



September 2021 | Legislative Council Staff  
**Economic & Revenue Forecast**

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Presentation to the Joint Budget Committee

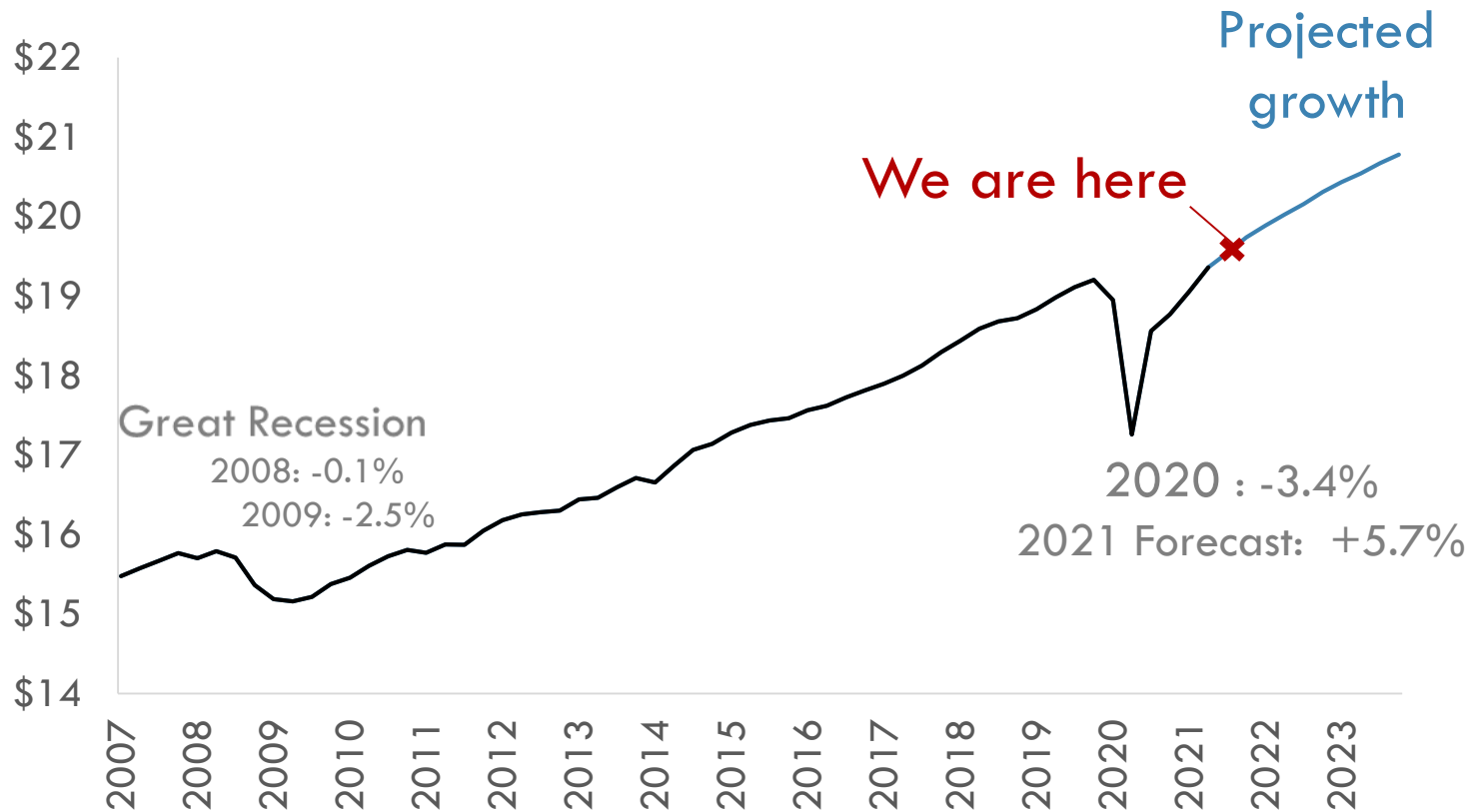
September 21, 2021

# Economic Outlook



# The economy continues to recover, with consumer activity driving growth

Real U.S. Gross Domestic Product  
*Dollars in Trillions*

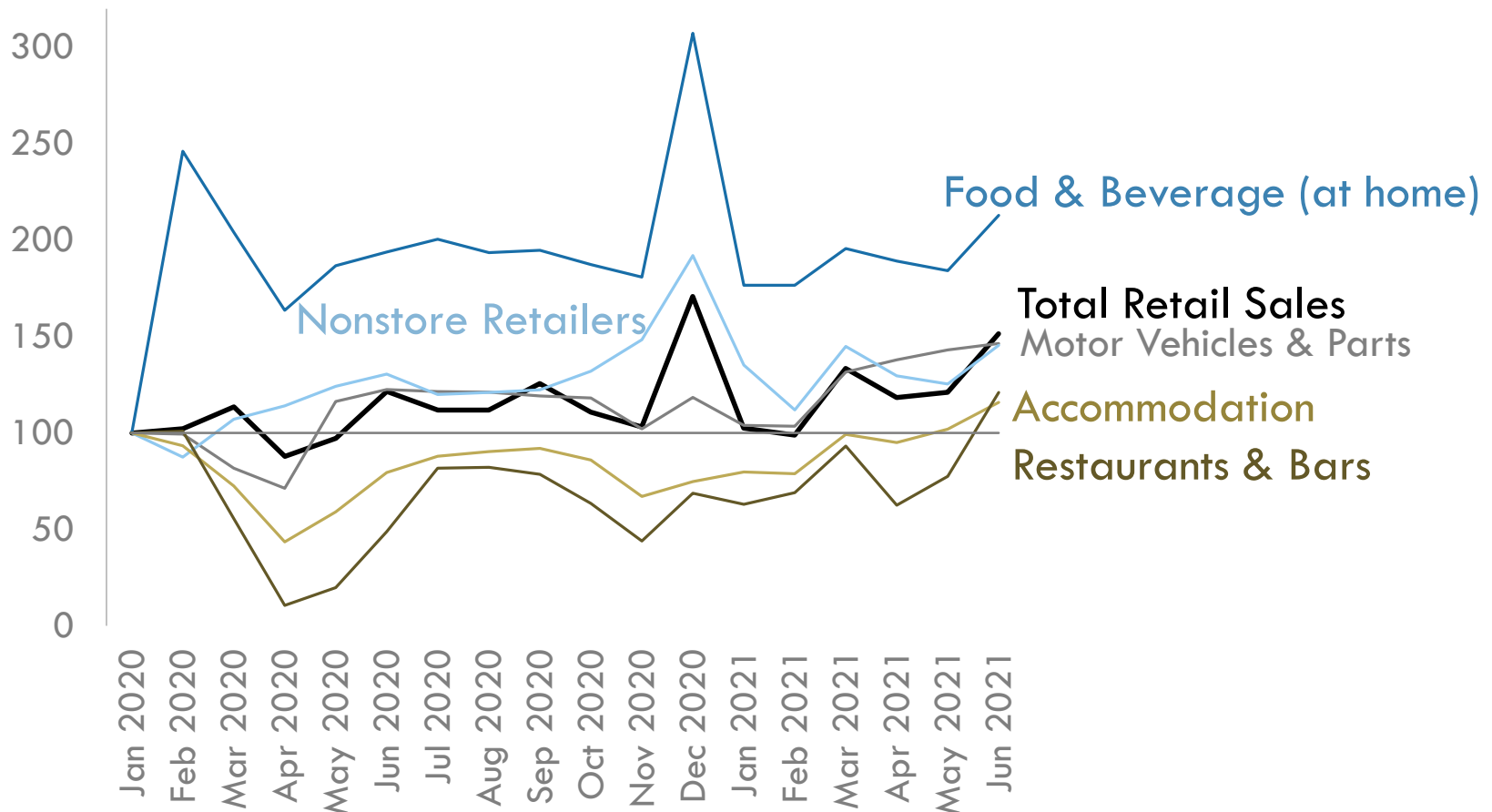


Source: U.S. Bureau of Economic Analysis and Legislative Council Staff September 2021 projections.  
Real GDP is inflation-adjusted to chained 2012 levels and shown at seasonally adjusted annualized rates.

