Economic & Revenue Forecast

March 2024

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

March 2024 | Economic & Revenue Forecast

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Executive Summary

This report presents the budget outlook based on current law and the March 2024 forecast for General Fund revenue, cash fund revenue, and the state TABOR outlook. It also includes summaries of expectations for the U.S. and Colorado economies and current economic data for nine regions of the state.

General Fund Budget Outlook

FY 2022-23	The General Fund ended FY 2022-23 with a reserve of $2.43 billion, or 18.2 percent of appropriations, exceeding the statutorily required 15.0 percent reserve by $431.2 million. State TABOR revenue exceeded the Referendum C cap by $3.56 billion, triggering a $3.68 billion TABOR refund obligation for FY 2023-24 that incorporates underrefunded prior year surpluses.
FY 2023-24	Following adoption of the supplemental budget package, the General Fund is expected to end FY 2023-24 with a 14.8 percent reserve, $35.3 million below the statutorily required 15.0 percent reserve. Further adjustments to appropriations would change this amount. General Fund revenue is expected to fall by $380 million, or 2.1 percent, on an expected decline in individual income tax collections. Despite the decrease in revenue and an 8.5 percent increase in the Referendum C cap, collections are expected to exceed the cap by $1.82 billion.
FY 2024-25 Unbudgeted	General Fund revenue is expected to grow 5.9 percent and total $18.65 billion, with state TABOR revenue exceeding the Referendum C cap by $1.91 billion. The General Fund is projected to have $938 million, or 5.2 percent, more available to spend or save relative to what is budgeted to be spent in FY 2023-24 after adoption of the supplemental budget package for FY 2023-24, and after the application of current law transfers, rebates, and expenditures, and the 15.0 percent statutory reserve requirement. This amount does not incorporate caseload growth, inflationary, or other budgetary pressures. The General Fund Budget Overview section also presents the budget outlook in the context of Joint Budget Committee actions through March 13, 2024 ("Scenario B"). Incorporating those actions, the General Fund would end FY 2024-25 with a 13.3 percent reserve, $266.5 million below the statutorily required 15.0 percent reserve.
FY 2025-26 Unbudgeted	General Fund revenue is expected to grow 5.4 percent and total $19.66 billion, with state revenue subject to TABOR exceeding the Referendum C cap by $2.29 billion. The budget outlook for this year depends in large part on choices the General Assembly will make for FY 2024-25.

Risks to the budget outlook. Risk to the budget outlook is moderate, assuming that the economy does not enter a recession. The outlook for corporate income tax collections remains especially uncertain, and the outlook for individual income tax collections has become murkier with recent collections data. While state revenue remains above the Referendum C cap, upside risk to the cash fund revenue forecast also poses downside risk to budget flexibility. Finally, this forecast identifies the potential for an approximately $50 million increase to the FY 2023-24 TABOR refund obligation depending on the accounting treatment of insurance premium tax revenue credited to the Health Insurance Affordability Enterprise.

Cash Fund Revenue

In the current fiscal year, total cash fund revenue subject to TABOR is expected to total $2.85 billion, an increase of 3.4 percent from last year. Growth is expected to be strongest in transportation-related revenue and miscellaneous cash funds, more than offsetting a significant decrease in severance tax collections. Cash fund revenue subject to TABOR is expected to total $2.98 billion in FY 2024-25 and $3.06 billion in FY 2025-26, growing at rates below the state TABOR limit growth factor in both years. Transportation-related and severance tax revenues are both expected to grow at moderate rates in FY 2024-25 before slowing in FY 2025-26, while growth in miscellaneous cash funds is expected to be modest in both years.

Economic Outlook

The U.S. economy is emerging from a tense period, when runaway inflation demanded an aggressive monetary policy response that risked the longevity of the post-COVID recovery and expansion. Over the past six months, the economy has emerged from this tense period onto firmer ground. Inflation is waning at the national and state levels, and employers continue to add jobs at a healthy rate. Households continue to spend, buoying businesses even in the face of high interest rates. Taken together, current indicators suggest that the U.S. economy is maintaining an average pace of expansion, far surpassing many economists' expectation for a recession or a very sluggish pace of growth.

This forecast expects continued moderate expansion in the U.S. and Colorado economies at a slightly slower pace in 2024 than in 2023. Receding inflation, alongside interest rate reductions anticipated to begin this summer, will boost growth, while deteriorating household balance sheets will raise headwinds. Colorado's economy is expected to modestly outperform the nation's, with comparable employment growth in 2024, higher income growth, and lower inflation.

Tables 17 and 18 on pages 71 and 72 present the economic forecasts for the U.S. and Colorado, respectively. The tables in the Appendix, beginning on page 83, present historical data for the U.S. and Colorado economies.

General Fund Budget Overview

This section presents the General Fund overview based on current law. The General Fund overview is shown in Table 1. This section also presents the following:

- a budget scenario for FY 2024-25 that accounts for budget actions taken by the Joint Budget Committee through March 13, 2024 (Table 2);
- a summary of changes in expectations relative to the December 2023 forecast (Table 3);
- transfers to the State Education Fund (Figure 1);
- transfers to transportation and capital construction funds (Table 4);
- the disposition of fiscal policies dependent on revenue conditions;
- General Fund rebates and expenditures (Table 5); and
- cash fund transfers to and from the General Fund (Table 6).

Legislative Assumptions

This forecast is based on current law and incorporates 2024 legislation signed into law as of the date of publication, including the FY 2023-24 supplemental budget package. Only budget Scenario B, discussed in detail below, incorporates Joint Budget Committee actions that have not yet become law.

FY 2022-23

The annual comprehensive financial report released in February shows that the General Fund ended FY 2022-23 with an 18.2 percent reserve, $431.2 million above the statutorily required 15 percent reserve (Table 1, line 20). This amount was revised down by $0.3 million from the amount anticipated in December based on final accounting adjustments for the year. General Fund revenue grew 1.7 percent and totaled $18.00 billion.

State revenue exceeded the TABOR limit by $3.56 billion, equal to about 17.6 percent of state revenue subject to TABOR, or about 19.8 percent of gross General Fund revenue. The state is refunding a total obligation of $3.68 billion in FY 2023-24, including the obligation of $114.9 million remaining from prior underrefunded TABOR surpluses.

FY 2023-24

Incorporating supplemental legislation enacted earlier in the 2020 legislative session, as well as forecast expectations for revenue, transfers, rebates and expenditures, and the TABOR refund obligation, the General Fund is expected to end FY 2023-24 with a 14.8 percent reserve, $35.3 million below the 15.0 percent reserve requirement (Table 1, line 20). In addition to normal forecast revisions, additional current year appropriations or transfers adopted during the 2024 legislative session will affect this amount.

General Fund revenue collections are expected to decrease by 2.1 percent, mostly on a projected decline in individual income tax collections. State revenue subject to TABOR is expected to exceed the Referendum C cap by $1.82 billion.

Table 1
General Fund Overview
Dollars in Millions

		FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Funds Available		**Actual**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$3,203.2	$2,427.4	$2,191.0	*
2	General Fund Revenue *(Table 9)*	$17,998.0	$17,615.6	$18,653.1	$19,656.8
3	Transfers from Other Funds *(Table 6)*	$53.5	$70.8	$81.8	$77.4
4	**Total Funds Available**	**$21,254.8**	**$20,113.9**	**$20,925.9**	*****
5	Percent Change	1.5%	-5.4%	4.0%	*
Expenditures		**Actual**	**Budgeted**	**Estimate**	**Estimate**
6	General Fund Appropriations Subject to the Limit[1]	$13,308.1	$14,842.0	*	*
7	Appropriations from Healthy School Meals Account[1]		$115.3	*	*
8	TABOR Refund Obligation Under Art. X, §20, (7)(d)	$3,678.3	$1,824.5	$1,909.8	$2,291.2
9	Rebates and Expenditures *(Table 5)*	$168.7	$237.1	$186.7	$184.5
10	Transfers to Other Funds *(Table 6)*	$1,005.7	$547.6	$424.2	$416.9
11	Transfers to the State Education Fund[2]	$290.0	$0.0	$146.0	$0.0
12	Transfers to Transportation Funds *(Table 4)*	$88.0	$5.0	$117.5	$117.5
13	Transfers to Capital Construction Funds *(Table 4)*	$488.3	$351.4	$20.0	$20.0
14	**Total Expenditures**	**$19,027.2**	**$17,922.9**	*	*
15	Percent Change	6.7%	-5.8%	*	*
16	Accounting Adjustments[3]	$199.8	*	*	*
Reserve		**Actual**	**Estimate**	**Estimate**	**Estimate**
17	Year-End General Fund Reserve	$2,427.4	$2,191.0	*	*
18	Year-End Reserve as a Percent of Appropriations	18.2%	14.8%	*	*
19	Statutorily Required Reserve[4]	$1,996.2	$2,226.3	*	*
20	**Amount in Excess or (Deficit) of Statutory Reserve**	**$431.2**	**-$35.3**	*	*
21	Excess Reserve as a Percent of Expenditures	2.3%	-0.2%	*	*
Perspectives on FY 2024-25 (Unbudgeted)			**Estimate**	**Estimate**	**Estimate**
Scenario A: Holds FY 2023-24 Appropriations Constant[5]					
22	Amount in Excess or (Deficit) of 15% Reserve Requirement			$938.0	
23	As a Percent of Prior-Year Expenditures			5.2%	
Scenario B: JBC-Approved Budget Actions Through March 13[6]					
24	Amount in Excess or (Deficit) of 15% Reserve Requirement		-$34.3	-$266.5	$481.9
25	As a Percent of Prior-Year Expenditures		-0.2%	-1.5%	2.5%
Addendum		**Actual**	**Estimate**	**Estimate**	**Estimate**
26	Percent Change in General Fund Appropriations	10.5%	11.5%	*	*
27	5% of Colorado Personal Income Appropriations Limit	$18,757.9	$20,898.4	$22,110.7	$23,260.4
28	Transfers to State Education Fund per Amendment 23	$1,066.4	$1,075.1	$1,127.5	$1,188.1

Totals may not sum due to rounding. * Not estimated.

[1] Line 6 shows appropriations subject to the statutory reserve requirement (line 19) and the appropriations limit (line 27). Line 7 shows appropriations from the Healthy School Meals Program Exempt Account, which are not subject to the reserve requirement and appropriations limit.

[2] Includes transfers pursuant to HB 22-1390, net of amendments in SB 22-202, and SB 23B-001. Does not include transfers to the SEF under Amendment 23, which are shown on line 28.

[3] Reversions of appropriated amounts and other accounting adjustments to arrive at the year-end balance published in the Annual Comprehensive Financial Report. FY 2022-23 includes $114.9 million underrefunded from the TABOR refund obligation, mostly due to Proposition 121.

[4] The required reserve is calculated as 15 percent of operating appropriations. Appropriations from the Healthy School Meals Account (line 7) are exempt from the reserve requirement.

[5] This scenario holds appropriations in FY 2024-25 equal to appropriations in FY 2023-24 (lines 6 and 7) to determine the total amount of money available relative to FY 2023-24 expenditures, net of the obligations in lines 8 through 13.

[6] In addition to JBC-approved adjustments to FY 2023-24 and FY 2024-25 appropriations to be included in the 2024 Long Bill, this scenario incorporates bills the JBC had approved for introduction or sent to draft, or for which the JBC had approved a budget placeholder, through its actions on or before March 13, 2024. The scenario holds appropriations in FY 2025-26 equal to appropriations in FY 2024-25 to determine the total amount of money available relative to FY 2024-25, net of the obligations in lines 8 through 13.

FY 2024-25 and FY 2025-26 (Unbudgeted)

General Fund revenue is expected to grow 5.9 percent in FY 2024-25, roughly in line with its historical trend growth rate, based on this forecast's expectations for stable economic growth. Collections from individual income tax are expected to rebound after a decrease this year, and sales tax collections are expected to accelerate from the pace of growth expected in FY 2023-24. State revenue subject to TABOR is expected to exceed the Referendum C cap by $1.91 billion. Because a budget has not yet been enacted for FY 2024-25, this forecast presents two scenarios for the General Fund budget outlook.

Scenario A: Holds appropriations constant in FY 2024-25. Table 1 (lines 22 and 23) shows the amount of revenue available to be spent or saved in FY 2024-25 relative to the amount appropriated in FY 2023-24. Based on this forecast, the General Assembly will have $938 million, or 5.2 percent, more available to spend or save than in FY 2023-24. This amount assumes current law obligations for FY 2024-25, including transfers, rebates, and expenditures (Table 1, lines 9 through 13), as well as a 15.0 percent reserve requirement and the projected TABOR refund obligation. The $938 million amount is a cumulative amount that reflects the FY 2023-24 budget situation and projected year-end balance. Any changes in revenue or adjustments made to the budget for FY 2023-24 will carry forward into FY 2024-25. This amount holds FY 2023-24 appropriations constant and therefore does not reflect any caseload, inflationary, or other budget pressures.

Scenario B: JBC budget actions approved to date. Scenario B, shown on lines 24 and 25 of Table 1, presents the amount of revenue in excess or deficit of the statutorily required 15 percent reserve for FY 2023-24 through FY 2025-26 assuming all budget actions approved by the Joint Budget Committee (JBC) through March 13, 2024, as reported by the JBC Staff, and assumptions described below. The inclusion of Scenario B is intended to be illustrative and should not be considered an endorsement by Legislative Council Staff.

- **FY 2023-24.** Scenario B reflects a net increase in FY 2023-24 appropriations of $3.2 million via Long Bill add-ons. The General Fund would end FY 2023-24 with a $34.3 million deficit relative to the statutory reserve requirement, resulting in a lower beginning balance for FY 2024-25.
- **FY 2024-25.** The Scenario B adjustments made to the FY 2024-25 budget outlook are summarized in Table 2. Scenario B assumes General Fund appropriations of $15,981.1 million for FY 2024-25. This amount encompasses all budget actions taken through March 13, 2024, except that it excludes $237.7 in appropriations for budget line items included in this forecast as rebates and expenditures (Table 1, line 8), and that, for decision items that have been presented to the JBC for inclusion in the Long Bill but on which the JBC has not yet made a decision, the JBC Staff recommendation is included. This amount includes placeholders for budget package bills that are expected to increase FY 2024-25 appropriations by $26.8 million on net beyond what is included in the Long Bill.

  Scenario B includes budget package bills that the JBC has approved for introduction or sent to draft, or for which the JBC has approved a budget placeholder. In addition to the net increase in appropriations identified above, the budget package bills are estimated to increase funds available by $227.8 million via transfers, offsets against expenditures that would otherwise be made from the General Fund, or changes to TABOR classification of revenue. Most of this amount is a $197.8 million placeholder for legislation to allocate American Rescue Plan Act funds in FY 2024-25, which has been sent to draft.

Finally, since the JBC has not yet acted on capital development recommendations for FY 2024-25, Scenario B includes the Capital Development Committee (CDC) recommended transfer for capital construction and controlled maintenance, and the Joint Technology Committee (JTC) recommended transfer for IT capital projects.

Under Scenario B, the General Fund is estimated to end FY 2024-25 with a 13.3 percent reserve, $266.5 million below the statutorily required 15.0 percent reserve. Additional changes to appropriations or transfers, and the passage of bills outside the Long Bill and companion bills, will change this amount.

Table 2
FY 2024-25 Budget Scenario B
Incorporates JBC-Approved Budget Actions through March 13, 2024
Dollars in Millions

		FY 2024-25
1	**Excess Reserve Under Scenario A**	**$938.0**
	Change in Beginning Balance	
2	FY 2023-24 Appropriations via Long Bill Add-Ons	$3.2
3	**Total Change in FY 2024-25 Beginning Balance**	**($3.2)**
	Change in Funds Available via Expected Other Legislation	
4	ESF[1] Restructure Bill (Approved for Introduction)	$24.5
5	Long Bill Companion Legislation Sent to Draft[2]	$193.5
6	JBC-Approved Placeholders For Other Legislation	$9.9
7	**Total Change in Funds Available via Other Legislation**	**$227.8**
	Change in Appropriations	
8	Year-over-Year Changes in Long Bill Appropriations	$996.9
9	Appropriations in Companion Bills Approved for Introduction	$5.5
10	Appropriations in Companion Bills Sent to Draft	($7.8)
11	JBC Placeholders for Other Appropriations Outside Long Bill	$29.0
12	**Total Change in Appropriations**	**$1,023.7**
	CDC and JTC Recommendations for Capital Transfers	
13	CDC-Recommended Capital Construction Transfer	$185.7
14	JTC-Recommended IT Capital Transfer	$64.8
15	**Total Capital Transfer Recommendations**	**$250.5**
16	**Change in Required Reserve** (Approximately[3] 15% of Line 12)	**$154.9**
17	**Total Change in General Fund Obligations** (Line 12 plus Line 15 plus Line 16)	**$1,429.1**
18	**Excess Reserve Under Scenario B** (Line 1 plus Line 3 plus Line 7 minus Line 17)	**($266.5)**

Source: March 2024 LCS Forecast and Joint Budget Committee Staff.
[1]Employment Support Fund.
[2]Primarily reflects the placeholder for the American Rescue Plan Act funds allocation bill sent to draft.
[3]Appropriations from the Healthy School Meals Account in the General Fund are not subject to the reserve requirement.

- **FY 2025-26.** Scenario B assumes that the General Fund will begin FY 2025-26 with a balance of $2,114.8 million after incorporation of the assumptions for FY 2024-25. The scenario assumes General Fund appropriations of $15,990.6 million for FY 2025-26. This amount carries forward the FY 2024-25 appropriation assumed in Scenario B and adjusts for out-year annualizations of JBC-approved companion legislation expected to accompany the 2024 Long Bill. Based on these assumptions and the forecast for General Fund obligations shown on lines 8 through 13 of Table 1, the General Fund is expected to have $481.9 million more available to spend or save in FY 2025-26 than is budgeted to be spent or saved in FY 2024-25. Supplemental appropriations for FY 2024-25 will affect this amount, as will increases or decreases to appropriations included in the 2025 Long Bill.

Risks to the General Fund Budget Outlook

Recession risk is budget risk. This forecast projects that the economy will realize a soft landing, with no recession in 2024. However, the economy is still susceptible to a downturn if confronted with major shocks. A recession would likely reduce revenue below the Referendum C cap, thereby reducing the amount available for the General Fund budget beginning in the year when the recession occurs.

Higher-than-expected cash fund revenue would increase General Fund budget pressures. Most sources of cash fund revenue—including severance tax revenue, which is the state's most volatile revenue stream—are subject to the TABOR limit. Because TABOR surpluses are refunded using General Fund money, higher-than-expected cash fund revenue would create additional budgetary pressures for the General Fund.

The corporate income tax outlook is especially uncertain. Corporate income tax collections increased 50.9 percent in FY 2022-23, an unprecedented rise that followed another mammoth increase in FY 2021-22. Corporate collections are up 28 percent over the first eight months of FY 2023-24, but the forecast expects this fast pace of growth to moderate during the income tax filing season, with growth projected at 4.2 percent for the year. Given recent volatility, there is significant bidirectional risk to the forecast. In the near term, forecast error would result in a higher or lower TABOR refund obligation with no downstream impact on the state budget. However, especially volatile corporate collections could exacerbate the budget consequences of a potential recession.

TABOR refunds could apply more budget pressure in FY 2023-24. In the single statewide audit for FY 2022-23, the State Auditor found that a portion of revenue credited to the Health Insurance Affordability Enterprise between FY 2020-21 and FY 2022-23 was accounted as exempt from TABOR, despite being collected as insurance premium taxes subject to TABOR. If it is determined that this revenue is subject to TABOR, then the refund obligation for FY 2023-24 would increase by about $50 million relative to the amount identified in this forecast. This would increase the General Fund obligation for TABOR refunds with no corresponding change to General Fund revenue, in effect reducing available budget space.

Changes Between the December and March Forecasts

Table 3 presents revisions to the General Fund budget outlook relative to the December 2023 forecast. These changes are explained below.

FY 2022-23. Incorporating the last set of accounting adjustments, final figures show that the year-end reserve was $0.3 million less than anticipated in December.

FY 2023-24. The projected amount of the excess reserve decreased by $84.9 million from the December forecast, mostly as a result of passage of the supplemental budget package, which increased current year appropriations and made transfers from the General Fund to the Capital Construction Fund and other cash funds. The increase in expected General Fund revenue exceeds the increase in expected obligations for state TABOR refunds by $44.5 million. This is due mostly to increased expectations for General Fund revenue exempt from TABOR as a result of a methodological improvement to the forecast.

FY 2024-25. Table 3 presents a like-to-like comparison between the FY 2024-25 General Fund budget outlook under Scenario A in the December and March forecasts. Expectations for revenue available to be spent or saved were decreased by $207.8 million, mostly because of:

- enactment of the supplemental budget package, which decreases the amount of the expected FY 2024-25 beginning reserve (-$72.0 million) while also increasing the base appropriations amount used to calculate the amount of additional revenue available to spend or save under Scenario A (+$86.1 million); and
- a lower TABOR limit growth rate for FY 2024-25 than expected in December due to the population growth factor; this results in a greater increase in the TABOR refund obligation (+$117.2 million) than the increase in expected General Fund revenue (+$74.1 million).

While Scenario B is more representative of how actual appropriations might look for FY 2024-25, the decreased amount available relative to the December forecast is representative of how forecast conditions and the supplemental package have affected the amount by which the state budget is able to grow between FY 2023-24 and FY 2024-25.

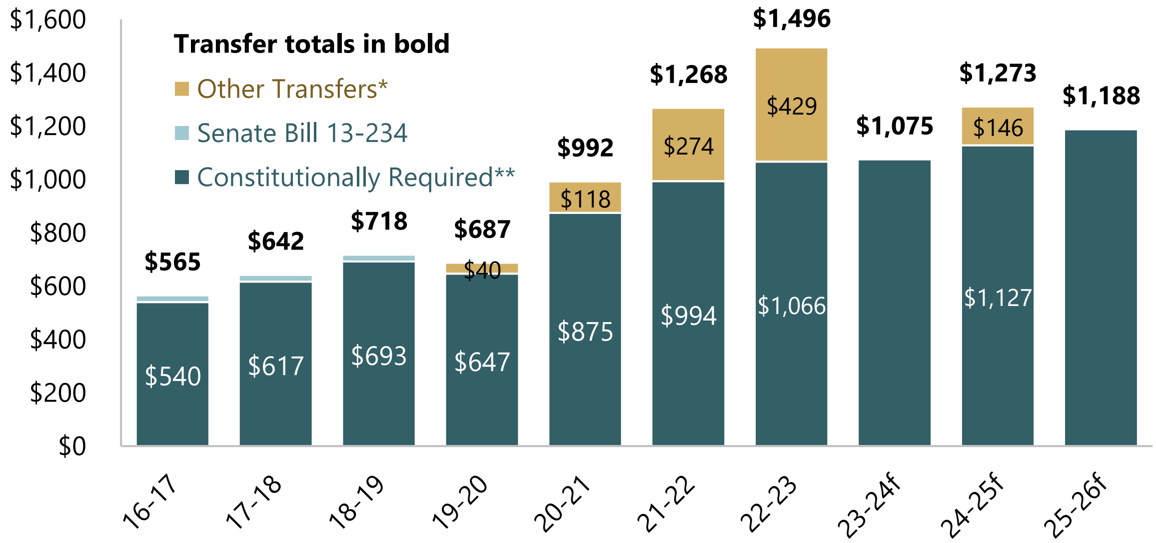
Table 3
Changes in the General Fund Budget Relative to the December 2023 Forecast (Scenario A)
Dollars in Millions, Positive Amounts Reflect an Increase Relative to December

Components of Change	FY 2023-24	FY 2024-25	Description of Changes
Funds Available	**$87.4**	**$2.7**	
Beginning Reserve	-$0.3	-$72.0	Carries forward anticipated year-end balances.
General Fund Revenue	$92.0	$74.1	Reflects changes to revenue forecast; see Table 9.
Transfers from Other Funds	-$4.3	$0.7	Downgrade to expected severance tax transfer under HB 23-1272. See Table 6.
Expenditures	**$159.4**	**$197.6**	
Operating Appropriations	$86.1	$86.1	Reflects FY 2023-24 supplemental budget package.
TABOR Refund Obligation	$47.5	$117.2	Changes to General Fund and cash fund revenue forecasts. For FY 2024-25, reflects TABOR limit below December forecast due to population growth below forecast. See Table 8.
Rebates and Expenditures	-$8.1	-$0.1	Primarily reflects reduced expected General Fund interest payments for school loans. See Table 5.
SEF Transfers	$0.0	$0.0	
Transportation Transfers	$0.0	$0.0	
Capital Const. Transfers	$19.0	$0.0	House Bill 24-1215.
Other Cash Fund Transfers	$15.0	-$5.5	Reflects FY 2023-24 supplemental budget package.
Required Reserve	$12.9	$12.9	15 percent of change to operating appropriations showing above.
Surplus Relative to Required Reserve	**-$84.9**	**-$207.8**	Nets the above changes.

State Education Fund Transfers

The Colorado Constitution requires the State Education Fund (SEF) to receive one-third of 1 percent of taxable income. In FY 2023-24, the SEF is expected to receive $1.08 billion as a result of this requirement. The SEF transfer is estimated at $1.13 billion in FY 2024-25 and $1.19 billion in FY 2025-26, with increases attributable to growth in taxable income among Colorado taxpayers. Figure 1 shows revenue to the State Education Fund.

