department of Revenue. Monthly collections shown on a cash basis. February data are preliminary.

*Wage withholding, estimated payments, and cash with returns, minus refunds.*
Revenue growth is expected to moderate throughout the forecast period

Gross General Fund Revenue
Billions of Dollars

Year-over-year growth

Source: Colorado Office of the State Controller and Legislative Council Staff March 2019 forecast.
TABOR Outlook

Revenue Subject to TABOR
Dollars in Billions

Source: Colorado Office of the State Controller and Legislative Council Staff March 2019 forecasts.
## Expected TABOR Refunds & General Fund Budget Impacts

### Reimbursements to Local Governments for Property Tax Exemptions

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<tbody>
<tr>
<td>Refunded in Fiscal Year:</td>
<td>2018-19</td>
<td>2019-20</td>
<td>2020-21</td>
<td></td>
</tr>
</tbody>
</table>

*This amount includes the $18.5 million FY 2017-18 surplus and $21.3 million in under-refunds from the FY 2014-15 surplus.*

Source: Colorado Office of the State Controller and Legislative Council Staff March 2019 forecast.
TABOR Refund Obligation

#1

Reimburse Local Gov’ts for Property Tax Exemptions
Up to ~$140 million

#2

If ~$400 million+

Temporary Income Tax Rate Reduction
Next ~$250 million
If the refund is large enough to fund the first mechanism and the rate reduction

#3

Sales Tax Refund
Any remaining

TABOR Refund Mechanisms
Changes to the Budget Bottom Line

FY 2018-19: $76M more in the excess reserve
• Relative to December, $19.3M less spending, less in TABOR refunds (due to lower cash funds)
• $372.7 million excess reserve

FY 2019-20: $158M less than expected in December due to lower revenue expectations
• Instead of the Referendum C cap, revenue limiting spending
Risks to the Forecast

• Elevated uncertainty in FY 2018-19 and FY 2019-20
  – Expect surprises as taxpayers adjust to federal tax policy changes
  – Out-of-state sales tax collections pose upside risks

• With close proximity to the Referendum C cap…
  – Upside surprises mean (larger) TABOR refunds
  – Downside surprises mean fewer funds available

• Longer-term risks are skewed to the downside
  – Slower growth and rising risk of recession as the economic expansion matures
Questions?

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