# Retail sales at restaurants and hotels exceed pre-pandemic levels for the first time

## Colorado Retail Sales

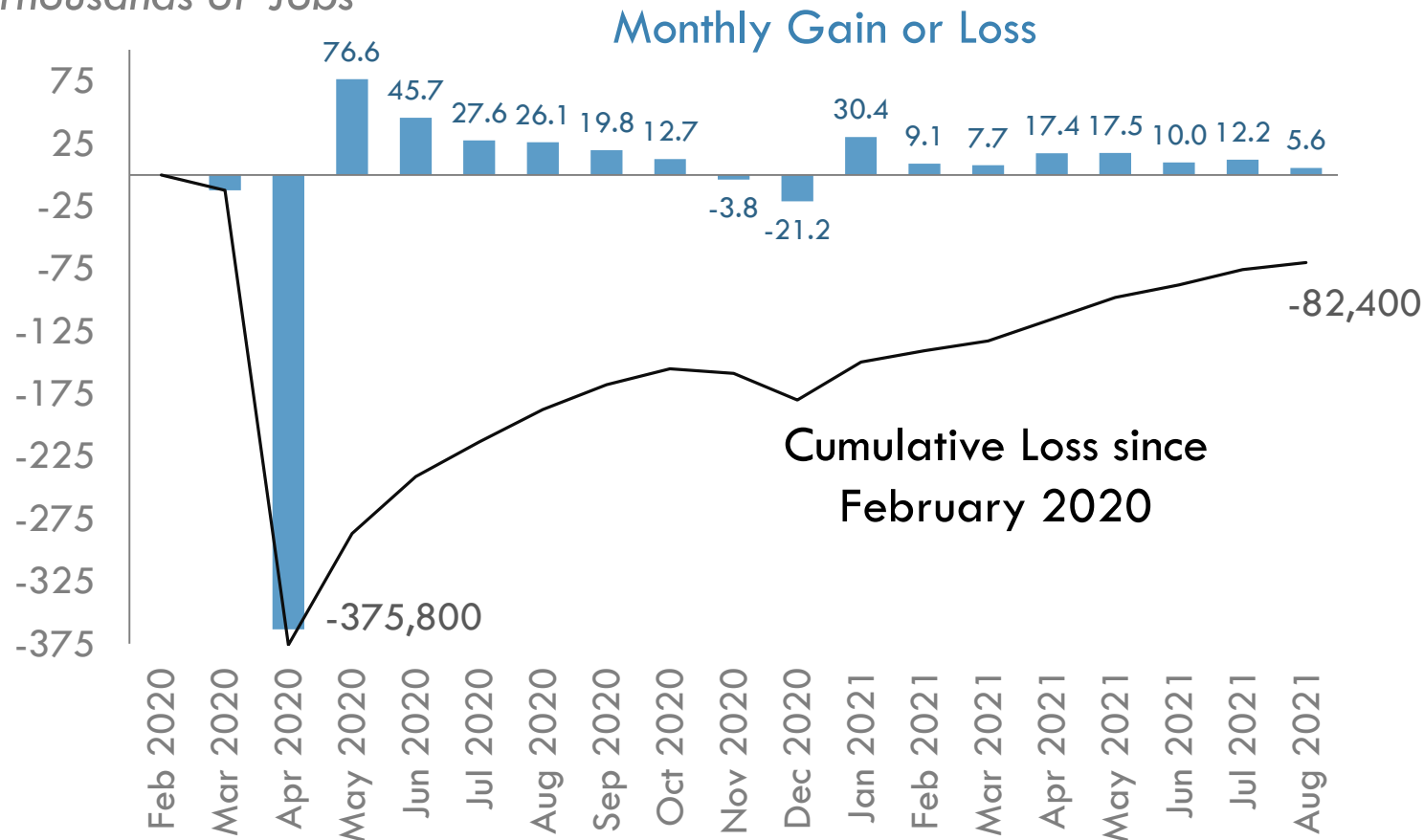
Index January 2020 = 100



# Colorado has regained 78.1 percent of jobs lost since the pandemic began, with a slowing recovery in August

## Change in Colorado Employment

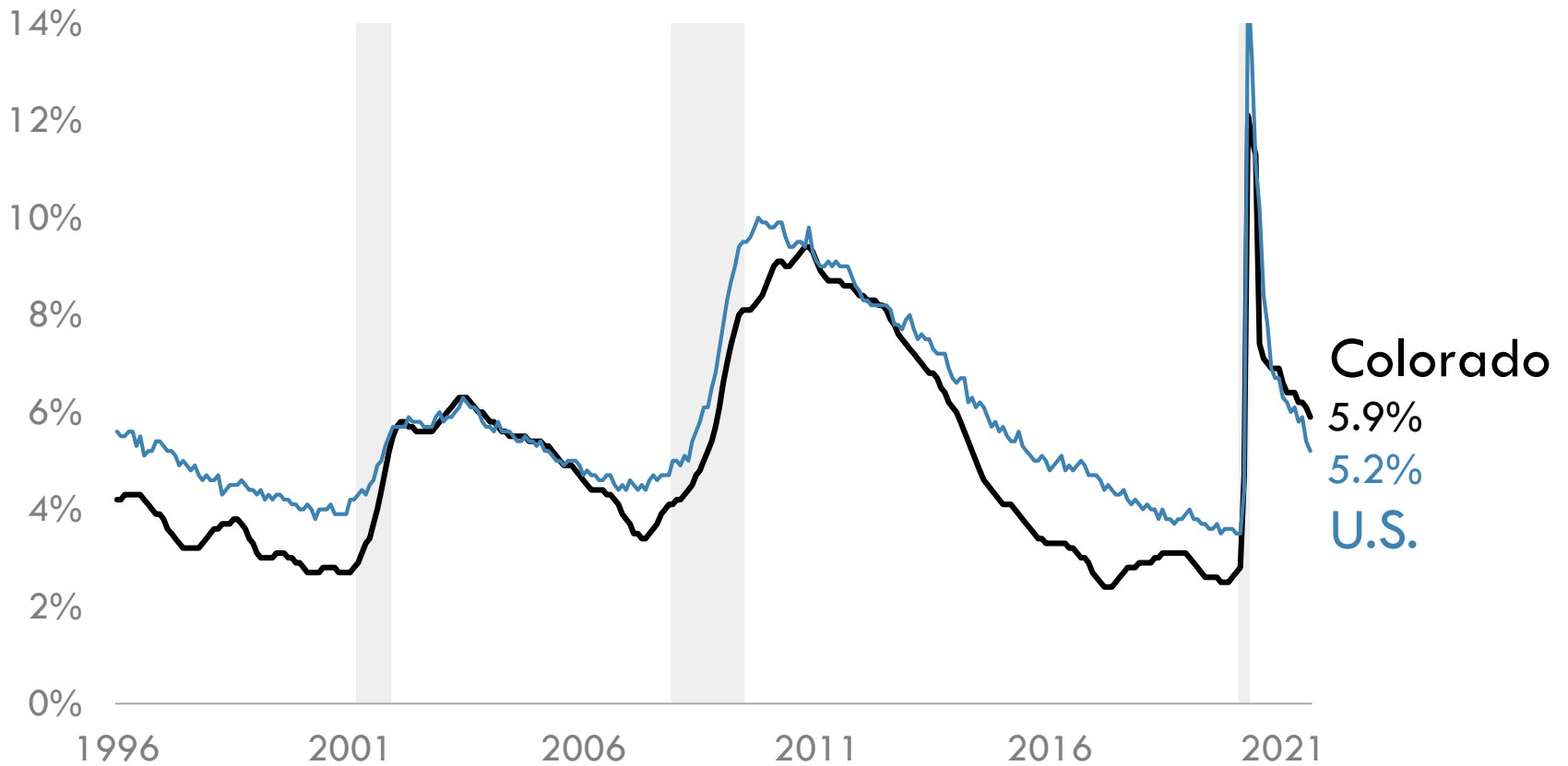
Thousands of Jobs



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

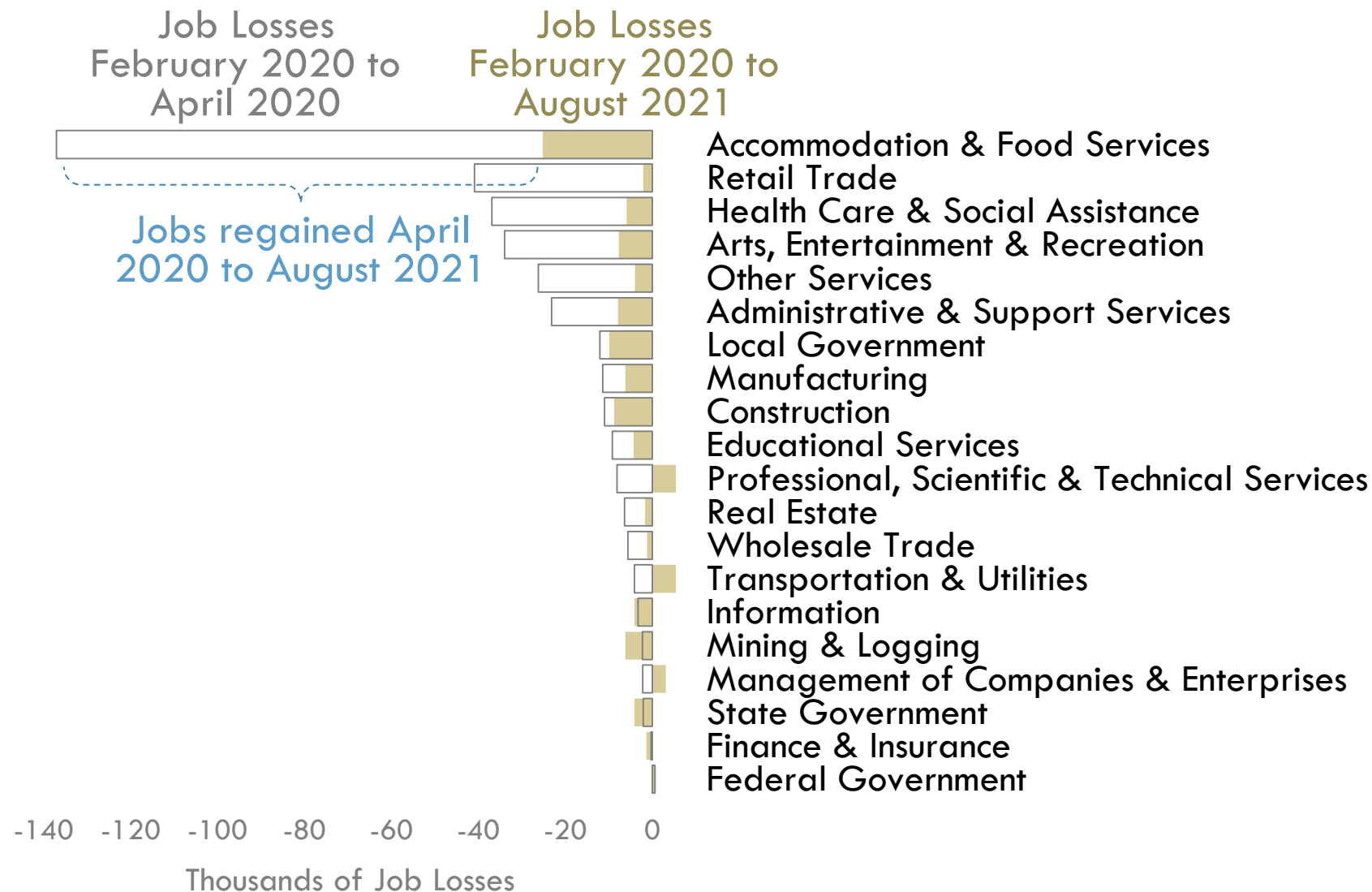
# Colorado's unemployment rate dropped below 6 percent in August