Figure 1
Revenue to the State Education Fund
Dollars in Millions



Source: Colorado State Controller's Office and Legislative Council Staff forecast. f = Forecast.
*Includes transfers under SB 19-246 for FY 2019-20, HB 20-1420 for FY 2020-21 and FY 2021-22, HB 20-1427 for FY 2020-21 through FY 2022-23, SB 21-208 for FY 2021-22, HB 22-1390 for FY 2022-23, and SB 23B-001 for FY 2024-25.
**One-third of 1 percent of federal taxable income is required to be dedicated to the State Education Fund under Article IX, Section 17 of the Colorado Constitution (Amendment 23).

In addition, the General Assembly has at different times authorized the transfer of additional moneys from the General Fund to the SEF (see Table 1, line 11). House Bill 22-1390 transferred $290 million in FY 2022-23, and SB 23B-001 schedules a transfer of $146 million for FY 2024-25. Money in the SEF is required to be used to fund kindergarten through twelfth grade public education.

Finally, Proposition EE, which was approved by voters in the November 2020 election, also transferred revenue from increased cigarette, tobacco and nicotine taxes to the SEF for three fiscal years. The Proposition EE transfer was $139.3 million in FY 2022-23, the final year for which a transfer will be made. This amount represents a portion of the FY 2022-23 transfer from the General Fund to the 2020 Tax Holding Fund shown in Table 6 under House Bill 20-1427.

General Fund Transfers for Transportation and Capital Construction

Statutory transfers from the General Fund to transportation and capital construction funds are shown in Table 4. In the General Fund overview shown in Table 1, these transfers are included on lines 12 and 13. Other non-infrastructure-related transfers to and from the General Fund are summarized in Table 6, and shown on lines 3 and 10 of Table 1.

Table 4
Infrastructure Transfers from the General Fund
Dollars in Millions

Transportation Funds	2022-23	2023-24	2024-25	2025-26
SB 21-260	2.5		$117.5	$117.5
HB 22-1351	$78.5			
SB 22-176	$7.0			
SB 23-283		$5.0		
Total	**$88.0**	**$5.0**	**$117.5**	**$117.5**

Capital Construction Funds	2022-23	2023-24	2024-25	2025-26
HB 15-1344*	$20.0	$20.0	$20.0	$20.0
HB 22-1340	$462.2			
SB 23-141	$6.1			
SB 23-243		$294.2		
SB 23-294		$18.2		
HB 24-1215		$19.0		
Total	**$488.3**	**$351.4**	**$20.0**	**$20.0**

*Transfers are contingent upon requests made by the Capital Development Committee.

General Fund contributions to transportation. Legislation enacted in 2022 directed $85.5 million to transportation-related cash funds in FY 2022-23, as follows:

- $31.4 million to the Highway Users Tax Fund (HB 22-1351);
- $0.5 million to the Unused State-Owned Real Property Fund (SB 22-176); and
- $53.6 million to the State Highway Fund ($47.1 million from HB 22-1351; $6.5 million from SB 22-176).

One bill from 2023, **Senate Bill 23-283**, directs $5.0 million to the State Highway Fund in FY 2023-24. Finally, **Senate Bill 21-260**, enacted in 2021, will direct annual transfers from the General Fund to the State Highway Fund ($107.0 million) and the Multimodal Transportation and Mitigation Options Fund ($10.5 million) beginning in FY 2024-25. These transfers continue annually at the same amounts through FY 2028-29 and then are reduced to smaller amounts beginning in FY 2029-30.

General Fund transfers for capital projects. Legislation enacted in 2022 directed $462.2 million in FY 2022-23 for capital construction and IT capital projects. Legislation enacted in 2023 as part of the supplemental budget package directs an additional $6.1 million for capital projects in FY 2022-23. Legislation enacted in 2023 directs transfers of $312.4 million in FY 2023-24 for capital construction and IT projects, including $294.2 million under **Senate Bill 23-243** and $18.2 million under **Senate Bill 23-294**.

To date, one bill enacted in 2024, **House Bill 24-1215**, directs a transfer of $19.0 million in FY 2023-24 for capital projects.

Fiscal Policies Dependent on Revenue Conditions

Certain fiscal policies are dependent upon forecast revenue conditions. These policies are summarized below.

Partial refundability of the conservation easement tax credit. The conservation easement income tax credit is available as a nonrefundable credit in most years. In tax years when the state refunds a TABOR surplus, taxpayers may claim an amount up to $50,000, less their income tax liability, as a refundable credit. The state collected a TABOR surplus in FY 2022-23, and this forecast expects a TABOR surplus in each of FY 2023-24, FY 2024-25, and FY 2025-26. Therefore, partial refundability of the credit is expected to be available for tax years 2023 through 2026.

Contingent transfers for affordable housing. House Bill 19-1322 created conditional transfers from the Unclaimed Property Trust Fund (UPTF) to the Housing Development Grant Fund for affordable housing projects for three fiscal years. **House Bill 20-1370** delayed the start of these contingent transfers until FY 2022-23. The transfers are contingent based on the balance in the UPTF as of June 1 and the Legislative Council Staff June 2023 forecast and subsequent June forecasts. For the fiscal year in which the June forecast is published, if revenue subject to TABOR is projected to fall below a "cutoff" amount equal to the projected Referendum C cap minus $30 million dollars, a transfer will be made. The transfer is equal to the lesser of $30 million or the UPTF fund balance. Based on the June 2023 LCS forecast, no transfer was made for FY 2022-23. Based on this forecast, no transfer is expected for FY 2023-24, FY 2024-25, or FY 2025-26, as revenue subject to TABOR is expected to come in well above the cutoff amount in all three years.

Table 5
General Fund Rebates and Expenditures
Dollars in Millions

Category	Actual FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change	Estimate FY 2025-26	Percent Change
Senior and Veterans Property Tax Exemptions	$163.7	1.0%	$162.6	-0.6%	$174.8	7.5%	$180.6	3.3%
TABOR Refund Mechanism[1]	-$163.6		-$162.6		-$174.8		-$180.6	
Property Tax Assessed Value Reductions			$291.4		$0.0			
TABOR Refund Mechanism[2]			-$237.4		NA			
Cigarette Rebate	$7.7	-7.0%	$6.7	-11.8%	$5.7	-15.7%	$5.6	-1.6%
Old Age Pension Fund	$84.9	10.4%	$88.0	3.6%	$95.8	8.9%	$92.7	-3.3%
Aged Property Tax and Heating Credit	$12.0	105.2%	$10.6	-11.7%	$10.5	-0.7%	$10.4	-1.1%
Older Coloradans Fund	$10.0	0.0%	$10.0	0.0%	$10.0	0.0%	$10.0	0.0%
Interest Payments for School Loans	$10.5	952.4%	$26.2	149.0%	$19.9	-24.1%	$19.0	-4.8%
Firefighter Pensions	$4.3	-5.0%	$4.0	-5.5%	$4.1	1.2%	$4.5	9.8%
Amendment 35 Distributions	$0.7	-6.9%	$0.7	0.4%	$0.6	-9.1%	$0.6	0.0%
Marijuana Sales Tax Transfer to Local Governments	$21.9	-14.5%	$20.3	-7.6%	$21.4	5.9%	$22.7	5.9%
Business Personal Property Exemptions[3]	$16.6	-0.5%	$16.6	-0.3%	$18.6	11.0%	$19.0	2.2%
Total Rebates and Expenditures	**$168.7**	**12.8%**	**$237.1**	**40.6%**	**$186.7**	**-21.3%**	**$184.5**	**-1.2%**

Totals may not sum due to rounding. NA = Not applicable.
[1]Pursuant to SB 17-267, local government reimbursements for these property tax exemptions are the first TABOR refund mechanism used to meet the prior year's refund obligation.
[2]Pursuant to SB 22-238, local government reimbursements for these property tax reductions are the second TABOR refund mechanism used to meet the refund obligation incurred in FY 2022-23 only. The amount of the TABOR refund mechanism is limited to $240 million.
[3]Pursuant to HB 21-1312, local governments are reimbursed for expanded business personal property tax exemptions.

Table 6
Cash Fund Transfers
Dollars in Millions

Transfers to the General Fund		2022-23	2023-24	2024-25	2025-26
HB 92-1126	Land and Water Management Fund	$0.1	$0.0	$0.0	$0.0
HB 05-1262	Amendment 35 Tobacco Tax	$0.7	$0.7	$0.6	$0.6
SB 13-133 & HB 20-1400	Limited Gaming Fund	$21.6	$23.1	$22.6	$23.4
HB 17-1343	Repeal of Intellectual and Developmental Disabilities Services Cash Fund	$16.9			
HB 20-1427	2020 Tax Holding Fund	$4.1	$4.1	$4.1	$4.1
SB 20B-002	Repeal of Emergency Direct Assistance Grant Fund	$0.02			
SB 21-209	Repealed Cash Funds	$0.1			
SB 21-213	Use of Increased Medicaid Match	$10.0	$9.2	$7.4	$1.1
SB 21-222	Repeal of Recovery Audit Cash Fund	$0.03			
SB 21-251	Loan Family Medical Leave Program		$1.5		
SB 21-260	Community Access Enterprise	$0.1			
HB 23-1272	Decarbonization Tax Credits Administration		$21.7	$47.2	$48.2
HB 23-1290[1]	Proposition EE Revenue Retention		$5.6		
SB 23-215	State Employee Reserve Fund		$4.9		
Total Transfers to the General Fund		**$53.5**	**$70.8**	**$81.8**	**$77.4**

Transfers from the General Fund		2022-23	2023-24	2024-25	2025-26
SB 11-047 & HB 13-1001 & SB 23-066	Bioscience Income Tax Transfer to OEDIT	$17.6	$14.4	$15.3	
SB 14-215	Marijuana Tax Cash Fund	$142.2	$131.0	$138.6	$146.8
SB 15-244 & SB 17-267	State Public School Fund	$24.9	$23.0	$24.3	$25.7
HB 20-1116	Procurement Technical Assistance Program Extension	$0.2	$0.2	$0.2	
HB 20-1427	2020 Tax Holding Fund	$235.0	$215.4	$244.1	$242.6
HB 20-1427[2]	Preschool Programs Cash Fund	$0.0			
SB 21-281	Severance Tax Trust Fund Allocation	$9.5			
HB 22-1001	Reduce Fees For Business Filings	$8.4			
HB 22-1004	Driver License Fee Reduction	$3.9			
HB 22-1011	Wildfire Mitigation Incentives for Local Governments	$10.0			
HB 22-1012	Wildfire Mitigation and Recovery	$7.2			
HB 22-1115	Prescription Drug Monitoring Program	$2.0			
HB 22-1132	Regulation and Services for Wildfire Mitigation	$0.1			
HB 22-1151	Turf Replacement Program	$2.0			
HB 22-1298	Fee Relief for Nurses, Nurse Aides, and Technicians	$11.7			
HB 22-1299	Fee Relief for Mental Health Professionals	$3.7			
HB 22-1381	CO Energy Office Geothermal Grant Program	$12.0			
HB 22-1382	Support Dark Sky Designation and Promotion	$0.04			
HB 22-1394	Fund Just Transition Community & Worker Supports	$15.0			
HB 22-1408	Modify Incentives for Film Production	$2.0			

[1]Because Proposition II was approved by voters, the $5.6 million set aside from the General Fund to pay refunds if Proposition II had failed is returned to the General Fund under HB 23-1290.
[2]HB 20-1427 requires the transfer of 73% of additional sales tax revenue due to the imposition of the minimum cigarette price to the Preschool Programs Cash Fund on June 30th in 2021, 2022, and 2023.

Table 6 (Cont.)
Cash Fund Transfers
Dollars in Millions

Transfers from the General Fund (Continued)		2022-23	2023-24	2024-25	2025-26
SB 22-036	State Payment Old Hire Death and Disability Benefits	$6.7			
SB 22-130	Authority For Public-Private Partnerships	$15.0			
SB 22-151	Safe Crossings for Colorado Wildlife and Motorists	$5.0			
SB 22-163	Establish State Procurement Equity Program	$2.0			
SB 22-183	Crime Victims Services	$1.0			
SB 22-191[1]	Procurement of Information Technology Resources				
SB 22-193	Air Quality Improvement Investments	$1.5			
SB 22-195	Conservation District Grant Fund	$0.1	$0.1	$0.1	$0.1
SB 22-202	State Match for Mill Levy Override Revenue	$10.0			
SB 22-214	General Fund Transfer to PERA Payment Cash Fund	$198.5			
SB 22-215 & SB 23-283	Infrastructure Investment and Jobs Act Cash Fund		$84.0		
SB 22-238	State Public School Fund	$200.0			
HB 23-1041	Prohibit Greyhound Wagering			$0.03	$0.05
HB 23-1107	Crime Victim Services		$3.0		
HB 23-1269[2]	Extended Stay & Boarding Permits				
HB 23-1273	Wildfire Resilient Homes Grant Program		$0.1		
HB 23-1290[3]	Proposition EE Revenue Retention		$5.6		
HB 23-1305	Continue Health Benefits in Work-Related Death		$0.2	$0.2	$0.2
SB 23-001	Public-Private Collaborations for Housing		$5.0		
SB 23-005	Forestry and Wildfire Mitigation Workforce	$1.0	$1.0	$1.0	$1.0
SB 23-044	Veterinary Education Loan Repayment Program		$0.5		
SB 23-056[4]	Compensatory Direct Distribution to PERA		$10.0		
SB 23-137	Colorado Economic Development Fund	$5.0			
SB 23-141	DMVA Real Estate Proceeds Cash Fund	$4.9			
SB 23-161	Firefighting Aircraft	$26.0			
SB 23-166	Wildfire Resiliency Code Board		$0.3		
SB 23-199[5]	Marijuana Cash Fund				
SB 23-205	Universal High School Scholarship Program		$25.0		
SB 23-246	State Emergency Reserve	$20.0			
SB 23-255	Wolf Depredation Compensation Fund		$0.2	$0.4	$0.4
SB 23-257	Auto Theft Prevention Cash Fund		$5.0		
SB 23-275	Wild Horse Management Project	$1.5			
HB 23B-1001	Housing Development Grant Fund		$15.1		
HB 24-1211	Senior Services Contingency Reserve Fund		$2.0		
HB 24-1213	Judicial Collection Enhancement Fund		$2.5		
HB 24-1214	Community Crime Victims Cash Fund		$4.0		
Total Transfers from the General Fund		**$1,005.7**	**$547.6**	**$424.2**	**$416.9**
Net General Fund Impact		**-$952.2**	**-$476.8**	**-$342.4**	**-$339.5**

[1]Beginning in FY 2023-24, SB 22-191 directs transfers of unspent prior year General Fund appropriations for IT procurement. Any transfer amount for FY 2023-24 is included in the FY 2022-23 General Fund appropriation amount and not included here.
[2]For FY 2022-23 and FY 2023-24, HB 23-1269 requires transfers from unexpended funds appropriated for county child welfare programs. Any transfer amount is already included in General Fund appropriations amounts and not counted again here.
[3]HB 23-1290 required that $23.65 million be transferred to the Proposition EE Refund Cash Fund on September 1, 2023. Of this amount, $18.03 million was transferred from the Preschool Programs Cash Fund, and the remaining $5.62 million was transferred from the General Fund.
[4]SB 23-056 requires that a $10.0 million warrant be paid from the General Fund to PERA. This amount is shown in this table as a General Fund obligation that is not included in the appropriations amount in Table 1, line 6.
[5]For FY 2022-23 only, SB 23-199 requires transfers from unexpended funds appropriated to the Department of Revenue. Any transfer amount is already included in the General Fund appropriations amount and not counted again here.

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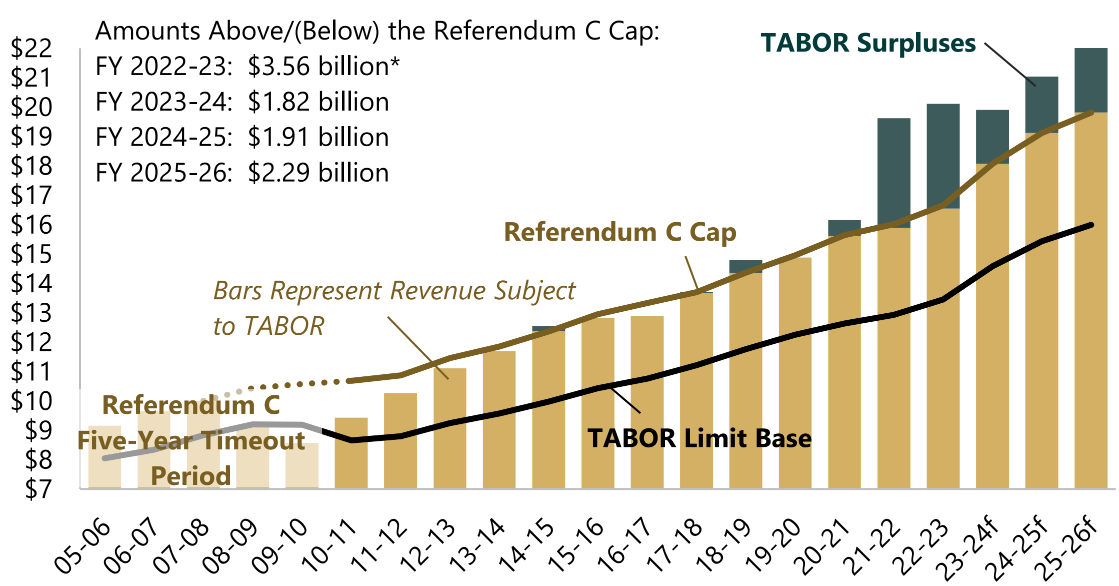
TABOR Outlook

The state TABOR outlook is presented in Table 8 and illustrated in Figure 2, which also provides a history of the TABOR limit base and the Referendum C cap. In FY 2022-23, state revenue subject to TABOR exceeded the Referendum C cap, creating a state obligation for TABOR refunds to taxpayers in FY 2023-24. State revenue subject to TABOR is projected to exceed the Referendum C cap in each of FY 2023-24, FY 2024-25, and FY 2025-26, creating a state obligation for TABOR refunds to taxpayers in each of FY 2024-25, FY 2025-26, and FY 2026-27.

Figure 2
TABOR Revenue, TABOR Limit Base, and the Referendum C Cap
Dollars in Billions



Source: Office of the State Controller and Legislative Council Staff. P = preliminary; f = Forecast.
*The refund amount for FY 2022-23 differs from the surplus amounts because it includes $114.9 million in under-refunds from prior TABOR surpluses.

FY 2022-23. The State Controller's annual comprehensive financial report (ACFR) for FY 2022-23 was published in February. The ACFR indicates that state revenue subject to TABOR exceeded the Referendum C cap by $3.56 billion in FY 2022-23. After accounting for an outstanding refund obligation attributable to under-refunds of prior TABOR surpluses, the state is obligated to refund $3.68 billion in the current FY 2023-24. The FY 2022-23 surplus is being refunded to taxpayers via the TABOR refund mechanisms in state law, which are explained in greater detail below.

Forecasts for FY 2023-24 through FY 2025-26. State revenue subject to TABOR is projected to exceed the Referendum C cap throughout the forecast period. Even with high 2022 inflation resulting in a doubling of the growth rate used to calculate the FY 2023-24 Referendum C cap, revenue in the current FY 2023-24 is expected to exceed the Referendum C cap by $1.82 billion. Revenue is projected to exceed the cap by $1.91 billion in 2024-25 and by $2.29 billion in FY 2025-26. Refunds of those amounts are expected to be returned to taxpayers in the fiscal year following each surplus. The actual refund obligation in any given year will incorporate any over- or under-refund of prior year surpluses.

Relative to the December forecast, expectations for revenue subject to TABOR were increased in FY 2023-24 and FY 2024-25 by about $48 million and $63 million, respectively, reflecting higher expectations for both General Fund and cash fund revenue subject to TABOR. The FY 2024-25 TABOR limit growth rate is expected to be 5.8 percent, down from 8.5 percent in FY 2023-24, based on estimates of population growth and inflation for calendar year 2023.

Enterprise disqualification and requalification. When a state program no longer satisfies the requirements to qualify as a TABOR enterprise, it is "disqualified." The program's revenue becomes subject to TABOR and an upward adjustment equal to that revenue amount is also made to the Referendum C cap.[1] Similarly, downward adjustments are made to both revenue and the Referendum C cap when an enterprise requalifies. The certified TABOR surplus for FY 2022-23 includes enterprise adjustments for the Auraria Higher Education Center's Tivoli Center and for Adams State University, which were disqualified in FY 2021-22 and requalified in FY 2022-23. Single-year enterprise adjustments have no net impact on the amount to be refunded to taxpayers. However, if an enterprise remains disqualified for multiple years, growth in that enterprise's revenue between those years may increase (or decrease) the TABOR refund obligation if its revenue grows faster (or slower) than the TABOR limit.

Risks to the forecast. Estimates of the TABOR surplus and TABOR refund obligation represent the amount by which state revenue subject to TABOR is expected to exceed the Referendum C cap. Therefore, any error in the General Fund or cash funds revenue forecasts will result in an error of an equal amount in the TABOR refund forecast. Any forecast error for inflation or population growth will also impact the TABOR situation by resulting in higher or lower allowable growth in the Referendum C cap.

In an environment where large TABOR refunds are expected, TABOR insulates the General Fund budget from the impacts of error in the General Fund revenue forecast. Greater than expected General Fund revenue will result in a larger General Fund obligation for TABOR refunds, with no net impact on the amount available for the General Fund budget. Lower than expected General Fund revenue will result in a smaller obligation for TABOR refunds, and will impact the budget only if the error is great enough to erase the entire projected TABOR surplus.

By contrast, error in the forecast for cash fund revenue subject to TABOR poses a risk to the outlook for the General Fund budget. Greater than expected revenue from cash fund sources would increase the General Fund obligation for TABOR refunds, thereby reducing the amount available for the budget.

In the single statewide audit for FY 2022-23, the State Auditor found that insurance premium tax revenue totaling $33.8 million that was credited to the Health Insurance Affordability Enterprise between FY 2020-21 and FY 2022-23 was accounted as exempt from TABOR, despite being collected as taxes subject to TABOR. The audit recommended that the Controller obtain legal guidance concerning correct accounting for this money. If it is determined that this revenue is

[1]For more information on TABOR and TABOR enterprises, see the Legislative Council Staff memoranda titled: "The TABOR Revenue Limit", available at: https://leg.colorado.gov/sites/default/files/r21-96_the_tabor_revenue_limit_0.pdf and "State Government Enterprises, available at: https://leg.colorado.gov/sites/default/files/r21-99_state_government_enterprises_0.pdf.

subject to TABOR, then the refund obligation for FY 2023-24 would increase by about $50 million, including the amount classified as exempt for prior years as well as the amount that the forecast expects to be classified as exempt for the current fiscal year.

TABOR refund mechanisms. TABOR refund mechanisms and expected refund amounts are shown in Figure 3. Current state law includes two ongoing refund mechanisms for FY 2023-24 and beyond. For FY 2022-23 only, there are three temporary refund mechanisms as well as one permanent mechanism that applies. These mechanisms are discussed below.

The ongoing refund mechanism that applies for each year in the forecast period is the property tax exemptions for seniors, veterans with a disability, and Gold Star spouses. Based on this forecast, this mechanism is expected to be used for tax years 2023 through 2026. The six-tier sales tax refund mechanism based on taxpayers' incomes is expected to apply for tax years 2024 through 2026.

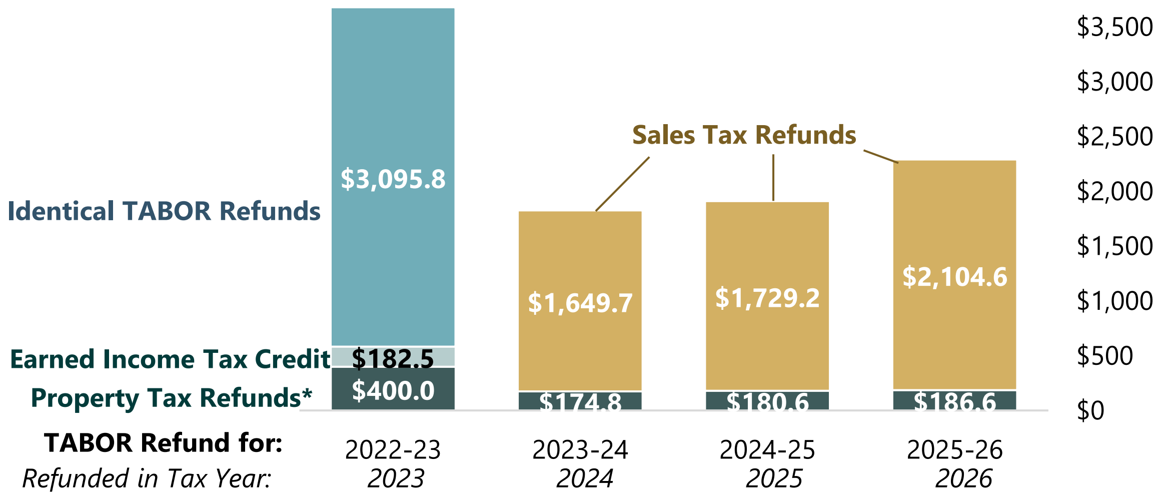
Table 7 on page 23 presents identical refunds for tax year 2023 and estimated six-tier sales tax refund amounts for tax years 2024, 2025, and 2026.

Senate Bill 22-238 establishes an additional refund mechanism to refund a portion of the FY 2022-23 surplus for tax year 2023 through reductions in the assessed valuations of residential and nonresidential property, which determine property taxes. A portion of local governments' foregone property tax revenue as a result of the bill is reimbursed by the state government, and reimbursements up to $240 million are accounted as a TABOR refund mechanism under the bill. Figure 3 includes this mechanism with the "Property Tax Refunds" label. The mechanism is estimated to refund $237.4 million in property tax year 2023. This estimate includes a downward revision relative to the September forecast due to updated estimates of assessed valuations, which now include adjustments through the board of assessment appeals process that were not initially reported by some counties.

