Economic & Revenue Forecast

Presentation to the Joint Budget Committee
March 16, 2020
Economic Outlook
COVID-19

• News is changing by the hour
• We are at an inflection point, but do not know how far the economy will fall or how long it will last
• Early, aggressive measures will help to contain the spread of the coronavirus…
• …giving the economy a chance to reboot by the end of the year
The global price of oil fell last week.

West Texas Intermediate Crude Oil
Price per barrel

Source: U.S. Energy Information Administration.
General Fund Budget Outlook
State Revenue Scenarios

This figure is for illustrative purposes and does not reflect actual state revenue collections.
The impacts of COVID-19 will constrain General Fund collections in FY 2019-20 and FY 2020-21

Gross General Fund Revenue
Billions of Dollars

Change Relative to December Expectations
FY 2019-20: –$396.1M
FY 2020-21: –$749.9M
FY 2021-22: –$378.9M

Year-over-Year Growth

Source: Colorado Office of the State Controller and Legislative Council Staff March 2020 forecast.
TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions

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

Amount Below the Referendum C Cap

FY 2019-20: $-247.7M
FY 2020-21: $-629.6M
FY 2021-22: $-142.7M
Current Year | FY 2019-20 General Fund Reserve
Dollars in Millions

December 2019 Forecast

8.3% Reserve
$184.0M

Surplus Above Required Reserve
$871.3M

March 2020 Forecast

7.29% Reserve
$4.3M

Changes relative to December:
-$179.6 million

General Fund revenue expectations were reduced by $396.1 million, eliminating a TABOR surplus ($304.3 million)

Legislation signed into law to date increased General Fund expenditures by $68.4 million

Small adjustments to beginning balance, transfers, required reserve

Source: Legislative Council Staff forecasts based on current law.
Next Year | FY 2020-21 Budget Outlook

Additional revenue available to spend above FY 2019-20 spending levels. Amounts hold FY 2019-20 appropriations constant and incorporate the revenue forecast, current law transfers, rebates and expenditures, TABOR refund obligations, and the 7.25% reserve requirement.

<table>
<thead>
<tr>
<th>December 2019 Forecast</th>
<th>March 2020 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>$832.5M</td>
<td>$27.3M</td>
</tr>
</tbody>
</table>

Changes relative to December:

$179.6 million less for beginning balance due on lower revenue and higher expenditures in FY 2019-20

General Fund revenue expectations were reduced in FY 2020-21 by $749.9 million, eliminating a TABOR surplus

Without a FY 2019-20 TABOR surplus, $163.6 million in General Fund expenditures needed to fund reimbursements to local governments for property tax exemptions

Source: Legislative Council Staff forecasts based on current law.
Risks to the Forecast

COVID-19 poses significant downside risk for both FY 2019-20 and FY 2020-21.

How Much Do We Know About FY 2019-20?
Cumulative monthly General Fund Collections as a Share of Total Fiscal Year Collections*

<table>
<thead>
<tr>
<th>Month</th>
<th>Collection Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul</td>
<td>7%</td>
</tr>
<tr>
<td>Aug</td>
<td>14%</td>
</tr>
<tr>
<td>Sep</td>
<td>23%</td>
</tr>
<tr>
<td>Oct</td>
<td>31%</td>
</tr>
<tr>
<td>Nov</td>
<td>38%</td>
</tr>
<tr>
<td>Dec</td>
<td>46%</td>
</tr>
<tr>
<td>Jan</td>
<td>57%</td>
</tr>
<tr>
<td>Feb</td>
<td>62%</td>
</tr>
<tr>
<td>Mar</td>
<td>69%</td>
</tr>
<tr>
<td>Apr</td>
<td>83%</td>
</tr>
<tr>
<td>May</td>
<td>90%</td>
</tr>
<tr>
<td>Jun</td>
<td>99%</td>
</tr>
<tr>
<td>Period 13</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Six-year average of actual collections for FY 2013-14 through FY 2018-19, based on data from the State Controllers Office.
State Revenue Scenarios

This figure is for illustrative purposes and does not reflect actual state revenue collections.
Upside Risks & Silver Lining

• Faster containment of COVID-19 than expected
• Monetary and fiscal policy stimulus
• Stronger return to trend levels of economic activity
• Silver lining: Resilience, innovation, strong economic fundamentals entering March
School Finance
The global price of oil fell last week

Source: U.S. Energy Information Administration.
What could the lower price of oil mean for School Finance?

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment Date</td>
<td>January 1, 2020</td>
<td>January 1, 2021</td>
</tr>
<tr>
<td>Budget Impact</td>
<td>FY 2020-21</td>
<td>FY 2021-22</td>
</tr>
<tr>
<td>Change in Local Share from December Forecast*</td>
<td>0.0%</td>
<td>-5.1%</td>
</tr>
</tbody>
</table>

*March 2020 change in expectations from the Legislative Council Staff December 2019 forecast.
Note: This slide provides updated information on assessed values based only on the March 2020 forecast expectations for oil prices. The next assessed values forecast will be available December 2020.
Questions?

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