## Unemployment rates



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

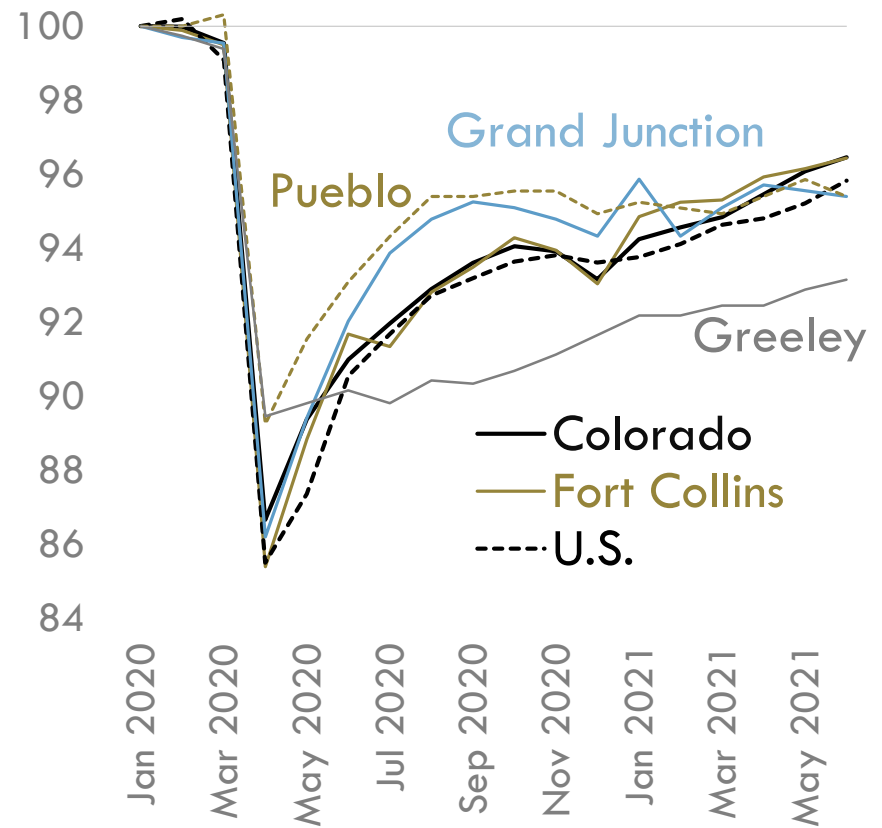
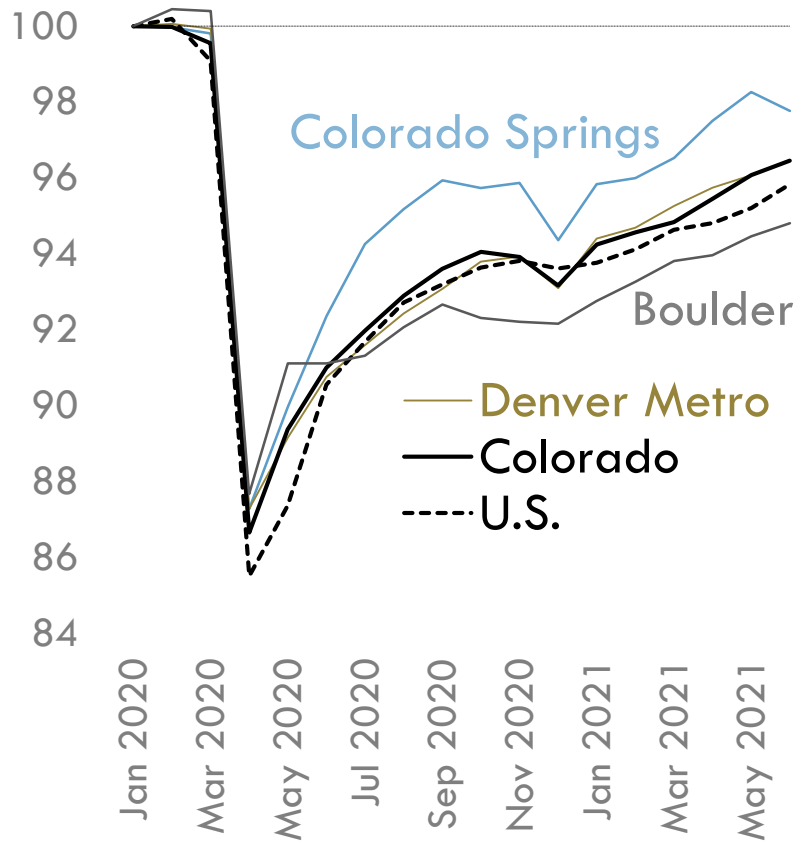
# Accommodation & food services leads job gains in 2021, still down 25,200 jobs