House Bill 23B-1002 expands the state Earned Income Tax Credit (EITC) from 25 percent to 50 percent of the federal EITC for tax year 2023. The bill classifies this expansion to the EITC as a TABOR refund mechanism for the FY 2022-23 TABOR surplus, after the property tax exemption refund mechanisms.

Senate Bill 23B-003 requires that any amount that would otherwise be refunded via the six-tier sales tax refund mechanism instead be refunded on returns for tax year 2023 in equal amounts to all taxpayers who qualify for the six-tier sales tax refund.

Figure 3
Expected TABOR Refunds and Refund Mechanisms
Dollars in Millions



Source: Legislative Council Staff March 2024 forecast.
*Includes $237.4 million to be refunded from the FY 2022-23 TABOR surplus under Senate Bill 22-238.

Refunds made via property tax reductions reduce obligations that would otherwise be paid from General Fund revenue. Refunds made via the EITC, identical refunds or sales tax refunds are paid to taxpayers when they file their state income tax returns. TABOR refund mechanisms are accounted for as an offset against the amount of surplus revenue restricted to pay TABOR refunds, rather than as a revenue reduction. Therefore, the General Fund revenue forecast does not incorporate downward adjustments as a result of refund mechanisms being activated.

Proposition II and the TABOR refund requirement. Proposition II, passed by voters in November 2023, allows the state to keep and spend the $22.0 million in excess revenue over the 2020 Blue Book estimate collected from Proposition EE taxes on cigarettes, tobacco products, and nicotine products, plus interest. A total of $23.65 million will not be required to be refunded to distributors of cigarettes, tobacco products, and nicotine products, and will instead be spent on preschool programs.

Table 7
Projected TABOR Refunds via the Identical and Six-Tier Sales Tax Refund Mechanisms

Tax Year 2023 Refunds from FY 2022-23 TABOR Refund Obligation

Taxpayer Distribution by AGI	Single Filers	Joint Filers
All Taxpayers	**$800**	**$1,600**

Tax Year 2024 Refunds from FY 2023-24 TABOR Refund Obligation

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	$52,000	$290	$580
$52,001	to	$107,000	$386	$772
$107,001	to	$171,000	$445	$890
$171,001	to	$243,000	$529	$1,058
$243,001	to	$319,000	$569	$1,138
$319,001	and up		$915	$1,830

Tax Year 2025 Refunds from FY 2024-25 TABOR Refund Obligation

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	$54,000	$300	$600
$54,001	to	$111,000	$400	$800
$111,001	to	$177,000	$461	$922
$177,001	to	$251,000	$547	$1,094
$251,001	to	$330,000	$589	$1,178
$330,001	and up		$948	$1,896

Tax Year 2026 Refunds from FY 2025-26 TABOR Refund Obligation

Taxpayer Distribution by AGI			Single Filers	Joint Filers
	up to	$55,000	$361	$722
$55,001	to	$113,000	$481	$962
$113,001	to	$181,000	$554	$1,108
$181,001	to	$256,000	$658	$1,316
$256,001	to	$338,000	$708	$1,416
$338,001	and up		$1,140	$2,280

AGI = Adjusted gross income.
Note: Amounts do not include estimates for reimbursements to local governments for property tax exemptions.

Table 8
TABOR Revenue Limit and Retained Revenue
Dollars in Millions

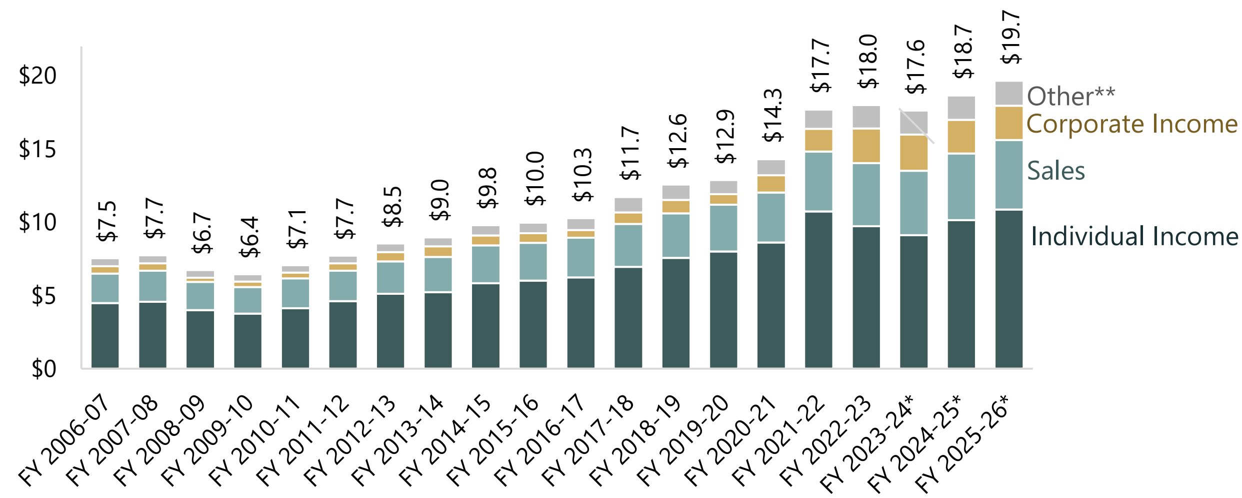
		Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
	TABOR Revenue				
1	General Fund[1]	$17,463.6	$17,046.5	$18,049.8	$19,043.5
2	Cash Funds	$2,757.1	$2,851.2	$2,981.4	$3,057.4
3	**Total TABOR Revenue**	**$20,220.7**	**$19,897.6**	**$21,031.2**	**$22,101.0**
	Revenue Limit				
4	Allowable TABOR Growth Rate	4.2%	8.5%	5.8%	3.6%
5	Inflation (*from Prior Calendar Year*)	3.5%	8.0%	5.2%	2.6%
6	Population Growth (*from Prior Calendar Year*)[2]	0.7%	0.5%	0.6%	1.0%
7	TABOR Limit Base	$13,445.2	$14,588.1	$15,434.2	$15,989.8
8	Voter Approved Revenue Change (Referendum C)	$3,212.1	$3,485.1	$3,687.2	$3,820.0
9	Total TABOR Limit / Referendum C Cap[3]	$16,657.3	$18,073.2	$19,121.4	$19,809.8
10	**TABOR Revenue Above** (Below) **Referendum C Cap**	**$3,563.4**	**$1,824.5**	**$1,909.8**	**$2,291.2**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[4]	$3,212.1	$3,485.1	$3,687.2	$3,820.0
12	Fiscal Year Spending (*revenue available to be spent or saved*)	$16,657.3	$18,073.2	$19,121.4	$19,809.8
13	Outstanding Underrefund Amount[5]	$114.9			
14	**Revenue Refunded to Taxpayers**	**$3,678.3**	**$1,824.5**	**$1,909.8**	**$2,291.2**
15	TABOR Reserve Requirement	$499.7	$542.2	$573.6	$594.3

Totals may not sum due to rounding.
[1] Revenue differs from the amount in the General Fund revenue summaries because of accounting adjustments across TABOR boundaries.
[2] Following each decennial census, the April 1 census population counts are used instead of July 1 population estimates for purposes of calculating the growth factors for the TABOR limit. Population estimates are used in all other years for purposes of the growth calculation.
[3] This forecast assumes that all enterprises will maintain enterprise status. If an enterprise is disqualified, both revenue subject to TABOR and the Referendum C cap will have equal upward adjustments.
[4] Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.
[5] This amount represents under-refunds from prior years.

General Fund Revenue

This section presents the outlook for General Fund revenue, the state's main source of funding for discretionary operating appropriations. The three primary sources of General Fund revenue are individual income tax, sales tax, and corporate income tax collections. Other sources of General Fund revenue include excise taxes (retail marijuana, tobacco, and liquor), insurance premium tax, pari-mutuel tax, court receipts, and investment income. Table 9 on page 32 summarizes final General Fund revenue collections for FY 2022-23 and projections for FY 2023-24 through FY 2025-26; these are also illustrated in Figure 4, below.

Figure 4
General Fund Revenue Sources
Billions of Dollars



*Forecast.
**Other includes: use tax; retail marijuana special sales tax; cigarette, tobacco, and liquor excise taxes; Proposition EE tobacco taxes; insurance premium tax; pari-mutuel wagering tax; court receipts; investment income; and miscellaneous small sources that are not forecast independently.
Source: Office of the State Controller and Legislative Council Staff December 2023 forecast.

FY 2022-23 collections. General Fund revenue collections in FY 2022-23 increased by 1.7 percent over FY 2021-22 levels to total $18.0 billion. A decline in individual income revenue was more than offset by strong collections in sales tax revenue and corporate income tax revenue. Individual income tax receipts dropped by 6.5 percent, reflecting the income tax rate cut in Proposition 121, and declines from FY 2021-22 peak payments that reflected unusual taxpayer decision making in response to an uncertain economy and evolving tax policy environment. Corporate income tax revenue jumped 50.9 percent compared to the year prior, fully offsetting the decline in individual income.

Revenue forecast. General Fund revenue is expected to fall by 2.1 percent in FY 2023-24. Individual income tax is the largest component of General Fund revenue and is expected to fall slightly in the current year, but bolster collections with strong growth through the rest of the forecast period. Corporate income taxes are expected to offset some of the decline in individual tax revenue this year, before falling in FY 2024-25. General Fund revenue is expected to reach $19.66 billion in FY 2025-26.

Risks to the forecast. Risks to the General Fund revenue forecast are elevated as economic conditions remain uncertain, but downside risks continue to dissipate. Stronger-than-expected wage gains could boost sales and income tax collections above the amounts projected in this forecast. Downside risks include monetary policy continuing to drag on business activity, consumer spending, and employment relative to expectations, which would result in lower General Fund collections.

Income Tax

Taxable income earned by all Colorado individuals and corporations is taxed at one flat rate. **Proposition 121** reduced the income tax rate from 4.55 percent to 4.40 percent beginning in tax year 2022. Income tax revenue is credited to the General Fund and is subject to TABOR, except that:

- an amount equal to one third of one percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR under **Amendment 23**, approved by voters in 2000;
- beginning January 2023, an amount equal to one-tenth of one percent of taxable income is transferred to the State Affordable Housing Fund and exempt from TABOR under **Proposition 123**, approved by voters in 2022; and
- beginning January 2023, an amount raised by requiring non-corporate taxpayers with adjusted gross incomes over $300,000 to add back a portion of their federal standard or itemized deductions when computing their Colorado taxable income is credited to the General Fund, exempt from TABOR, and required to be spent for the healthy school meals program created in **Proposition FF**, approved by voters in November 2022.

This section presents forecasts separately for income taxes paid by individuals and non-corporate businesses, and for income taxes paid by corporations.

Individual Income Tax

Individual income tax revenue is the largest source of General Fund revenue, making up about 57 percent of revenue to the General Fund in FY 2022-23, before accounting for the SEF and affordable housing transfers.

FY 2022-23. In FY 2022-23, individual income tax collections totaled $10.95 billion before the SEF and affordable housing transfers, a decrease of 6.5 percent the year prior, as tax receipts receded from a high of $11.72 billion reached in FY 2021-22. Most of the decrease was attributable to the income tax rate cut in Proposition 121, which had a disproportionately large impact in FY 2022-23 due to the interaction between the election calendar, the tax payment calendar, and the state fiscal year.

Forecast for FY 2023-24. Individual income tax collections are expected to decline by 4.0 percent in FY 2023-24 to total $10.52 billion before the SEF and affordable housing transfers. Expectations for revenue were decreased by $321 million relative to the December 2023 forecast. The downward revision primarily reflects reduced expectations for quarterly estimated payments of tax by earners of non-wage income. Fourth quarter estimated payments received in January decreased by $87 million, or 28 percent, from the January 2023 level, reflecting slower income growth for earners of income from non-wage sources. Lower estimated payments in the fourth quarter may indicate that these taxpayers expect to have a lower tax obligation for the tax year, or may trade off with higher final payments which are due when the taxpayers file their tax returns this spring.

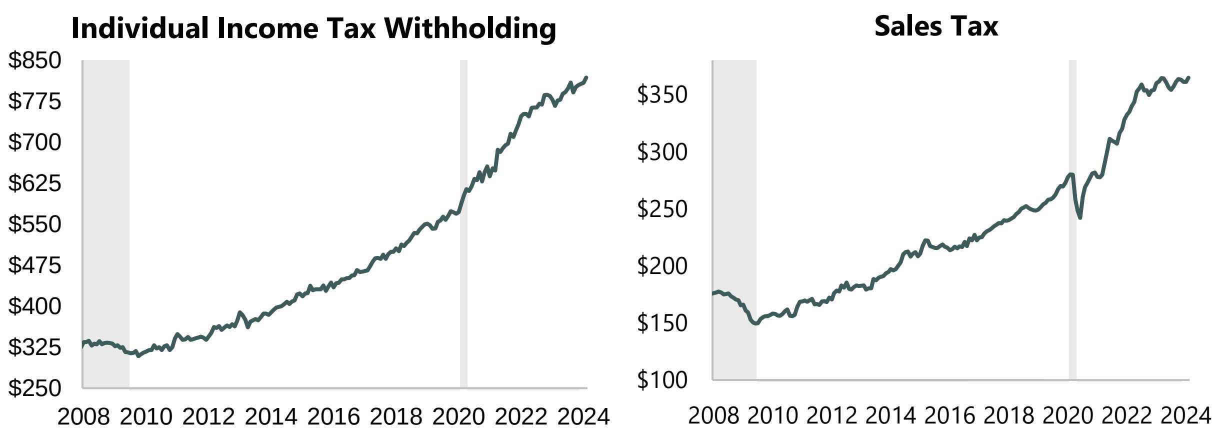
This forecast is based on limited income tax filing data for 2023 final payments. The forecast incorporates preliminary data for final payments and refunds made in February, but final payments and refunds in March and April are generally much larger and much more volatile. Accordingly, the forecast incorporates significant bidirectional risk, even for the current fiscal year.

Forecast for FY 2024-25. Individual income tax revenue is expected to grow 10.3 percent and total $11.60 billion before the SEF and affordable housing transfers. Expectations for revenue were decreased by $239 million relative to the December 2023 forecast.

Revenue growth reflects expectations for a healthier economy in late 2024 and into 2025 as interest rate cuts will allow for some economic reacceleration. Wage withholding slowed considerably in 2023, the first year when the income tax rate cut in Proposition 121 applied to withheld taxes. Wage withholding and estimated payments are expected to resume growth consistent with a moderate expansion in tax years 2024 and 2025, which will bolster collections in FY 2024-25.

Forecast for FY 2025-26. Individual income tax collections are expected to grow 6.9 percent in FY 2025-26 to $12.4 billion, which represents a downward revision of $208 million relative to the December forecast.

Figure 5
Selected General Fund Revenue Sources
Millions of Dollars in Monthly Collections



Source: Office of the State Controller with Legislative Council Staff seasonal adjustments. Data are shown as a three-month moving average on a cash basis. February 2024 collections are preliminary data from the Department of Revenue.

Legislative adjustments. This forecast includes significant adjustments for income tax policy changes enacted through the 2023 legislative session. To date, there are no income tax policy changes enacted through the 2024 legislative session, and no adjustments for pending legislation are included here. The forecast does not include an adjustment for **House Bill 23B-1002**, which increased the earned income tax credit for tax year 2023. The bill requires that the expanded credit amount be accounted as a TABOR refund, not a reduction in income tax revenue. The impact of the credit is shown as affecting TABOR refunds in the TABOR Outlook section of the forecast.

Healthy School Meals Program Account. Revenue attributable to the income tax addition in Proposition FF is deposited in a specific account in the General Fund, exempt from TABOR, and required to be spent for the Healthy School Meals Program. Revenue is first being identified on returns for the 2023 tax year, which taxpayers are filing this spring. An amount of $42.7 million was credited to the account in FY 2022-23, representing an estimated half-year impact for tax year 2023 on an accrual accounting basis.

This forecast anticipates that these amounts will be credited to the account during the forecast period:

- $105.9 million for FY 2023-24;
- $104.3 million for FY 2024-25; and
- $107.5 million for FY 2025-26.

These estimates are based on data from Colorado taxpayers' federal returns in prior tax years, but actual collections data from the tax addition created in Proposition FF are not yet available. The June 2024 forecast will update estimates to reflect income tax returns filed this spring, and the December 2024 and March 2025 forecasts will update estimates to reflect extension filings for the 2023 tax year, which are due in October 2024.

Corporate Income Tax

The corporate income tax forecast includes collections from C corporations and partnerships that have property, payroll, or sales in Colorado. Corporate income taxes have historically been a volatile revenue source because they are highly responsive to economic conditions and to federal tax policy. In addition, many corporations make strategic tax decisions about when and how to claim credits and deductions, making it more difficult to estimate the amount of corporate tax revenue.

Colorado corporate income tax revenue has greatly exceeded expectations for the last two fiscal years, posting record highs in both years. Prior forecasts had expected that corporate income taxes would decline from those peaks in FY 2023-24. However, this forecast includes upward revisions based on strong incoming data, and anticipates that corporate collections will continue to increase this year, although at a slower rate. Recent volatility illustrates how sensitive corporate income tax collections are to policy changes and economic conditions, and points to elevated, bidirectional risk to the corporate income tax forecast.

FY 2022-23. Corporate income tax collections increased by a stunning 50.9 percent in FY 2022-23 and totaled $2.37 billion. The surge in corporate revenue nets out a reduction in tax revenue due to the rate cut enacted in Proposition 121, estimated at about $80 million.

Forecast for FY 2023-24. Corporate income tax collections are expected to increase by 4.2 percent in the current fiscal year, totaling $2.47 billion. Over the first eight months of this fiscal year, corporate income tax revenue has exceeded collections for the same eight months of FY 2022-23 by $300 million, or 28 percent. However, growth in collections was strongest between July and October, reflecting strong estimated payments for the second and third quarters of 2023 and strong extension filings for the 2022 income tax year, which were due in October 2023. Collections in December and January, which mostly reflect estimated payments for the fourth quarter, declined by $50 million, or 8.3 percent, compared with the same months in FY 2022-23. This forecast anticipates further year-over-year declines in spring filings of final returns, but these declines are not expected be sufficient to offset large revenue increases at the start of the fiscal year. Relative to the December forecast, the forecast was revised up by $490 million.

Forecast for FY 2024-25. Corporate income tax collections are expected to total $2.29 billion in FY 2024-25, down 7.0 percent from FY 2023-24. The forecast anticipates that quarterly estimated payments will continue to slow over the remainder of 2024, consistent with the decline observed in estimated payments for the fourth quarter of 2023. However, the forecast is highly uncertain and contains significant bidirectional risk in light of the recent volatility in corporate income tax collections. Relative to the December forecast, expectations were upgraded by $470 million.

Forecast for FY 2025-26. Corporate income tax collections are expected to increase by 2.3 percent and total $2.35 billion as the economic expansion matures and the taxation environment stabilizes. Changes to economic conditions or tax policy could affect this trajectory significantly.

Why does corporate revenue continue to exceed expectations? Corporate income tax revenue has been surprisingly high in many states across the country. Data from the Colorado Department of Revenue show that many businesses have been reclassified from sole proprietorships and pass-through entities (whose taxes are counted as individual income tax revenue) to C corporations and partnerships (whose taxes are counted as corporate income tax revenue), causing a shift from individual to corporate income tax revenue. Additionally, some states report that corporations overpaid taxes for the 2022 tax year to reduce their future tax liability. Whether this trend will reverse for 2023 final payments is still unknown, but may become apparent as 2023 tax returns are processed and reported.

Sales Tax

The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a small collection of services. Sales tax revenue grew at a healthy 5.2 percent rate in FY 2022-23 and is expected to grow at a more sluggish pace of 2.2 percent in FY 2023-24. Growth has likely been cooled by receding inflation, accompanied by high interest rates which contribute to tighter lending standards. Sales tax revenue growth is expected to pick up to 3.5 percent in FY 2024-25, but remain low by historical standards. Growth will be tempered in the near term as labor market conditions soften, inflation cools, and household finances are constrained. Sales tax revenue is expected to accelerate again in FY 2025-26 as the economy realizes a soft landing and restrictive monetary policy eases. Sales tax revenue positively correlates with real personal income, which grew in 2023 and is expected to post an even higher growth rate in 2024. Growth in personal income is expected to bolster sales tax collections despite concerns over household finances.

Relative to the December forecast, expectations for sales tax revenue were revised down by $14 million in FY 2023-24 and $42 million in FY 2024-25. Downward revisions reflect persistently slow growth in sales tax collections in 2023 through February 2024, with collections falling short of prior forecast expectations in most months.

Weakening growth in 2023 sales tax revenue seems inconsistent with the strong growth seen in U.S. personal consumption expenditures (PCE), which are up 4.5 percent year-over-year as of January. This trend is not limited to Colorado; many other states have seen underperforming sales tax receipts in FY 2023-24 compared to their forecasts.

However, retail sales slowed in January, posting a 0.6 percent year-over-year growth rate—the smallest growth rate since the COVID-19 recession—corroborating slow growth in sales tax receipts. Additionally, growth in U.S. PCE for goods has been slower than for services, up just 1.0 percent year-over-year as of January. Finally, inflation in the Denver-Aurora-Lakewood area has been lower than the nation in recent months, mostly due to motor fuel and used car prices, which may partially explain the divergence of Colorado's sales tax receipts from national trends.

Use Tax

The 2.9 percent state use tax is due when sales tax is owed, but is not collected at the point of sale. Use tax revenue is largely driven by capital investment among manufacturing, energy, and mining firms. Use tax revenues recorded a weaker start to the fiscal year, realizing year-over-year declines for nine out of the past ten months. Use tax revenues are expected to continue to decrease through FY 2023-24, ending the year down 8.6 percent, a reversal from the 8.0 percent growth rate posted in FY 2022-23. Use tax revenue is likely impacted by high interest rates, weighing on investment in the industries driving use tax revenues, such as oil and gas, construction, and manufacturing. Similar to sales tax revenue, growth in use tax revenue is expected to accelerate in FY 2024-25 and FY 2025-26 as monetary policy eases and construction activity picks up. Use tax is forecasted to grow at a 6.0 percent rate in FY 2024-25 and another 7.1 percent in FY 2025-26.

Like sales tax, use tax expectations were revised down relative to those published in the December forecast. Use tax receipts had fallen short of forecast expectations, with high interest rates taking a more severe toll on collections than previously expected. The forecast was downgraded by $6 million for FY 2023-24 and $2 million for FY 2024-25.

Proposition EE Cigarette, Tobacco, and Nicotine Taxes

Proposition EE increased cigarette and tobacco taxes, created a new tax on nicotine products, and created a minimum price for cigarette sales. Revenue from the new taxes is exempt from TABOR as a voter-approved revenue change. Proposition EE revenue are deposited in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund tobacco education programs, the General Fund and preschool programs. Tax rates are set to increase on all three types of products beginning on July 1, 2024.

Revenue from Proposition EE taxes totaled $235.0 million in FY 2022-23, and is expected to decrease to $215.4 million in the current fiscal year, primarily due to a smaller accounting adjustment compared to the previous year. Collections are expected to increase at the end of the current fiscal year as retailers stock up on these products before taxes increase on July 1, 2024. Table 9 shows expected revenue collections, while equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 6 on page 16.

Consumption of cigarettes, tobacco, and nicotine products fell in 2023 as consumers had less disposable income for nonessential products. **Cigarette** revenue is the largest portion of Proposition EE, making up 66 percent of total revenue in FY 2022-23. Cigarette use tends to decline over time, but consumption has fallen more steeply than normal in FY 2023-24, down 9.9 percent this year compared to the same period in FY 2022-23, consistent with a nationwide trend. However, collections are expected to pick up in the final months of the fiscal year as retailers increase their stock ahead of the tax increase that takes effect in July.

Nicotine is the next largest revenue stream, with revenue increasing due to an increased tax rate. Nicotine revenue is expected to continue to increase over the forecast period, as the tax rate increases from 50 percent to 56 percent in July. **Tobacco** makes up the rest of the Proposition EE revenue, bringing in $12.1 million in FY 2022-23. Tobacco revenue is down 3.6 percent so far in the current fiscal year compared to the year prior, despite retail tobacco prices increasing nationally.

Table 9
General Fund Revenue Estimates
Dollars in Millions

	Category	Actual FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change	Estimate FY 2025-26	Percent Change
	Excise Taxes								
1	Sales	$4,301.6	5.2	$4,394.4	2.2	$4,548.1	3.5	$4,744.6	4.3
2	Use	$251.2	8.0	$229.7	-8.6	$243.6	6.0	$260.8	7.1
3	Retail Marijuana Sales	$219.9	-15.0	$202.5	-7.9	$214.4	5.9	$227.1	5.9
4	Cigarette	$23.9	-7.9	$24.0	0.3	$20.2	-15.7	$19.9	-1.6
5	Tobacco Products	$23.7	-11.0	$21.9	-7.8	$24.5	12.0	$25.5	4.2
6	Liquor	$56.3	-0.1	$57.5	2.1	$59.4	3.3	$61.2	3.0
7	Proposition EE Tobacco Taxes	$235.0	13.0	$215.4	-8.3	$244.1	13.3	$242.6	-0.6
8	Total Excise	$5,111.7	4.4	$5,145.4	0.7	$5,354.4	4.1	$5,581.6	4.2
	Income Taxes								
9	Net Individual Income	$10,952.7	-6.5	$10,517.8	-4.0	$11,604.4	10.3	$12,401.5	6.9
10	Net Corporate Income	$2,366.7	50.9	$2,467.0	4.2	$2,293.4	-7.0	$2,346.5	2.3
11	Total Income Taxes	$13,319.5	0.2	$12,984.7	-2.5	$13,897.8	7.0	$14,748.0	6.1
12	Less: Portion diverted to the SEF	-$1,066.4	7.3	-$1,075.1	0.8	-$1,127.5	4.9	-$1,188.1	5.4
13	Less: Portion diverted for Affordable Housing	-$160.0	NA	-$318.9	99.3	-$338.2	6.0	-$356.4	5.4
14	Income Taxes to the General Fund	$12,093.1	-1.6	$11,590.7	-4.2	$12,432.1	7.3	$13,203.5	6.2
	Other Sources								
15	Estate	$0.0	NA	$0.0	NA	$0.0	NA	$0.0	NA
16	Insurance	$516.7	32.4	$548.3	6.1	$590.3	7.7	$626.1	6.1
17	Pari-Mutuel	$0.3	-20.4	$0.3	-1.6	$0.3	-0.6	$0.3	0.5
18	Investment Income	$188.4	172.2	$263.9	40.0	$213.5	-19.1	$188.9	-11.5
19	Court Receipts	$3.1	30.6	$3.1	0.0	$3.1	-0.4	$3.1	-0.2
20	Other Income	$84.8	85.9	$64.0	-24.6	$59.4	-7.2	$53.2	-10.4
21	Total Other	$793.3	56.2	$879.6	10.9	$866.6	-1.5	$871.6	0.6
22	**Gross General Fund Revenue**	**$17,998.0**	**1.7**	**$17,615.6**	**-2.1**	**$18,653.1**	**5.9**	**$19,656.8**	**5.4**

Totals may not sum due to rounding. NA = Not applicable. SEF = State Education Fund.

Cash Fund Revenue

This section presents the forecast for cash fund revenue subject to TABOR and for selected sources of cash fund revenue exempt from TABOR. Cash fund revenue subject to TABOR is a determinant of the state TABOR refund obligation, which is paid from the General Fund. Cash fund revenue exempt from TABOR does not have a direct impact on the General Fund budget, but revenue available for expenditure from cash funds may trade off with spending from the General Fund.

Cash Fund Revenue Subject to TABOR

Table 10 summarizes the forecast for cash fund revenue subject to TABOR. The largest sources of cash fund revenue subject to TABOR are motor fuel taxes and other transportation-related revenue, severance taxes, and gaming taxes.

Table 10
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Transportation-Related	$1,266.8	$1,451.8	$1,547.2	$1,594.2	
Percent Change	2.2%	14.6%	6.6%	3.0%	8.0%
Severance Tax	$374.7	$223.8	$238.8	$245.1	
Percent Change	15.3%	-40.3%	6.7%	2.7%	-13.2%
Gaming Revenue[1]	$121.3	$125.1	$126.4	$127.8	
Percent Change	5.2%	3.1%	1.1%	1.1%	1.8%
Insurance-Related	$26.5	$25.7	$25.9	$25.8	
Percent Change	9.3%	-3.2%	0.8%	-0.4%	-0.9%
Regulatory Agencies	$89.4	$89.4	$91.6	$93.6	
Percent Change	-3.1%	0.0%	2.5%	2.1%	1.5%
2.9% Sales Tax on Marijuana[2]	$7.2	$5.3	$5.1	$5.1	
Percent Change	-39.0%	-26.2%	-3.3%	-0.2%	-10.7%
Housing Development Grant Fund	$71.7	$71.8	$74.4	$77.8	
Percent Change	7.9%	0.1%	3.6%	4.5%	2.7%
Other Cash Funds	$799.5	$858.3	$871.9	$888.0	
Percent Change	1.1%	7.4%	1.6%	1.8%	3.6%
Total Cash Fund Revenue	**$2,757.1**	**$2,851.2**	**$2,981.4**	**$3,057.4**	
Subject to the TABOR Limit	3.4%	3.4%	4.6%	2.6%	3.5%

Totals may not sum due to rounding.
*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.
[1]Gaming revenue in this table does not include extended gaming revenue from Amendments 50 and 77, because it is not subject to TABOR.
[2]Includes revenue from the 2.9 percent sales tax collected from the sale of medical and retail marijuana. This revenue is subject to TABOR.

FY 2022-23. Final figures from the Office of the State Controller indicate that cash fund revenue subject to TABOR totaled $2.76 billion in FY 2022-23, an increase of 3.4 percent from the prior fiscal year. Relative to preliminary figures reported in the December forecast, actual FY 2022-23 collections were revised down by $0.9 million.

FY 2023-24. Cash fund revenue subject to TABOR is projected to increase 3.4 percent and total $2.85 billion. Large increases in transportation-related revenue and other miscellaneous cash funds are expected to overcome a significant decrease in severance tax revenue. Relative to the December forecast, current year expectations were increased by $16.3 million, with an increase in the forecast for other miscellaneous cash fund revenue more than offsetting a decrease in the forecast for severance tax revenue.

Like General Fund revenue, the March forecast for cash fund revenue includes components that may change significantly in the last few months of the fiscal year. The spring months are especially important for severance tax collections, which usually peak in April, and for gaming tax collections, which accelerate over the course of the fiscal year due to the graduated tax structure. Accordingly, even though this forecast incorporates seven months of current fiscal year revenue data, actual collections may still differ significantly from estimates included here.

FY 2024-25. Revenue is projected to increase 4.6 percent and total $2.98 billion, driven by moderate increases in transportation-related revenue and severance tax revenue. Revenue expectations were increased by $26.5 million relative to the December forecast, with an upward revision for other miscellaneous cash funds more than offsetting a downward revision to expected severance tax revenue.

FY 2025-26. Revenue is expected to increase by 2.6 percent and total $3.06 billion as growth in the largest revenue streams moderates. Relative to December, the forecast was increased by $26.3 million on upgraded expectations for other miscellaneous cash funds.

Transportation-related revenue subject to TABOR is expected to increase by 14.6 percent in FY 2023-24 following a 2.2 percent increase in FY 2022-23. The anticipated increase is driven primarily by legislative changes including the implementation of road usage fees, retail delivery fees, and the end of a temporary reduction in the road safety surcharge. Revenue is expected to increase by 6.6 percent in FY 2024-25 and 3.0 percent in FY 2025-26. The forecast for transportation-related revenue is presented in Table 11.

Motor fuel revenue is the largest component of transportation revenue, making up nearly half of total collections, followed by revenue from vehicle registrations. Collections for taxes on gasoline and diesel fuel weakened over the winter months, but remain higher than the same period in FY 2022-23. Alongside fuel tax collections, road usage fees were introduced in April 2023 at 2 cents per gallon, and increased to 3 cents per gallon in July 2023. These fees will increase by 1 cent per gallon in each fiscal year through the forecast period. Road usage fees are expected to bring in $94.7 million in the current FY 2023-24, the first full year of implementation. While fuel consumption is expected to grow through the forecast period, improving vehicle fuel efficiency and permanent shifts to remote or hybrid work for some dampen expectations for growth.

Growing revenue from motor fuel and road usage fees was partially offset by reduced revenue from the safety surcharge in 2022 and 2023. Senate Bill 21-260 and House Bill 22-1351 temporarily reduced the road safety surcharge by $11.10 in calendar years 2022 and 2023, and it returned to its original rate on January 1, 2024. Due to the end of the rate reduction, revenue from the road safety surcharge is expected to increase by 53.3 percent in FY 2023-24 and another 37.5 percent in FY 2024-25.

Table 11
Transportation Revenue by Source
Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	$652.3	$671.6	$682.8	$688.5	1.4%
Percent change	3.0%	3.0%	1.7%	0.8%	
Road Usage Fees	$12.7	$94.7	$127.1	$160.4	88.5%
Percent change	NA	645.1%	34.2%	26.2%	
Total Registrations	$328.6	$387.6	$432.6	$438.9	7.5%
Percent change	-15.3%	18.0%	11.6%	1.5%	
Registrations	*$219.9*	*$234.6*	*$237.4*	*$240.5*	2.3%
Road Safety Surcharge	*$72.4*	*$111.0*	*$152.6*	*$155.4*	21.04%
Late Registration Fees	*$36.3*	*$42.0*	*$42.6*	*$43.0*	4.3%
Retail Delivery Fees[1]	$18.6	$22.6	$24.8	$26.9	9.7%
Percent change	NA	21.9%	9.7%	8.4%	
Other HUTF Receipts[2]	$53.9	$61.2	$61.7	$62.3	3.7%
Percent change	4.3%	13.6%	0.7%	0.9%	
Total HUTF	**$1,066.0**	**$1,237.7**	**$1,329.0**	**$1,376.9**	6.6%
Percent change	-0.6%	16.1%	7.4%	3.6%	
State Highway Fund (SHF)[3]	$27.5	$29.8	$29.6	$25.5	-1.9%
Percent change	29.4%	8.3%	-0.8%	-13.9%	
Other Transportation Funds	$173.3	$184.2	$188.6	$191.8	2.6%
Percent change	19.1%	6.3%	2.4%	1.7%	
Aviation Fund[4]	*$60.8*	*$57.0*	*$54.9*	*$52.5*	-3.59%
Multimodal Transportation Options Fund[1]	*$12.3*	*$15.0*	*$16.4*	*$17.8*	9.71%
Law Enforcement-Related[5]	*$7.3*	*$6.6*	*$6.4*	*$6.1*	-4.36%
Registration-Related[6]	*$92.9*	*$105.6*	*$111.0*	*$115.4*	5.57%
Total Transportation Funds	**$1,266.8**	**$1,451.8**	**$1,547.2**	**$1,594.2**	5.9%
Percent change	2.2%	14.6%	6.6%	3.0%	

Totals may not sum due to rounding.
*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.
[1]Retail delivery fee revenue credited to the fund under SB 21-260.
[2]Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.
[3] Includes only SHF revenue subject to TABOR. Beginning in FY 2019-20, SHF revenue subject to TABOR no longer includes local government grants and contracts.
[4]Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.
[5]Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.
[6] Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.

Lastly, retail delivery fees created in Senate Bill 21-260 went into effect on July 1, 2022. The retail delivery fees totaled 27 cents per delivery in FY 2022-23 and increased to 28 cents in FY 2023-24. This forecast includes only the portion of the retail delivery fee that is subject to TABOR. Of this amount, $18.6 million was distributed to the HUTF and $12.3 million to the Multimodal Transportation Mitigation Options Fund in FY 2022-23. Revenue from retail delivery fees is expected to grow by 21.9 percent in FY 2023-24.

Most fuel taxes and vehicle registration fees are credited to the Highway Users Tax Fund (HUTF). From the HUTF, funds are disbursed to the Department of Transportation, State Patrol within the Department of Public Safety, the Division of Motor Vehicles within the Department of Revenue, the Department of Natural Resources, and to county and municipal governments. The State Patrol, Department of Revenue, and Department of Natural Resources receive HUTF funds through annual appropriations. The remaining revenue is allocated to the Department of Transportation (via the State Highway Fund), counties, and municipalities based on how much revenue is collected. Revenue is distributed based on multiple formulas that differ between revenue streams. The estimated distributions from the HUTF are shown in Table 12.

Table 12
Highway Users Tax Fund Distributions
Dollars in Millions

HUTF Distribution Forecast	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
Department of Public Safety[1]	$181.9	$196.4	$196.4	$196.4
Department of Revenue[2]	$4.7	$4.2	$4.2	$4.2
Department of Natural Resources[3]	$0.3	$0.3	$0.3	$0.3
State Highway Fund	$539.7	$630.5	$682.2	$710.9
Counties	$218.5	$235.2	$254.6	$265.6
Municipalities	$153.6	$166.9	$182.6	$191.1
Total HUTF Distributions	**$1,098.7**	**$1,233.5**	**$1,320.3**	**$1,368.5**
Total Nonexempt Revenue	**$1,066.0**	**$1,230.0**	**$1,318.8**	**$1,366.2**
Assumed Exempt Revenue	$1.3	$3.5	$1.5	$2.3
Transfers to HUTF	$31.4	$0.0	$0.0	$0.0

[1] Allocations for CDPS made "off-the-top", regardless of the amount of revenue collected.
[2] Revenue is appropriated to the Department of Revenue in the Long Bill. The actual amount distributed to the department is often different from the amount appropriated due to differences in revenue collections. The amount estimated in FY 2023-24 reflects the full appropriation.
[3] The Department of Natural Resources receives an ongoing appropriation of $300,000 for capital construction.

Severance tax revenue, including interest earnings, totaled $374.7 million in FY 2022-23, an increase of almost $50 million from the prior year. Severance tax revenue is expected to decline by 40.3 percent in FY 2023-24 as the value of oil and gas production falls and the ad valorem tax credit utilization increases. Severance tax revenue is more volatile than other revenue sources due to the boom-bust nature of the oil and gas sector and Colorado's tax structure. The forecast for the major components of severance tax revenue is shown in Table 13.

Severance tax collections from **oil and natural gas** reached historic levels in FY 2022-23, totaling $347.1 million despite prices falling from highs posted in 2022. Collections are expected to decline in FY 2023-24 to $193.2 million due to several factors. The forecast was revised down from December 2023 in part from weaker-than-expected collections and lower-than-forecasted prices for oil and natural gas, resulting in a lower anticipated value of production. Ad valorem tax credit claims after the rapid increase in oil and gas production over the past two years are expected to impact severance tax payments further. The combination of lower prices and higher credits is weighing on the outlook despite expected growth in production. Downward pressures are expected to be partially offset by legislative adjustments to tax calculations beginning in tax year 2024. Higher natural gas prices and legislative impacts are expected to contribute to growing collections in FY 2024-25 and FY 2025-26.

Table 13
Severance Tax Revenue Forecast by Source
Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Oil and Gas	$347.1	$193.2	$209.9	$219.8	-14.1%
Percent Change	12.5%	-44.4%	8.7%	4.7%	
Coal	$4.5	$5.1	$4.8	$4.8	2.6%
Percent Change	38.6%	13.9%	-5.0%	-1.0%	
Molybdenum and Metallics	$0.6	$1.7	$1.9	$1.9	46.1%
Percent Change	-77.5%	185.0%	6.2%	3.1%	
Total Severance Tax Revenue	**$352.2**	**$200.0**	**$216.6**	**$226.5**	-13.7%
Percent Change	11.9%	-43.2%	8.3%	4.6%	
Interest Earnings	$22.5	$23.8	$22.2	$18.6	-6.9%
Percent Change	117.7%	6.0%	-6.8%	-16.3%	
Total Severance Tax Fund Revenue	**$374.7**	**$223.8**	**$238.8**	**$245.1**	-13.2%
Percent Change	15.3%	-40.3%	6.7%	2.7%	

*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.

After increasing by 38.6 percent in FY 2022-23 to $4.5 million, **coal severance tax** revenue is expected to increase in FY 2023-24 by about 14 percent, to $5.1 million. Tax revenues over the first seven months of the fiscal year have come in stronger than expected. Beginning in 2022 and continuing over the next few years, policy changes are phasing out tax credits for underground mines and a tonnage exemption, boosting collections above what would be expected otherwise. In Colorado and nationally, coal production rose rapidly in 2022 on favorable prices emerging from the pandemic, increased electricity usage due to weather, and global disruptions such as reduced European imports from Russia. However, market conditions have been less favorable and production is expected to decline through the forecast period. Production in Colorado is being shaped by the shift away from coal-fired electricity generation in the state. In FY 2024-25 and FY 2025-26, ongoing reductions in demand from the electricity sector are expected to contribute to declines, consistent with the longer-term trend.

Metal and molybdenum mines paid $0.6 million in severance taxes on the value of minerals produced in FY 2022-23, a decline of 77.5 percent. Tax revenue is expected to rebound somewhat in FY 2023-24, reaching an estimated $1.7 million. The market for metals and molybdenum is expected to contribute to further gains in FY 2024-25 and FY 2025-26, bringing tax collections closer to a long-term average.

Finally, **interest earnings** on severance tax revenue were approximately $22.5 million in FY 2022-23 and are forecast to increase to $23.8 million in FY 2023-24. Interest earnings have been stronger than anticipated through the first seven months of the fiscal year, partly due to higher interest rates. Interest earnings are forecast to decline 6.8 percent in FY 2024-25 and another 16.3 percent in FY 2025-26 as interest rates moderate from recent highs.

Limited gaming revenue includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. The state limited gaming tax is a graduated tax assessed on casino adjusted gross proceeds, the amount of wagers collected less the amount paid to players in winnings. The state does not collect gaming revenues from casinos on tribal lands in southwestern Colorado.

Gaming revenue is subject to TABOR except for revenue attributable to gaming expansions enacted under Amendment 50 and Amendment 77 (extended limited gaming), which is TABOR-exempt. In years of fast growth in gaming taxes, the portion of gaming tax revenue that is subject to TABOR grows more slowly than overall tax revenue. In this case, a greater share of revenue is directed to the state and local government programs that receive revenue through Amendment 50 and Amendment 77.

Following the COVID-19 recession, gaming revenues rebounded beyond pre-pandemic levels, posting double digit growth rates in FY 2020-21 through FY 2022-23. This upward trend reversed during the first four months of FY 2023-24, likely due in part to construction on the highways leading into Black Hawk and Central City. Those construction projects were completed in 2023, and gaming tax revenue growth again became positive in November 2023 through January 2024.

Growth in gaming revenue is expected to slow to 4.4 percent in FY 2023-24 as below-average household savings weighs on consumer activity. This is an upward revision from the December 2023 forecast, which projected a 1.4 percent increase. Revenue is projected to increase by an additional 1.1 percent in FY 2024-25, and a further 1.2 percent in FY 2025-26. Positive, yet slower growth projections are consistent with lower household savings and end of a rapid growth period immediately following the COVID-19 recession that was strengthened by pent-up demand.

The **other cash funds** line in Table 10 shows revenue subject to TABOR that is collected in cash funds other than those for which a specific forecast is prepared. There are about 400 cash funds represented on this line, with the number varying across fiscal years. Other cash fund revenue is a significant portion of the overall forecast for cash fund revenue subject to TABOR, and year-to-year fluctuations in this revenue can be an important determinant of the TABOR refund obligation and the General Fund budget.

For the first seven months of FY 2023-24 (July 2023 through January 2024), other cash funds revenue subject to TABOR totaled $457.8 million, 11.2 percent more than was collected in the same period in FY 2022-23. The largest changes were in the following funds:

- **Adult Dental Fund** revenue increased by $16.5 million due to receipts from the Unclaimed Property Trust Fund across TABOR district boundaries; however, this mostly reflects a shifting of receipts within the fiscal year and is expected to overstate the actual year-over-year increase in revenue;
- the new **Public Safety Communications Revolving Fund**, created in HB 22-1353, collected $6.5 million in service fees;
- **Information Technology Revolving Fund** revenue increased by $5.5 million due primarily to service charges paid from Colorado Parks and Wildlife, a state enterprise;
- **Department of State Cash Fund** revenue increased $4.8 million due to increased business registration fee revenue following the expiration of fee reductions in HB 22-1001;
- interest earnings in the **Capital Construction Fund** increased by $4.7 million;
- **Employment Support Fund** revenue increased by $4.5 million, mostly from unemployment support surcharges collected under SB 23-232;
- **Disability Support Fund** revenue increased by $4.2 million as a result of more personalized license plate issuances; and
- fine revenue to several Judicial Department cash funds—the **Offender Services Fund** (-$6.2 million), the **Judicial Collection Enhancement Fund** (-$2.7 million), and the **Correctional Treatment Cash Fund** (-$2.3 million)—decreased, reflecting elevated FY 2022-23 collections in these funds due to the receipt of intercepted TABOR refunds during the fall of 2022.

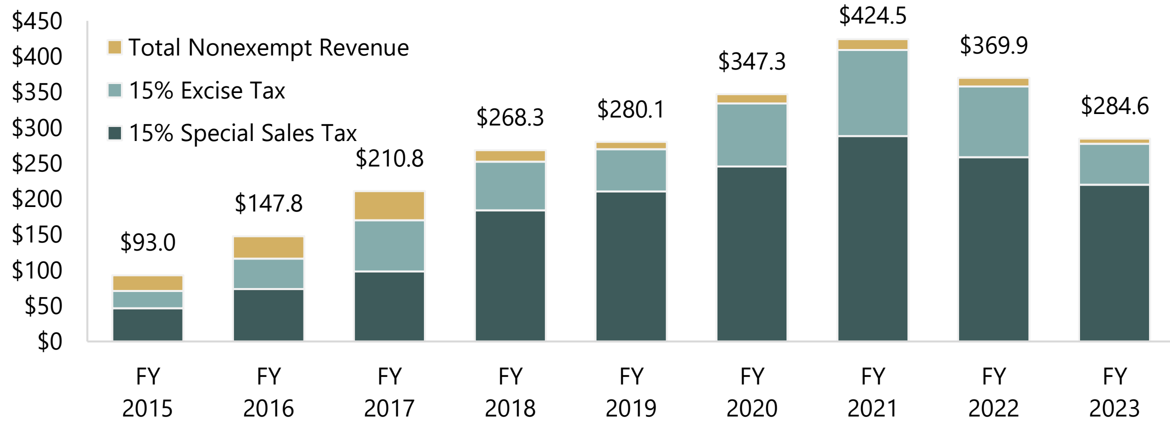
Most of these revenue changes are expected to be sustained in future fiscal years, while others, such as the increase in Information Technology Revolving Fund revenue, are expected to revert. Other cash funds revenue is projected to total $858.3 million in FY 2023-24, an increase of 7.4 percent or $58.8 million. Revenue is expected to remain near this level in FY 2024-25 and FY 2025-26, increasing 1.6 percent and 1.8 percent in these years, respectively.

Cash Fund Revenue Exempt from TABOR

Selected sources of TABOR-exempt cash fund revenue are presented below due to their importance as budget determinants. A few of the areas discussed include revenue subject to TABOR, such as 2.9 percent sales taxes on marijuana products, sports betting fee revenue, and unemployment support surcharges. This portion of the forecast document is not exhaustive, as there are many other sources of TABOR-exempt cash fund revenue that are not discussed here.

Marijuana tax revenue has declined substantially since FY 2020-21. The decline in marijuana tax revenue is largely due to falling consumption after the surge during the COVID pandemic, alongside falling prices as the marijuana market matures. Revenue is expected to rebound slowly beginning in FY 2024-25 as prices and consumption return to normal.

Figure 6
Tax Revenue from Marijuana
Millions of Dollars



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

Prices for marijuana fell as pandemic-induced demand waned and as the market matured. Tax revenue from marijuana is falling across most states where recreational marijuana is legal due to declining demand after the surge during COVID-19, but states that legalized marijuana early (Colorado, Washington, and Oregon) are seeing the biggest declines in sales. When states first legalize marijuana, there is often a shortage of supply as cultivators slowly enter the market, which pushes up prices – a trend that contributed to the rapid growth seen in Colorado in FY 2014-15 through FY 2017-18. This trend is often then followed by oversaturation in marijuana production, resulting in falling prices that push out some producers until the market reaches equilibrium. Colorado had started to experience this trend in 2018 and 2019, demonstrated by falling prices and excise tax revenue.

At the start of the pandemic, wholesale prices increased by over 30 percent between January 2020 and January 2021 as pandemic-induced restrictions resulted in surging demand for marijuana products. Prices then fell by 63 percent in the two years following, reaching a low point in April of 2023, due to both falling demand as pandemic-related restrictions subsided and a continuation of the falling prices that were experienced before the pandemic. Prices have started to rebound since April, up 13 percent year-over-year as of January, and are expected to continue to increase moving forward.

Marijuana tax revenue is expected to rebound in FY 2024-25, albeit with slower growth rates than seen historically. The state’s 15 percent excise tax and 15 percent sales tax, which make up the majority of the revenue from the marijuana industry, are voter-approved revenue exempt from TABOR. The 2.9 percent general state sales tax is assessed on medical marijuana and non-marijuana products sold at marijuana retailers, and is subject to the state’s revenue limit. The marijuana tax revenue forecast is shown in Table 14.

Table 14
Tax Revenue from the Marijuana Industry
Dollars in Millions

	Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	CAAGR*
Proposition AA Taxes					
15% Special Sales Tax	$219.9	$202.5	$214.4	$227.1	1.1%
State Share of Sales Tax	$197.2	$181.9	$191.9	$203.7	
Local Share of Sales Tax	$21.9	$20.2	$21.3	$22.6	
15% Excise Tax	$57.8	$50.6	$56.9	$63.1	3.0%
Total Exempt Revenue	**$277.7**	**$253.1**	**$271.3**	**$290.1**	1.5%
Percent Change	-22.5%	-8.8%	7.2%	7.0%	
Nonexempt Revenue					
2.9% Sales Tax on Medical Marijuana	$5.6	$3.8	$3.5	$3.4	-15.2%
2.9% Sales Tax on Retail Marijuana	$1.1	$1.3	$1.4	$1.5	9.8%
TABOR Interest	$0.1	$0.2	$0.2	$0.2	
Total Nonexempt Revenue	**$6.9**	**$5.3**	**$5.1**	**$5.1**	-9.6%
Percent Change	-41.1%	-23.5%	-3.3%	-0.2%	
Total Taxes on Marijuana	**$284.6**	**$258.4**	**$276.4**	**$295.3**	1.2%
Percent Change	-23.1%	-9.2%	7.0%	6.8%	

*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.