# Employment recovery varies by region

## Employment Growth by Region since January 2020

January 2020 = 100

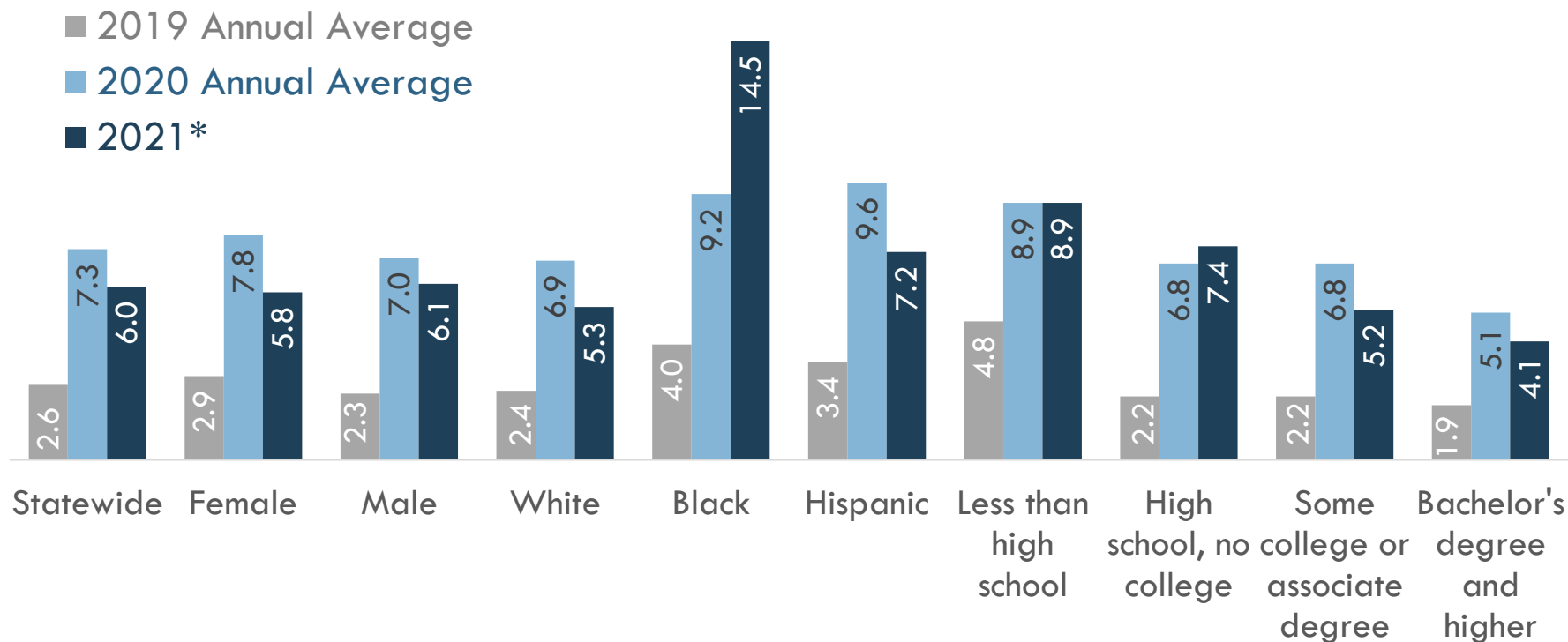




# Recession and recovery have uneven impacts

## Colorado Unemployment Rates by Demographic Group

Twelve-month moving average



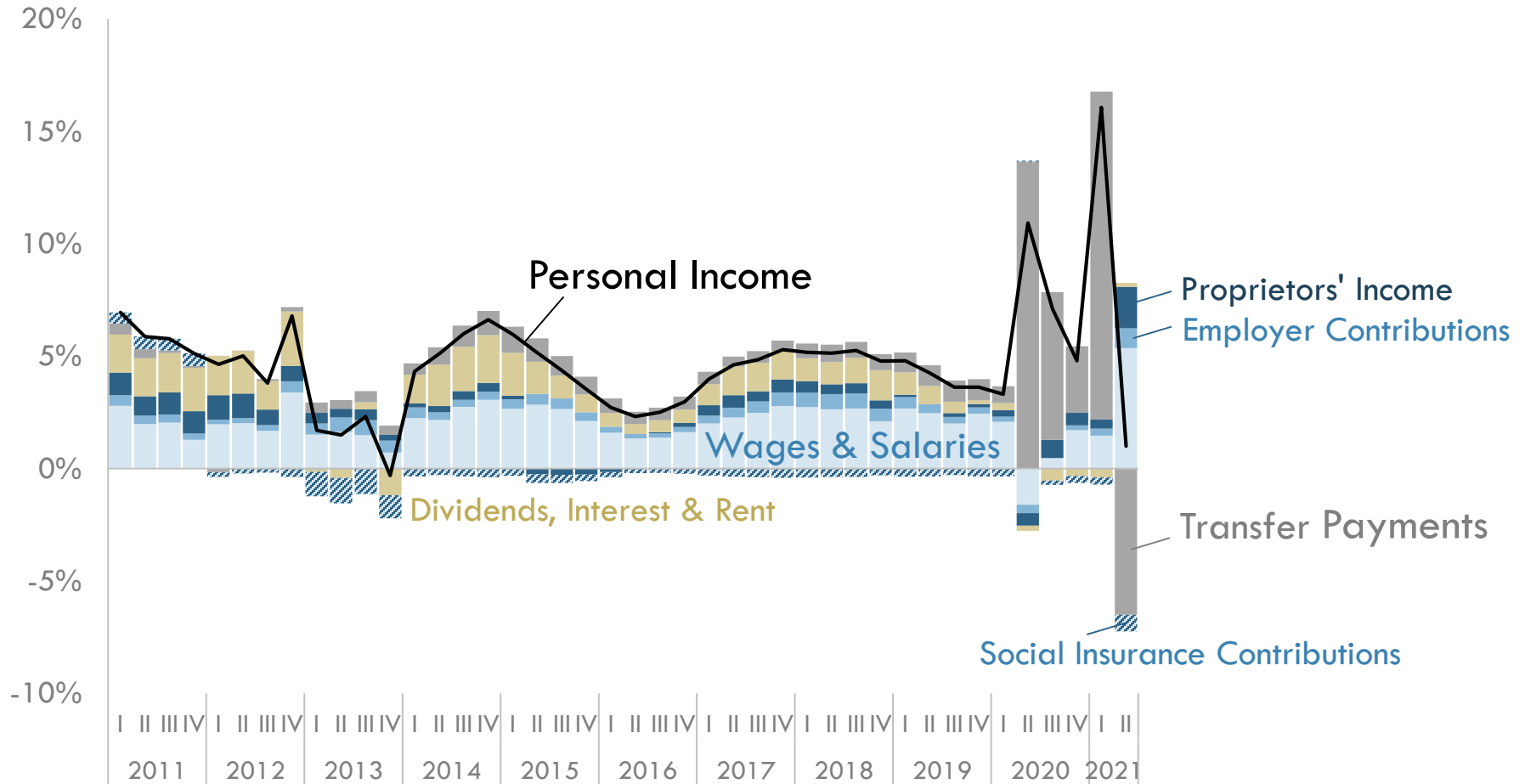
Source: U.S. Bureau of Labor Statistics, Current Population Survey. Data are not seasonally adjusted. Unemployment rates by gender, race, and ethnicity for individuals 16 and over. Unemployment rates by educational attainment for individuals 25 and over. Twelve-month moving averages are calculated differently than the official estimates of unemployment and should not be compared directly.

\* 2021 twelve-month average, September 2020 to August 2021.

# Declining transfer payments drag on personal income

## U.S. Personal Income and Its Contributions

*Contributions to Percent Change, Year-over-Year*

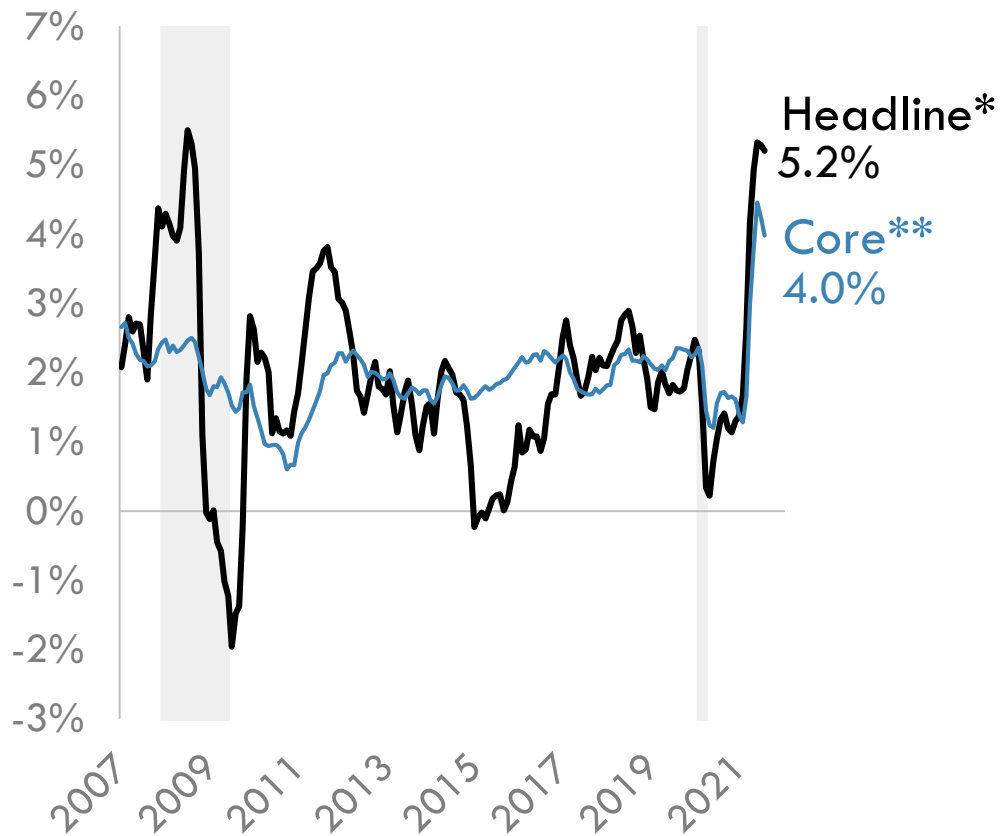


Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations. Data shown as seasonally adjusted annual rates and are not adjusted for inflation.

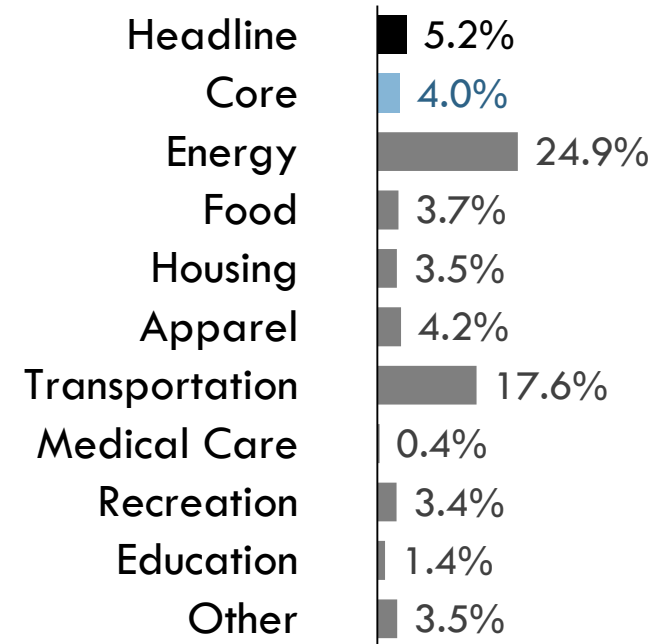
# Inflationary pressure continues in some sectors

## U.S. City Average CPI-U Inflation

Year-over-Year Change in Prices



## Selected Components, August 2021



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.