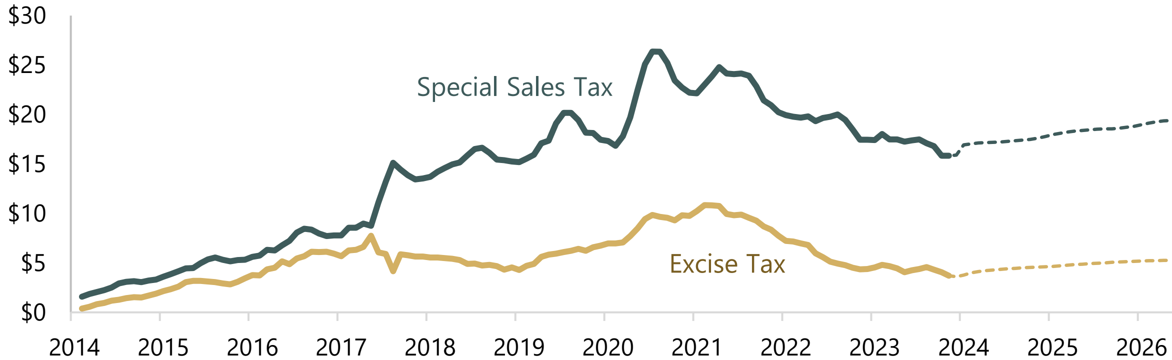
The **excise tax** is the second-largest source of marijuana revenue and is dedicated to the BEST Fund for school construction. The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator or manufacturer to the retailer. Therefore, the wholesale price is a significant determinant of excise tax revenue. Falling prices have contributed to falling excise tax revenue per unit, as well as falling sale volume as cultivators exit the market because prices are too low to support their businesses. The number of licensed cultivators has fallen by 19 percent compared to the year prior.

However, the wholesale price increased over three past two quarters – the first price increases since 2021. Rising prices are an indication that excise tax revenue is likely to pick up moving forward, although excise tax collections have continued to fall throughout the fiscal year. Excise tax revenue collections are expected to stabilize through the rest of FY 2023-24, for a 12.5 percent decline from FY 2022-23. Revenue is expected to increase by 12.5 percent in FY 2024-25 as wholesale prices rebound to pre-pandemic levels, and settle to 10.9 percent growth in FY 2025-26.

The **special sales tax** is the largest source of marijuana revenue, assessed on transactions between retailers and consumers, and distributed to the Marijuana Tax Cash Fund, State Public School Fund, General Fund, and local governments. Special sales tax revenue is down 11.2 percent so far in FY 2023-24 compared to the same period last fiscal year. Unlike excise tax revenue, sales tax revenue is not as well correlated with wholesale prices, and consumer prices are more difficult to measure across the state. Additionally, special sales tax revenue can be more volatile on a monthly basis than excise tax revenue, making it more difficult to predict. Shifts in consumer habits also impact retail sales revenue, as consumers switch to buying cheaper products due to high inflation reducing consumers' purchasing power.

Special sales tax revenue is expected to stop falling over the next few months, and begin showing year-over-year increases by the end of the fiscal year as rising wholesale prices begin to impact retail prices. Despite modest increases in the coming months, special sales tax revenue is expected to be 7.9 percent lower in FY 2023-24 compared to the prior year, before increasing by 5.9 percent in the two following fiscal years. This forecast estimates that the long run average growth will be near 6 percent, faster than general sales tax growth but much slower than pre-pandemic as the market matures.

Figure 7
Adult-Use Marijuana Revenue Forecast
Millions of Dollars, 3-Month Moving Average



Source: Colorado Department of Revenue and Legislative Council Staff forecast.

The **2.9 percent state sales tax** rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. Revenue from the 2.9 percent sales tax is deposited in the Marijuana Tax Cash Fund and is subject to TABOR. The medical marijuana sales tax brought in $5.6 million in FY 2022-23, a 38.8 percent decline compared to the year prior. The number of medical marijuana card holders has declined significantly in recent months, and is expected to result in continued falling medical marijuana tax revenue. Retail marijuana dispensaries also remitted $1.1 million in general sales tax in FY 2022-22. Collections are expected to increase slightly in FY 2023-24 to $1.3 million and increase modestly throughout the rest of the forecast period.

Based on the above forecasts, revenue to **the Marijuana Tax Cash Fund** is expected to fall by 8.5 percent in FY 2023-24 to $136.0 million, before increasing to $143.6 million in FY 2024-25.

Federal mineral lease (FML) revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of mineral production on federal land and royalty rates negotiated between the federal government and mining companies. FML revenue is exempt from TABOR.

As shown in Table 15, FML revenue totaled $173.6 million in FY 2022-23, a 38.8 percent increase from FY 2021-22. In FY 2023-24, FML revenue is forecast to decrease about 40 percent to $104.2 million. The rapid increase in natural gas prices that started in 2021 led to elevated FML revenues, though lower prices over the next year are expected to drive down revenue. As of February 2024, prices were down significantly from the peak of $8.81 per million BTU in August 2022, averaging about $1.91 for the month. Prices are expected to increase in 2024 and through the forecast period, but at a slower rate than expected in the December 2023 forecast.

Table 15
Federal Mineral Lease Revenue Distribution
Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
Total FML Revenue	**$173.6**	**$104.2**	**$116.7**	**$131.2**
Bonus Payments (portion of total revenue)	**$1.3**	**$1.0**	**$3.5**	**$3.9**
Local Government Permanent Fund	$0.6	$0.5	$1.8	$2.0
Higher Education FML Revenue Fund	$0.6	$0.5	$1.8	$2.0
Other (non-bonus) **FML Revenue**	**$172.4**	**$103.1**	**$113.2**	**$127.3**
State Public School Fund	$83.3	$49.8	$54.7	$61.5
Colorado Water Conservation Board	$17.2	$10.3	$11.3	$12.7
DOLA Grants	$34.5	$20.6	$22.6	$25.5
DOLA Direct Distribution	$34.5	$20.6	$22.6	$25.5
School Districts	2.9	1.8	1.9	2.2
Higher Education FML Revenue Fund	$0.6	$0.5	$1.8	$2.0

DOLA = Department of Local Affairs.
Note: The table shows the actual and projected revenue distributions to the various FML recipients. It does not reflect transfers of FML revenue from the recipients and funds to other funds, such as the General Fund, that have occurred.

Sports betting was legalized after the passage of **Proposition DD** at the November 2019 election. Betting launched on May 1, 2020, and has grown significantly since its inception. Revenue collected from sports betting activity includes licensing fees, an operations fee, and tax revenue, which is set at 10 percent of casinos' net sports betting proceeds. As voter-approved revenue, sports betting tax revenue is not subject to the TABOR limit; however, fee revenues are subject to TABOR.

Through the first seven months of FY 2023-24, sports betting tax revenue grew 21 percent compared to the same time period in FY 2022-23, a significant decrease from last year's growth rate as the market matures. Sports betting tax revenue is expected to increase by 22 percent in FY 2023-24, reaching $31.8 million by the end of the year. It is likely that the initial ramp-up period as a result of new implementation is largely over; consequently, growth in tax revenue is expected to slow to a 7.4 percent growth rate in FY 2024-25, and a 5.9 percent growth rate in FY 2025-26. In January 2024, parlay bets made up the largest portion of sports betting, totaling 45.1 percent of total wagers. Non-parlay basketball wagers contributed the second-most, accounting for 22.7 percent of all wagers. It is typical for sports betting to fluctuate with the season of different sports leagues and their popularity. For example, when the National Football League season started in September 2023, pro football wagers totaled 30.7 percent of total wagers, taking the lead for most wagers in that month. Similarly, three months into the Major League Baseball season, baseball accounted for the most wagers at 33.7 percent in June 2023.

Sports betting fee revenue subject to TABOR ended FY 2022-23 down 3.5 percent from the prior fiscal year, hovering around $2.3 million. Sports betting revenue subject to TABOR is expected to increase in future years and is included in the Other Cash Funds forecast in Table 10.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and year-end balances are shown in Table 16. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 10. Revenue to the Employment Support Fund and Benefit Recovery Fund, which receive a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 10.

The UI Trust Fund began FY 2022-23 with a deficit of $133.1 million, improved from a deficit of $1.0 billion at the end of the previous fiscal year. The amount of UI benefits paid increased in FY 2022-23, to $502.3 million, due to an uptick in the resolution of back payments along with increasing average benefits paid and growth in insured employment due to a strong state labor market. Revenue to the fund totaled $922.0 million in FY 2022-23, leaving the fund with a balance of $286.6 million on June 30, 2023, the first time the fund has ended the year with a positive balance since FY 2019-20.

Expected benefits paid in FY 2023-24 have been revised upward to $693.2 million, compared to $556.5 million in the December 2023 forecast. Benefit payments through the first two months of 2024 outperformed expectations given the current unemployment rate, potentially due to another surge in back payments paired with rising average weekly wages alongside continued growth in insured employment. Benefit payments are expected to return to a more sustainable level in the last quarter of FY 2023-24, but will still remain elevated due to a slight uptick in the unemployment rate and expected continued wage growth.

Similarly, revenues to the fund are expected to increase through FY 2023-24 and are revised upward to $1,035.9 million, compared to $952.9 million in the December 2023 forecast. Increases in the chargeable wage base pursuant to **Senate Bill 20-207**, estimated diversions to the fund from the Employment Support Fund (ESF) pursuant to **Senate Bill 23-232**, and revenue from the solvency surcharge offset a lower employer premium rate schedule due to improving fund balances. In addition, beginning in FY 2023-24, increases in the chargeable wage base pursuant to Senate Bill 23-232 created a new cap on the amount of money in the ESF at the end of any fiscal year. The solvency surcharge was applied and employers shifted down from the highest premium rate schedule in January 2024. The solvency surcharge is expected to be applied throughout the forecast period, as fund balances are expected to fall short of the 0.7 percent of annual private wages threshold required to turn it off until FY 2025-26. The FY 2025-26 threshold determines the solvency surcharge status for 2027, which is not forecasted.

The UI Trust Fund is expected to end FY 2023-24 with a balance of $629.3 million. The fund balance is expected to improve throughout the forecast period, meeting the thresholds to shift to a lower premium rate schedule in calendar year 2026 and to turn the solvency surcharge off in calendar year 2027. The modernization of the Colorado unemployment insurance premiums systems led to compromised wage data for the third quarter of 2023—the most recent quarter of data available—which drives more uncertainty than usual in the UI forecast. To the extent that the new system continues to weigh on the integrity of wage and employment data, the reliability of the UI forecast will continue to be impacted.

Table 16
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	CAAGR*
Beginning Balance	($133.1)	$286.6	$629.3	$1,171.4	
Plus Income Received					
UI Premium	$807.2	$885.9	$981.0	$860.2	2.1%
Solvency Surcharge	$0.0	$91.3	$173.7	$184.2	
Interest	$1.1	$7.7	$21.0	$23.4	
Other**	$113.7	$51.0	$30.0	$30.0	
Total Revenues	**$922.0**	**$1,035.9**	**$1,205.8**	**$1,097.8**	6.0%
Percent Change	-32.4%	12.4%	16.4%	-9.0%	
Less Benefits Paid	($502.3)	($693.2)	($663.6)	($699.7)	11.7%
Percent Change	3.8%	38.0%	-4.3%	5.4%	
Private Loan Repayment	($110.1)	$0.0	$0.0	$0.0	
Ending Balance	**$286.6**	**$629.3**	**$1,171.4**	**$1,569.5**	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.17%	0.34%	0.59%	0.76%	

Totals may not sum due to rounding.
*CAAGR: Compound average annual growth rate for FY 2022-23 to FY 2025-26.
**Other income includes private loans applied to federal loans outstanding, and estimated diversions from the Employment Support Fund; the Employment, Training and Technology Fund; and the Benefit Recovery Fund pursuant to SB 23-232.

Family and Medical Leave Insurance (FAMLI). Proposition 118, approved by voters in 2020, created the FAMLI program. FAMLI provides up to 12 weeks of paid leave for eligible employees to care for themselves or a family member. Starting January 1, 2023, employers were required to begin collecting a payroll premium for FAMLI benefits, which eligible employees may use beginning January 1, 2024. Employers were required to remit premiums no later than April 30, 2023. As of March 2024, FAMLI reports collecting premiums totaling $1.03 billion since the program began, and reports a fund balance of $1.11 billion.

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Economic Outlook

The U.S. economy is emerging from a tense period, when runaway inflation demanded an aggressive monetary policy response that risked the longevity of the post-COVID recovery and expansion. Over the past six months, the economy has emerged from this tense period onto firmer ground. Inflation is waning at the national and state levels, and employers continue to add jobs at a healthy rate. Households continue to spend, buoying businesses even in the face of high interest rates. Taken together, current indicators suggest that the U.S. economy is maintaining an average pace of expansion, far surpassing many economists' expectation for a recession or a very sluggish pace of growth.

This forecast expects continued moderate expansion in the U.S. and Colorado economies at a slightly slower pace in 2024 than in 2023. Receding inflation, alongside interest rate reductions anticipated to begin this summer, will boost growth, while deteriorating household balance sheets will raise headwinds. Colorado's economy is expected to modestly outperform the nation's, with comparable employment growth in 2024, higher income growth, and lower inflation.

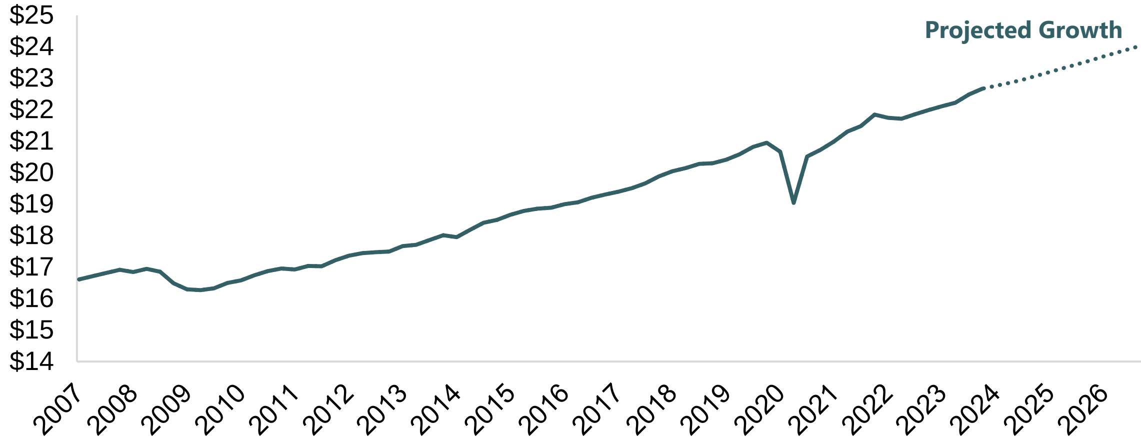
Tables 17 and 18 on pages 71 and 72 present the economic forecasts for the U.S. and Colorado, respectively. The tables in the Appendix, beginning on page 83, present historical data for the U.S. and Colorado economies.

Gross Domestic Product

U.S. real gross domestic product (GDP), the broadest measure of economic output, increased 2.5 percent in 2023. The rate of increase is consistent with moderate economic expansion, similar to the rates achieved in 2014, 2017, and 2019. In the face of high inflation and contractionary monetary policy, economic activity surpassed most economists' expectations, including the March 2023 LCS forecast, which had expected GDP to grow at just 1.1 percent. This forecast anticipates a slower, steadier pace of expansion over 2024, 2025, and 2026. High interest rates, low available labor, and tighter household budgets will result in slightly less growth this year than last year. However, the economy is expected to remain on a growth trajectory so long as household incomes increase at a sufficient level to grow consumer spending. Risks to the GDP forecast are balanced, with both upside and downside risks present.

- Real U.S. GDP growth is expected to increase by 2.4 percent in 2024, led by consumer spending as inflation wanes and interest rates begin to fall. Economic output is projected to increase moderately at rates of 2.1 percent in both 2025 and 2026.

Figure 8
U.S. Real Gross Domestic Product
2017 Dollars in Trillions



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff March 2024 Forecast.

Consumers are driving this expansion. After federal government cash injections boosted the economy during and immediately following the pandemic recession, consumers have taken the wheel. Consumer spending was the largest contributor to GDP in three of four quarters during 2023. Goods and services spending are both outpacing inflation, though services spending contributed more to GDP growth in 2023 than goods.

The outlook for the overall economy depends greatly on near-term and medium-term consumer activity. The economy will expand for as long as consumers are able to sustain growth. This forecast anticipates positive consumer contributions through 2026, but tighter household budgets will slow the pace of expansion.

Business investment signals are mixed, but remain positive on net. Investment activity is highly exposed to rising interest rates. During the hiking cycle, investment strongly detracted from economic growth in each of the second and third quarters of 2022 and the first quarter of 2023. Over the remainder of 2023, investment activity was modestly positive on net. Nonresidential investment, particularly in structures, has fared better than residential investment.

Business investment is expected to again contribute modestly to growth in 2024, and to strengthen in 2025 and 2026 when monetary policy is expected to ease.

Government spending continues to contribute to GDP. Governments have consistently made modest to moderate positive contributions to GDP since mid-2022, with state and local governments contributing more than the federal government in 2023. Public sector contributions face headwinds into 2025 and 2026 as American Rescue Plan Act funds must be disbursed by the end of 2024, and as spending through the Inflation Reduction Act ramps down.

International trade is a net-zero contributor. The U.S. economy has recovered much more strongly from the pandemic recession than other leading national economies around the world. The net impact on U.S. GDP, calculated as total exports minus total imports, has been net neutral, as American firms are generally better positioned to sell goods and services in foreign markets, and American consumers are better positioned to purchase foreign products. Weighted according to U.S. trading partners, the U.S. dollar is considerably stronger than it was before the pandemic, which boosts U.S. purchasing power for foreign imports and weakens foreign purchasing power for U.S. exports. However, appreciation of the dollar has slowed over the last six months and may be less of a drag on net trade in 2024 than in 2023.

Colorado's economic growth in perspective. Prior to the pandemic-induced recession, Colorado had experienced more than a decade of strong economic growth, outpacing most other states in employment growth, personal income, and other indicators. Coming off a period of very strong increases, economic growth in Colorado is expected to trend closer to the national average. This forecast anticipates that Colorado's economy will modestly outperform the U.S. economy through 2026, with faster income growth, lower inflation, lower unemployment rates, and comparable employment growth in 2024 that outpaces the U.S. in 2025 and 2026.

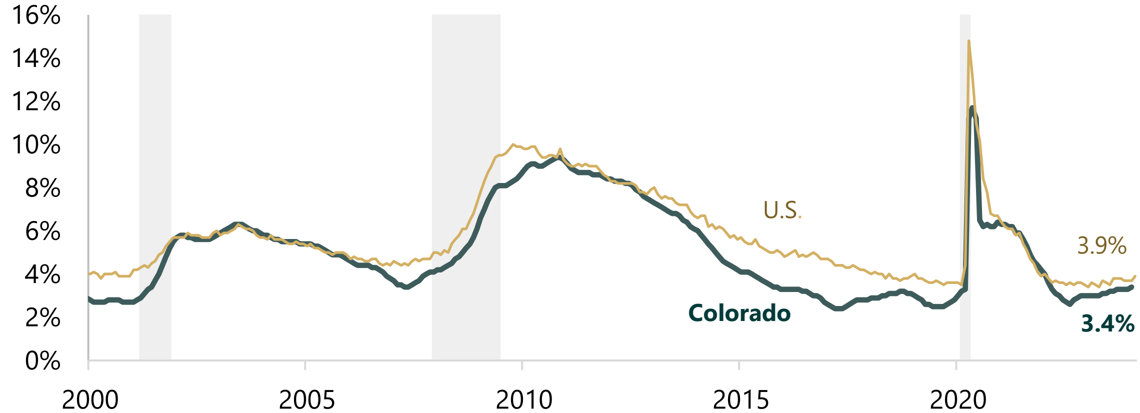
Labor Markets

Labor markets in Colorado and the nation show signs of cooling, with slower job growth and nominal wage growth alongside low but rising unemployment rates. A slowing labor market is consistent with a soft landing as the effects of tight monetary policy slow economic activity. Near-term employment growth is expected to continue to slow for both Colorado and the nation. The impacts of the slowdown are expected to continue to be uneven, with unemployment rates, wage growth, and job growth varying significantly across workers and industries.

- U.S. nonfarm employment ended 2023 up 2.3 percent year over year. Employment growth is expected to slow to 1.3 percent in 2024, and then slow further to 0.9 percent in 2025 and 0.7 percent in 2026. The U.S. unemployment rate averaged 3.6 percent in 2023. The unemployment rate is expected to increase to 4 percent in 2024 before falling to 3.9 percent in 2025 and 3.6 percent in 2026.
- In Colorado, employment grew 2.5 percent in 2023. Employment growth is expected to decelerate throughout the forecast period, falling to 1.3 percent in 2024 before slowing further to 1.2 percent in 2025 and 2026. The Colorado unemployment rate is expected to average 3.7 percent in 2024 before falling to 3.5 percent in 2025 and 3.2 percent in 2026.

Colorado's unemployment rate continues to rise despite declining labor force. The state's unemployment rate continued its upward trajectory in January, ticking up to 3.4 percent, driven by steady increases in the unemployed mixed with falling household employment and a decline in the labor force (Table 18). Consistent with a cooling labor market, Colorado's unemployment rate has climbed from 3 percent one year ago. In 2023, Colorado's unemployment rate was near the median among states, tied for the 26th lowest rate along with Georgia, Mississippi, and Oklahoma. North Dakota had the lowest unemployment rate (1.9 percent), while the highest rate belonged to Nevada (5.1 percent). Over the year, half of states posted a significantly higher unemployment rate since January 2023 and only six states posted decreases.

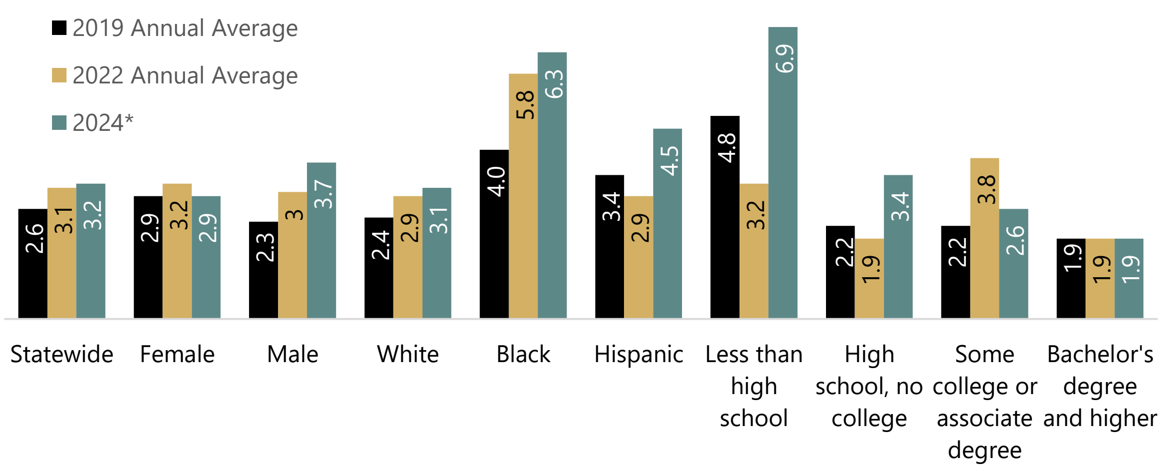
Figure 9
Unemployment Rates



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through February 2024. Colorado data are through January 2024.

Colorado unemployment rates vary by demographic group. The impact of a slowing labor market is uneven across demographic groups, with wider disparities by race, ethnicity, and educational attainment for the 12-months ending January 2024 compared to pre-pandemic, as people of color and those without a high school diploma continue to experience higher unemployment rates (Figure 10). However, small sample sizes may reduce the statistical significance of these patterns in some cases.

Figure 10
Colorado Unemployment Rates by Demographic Group

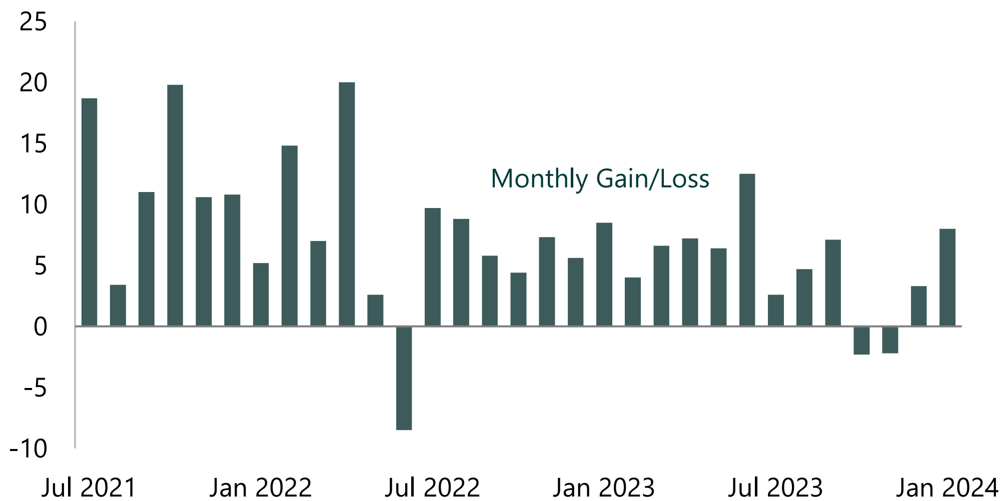


*2024 is a twelve-month average, February 2023 to January 2024.
Source: U.S. Bureau of Labor Statistics, Current Population Survey, retrieved from the Colorado Department of Labor and Employment. Data are not seasonally adjusted. Unemployment rates by educational attainment include individuals 25 and over; all other unemployment rates include individuals 16 and over. Unemployment rates shown in the chart are calculated differently than the official estimates of unemployment and should not be compared directly.