# Course of the pandemic reemerges as key risk

- Ongoing uncertainty from the course of the COVID-19 pandemic and vaccine rollout, particularly with wave of Delta variant
- **Downside:** Continued supply and demand mismatches, waning fiscal stimulus, inflation
- **Upside:** Passage of federal infrastructure spending package, with positive consequences for spending, employment, incomes, and tax revenues
- Near-term risks appear weighted to the downside

# General Fund Budget Outlook

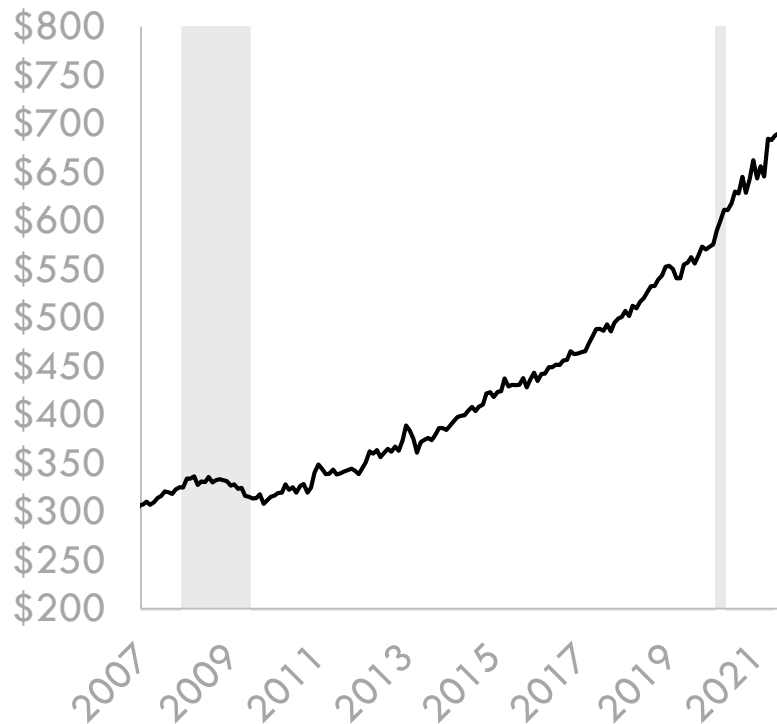


# The largest General Fund streams at or exceeding pre-pandemic trend growth

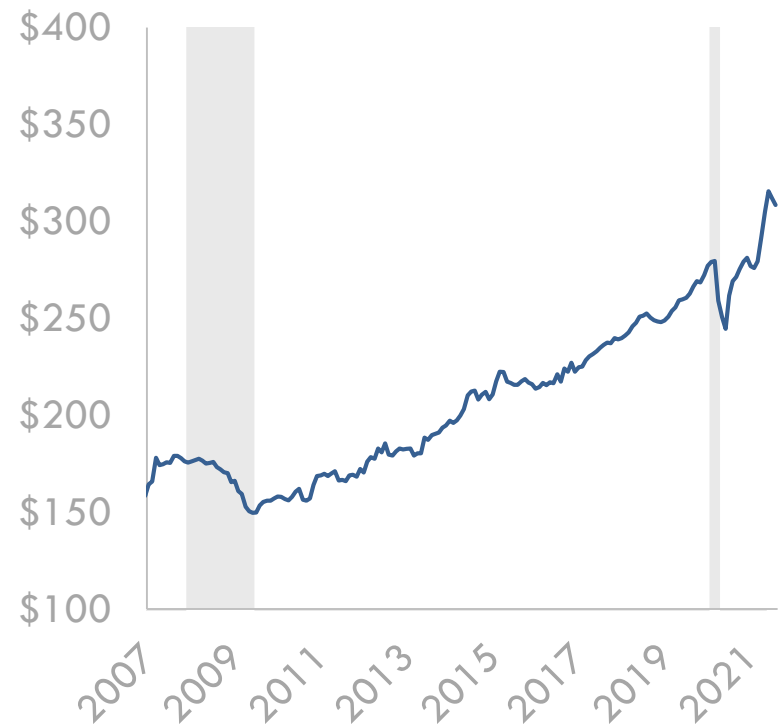
## Monthly General Fund Collections from Selected Sources

Dollars in Millions

### Individual Income Tax Withholding



### Sales Tax Collections



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.

# General Fund revenue is expected to continue to grow as the labor market improves further, though risks remain

## Gross General Fund Revenue

Billions of Dollars

Percentages show year-over-year changes

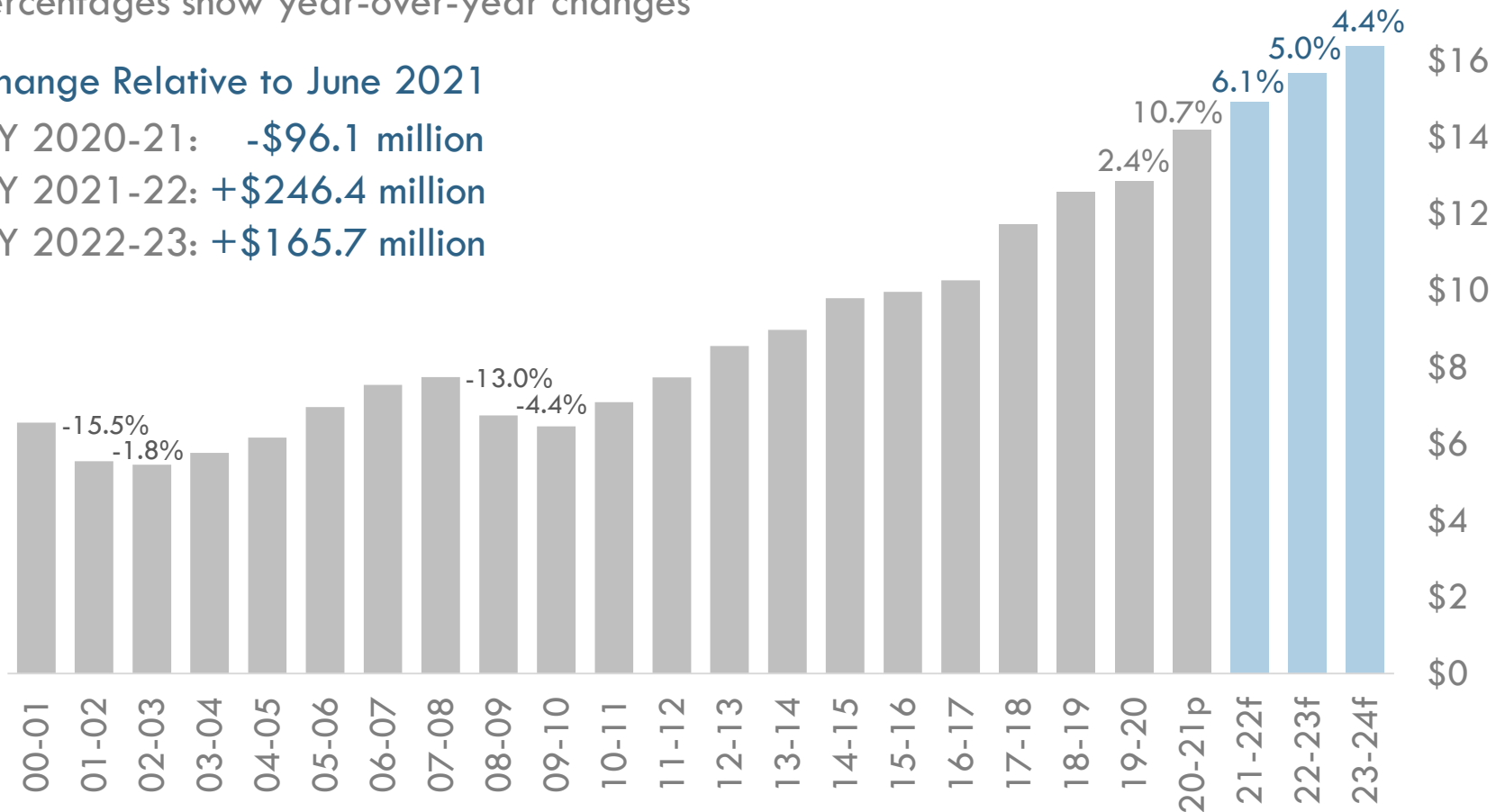
### Change Relative to June 2021

FY 2020-21: **-\$96.1 million**

FY 2021-22: **+\$246.4 million**

FY 2022-23: **+\$165.7 million**

September 2021  
Expectations



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

# TABOR Outlook

Revenue Subject to TABOR

Dollars in Billions

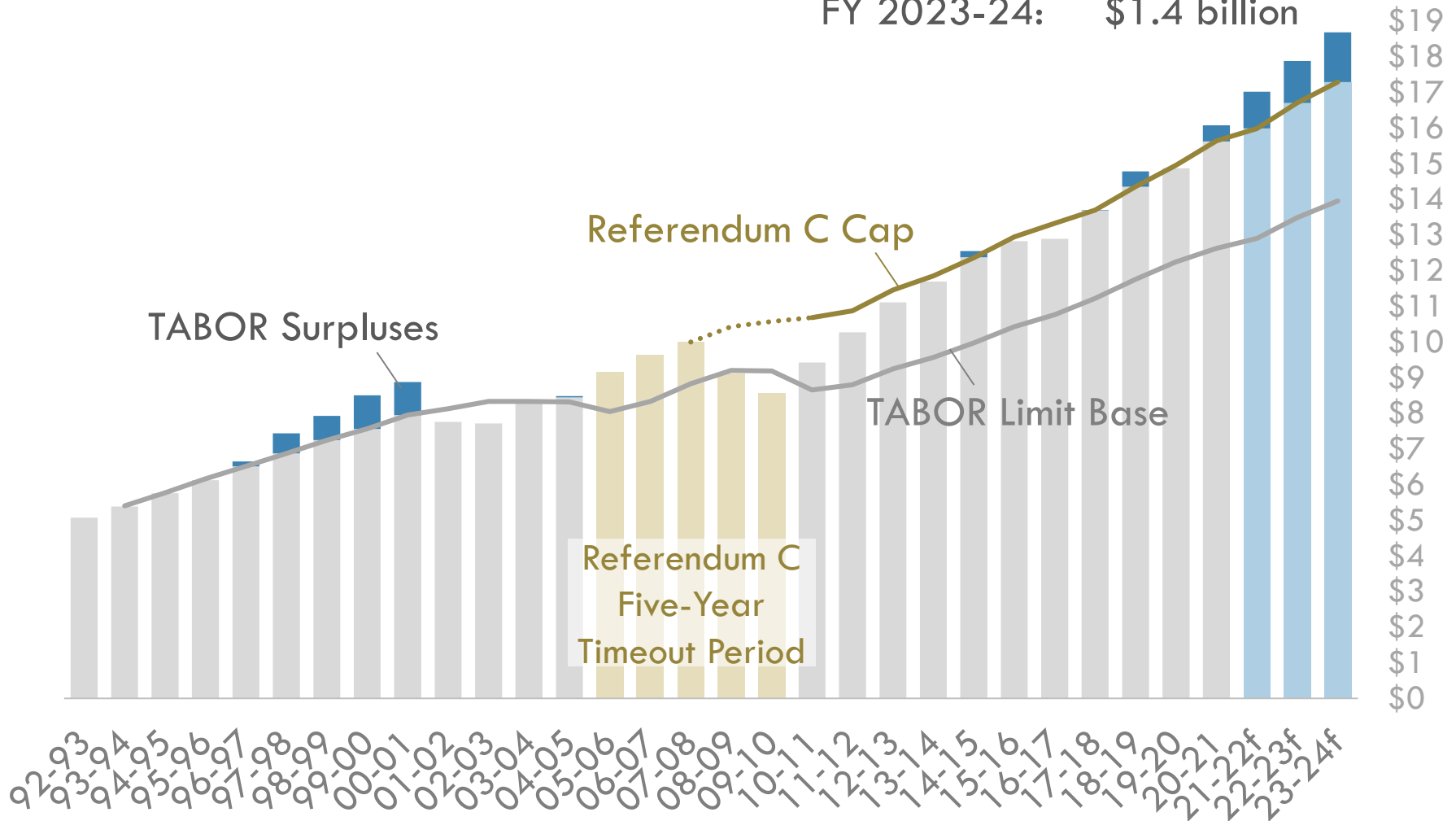
## Revenue Above the Ref C Cap

FY 2020-21: \$453.6 million

FY 2021-22: \$1.0 billion

FY 2022-23: \$1.2 billion

FY 2023-24: \$1.4 billion

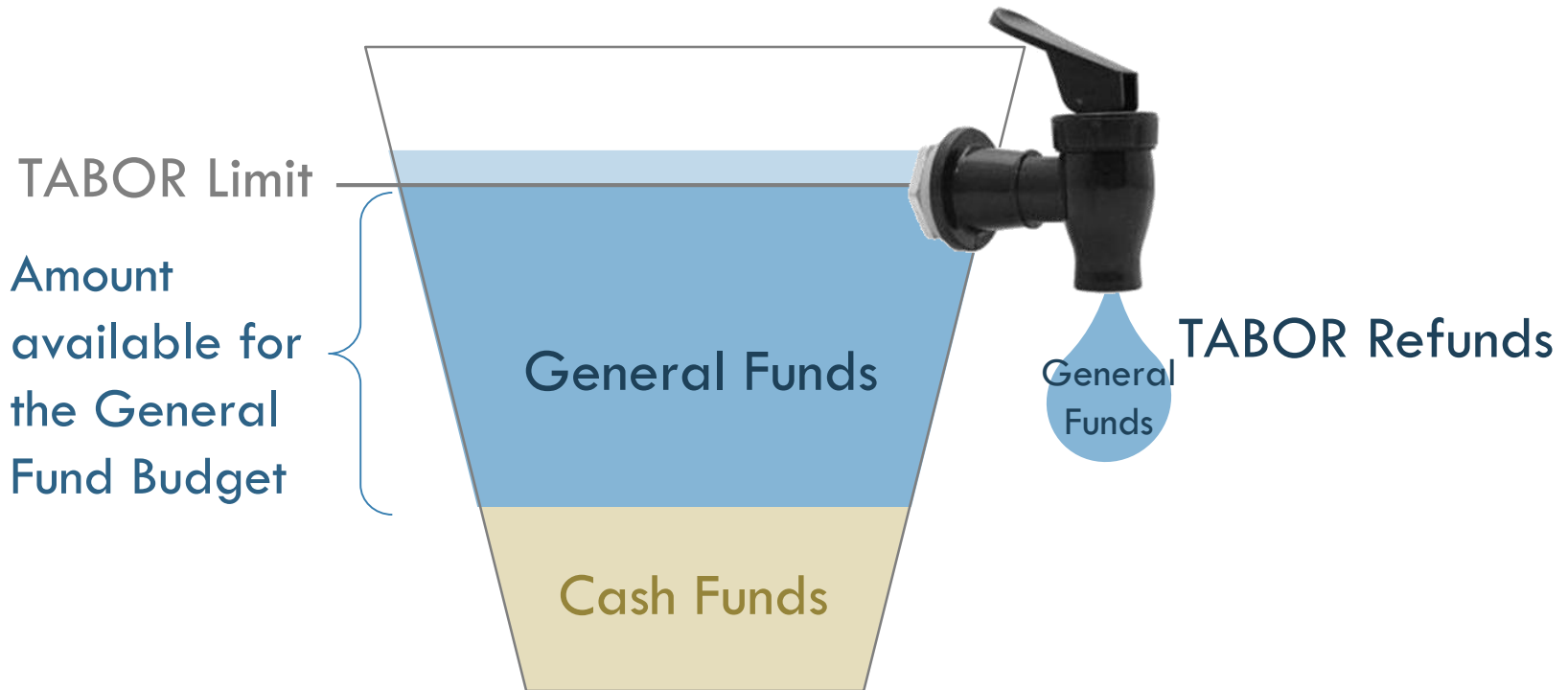


Source: Colorado Office of the State Controller and Legislative Council Staff September 2021 forecast.



# TABOR Refunds are refunded from General Funds

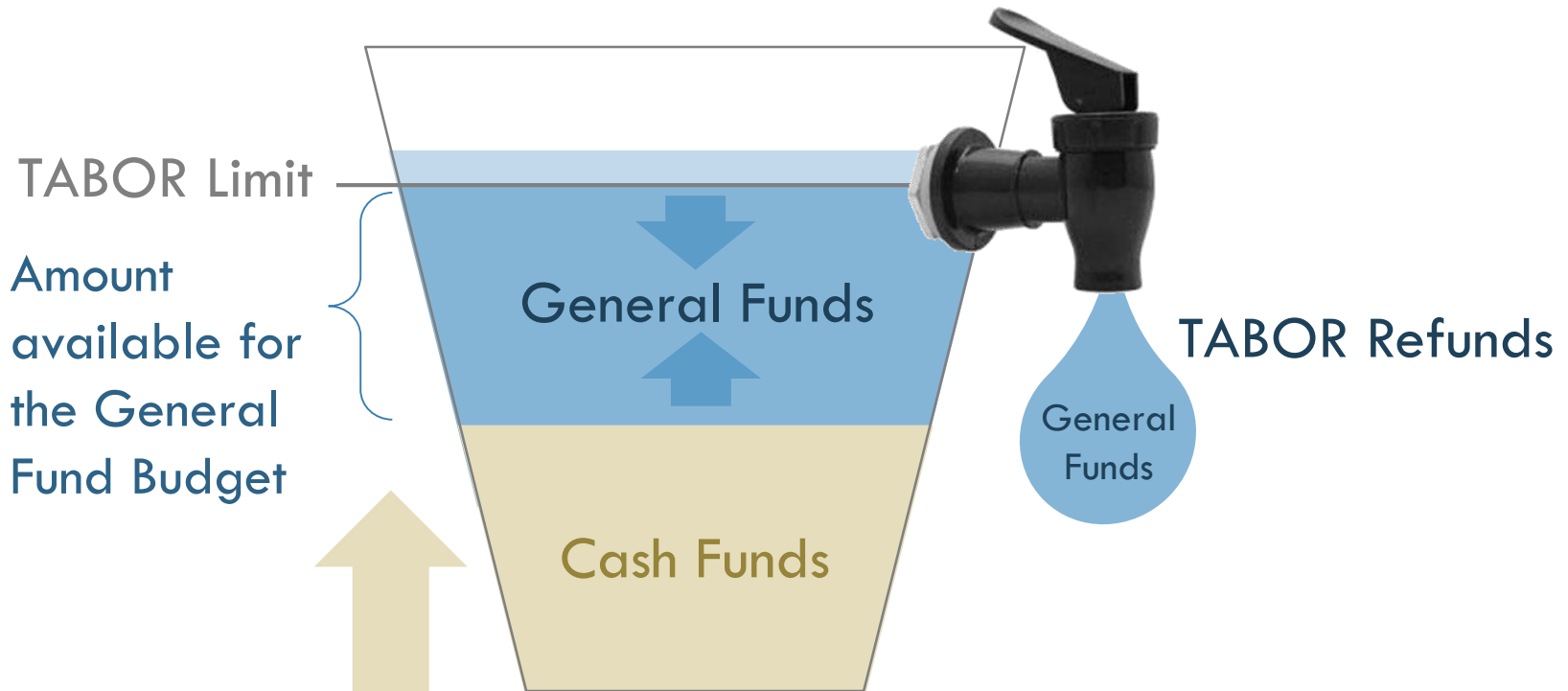
In a TABOR surplus situation...