Colorado continues to have one of the nation's highest labor force participation rates. Colorado's labor force participation rate declined to 68.1 percent in January 2024, down from the post-pandemic high of 68.7 percent that held throughout mid-2023, but still well above the national rate of 62.5 percent in January. Among the 50 states, Colorado has the fourth highest labor force participation rate, behind Utah (69.3 percent), North Dakota (69.0 percent), and Nebraska (68.8 percent). Mississippi has the lowest labor force participation rate at 53.8 percent. Colorado real average hourly earnings were up a slight 0.2 percent year-over-year in January 2024.

Nonfarm payroll job gains are decelerating. Colorado employers added 8,000 nonfarm jobs in January, up from 3,300 in December, for an average monthly gain of 4,800 jobs over the past year. Colorado's average monthly job gains slowed significantly from the pace of 6,900 average job gains posted in 2022. Job gains have noticeably slowed since May 2022, which roughly coincides with the start of the Federal Reserve's interest rate hikes. In 2023, the state posted two-consecutive months of declining jobs from October to November (Figure 11).

Figure 11
Change in Colorado Nonfarm Employment
Thousands of Jobs



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

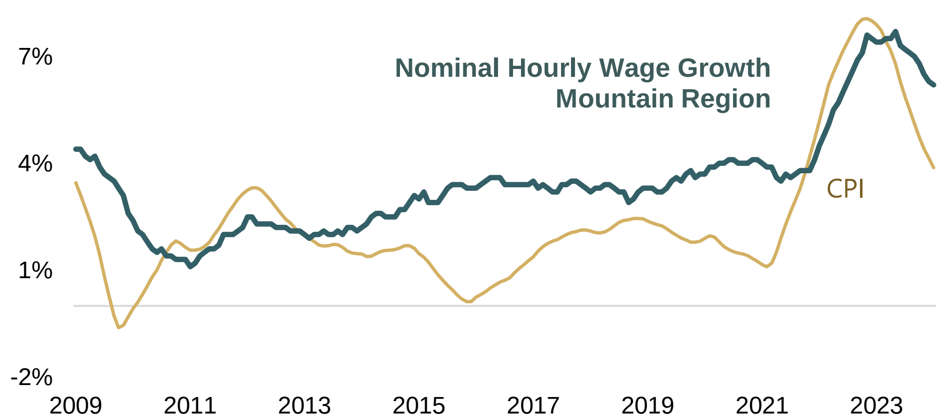
Industry employment challenged for several sectors. Based on revised benchmark data, employment declined for several of the state's industry sectors over the past year. For the 12 months ending in January 2024, data indicate that employment in manufacturing, finance and insurance, information, and retail trade were down year over year. Employment in these industries reflects the ongoing challenges from higher interest rates, slower retail sales activity and post-pandemic slowdown in manufacturing, and turmoil in the information and technology sector. Challenges for these industry sectors are expected to persist over the next year and into the forecast period.

Real wage growth continues, with nominal wage growth continuing to moderate. According to the Atlanta Federal Reserve Wage Growth Tracker, the 12-month moving average of median nominal wage growth (not adjusted for inflation) for the mountain region, which includes Colorado, was 6.2 percent year-over-year in January 2024, compared to 5.5 percent nationwide, and down from a peak of 7.7 percent in May 2023. Average inflation was 3.9 percent, down from a peak of 8.1 percent in November 2022. Average inflation exceeded average nominal wage growth from November 2021 to March 2023, resulting in a declining real wage and the erosion of purchasing power for more than 50 percent of workers during that period (Figure 12). Nominal wage growth has exceeded inflation since April.

Workers in the mountain region continue to experience the highest wage growth among the nine U.S. regions in January 2024, followed by New England with 6.1 percent wage growth. Wage growth is consistently decelerating for each of the nine regions, with the 12-month moving averages generally peaking in mid-2023.

At an industry level, the pace of wage growth nationally has decelerated for 5 of the 7 groups that are tracked in the data. Although decelerating, wage growth in public administration posted the fastest pace of growth at 6.7 percent, followed by construction and mining that climbed to 6.5 percent. Education and health services posted the slowest growth at 4.9 percent. Until January, data indicated consistently accelerating wages for both public administration and construction and mining over the past couple of years. In contrast, growth in leisure and hospitality, manufacturing, and trade and transportation has markedly slowed.

Figure 12
Median Nominal Hourly Wage Growth and CPI Inflation
Twelve-Month Moving Average



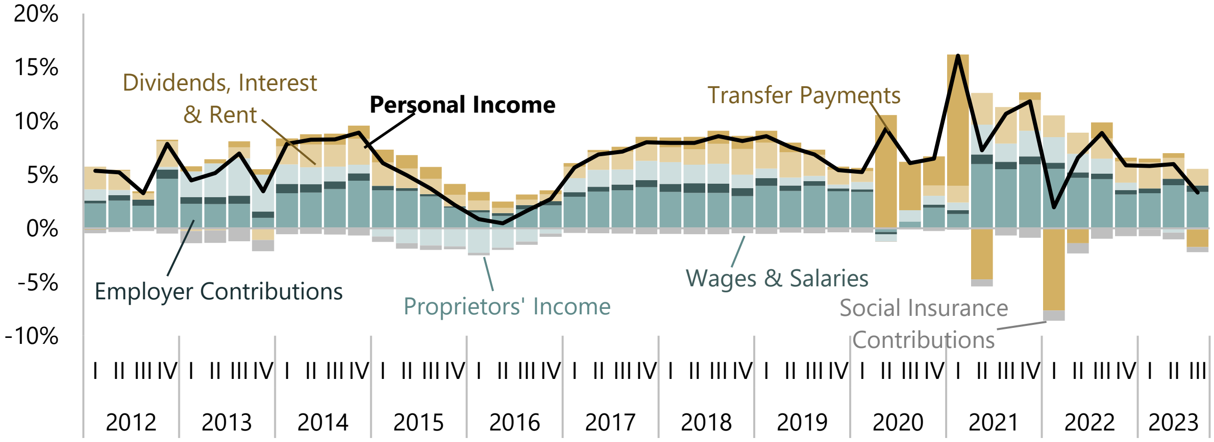
Source: Atlanta Fed Wage Growth Tracker. Data are through January 2024.

Employment growth in 2023 faster than expected after benchmark revisions. After the release of annual March benchmark data, 2023 nonfarm payroll job estimates were revised up in all 12 months. Based on the revised data, employment increased by 2.5 percent in 2023 compared with the 2.3 percent pace anticipated in the December 2023 forecast. For the year, employment averaged 2,942,600 based on revised data, up from 2,930,800 estimated in the December forecast.

Personal Income

Personal income growth has remained steady, continuing to grow at a healthy pace in both Colorado and the nation. Personal income measures the aggregate amount of income received by individuals and households from wages and salaries, business ownership, investments, and other sources. Personal income influences state revenue streams such as household contributions to income tax revenue, and foreshadows consumer spending and contributions to sales tax receipts. A history of year-over-year growth in nominal personal income in Colorado is shown in Figure 13.

Figure 13
Colorado Nominal Personal Income and Its Contributions
Contributions to Percent Change, Year-over-Year



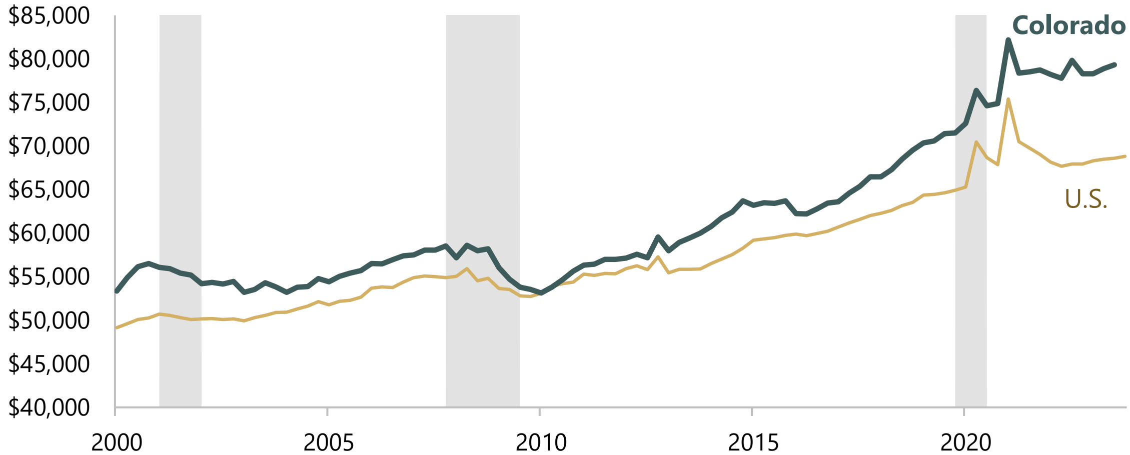
Source: U.S. Bureau of Economic Analysis with Legislative Council Staff calculations. Data are seasonally adjusted through the third quarter of 2023.

Total Colorado personal income was 3.3 percent higher in the third quarter of 2023 compared to a year prior. Wages and salaries are the largest source of personal income, and were up 6.8 percent compared to one year prior, similar to the average rate of growth before the pandemic. Dividends, interest, and rent were up 7.1 percent as rents and interest rates rose. Transfer payments were a drag on personal income in the third quarter, down 10.9 percent compared to the third quarter of 2022, when advance TABOR refund payments were issued. The decline in transfer payments is not expected to continue.

- Personal income increased by 5.2 percent nationally in 2023, and is expected to have increased by 5.2 percent in Colorado. In 2024, growth is expected to accelerate to 5.4 percent nationally and 5.8 percent in Colorado.
- Wages and salaries have outpaced other sources of personal income, with 6.3 percent growth nationally in 2023, and an anticipated 7.2 percent increase in Colorado. These are expected to moderate slightly to 5.9 percent nationally and 6.7 percent in Colorado in 2024.

Although growth in nominal personal income has been consistently strong, households have also had to contend with high inflation. Figure 14 shows per-capita personal income in Colorado and the U.S., adjusted for inflation. After adjusting for population and inflation, personal incomes in Colorado increased slightly throughout 2023. Real per-capita personal income in the U.S. fell throughout 2021 and early 2022, but has increased for six consecutive quarters, up 1.3 percent compared to a year prior. With inflation expected to slow through the forecast period, real personal income is expected to accelerate for both the U.S. and Colorado in 2024.

Figure 14
Real Per-Capita Personal Income
Constant 2023 Dollars

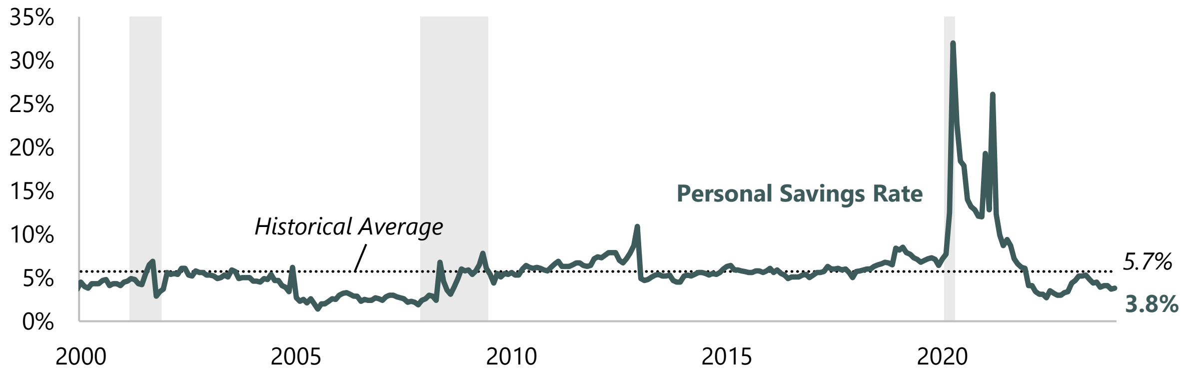


Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, and LCS calculations. Data are adjusted for inflation using the national PCE price index.

Household Finances

Personal savings rates are low by historical standards. The personal savings rate is below the historical average and has fallen steadily since May 2023, a concerning sign for household finances. The personal savings rate was below the historical average for all of 2022 and 2023, after spiking in the two years prior. During the pandemic, household balance sheets were bolstered by government transfer payments, strong nominal wage and salary growth, and reduced spending due to COVID-19 restrictions, resulting in exceptionally high personal savings. Some of these excess savings may still be bolstering household finances, although savings for many households has been spent down.

Figure 15
U.S. Personal Savings Rate*



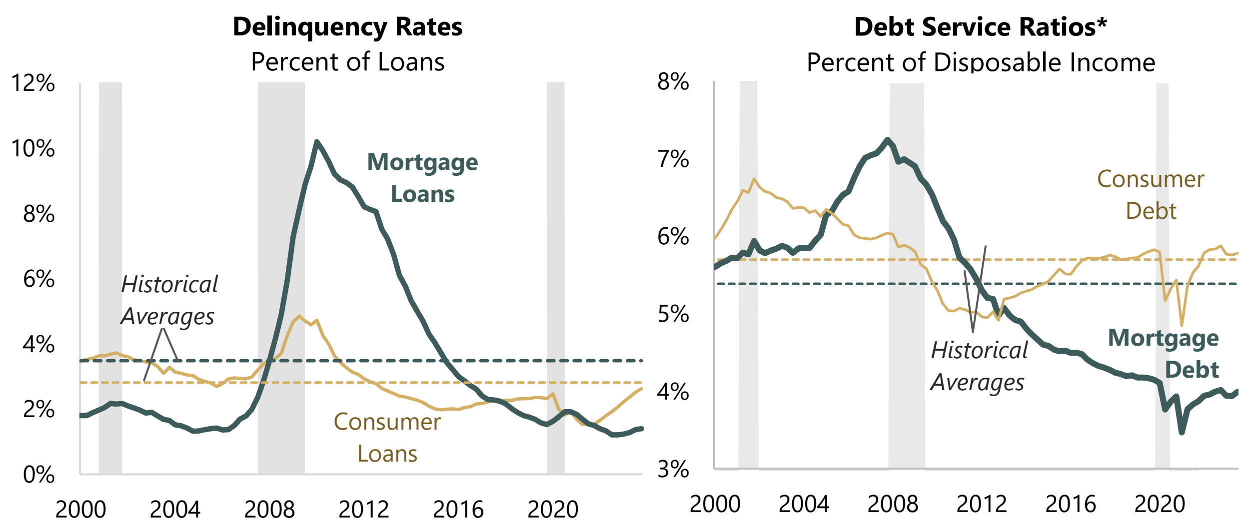
Source: U.S. Bureau of Economic Analysis. Data are shown as seasonally adjusted annual rates. Data are through January 2024.
*The personal savings rate is calculated as the ratio of personal saving as a percentage of disposable personal income. The historical average is the average from 2000 to present.

The savings rate reached a trough of 2.7 percent in June 2022, its lowest level since 2005. Personal savings rebounded through May 2023, reaching 5.3 percent, but began falling again, down to 3.8 percent in January 2024. A low savings rate signals that residual inflation continues to impact the purchasing power of household incomes, causing households to spend a higher percentage of their incomes for comparable levels of real consumption. This is one sign that household finances may be strained.

The level of household debt is consistent with a healthy economy, but delinquency rates are rising. Debt service ratios measure the percentage of households' disposable income that is obligated toward mortgage payments and consumer debt. Higher ratios imply that households will have a lower percentage of their incomes available to spend on additional goods and services, and may be more likely to reduce spending or default on debt due to financial stress.

Consumer debt as a percentage of disposable income rose through 2022 after dropping substantially during the pandemic in 2020. After peaking in late 2022, consumer debt as a percentage of disposable income stalled in 2023 and stands at a level similar to the historical average and pre-pandemic levels. Mortgage debt fell steadily between the 2008 financial crisis and the 2020 pandemic-induced recession. Similar to consumer debt, the mortgage debt ratio reached a peak in 2022 and held steady in 2023. Unlike consumer debt, the mortgage debt ratio remains well below the historical average. Overall, this signals that households have more financial obligations than during the early days of the pandemic, but that borrowing remains at a healthy level.

Figure 16
Household Debt



Source: Federal Reserve Board of Governors. Data are through 2023Q3 (left) and 2023Q4 (right).
*Debt service ratios are calculated as the ratio of household mortgage and consumer credit (e.g., credit card) debt payments to disposable personal income. Historical averages are calculated from 1980 to the most recent quarter of data. Data are seasonally adjusted.

Delinquency rates show the percentage of outstanding loans that are past due by thirty days or more. Delinquencies on mortgages are low by historical standards, and below where they were before the pandemic. As of the fourth quarter of 2023, the delinquency rate on consumer loans, which includes credit card debt, was 2.6 percent, compared to about 2.3 percent before the pandemic. The consumer loan delinquency rate has increased significantly since 2021, but remains consistent with historical levels.

Consumer Activity

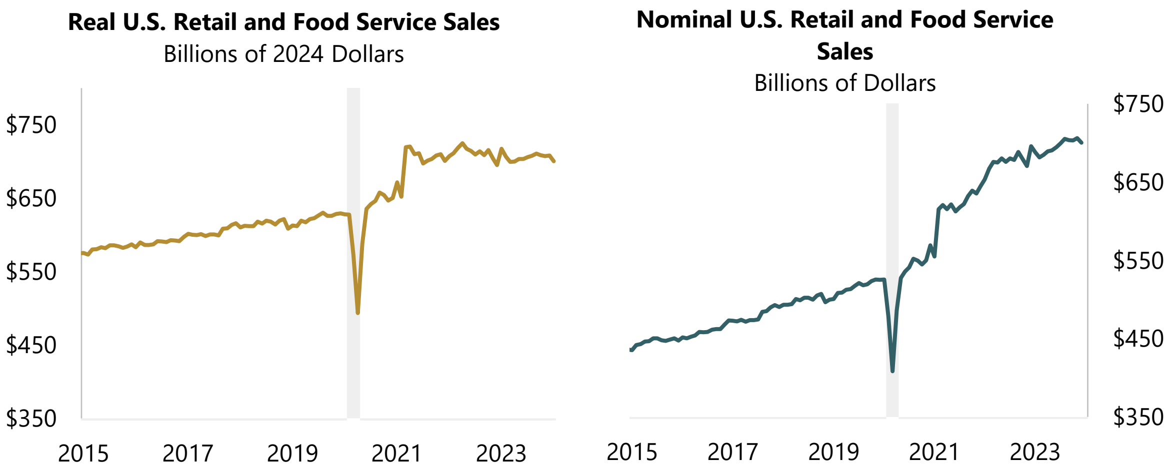
Consumer spending is the main driver of the U.S. economy. Consumer activity remained relatively stable in 2023 in the face of lower household savings, higher interest rates, tightening credit conditions, and inflationary pressures. Consumer activity tends to respond to labor market conditions and the health of household balance sheets, both of which weakened in 2023.

Although consumer confidence has largely trended upward since mid-2022, it remains significantly below pre-pandemic levels, and consumer expectations for a recession remain elevated. Low consumer confidence and declining personal savings pose downside risks to consumer activity. Consumer activity is expected to slow, but remain above recessionary levels in 2024, before picking back up in 2025.

Growth in personal consumption expenditures outpaced expectations in 2023. In the last quarter of 2023, year-over-year personal consumption expenditures grew by 2.7 percent, the largest growth rate posted since the first quarter of 2022. Durable good sales have performed particularly well, accelerating to a 5.7 percent year-over-year growth rate in the fourth quarter of 2023, largely driven by an increase in recreational goods and vehicles. Personal consumption expenditures on services grew consistently, ending 2023 up 2.3 percent. Health care is the largest service category and posted the highest year-over-year growth rate of all services at 5.3 percent in the last quarter of 2023. Across all goods and services, the only category to experience year-over-year declines in the last quarter of 2023 was nonprofit institutions serving households.

Is growth in U.S. retail trade sales finally starting to stall? Nominal U.S. retail sales had been largely on the rise since March 2020, when the pandemic ignited a shift in spending from services to goods. As pandemic restrictions lifted in early 2022, pent-up demand for services encouraged a shift back towards spending on services; however, nominal growth in retail trade sector sales continued to remain positive through 2023, ending the year up 5.3 percent from December 2022. Despite this, January 2024 data suggests a stall in the retail trade sector, which posted year-over-year growth of a mere 0.6 percent, the lowest growth rate since the COVID-19 recession. The U.S. Census Bureau’s advanced monthly retail trade reports can be heavily revised month-to-month, so future months of data will help to confirm whether January 2024 growth rates are the start of an ongoing trend. However, slower sales data are corroborated by recently weakening sales tax receipts for many states across the country.

Figure 17
U.S. Retail and Food Services Sales



Source: U.S. Census Bureau. Adjusted for inflation using the consumer price index for all urban areas (CPI-U) to the dollar value of most recent month of data. U.S. data are seasonally adjusted. Data through January 2024.

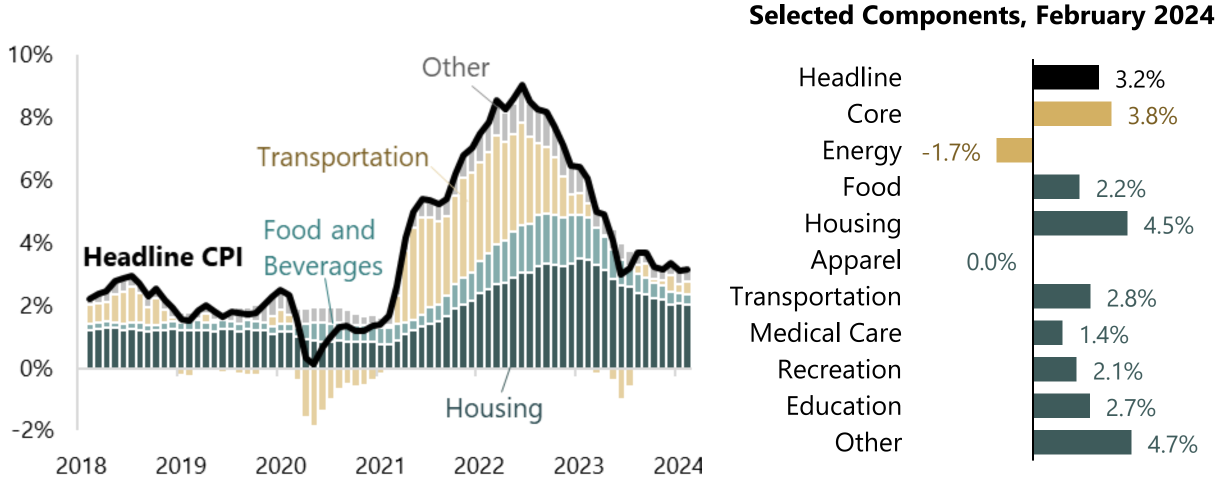
Inflation outpaced retail trade sales through most of 2023 and into 2024. As of January 2024, nominal sales were up 0.6 percent year-over-year, but after adjusting for inflation, real retail sales were down 2.4 percent. Furniture and home furnishing stores led the pack in declines, decreasing 10 percent year-over-year in January 2024 nominal sales. Other industries posting nominal year-over-year declines include motor vehicle and parts dealers; electronics and appliance stores; building, garden, and supplies stores; gas stations; sporting goods and hobby stores; department stores; and miscellaneous store retailers. In January 2024, the largest year-over-year growth rates were posted for nonstore retailers; food services and drinking places; health and personal care stores; and food and beverage stores.

Inflation

Inflation remains elevated nationwide. Inflation has slowed significantly since its historic surge in 2022, but remains higher than its historical average. As measured by the U.S. city average consumer price index (CPI-U), the average change in the price of goods and services faced by consumers peaked in June 2022, with prices 8.9 percent higher than they were in June 2021. Inflation has moderated considerably since, to 3.2 percent year-over-year as of February, but remains higher than it was before the pandemic (Figure 18, left).

- Headline inflation for U.S. urban consumers is expected to slow throughout the forecast period to 2.5 percent in 2024 and 2.1 percent in 2025.

Figure 18
Contributions to U.S. Consumer Price Index (CPI-U) Inflation
Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics.
Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

High year-over-year inflation is still driven primarily by rising housing costs. Housing is by far the largest component of the CPI and currently makes up about 45 percent of U.S. consumer prices. The housing component includes costs for rent payments (or for homeowners, the cost a homeowner would pay to rent their home), utilities, and other housing-related goods and services. Because the housing component of the CPI includes rents (or owner equivalent rents) paid by all households rather than rental prices actively on the market, the housing component tends not to change quickly in aggregate, as most renters' payments are not subject to change on a monthly basis. Rent inflation is more sensitive to tight labor market conditions than other components of inflation, as job and wage gains push up demand for rental units.[2] A cooling labor market is also expected to contribute to slowing housing inflation in 2024.

Inflation in Denver-Aurora-Lakewood is higher than the nation, but dissipating rapidly. Inflation in Colorado peaked early last year and has fallen since, particularly over the past six months. Figure 19 (left) shows the recent path of headline inflation and inflation among select components, as measured by the Denver-Aurora-Lakewood consumer price index. In March 2022, year-over-year headline inflation reached 9.1 percent and has since declined to 3.5 percent as of January 2024.