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

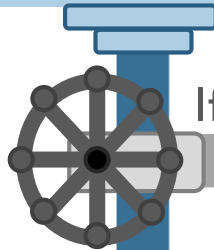
# TABOR Refund Obligation



# 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



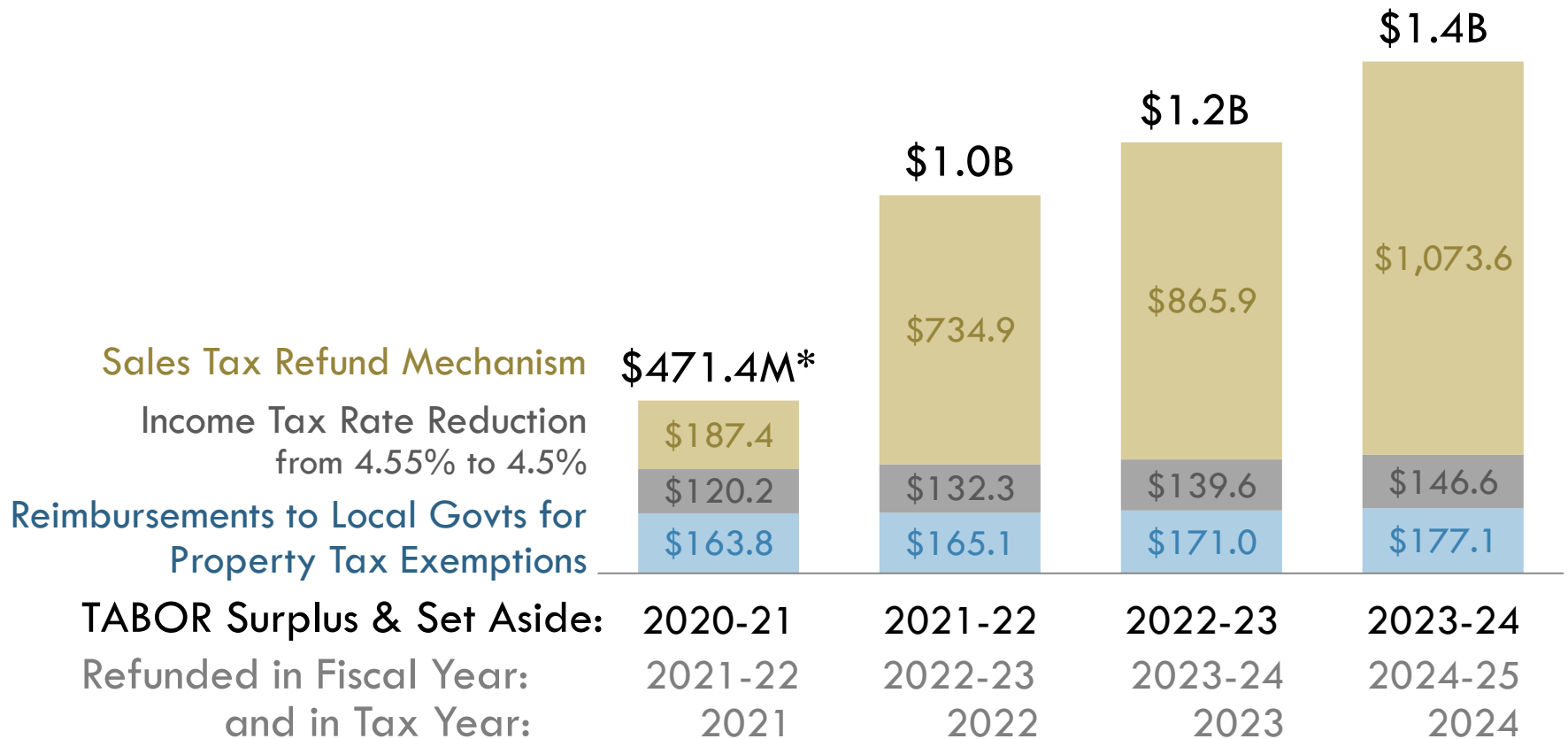
#3

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

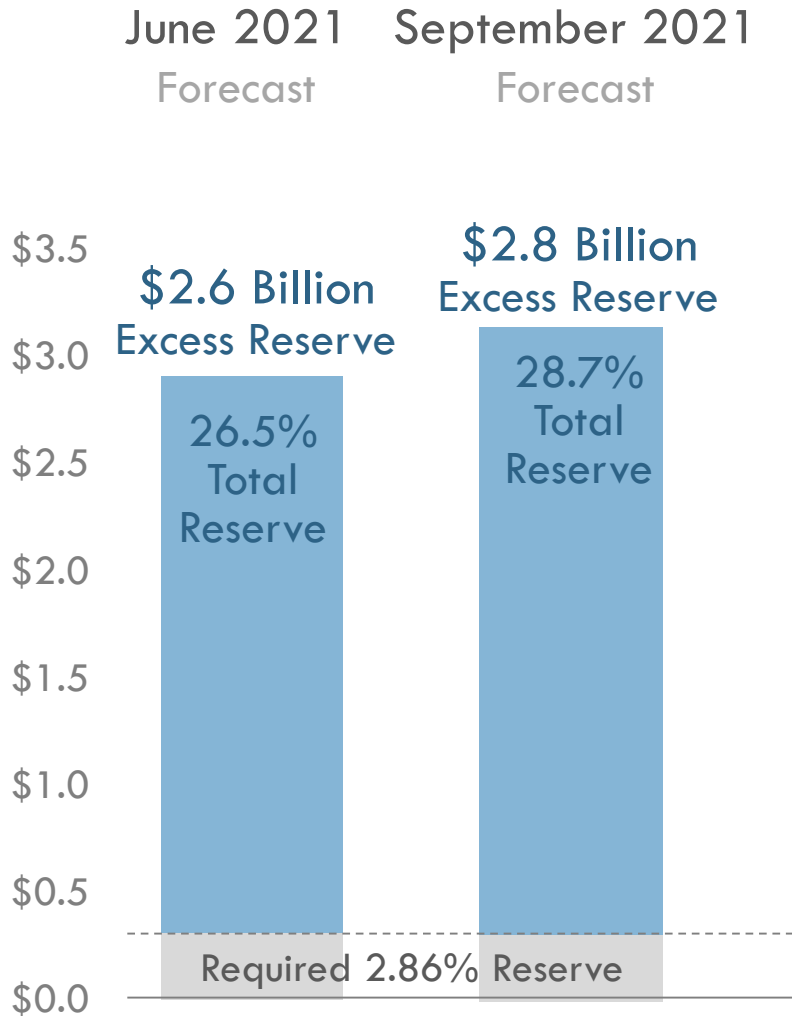
Dollars in Millions



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.

# Last Year | FY 2020-21 General Fund Budget Situation



Changes since the June 2021 forecast:

Revenue came in \$97.9 million lower than expected

Truing up actuals

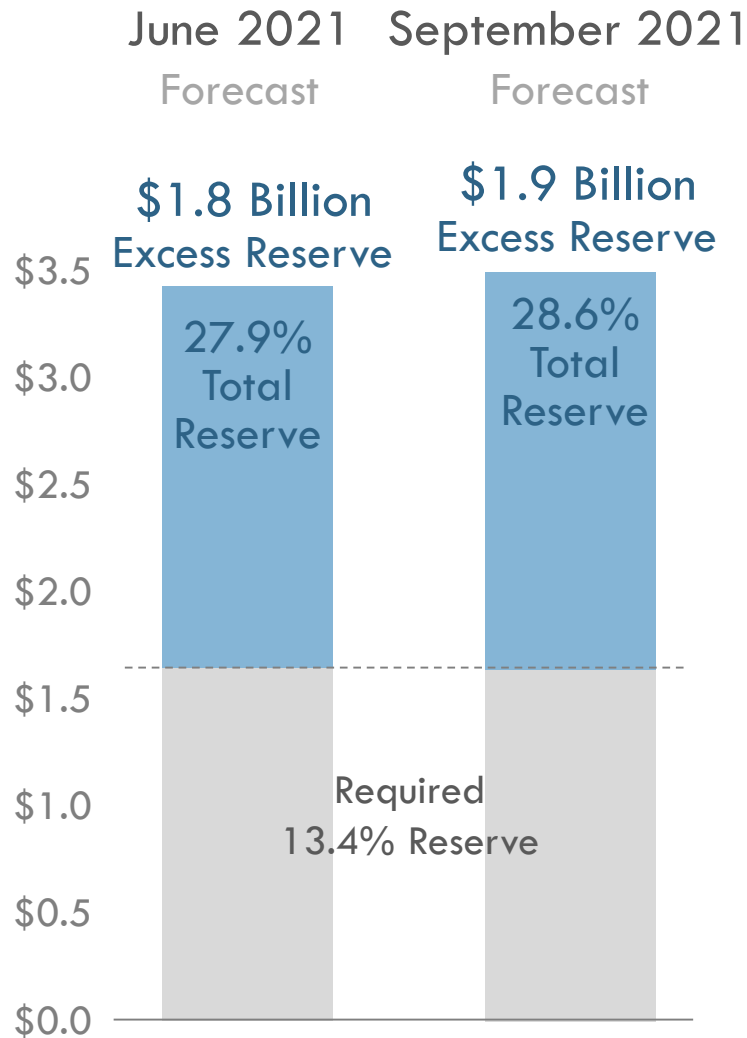
Net transfers +\$367.8 million

Appropriations -\$1.6 million

Rebates & Expenditures \$2.1 million

Source: Legislative Council Staff forecasts based on current law.  
See Table 2 in the September 2021 forecast for more information.

# Current Year | FY 2021-22 General Fund Budget Situation



## Changes since the June 2021 forecast:

Beginning balance \$239.9 million higher from changes in FY 2020-21

Revenue expectations increased \$246.4 million

TABOR set-aside increased \$374.1 million on higher revenue expectations

Net transfers from the GF reduced \$27.2 million

GF appropriations \$12.9 million lower

# Budget Year | FY 2022-23 Budget Outlook

Additional revenue available to spend or save above FY 2021-22 spending levels. Amounts hold FY 2021-22 appropriations constant and incorporate the revenue forecast, current law transfers, rebates and expenditures, TABOR refund obligation, and the 15% reserve requirement.

September 2021

Forecast

**\$3.3 Billion**

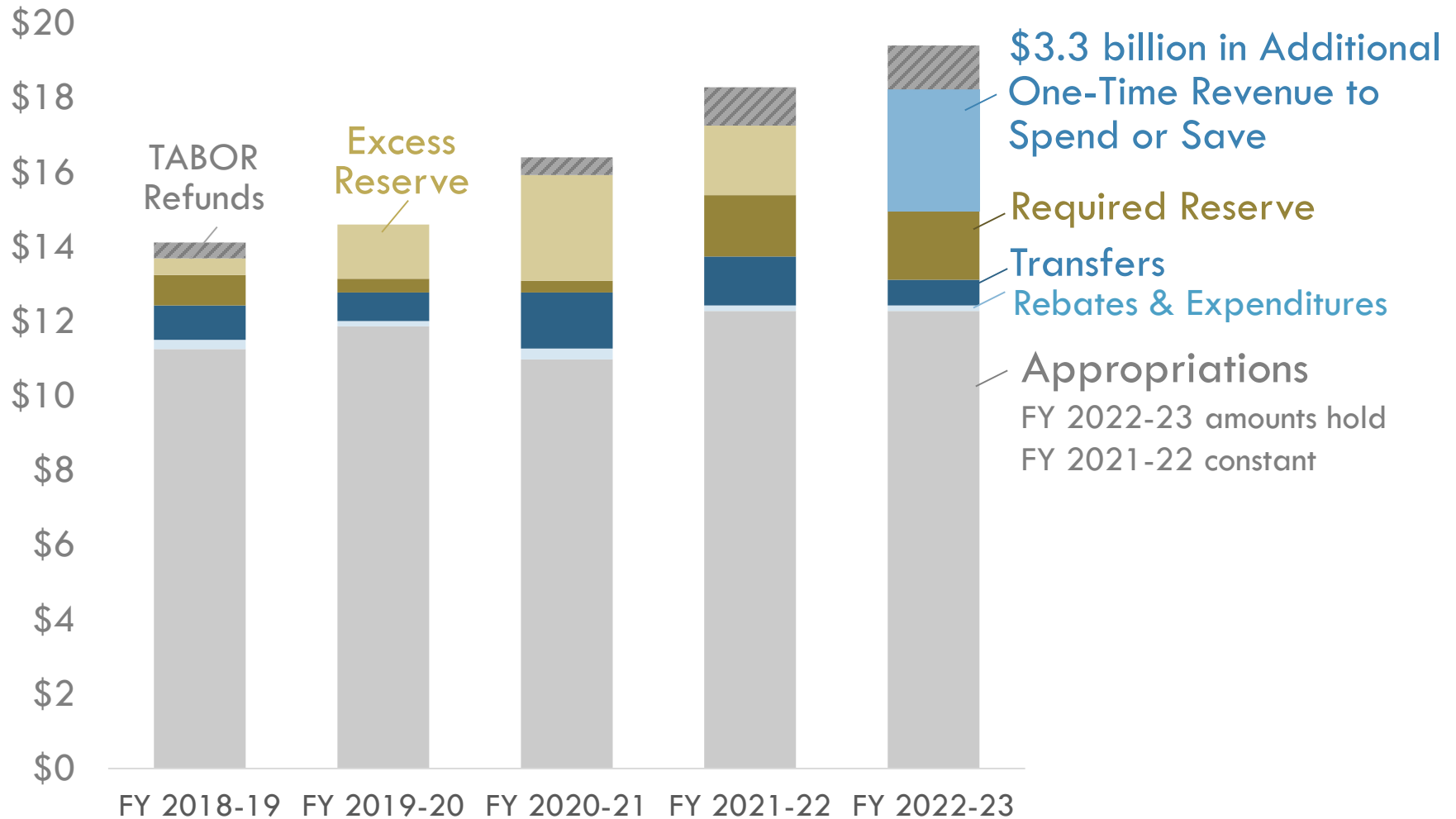


## Considerations

- Amounts do not account for caseload growth, inflationary, or other budgetary pressures
- Any changes made to the FY 2021-22 budget will impact this amount
- This amount is one-time funding that won't be replenished in future years

# General Fund Budget (Spending or Saving)

Dollars in Billions

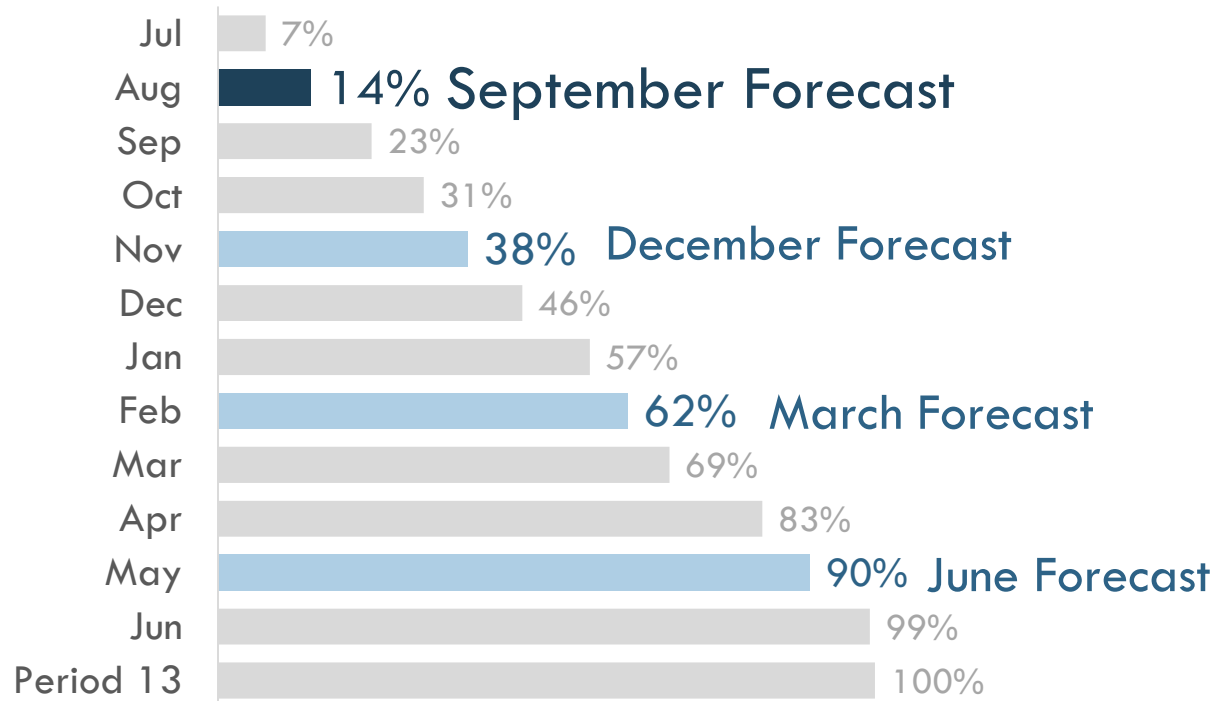


Source: Legislative Council Staff September 2021 forecast and current law.



# How much do we know about the current FY 2021-22?

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.

# 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

# Questions?

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