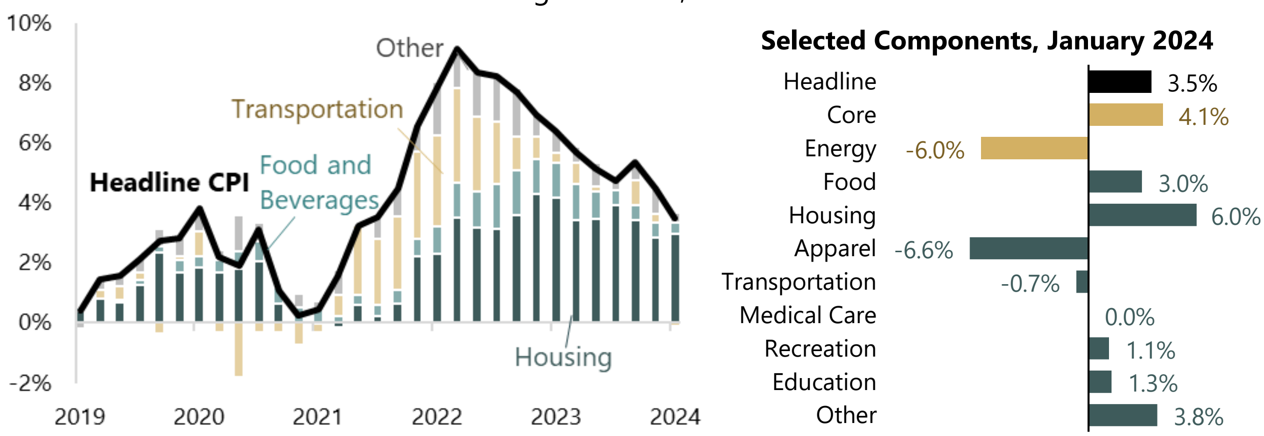
Transportation prices have fallen since September of 2023, contributing to dissipating headline inflation. In particular, motor fuel prices are down by 28.9 percent in February compared to the year prior, although they were higher in February than in January. Motor fuel prices are expected

[2] Bundick et al. "A Tight Labor Market Could Keep Rent Inflation Elevated". *Federal Reserve Bank of Kansas City, Economic Bulletin*. March 1, 2023.
https://www.kansascityfed.org/Economic%20Bulletin/documents/9384/EconomicBulletin23BundickSmithVanderMeer0301.pdf

to stay low in the coming months. Used vehicle prices have also fallen over the past year, contributing to the downward price pressure in transportation.

- Headline inflation in the Denver-Aurora-Lakewood combined statistical area is expected to fall below that of the U.S. over the next year, falling to 2.6 percent in 2024 and increasing to 3.3 percent in 2025.

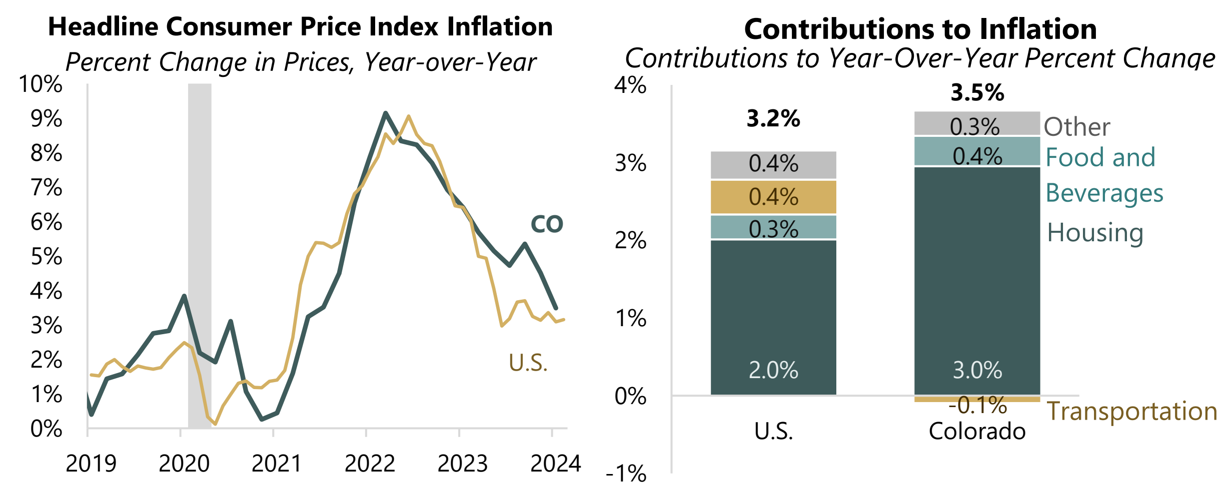
Figure 19
Denver-Aurora-Lakewood Consumer Price Index (CPI-U) Inflation
Percent Change in Prices, Year-over-Year



Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.
Headline inflation includes all products and services. Transportation includes new and used vehicles, vehicle parts, and motor fuel. Housing includes the cost of rent, homeowner rental equivalent, utilities, and other housing costs.

Housing and transportation inflation differs between the U.S. and Colorado. In January 2024, headline inflation in Colorado was similar to that of the nation, but the drivers of inflation were significantly different. Figure 20 (right) presents contributors to the current rates of inflation for the nation compared to the Denver-Aurora-Lakewood area.

Figure 20
Comparing U.S. and Colorado Inflation



Source: U.S. Bureau of Labor Statistics and Legislative Council Staff calculations.
Note: The "Contributions to Inflation" chart (right) shows U.S. inflation for **February** and Denver-Aurora-Lakewood inflation for **January**, reflecting the most recent data available.

Transportation prices were the primary cause of the recent uptick in U.S. inflation, contributing 0.4 percentage points to the total, whereas these same prices deflated over the past year in the Denver-Aurora-Lakewood area, subtracting 0.1 percentage points from total inflation. The difference is mostly due to a divergence in motor fuel prices between Denver-Aurora-Lakewood and the nation.

The difference in housing inflation more than offsets the difference in transportation inflation, with housing being much higher in the Denver-Aurora-Lakewood area. However, this difference is driven by auxiliary housing costs such as utilities and household furnishings, rather than by housing rental prices. Prices for household energy and furnishings have fallen over the past year in the U.S., but risen in the Denver-Aurora-Lakewood area. Prices for rent payments (or for homeowners, the cost a homeowner would pay to rent their home) were up by 5.7 percent year-over-year in February for both the U.S. and Denver-Aurora-Lakewood.

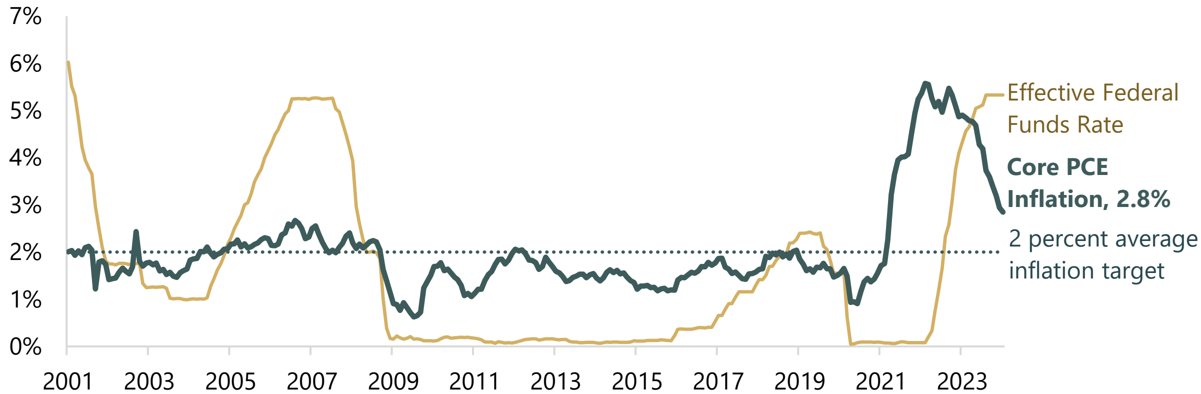
Monetary Policy

The Federal Reserve is expected to cut the federal funds rate by the end of 2024. The Federal Reserve uses changes to its balance sheet and its benchmark interest rate, the federal funds rate, to promote maximum employment and a long term average of 2 percent inflation. In response to high inflation, the Federal Reserve has increased the range for the federal funds rate by a combined 5.25 percentage points across 11 rate hikes since the beginning of 2022, but has signaled that these rate increases are over. In conjunction with rate hikes, the Fed also began reducing its balance sheet, first by tapering asset purchases and then by allowing a portion of its traditional portfolio of U.S. treasuries to mature without replacement. Increasing the federal funds rate increases other short- and medium-term interest rates and asset prices, while reducing the balance sheet is more likely to impact long-term interest rates and assets.

The effective federal funds rate remains at its highest level since 2007, while inflation, as measured by the personal consumption expenditures price index excluding food and energy, falls closer to the Federal Reserve's 2 percent average inflation target (Figure 21). Rising interest rates tend to impact the economy with a lag, such that impacts of interest rate hikes in the past year may further slow inflation moving forward, even in the absence of more rate hikes. However, the Federal Reserve targets inflation *averaging* 2 percent over time, meaning that the Fed may aim to have inflation fall below 2 percent after having inflation persistently above the target, which could result in more aggressive monetary policy if above-target inflation persists.[3]

[3] Federal Open Market Committee. Statement on Longer-Run Goals and Monetary Policy Strategy. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf

Figure 21
Personal Consumption Expenditures Inflation and the Federal Funds Rate
Percent / Year-Over-Year Percent Change



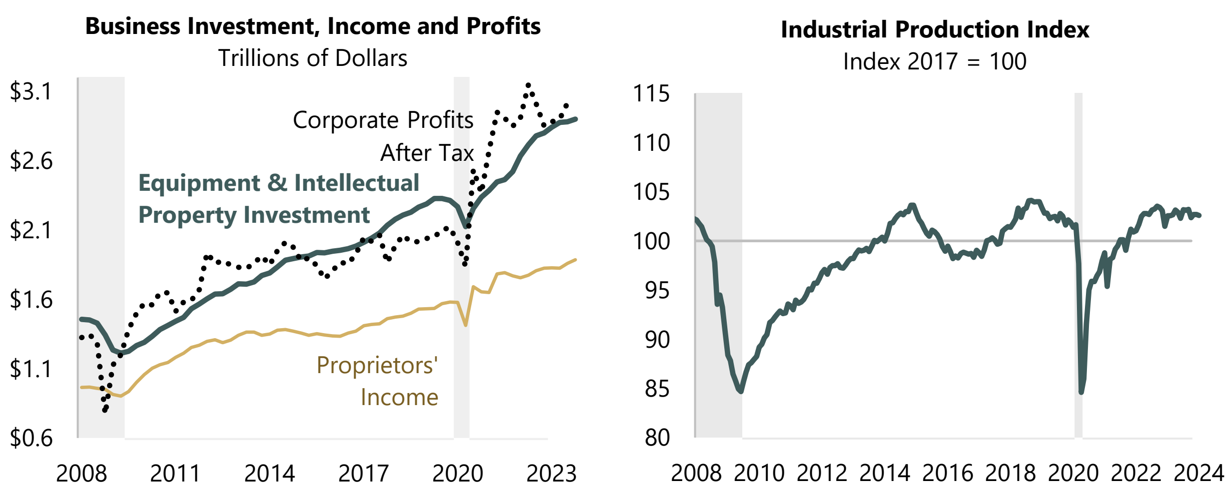
Source: Federal Reserve and U.S. Bureau of Economic Analysis.

There is still uncertainty regarding the effect of these changes on prices, and whether the Federal Reserve can engineer a soft landing. Tight monetary policy raises new demand-side risks as access to credit for would-be borrowers, including homebuyers, becomes scarce. Inflation is expected to remain above the Federal Reserve's target through 2024.

Business Activity

Business activity shows slowing positive growth, but many downside risks dampen the outlook moving forward. Labor shortages and high input prices pose drags, but appear to be easing slightly. Waning demand may become a bigger concern for businesses as inflation reduces the purchasing power of many households and reduces excess savings. Additionally, higher interest rates have increased the cost of corporate investment and expansion while further dampening demand.

Figure 22
Selected U.S. Indicators of Business Activity



Sources: U.S. Bureau of Economic Analysis data (left), not adjusted for inflation, through the fourth quarter of 2023, except that corporate profits data are through the third quarter. Federal Reserve Board of Governors data (right) through January 2024.

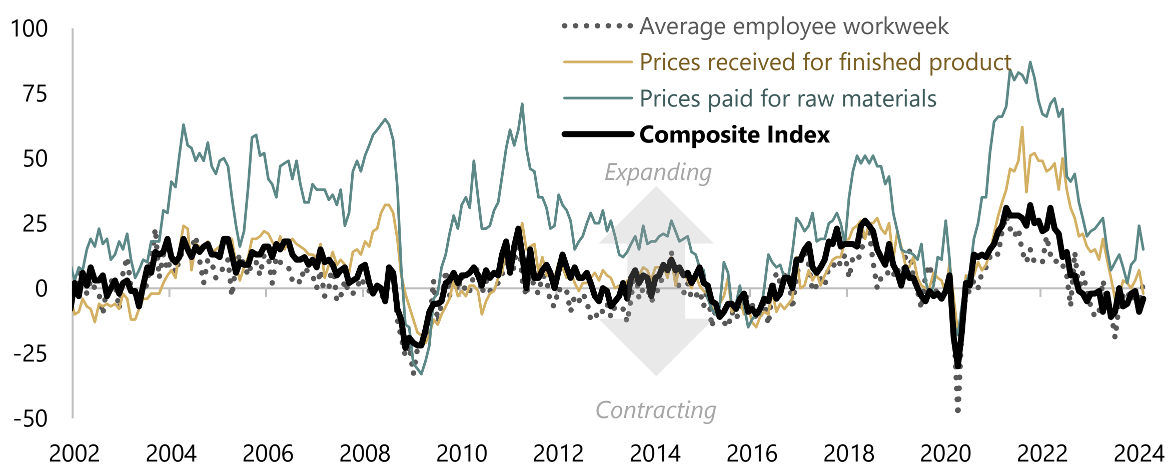
Corporate profits and industrial production slowed in 2023. Business incomes, including corporate profits and nonfarm proprietors' incomes, have flattened after reaching record highs in 2022 (Figure 22, left). In the third quarter of 2023, corporate profits rose nearly 17 percent from the second quarter on a seasonally adjusted annual basis, but were up just 0.1 percent year-over-year. After-tax corporate profits through the third quarter were down 3 percent year-to-date.

The industrial production index, which measures real output from manufacturing, mining, and utilities compared to output in 2017, also flattened in 2023. The index ended 2023 up just 1.2 percent year-over-year (Figure 22, right). The shift in industrial production follows the post-pandemic surge in manufacturing and rebound in other sectors. Encouragingly, new manufacturing orders have trended up after dipping at the beginning of 2023.

Supply chain disruptions have dissipated. Supply chain disruptions stalled deliveries and increased prices across the globe as a result of labor shortages and restrictions from the COVID-19 pandemic, but dissipated in 2023. The Federal Reserve Bank of New York's index of global supply chain pressures measures the impact of global transportation costs, delivery times, and backlogs. The index reached a record high in December 2021, but fell to its lowest reading on record in May 2023. At the start of 2024, pressures are hovering near their long-term average.

Manufacturing still struggling but signs of improvement. Following the post-pandemic surge, the manufacturing sector struggled in 2023. The Federal Reserve Bank of Kansas City produces a monthly manufacturing index for the Tenth District region, which includes Colorado and several surrounding states (Figure 23). In February 2024, the composite index remained mildly negative, consistent with the past year and indicating contracting manufacturing activity. Respondents were more likely to report decreases than increases in production, volume of shipments, and volume of new orders. However, researchers note the production and new orders indexes improved considerably. Although expectations for profit margins in the year ahead remain mixed, expectations for the next six months remain generally positive.

Figure 23
Tenth District Manufacturing Index
Diffusion Index



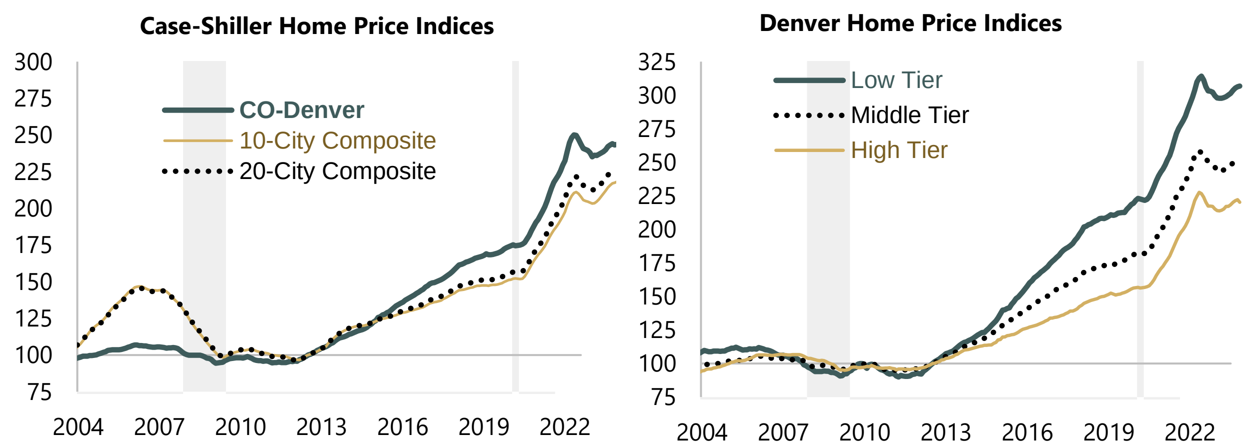
Source: Federal Reserve Bank of Kansas City. Data are seasonally adjusted. A value above zero indicates expansion; below zero indicates contraction.

Real Estate and Construction Activity

U.S. and Colorado home prices recovering, slow growth expected in 2024. Home prices across the nation fell from their mid-2022 peak through the first half of 2023 following the Federal Reserve's rapid monetary policy tightening and post-pandemic surge in demand (Figure 24). Peak to trough, home prices across the cities included in the Case-Shiller 20-city composite index fell 4 percent. Prices fell further in Denver, dropping by 5.9 percent from June 2022 to January 2023. Home prices improved over the latter half of 2023, but Denver's recovery has proceeded more slowly. Over the past year, Denver prices have increased just 2.4 percent compared to 6.2 percent for the 20-city composite, and remain below peak levels.

Interest rates will continue to weigh on home values over the next year. In February, the 30-year fixed rate mortgage averaged 6.7 percent. Although the rate has eased from a high of 7.6 percent in October 2023, the forecast anticipates that interest rates will remain high. Low home inventory across the country and Colorado will support some price growth, and affordability concerns for potential buyers will remain present.

Figure 24
Selected Home Price Indicators
Index 100 = July 2012



Source: S&P Dow Jones Indices LLC. Data are seasonally adjusted and are through December 2023.

Market conditions lead to slower homebuilding activity. National housing starts stabilized in the final quarter of 2023, but remain about 14 percent below peak levels posted in the first quarter of 2022. Notably, homebuilding among single-family and multifamily has trended oppositely since interest rates began climbing. Up until early 2023, the steep decline in single-family units was partially offset by continued growth in multifamily. Through the end of 2023, multifamily starts declined significantly while the single family market started to rebound. In Colorado, builders continue to face considerable headwinds in responding to low inventory, including a shortage of skilled labor. However, the outlook for 2024 has improved with recent data, with a small increase in construction expected for the year.

- The number of residential construction permits issued in Colorado is expected to climb 0.5 percent in 2024, then increase by a faster 6.4 percent in 2025 and 8.9 percent in 2026. However, construction is expected to remain below peak levels through the forecast period.

Nonresidential construction expands in the U.S., but slows in Colorado. After struggling in the in the two years following the pandemic recession, nonresidential construction rebounded strongly in 2023. Real (inflation-adjusted) nonresidential private investment in structures rose in each quarter and ended the year near pre-pandemic levels. As tracked by the Census Bureau, the value of U.S. nonresidential construction including both public and private spending, not adjusted for inflation, rose 19.5 percent in 2023. Manufacturing construction specifically was up by 60.5 percent year-over-year in December, driven by construction for computer, electronic, and electrical manufacturing as a result of investments made through recent federal legislation. Public spending on highways and streets also jumped, rising 25.9 percent year-over-year in December.

In contrast to the nation, Colorado's nonresidential construction fell 1.6 percent in 2023. Nonresidential construction was largely impacted by steep declines in warehousing, office buildings, and other commercial buildings. However, a surge in manufacturing, investment in renewable energy, and street and highway projects offset most of the contraction. Manufacturing has been bolstered by large announced projects including a large-scale semiconductor manufacturing facility near Colorado Springs, a CS Wind expansion in Pueblo, an expansion of Vestas in Northern Colorado, and a large manufacturing expansion for Agilent Technologies near Frederick. New nonresidential construction also reflects the state's largest utilities pushing into renewable energy generation and transmission projects. Many of these large construction projects will be built in multiple phases and are expected to support construction through the forecast period.

Overall, the state's nonresidential construction activity is expected to improve in 2024. However, persistent challenges with financing due to high interest rates and a skilled labor shortage will limit gains.

- The value of nonresidential construction starts in Colorado is expected to increase 3.3 percent in 2024, contract in 2025 by 2.8 percent, then rise by 3.6 percent in 2026.

Energy Markets

Oil and gas price outlook revised down with a stable market anticipated. Oil and gas prices have decreased significantly since peaking in mid-2022. In January 2024, the price of West Texas Intermediate crude averaged $74.15 per barrel, about 35.4 percent below the June 2022 peak (Figure 25, left). Softer prices through the end of 2023 are reflected in a lower outlook for 2024. Crude oil is expected to average $77.42 in 2024, down from about $89 in the December 2023 forecast. The lower price outlook is in spite of the conflict impacting the Red Sea shipping channel. The U.S. Energy Information Administration (EIA) noted in its February update that no oil production has been lost yet from the conflict, although it poses a risk to the forecast and uncertainty has put some short-term upward pressure on prices. However, upward pressure on prices has been limited due to prolonged inventory accumulation over the past two years. Near-term price pressures will wane as global production is expected to increase through 2024, with announced OPEC cuts more than offset by production in other countries, including the United States.

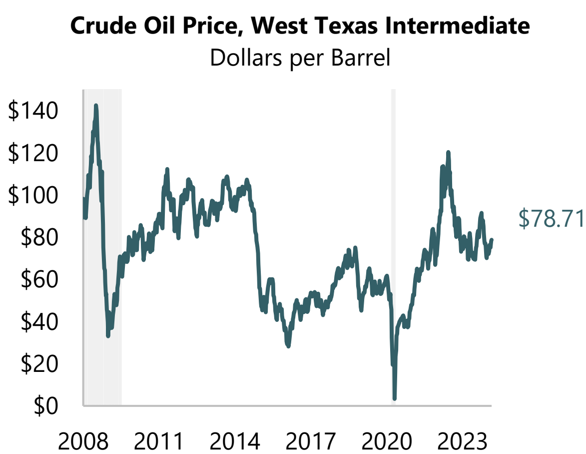
- In 2024, the price of West Texas Intermediate crude oil is expected to average $77.42 per barrel, falling to about $75 per barrel in 2025 and $72.50 per barrel in 2026.

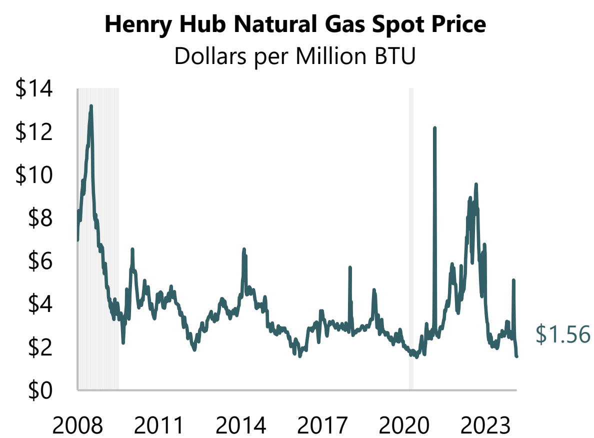
The outlook for natural gas prices is also revised down since the December 2023 forecast. The Henry Hub spot price is expected to average $2.63 per million BTU in 2024, down from $3.26 in the December 2023 forecast. A mild winter has contained demand for residential heating, and will result in greater-than-normal inventories after the heating season. Low prices have contributed to more natural gas consumed for electricity production, but this substitution is not great enough to offset the impact of reduced residential demand on the price outlook. In conjunction with greater production from oil wells, suppressed demand will continue to limit natural gas prices through the forecast period.

- In 2024, the Henry Hub spot price is expected to average $2.63 per million BTU, rising to $2.94 in 2025 and $3.25 in 2026.

Retail gasoline prices trend lower with lower oil prices. In February, the average price of a gallon of regular gasoline in the U.S. was $3.21, down about 5 percent year-over-year and well below the peak in June 2022. In 2024, prices are expected to average $3.31, reflecting a downward revision and the influence of lower-than-expected oil prices. In 2025, the EIA anticipates the price of gasoline will remain flat. Following refinery outages that contributed to higher-than-average prices, the price of regular gasoline in Colorado was $2.80, about 13 percent lower than nationally. Historically, prices in Colorado have been lower than the nation on average.

Figure 25
Select Energy Price Indicators



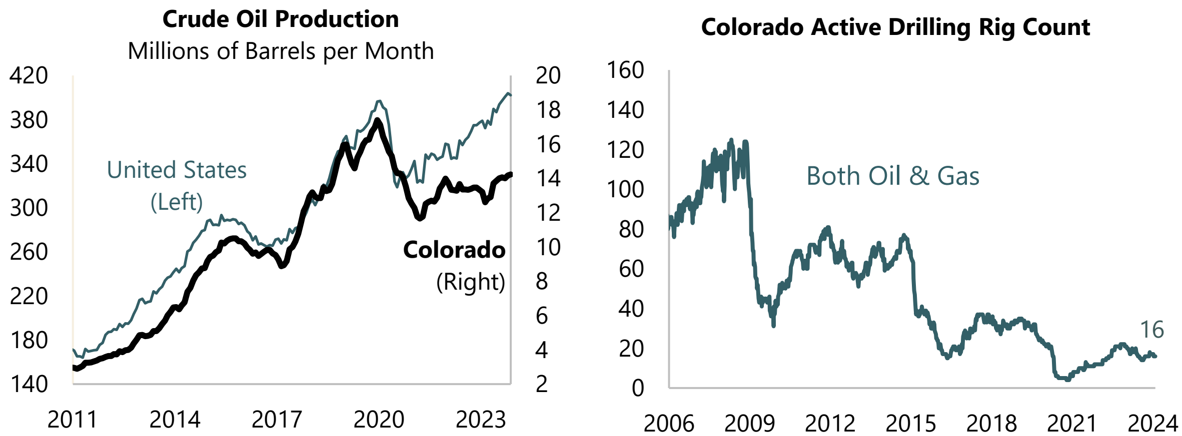


Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted and are through the week of February 23, 2024.

Recovery of oil and gas production in Colorado lags behind the nation. Following the pandemic recession, U.S. crude oil production rebounded, while Colorado's production experienced a larger pull-back and a slower recovery that stalled in the latter half of 2022 (Figure 26, left). Production in the state improved modestly in 2023, up just 2.5 percent year-to-date through November compared to the same period in 2022. In contrast, U.S. production was up 8.5 percent over the same period. As of February 2024, Colorado had 16 active drilling rigs, down from 22 in December 2022, and from a monthly average of 30 active rigs in 2019 (Figure 26, right).

Colorado's production is expected to grow modestly during the forecast period, rising by a projected 3 percent in 2024 before remaining near flat in 2025. Colorado's natural gas production is expected to rise by 3.1 percent in 2024 before contracting by 0.7 percent in 2025.

Figure 26
Select Energy Production Indicators



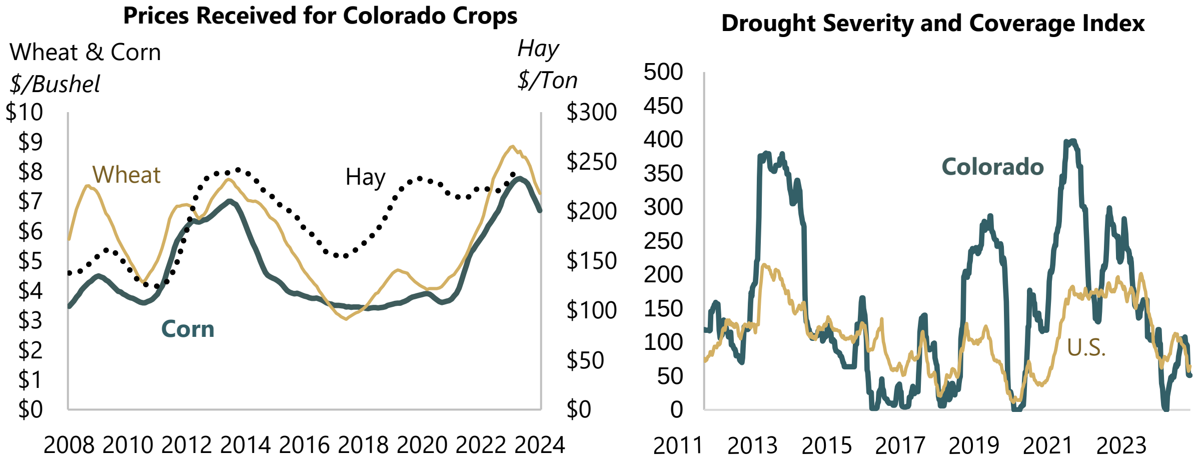
Sources: U.S. Energy Information data (left) shown as a three-month moving average, not seasonally adjusted, through November 2023. Baker Hughes data (right) not seasonally adjusted, through February 2024.

Agriculture

Conditions in the U.S. agriculture industry are mixed, with strong commodity prices and favorable growing conditions balanced against high input costs and expensive financing options. The U.S. Department of Agriculture (USDA) forecasts net farm income, a broad measure of profits, to fall again in 2024 after enduring a 16.0 percent decrease in 2023. Colorado producers are relatively well-positioned, as prices for Colorado's key outputs are strong, and drought conditions in the state remain favorable.

Most commodity prices are falling, but remain elevated. The USDA's nationwide index of prices received by all farms declined by 10 percent between January 2023 and January 2024, with most of the decline coming in the second and third quarters of 2023. Prices received remain higher than at any point before 2022. As shown in the left panel of Figure 27, prices for Colorado's key crops have followed a similar pattern, with wheat and corn prices, in particular, well above pre-pandemic levels. Prices for cattle have stabilized after rapid gains during 2022 and 2023, and now stand at 34 percent above the January 2023 level.

Figure 27
Selected Agricultural Indicators



Source: National Agricultural Statistics Service (left); data shown as twelve-month moving averages through January 2024. U.S. Drought Monitor (right); data through February 2024.

Farm income declines in 2023, with thinner profit margins for major commodities. After multiple years of strong growth, U.S. farm income moderated in 2023, while production costs remained elevated. While strong cattle prices boosted margins for many ranches and feedlots, crop producers face weakening profit opportunities. The USDA forecasts another drop in incomes in 2024, citing year-over-year commodity price decreases alongside still-high costs for labor and other inputs, and historically high interest rates for agricultural loans.

Drought conditions favorable, with average snowpack. For the first time since 2019, Colorado was drought free in July 2023 according to the U.S. Drought Monitor. The Drought Severity and Coverage Index showed worsening drought conditions over the latter half of 2023, but has shown improvement to begin 2024 (Figure 27, right). As of early March 2024, winter snowpack conditions are near usual median levels across the state, with slightly above-average snowpack in northern river basins (Colorado Mainstem, Yampa-White-Green) and slightly below-average snowpack in southern basins (Arkansas, Rio Grande, Southwest).

Global Economy and International Trade

The global economy avoided a worldwide recession during 2023, despite an array of calamities including persistent inflation, monetary policy tightening by central banks, the Russia-Ukraine war, China's slow economic recovery, and Middle Eastern conflicts. While risks remain, falling inflation paired with positive output in most regions signals that a global downturn has become less likely.

The International Monetary Fund upgrades 2024 outlook. In 2023, global economic output performed slightly better than expected, posting a 3.1 percent growth rate compared to the International Monetary Fund's (IMF) projected 3.0 percent rate. Among advanced economies, Europe struggled the most, with Germany experiencing a recession and Italy, France, and the United Kingdom seeing less than one percent growth in economic output in 2023. Economic growth in the United States is stronger than in other advanced economies around the world. Among developing economies, Indian and South American producers benefitted from shifts by importers away from China.

Global economic output is expected to see comparable growth of 3.1 percent in 2024 before slightly accelerating to 3.2 percent in 2025. While global economic output is expected to remain well above recessionary levels, it is also expected to remain below the historical average growth rate of 3.8 percent as central banks continue to fight inflation and fiscal support from the pandemic recedes. The IMF revised its inflation expectations downwards, predicting global headline inflation to fall to 5.8 percent in 2024 and 4.4 percent in 2025, still higher than pre-pandemic levels of 3.5 percent.

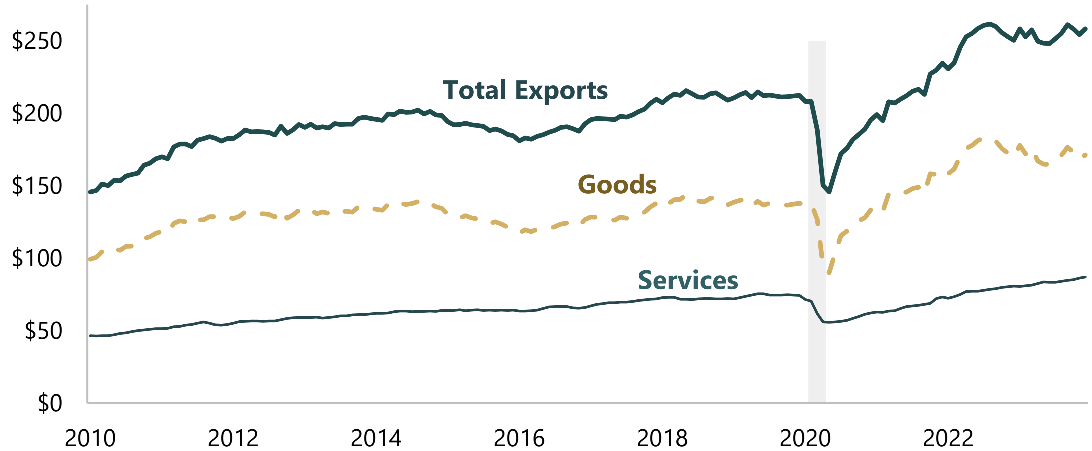
The impact of conflict abroad on the U.S. and global economy. Since the initial invasion of Ukraine on February 24, 2022, the U.S. has provided over $44 billion in military assistance to Ukraine through 2023, in addition to billions of dollars in humanitarian aid and investments into the Ukrainian economy. Global trade has remained stable amidst the war, as countries relying on exports from Russia and Ukraine have largely been able to shift towards trading with unaffected economies. There is always risk for global conflict to escalate; however, trade is expected to remain resilient against the Russia-Ukraine war barring any unexpected changes.

Conflict in the Middle East, including the Hamas-Israel war and attacks in the Red Sea pose a threat to international markets. Escalation of the Hamas-Israel war could spark a rise in oil prices; thus far, the impacts of the conflict have been mostly concentrated Middle Eastern economies and have not impacted oil prices across the globe. Since November 2023, the Houthi organization in Yemen has launched drones and missiles at commercial shipping and naval warships in the Red Sea, a shipping channel carrying nearly 15 percent of global seaborne trade. If the conflicts escalate, disrupted trade through the Red Sea channel is a potential shock to supply that could drive resurgent inflation.

U.S. trade volume declined in 2023. The dollar value of U.S. trade ended 2023 down 3.9 percent, after growing 16 percent in 2022, according to data from WiserTrade. The U.S.'s top three export markets are Canada, Mexico, and China. Exports to China declined through 2023 and ended the year down 4 percent compared to 2022, a significant change from the positive growth rates posted in the prior two years. Similarly, imports from China decreased over 20 percent in 2023 compared to 2022, potentially signaling shifting trade patterns as U.S. policy spurs companies to shift production hubs to other countries. Despite an overall decline in U.S. trade, imports from Mexico increased 4.6 percent in 2023, building off of double-digit growth seen in 2022. Total U.S. exports and imports were down by 2.2 percent and 4.9 percent, respectively, in 2023. While declining trade can indicate economic uncertainty, the declines follow two years of double-digit growth in exports and imports that followed the COVID-19 recession.

U.S. export volumes have sputtered since mid-2022 due to easing energy prices, a strong dollar, and slowing global economic growth (Figure 28). Oil and gas products, industrial and electric machinery, vehicles, and aircraft are the top categories of U.S. exports. However, U.S. exports of oil and gas products ended 2023 down 15 percent compared to 2022. Export volumes are expected to continue to decline slightly as restrictive monetary policy battles inflation.

Figure 28
U.S. Monthly Exports
Billions of Dollars



Source: U.S. Bureau of Economic Analysis (balance of payments basis). Data are seasonally adjusted but not adjusted for inflation. Data are through December 2023.

Colorado trade patterns mirror those of the U.S. The dollar value of Colorado's exports and imports declined by 7.4 percent in 2023 compared to 2022, a reversal of double-digit growth trends seen in the prior two years. While Colorado imports faltered by nearly 12 percent in 2023, Colorado exports increased by just under 1 percent. Most notably, industrial and electric machinery contributed to Colorado's overall growth in exports, despite a decline in beef exports—Colorado's most-exported item. Similar to the nation, Colorado's trade with China declined by 7 percent in 2023. In contrast to the rest of the nation, Colorado exports increased to both Canada and Mexico; however, the growth in exports were more than offset by the declines in imports from those countries. Colorado's trade volume with Canada remains more than twice as large as the trade volume with either Mexico or China, the state's second and third largest trading partners, respectively.

Risks to the Forecast

Risks to the forecast are balanced in terms of probability, but the economic magnitude of the downside risks continues to exceed that of the upside risks.

Downside risks are led by weak household finances. Household balance sheets continue to deteriorate, with already-low and falling savings rates the most concerning indicator presented in the outlook above. Savings rates are an important determinant of consumer confidence, and poor finances could portend softening consumer activity. This forecast anticipates slower consumer contributions to GDP, but a more severe pullback could cause real consumer spending to decline, which would likely signal a recession. Business finances are relatively healthy, but high borrowing costs could discourage investment. While the U.S. unemployment rate remains below long-run historical averages, accelerating unemployment over the next few months would strongly suggest a recession. Finally, the U.S. economy is the strongest in the world at present. While many national economies in Europe, Asia, and elsewhere have passed low points in their business cycles, a poor global economy and strained international relationships pose contagion risks for the U.S.

Upside risks have borne out over the past year. The U.S. economy exceeded most economists' forecast expectations during 2023. While this forecast anticipates that high interest rates will continue to weigh on growth, some sectors have demonstrated their ability to accelerate even in this contractionary monetary policy environment. This forecast expects modest cuts to interest rates beginning this summer, but falling inflation could motivate larger cuts, which would boost real wage growth and benefit household balance sheets. Resolution to international conflicts could untangle supply chains and ease prices globally, producing a healthier economy worldwide. While upside risks would result in less significant deviation from forecast expectations, they are about as likely to occur as the downside risks presented above.

Table 17
National Economic Indicators

Calendar Years	2019	2020	2021	2022	2023	Legislative Council Staff Forecast 2024	2025	2026
Real GDP (*Billions*)[1]	$20,692.1	$20,234.1	$21,407.7	$21,822.0	$22,375.3	$22,912.3	$23,393.5	$23,884.7
Percent Change	2.5%	-2.2%	5.8%	1.9%	2.5%	2.4%	2.1%	2.1%
Nonfarm Employment (*Millions*)[2]	150.9	142.2	146.3	152.5	156.1	158.1	159.5	160.6
Percent Change	1.3%	-5.8%	2.9%	4.3%	2.3%	1.3%	0.9%	0.7%
Unemployment Rate[2]	3.7%	8.1%	5.4%	3.6%	3.6%	4.0%	3.9%	3.6%
Personal Income (*Billions*)[1]	$18,356.3	$19,629.0	$21,407.7	$21,840.8	$22,966.3	$24,206.5	$25,465.2	$26,738.5
Percent Change	4.7%	6.9%	9.1%	2.0%	5.2%	5.4%	5.2%	5.0%
Wage and Salary Income (*Billions*)[1]	$9,325.0	$9,464.7	$10,312.6	$11,116.0	$11,805.3	$12,501.8	$13,189.4	$13,862.0
Percent Change	4.8%	1.5%	9.0%	7.8%	6.2%	5.9%	5.5%	5.1%
Inflation[2]	1.8%	1.2%	4.7%	8.0%	4.1%	2.9%	2.5%	2.3%

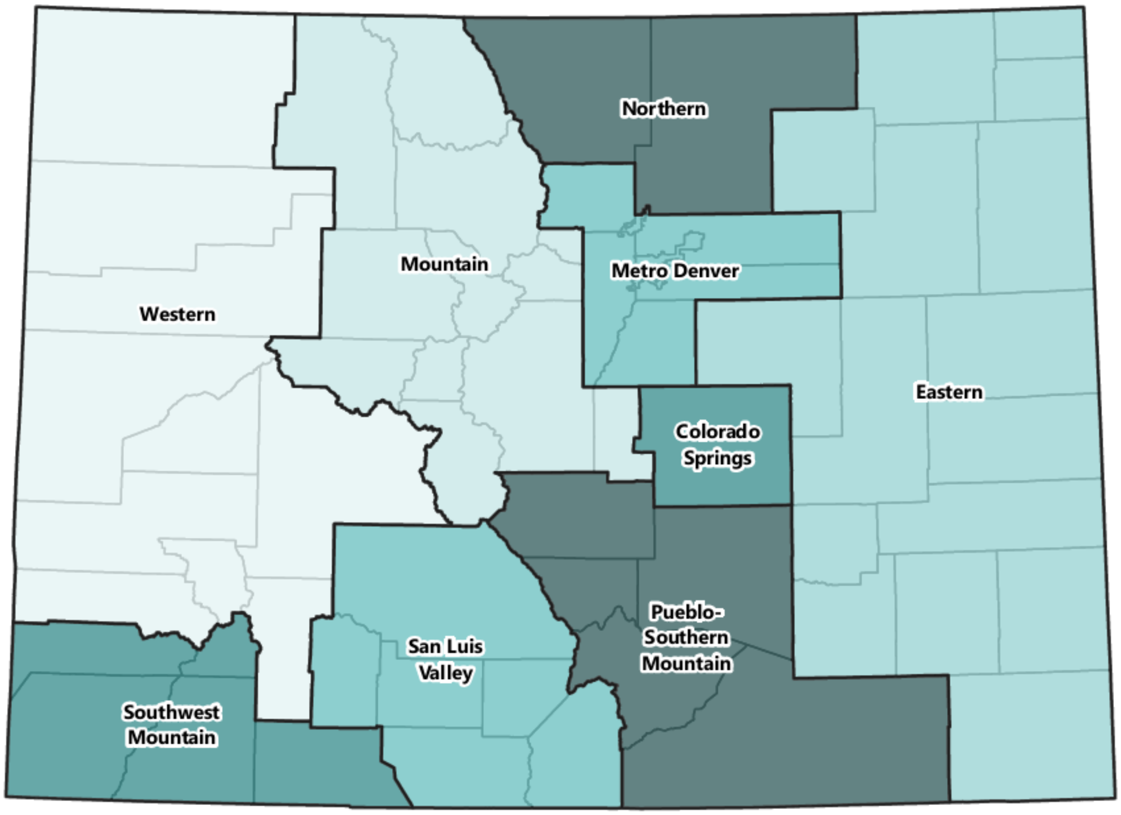
Sources:
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation and shown in 2017 dollars. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).

Table 18
Colorado Economic Indicators

Calendar Years	2019	2020	2021	2022	2023	Legislative Council Staff Forecast 2024	2025	2026
Population (*Thousands, as of July 1*)[1]	5,758.5	5,773.7	5,811.6	5,841.0	5,877.6	5,939.0	6,001.2	6,068.4
Percent Change	1.1%	0.3%	0.7%	0.5%	0.6%	1.0%	1.0%	1.1%
Nonfarm Employment (*Thousands*)[2]	2,789.9	2,652.6	2,751.0	2,869.9	2,942.6	2,980.8	3,016.6	3,052.8
Percent Change	2.3%	-4.9%	3.7%	4.3%	2.5%	1.3%	1.2%	1.2%
Unemployment Rate[2]	2.7%	6.8%	5.5%	3.1%	3.2%	3.7%	3.5%	3.2%
Personal Income (*Millions*)[3]	$351,373	$375,158	417,968	442,213	465,208	$492,190	$514,339	$541,084
Percent Change	7.1%	6.8%	11.4%	5.8%	5.2%	5.8%	4.5%	5.2%
Wage and Salary Income (*Millions*)[3]	$182,962	$187,834	205,570	224,332	240,484	$256,597	$270,709	$284,786
Percent Change	7.1%	2.7%	9.4%	9.1%	7.2%	6.7%	5.5%	5.2%
Housing Permits (*Thousands*)[1]	38.6	40.5	56.5	48.8	39.3	39.5	42.1	45.8
Percent Change	-9.4%	4.8%	39.7%	-13.6%	-19.5%	0.5%	6.4%	8.9%
Nonresidential Construction (*Thousands*)[4]	$5,161.5	$5,607.5	$5,663.2	$6,651.7	$6,542.4	$6,758.3	$6,569.1	$6,805.6
Percent Change	-36.5%	8.6%	1.0%	17.5%	-1.6%	3.3%	-2.8%	3.6%
Denver-Aurora-Lakewood Inflation[5]	1.9%	2.0%	3.5%	8.0%	5.2%	2.6%	3.3%	2.3%

Sources:
[1]U.S. Census Bureau. 2020 population numbers reflect the 2020 Census, while other numbers reflect the July 1 estimates. Residential housing permits are the number of new single- and multifamily housing units permitted for building.
[2]U.S. Bureau of Labor Statistics.
[3]U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.
[4]F.W. Dodge.
[5]U.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.

Colorado Economic Regions



The tables in the following sections provide economic indicators for nine regions in Colorado. Beginning with this March 2024 forecast, detailed regional narratives describing trends and the outlook for each region will be replaced by summary tables for the December, March, and September forecasts. Each year, detailed regional profiles and outlooks will be prepared for the June forecast document that reflect the depth of analysis provided in previous forecasts.

Note on data revisions. Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data are based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data are based on the surveys received at the time of data publication, and data are revised over time as more surveys are collected to more accurately reflect actual employment conditions. Because of these revisions, the most recent months of employment data may reflect trends that are ultimately revised away. Additionally, employment data are revised in March of each year. This annual revision may affect one or more years of data values.

Like the employment data, residential housing permits and agricultural data are also based on surveys. These data are revised periodically. Nonresidential construction data in the current year reflects reported construction activity. These data are revised the following year to reflect actual construction.

Metro Denver Region

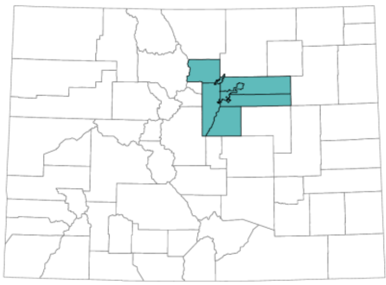


Table 19
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth[1]						
Denver-Aurora-Lakewood MSA	2.6%	2.3%	-4.9%	3.9%	5.0%	2.2%
Boulder MSA	3.2%	2.5%	-5.4%	3.5%	4.2%	1.9%
Unemployment Rate[2]	2.9%	2.5%	6.9%	5.4%	2.9%	3.1%
Wages[3]						
Average Weekly Wage Growth	3.4%	5.2%	7.8%	6.5%	5.2%	3.3%
Level	$1,262	$1,328	$1,431	$1,524	$1,604	$1,646
Housing Permit Growth[4]						
Denver-Aurora-Lakewood Single Family	7.9%	-6.1%	1.5%	16.3%	-22.3%	-10.2%
Boulder Single Family	15.7%	-9.5%	-6.2%	-34.4%	42.7%	22.8%
Nonresidential Construction Growth[5]						
Value of Projects	46.8%	-37.2%	-9.5%	2.6%	35.6%	-17.5%
Square Footage of Projects	-10.7%	-8.3%	-6.7%	31.9%	28.1%	-47.4%
Level (*Thousands*)	17,193	15,763	14,701	19,410	29,932	4,188
Number of Projects	-18.3%	-11.5%	1.0%	14.4%	14.6%	13.5%
Level	771	682	689	788	903	1025
Housing Market[6]						
Average Sale Price – Single Family	8.2%	2.7%	8.0%	19.9%	10.3%	0.1%
Level (Thousands)	$535	$549	$597	$712	$790	$787
Inventory – Single Family	7.2%	11.2%	-38.2%	-46.4%	102.3%	13.6%
Home Sales – Single Family	-5.2%	5.3%	7.8%	1.9%	-21.1%	-16.3%
Retail Sales Growth[7]	4.9%	8.9%	0.1%	17.4%	11.4%	-0.1%

MSA = Metropolitan statistical area. NA = Not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2023.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[3]U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[4]U.S. Census. Growth in the number of residential building permits. Data through December 2023.
[5]F.W. Dodge. Data through December 2023.
[6]Colorado Association of Realtors. Data through December 2023.
[7]Colorado Department of Revenue. Data through December 2023.

Northern Region

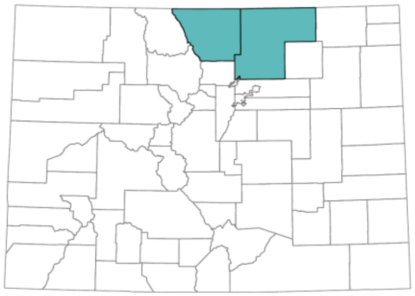


Table 20
Northern Region Economic Indicators
Weld and Larimer Counties

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth[1]						
Fort Collins MSA	2.5%	2.3%	-4.7%	3.7%	4.2%	3.2%
Greeley MSA	4.7%	3.6%	-7.2%	-0.2%	4.6%	4.2%
Unemployment Rate[2]	2.7%	2.4%	6.2%	5.2%	2.9%	3.0%
Average Weekly Wages[3]	4.2%	4.3%	6.4%	3.8%	6.2%	6.0%
Level	$997	$1,040	$1,106	$1,149	$1,219	$1,273
State Cattle and Calf Inventory Growth[4]	2.6%	8.0%	1.9%	4.0%	-1.0%	-7.5%
Natural Gas Production Growth[5]	17.1%	22.0%	8.3%	-2.8%	-2.3%	0.8%
Oil Production Growth[5]	29.5%	10.7%	-11.9%	-10.3%	-0.1%	0.8%
Housing Permit Growth[6]						
Fort Collins MSA Total	8.4%	-18.2%	-0.3%	13.3%	-19.5%	7.7%
Fort Collins MSA Single Family	-14.1%	-4.9%	34.7%	-0.1%	-36.1%	-7.5%
Greeley MSA Total	25.0%	-2.2%	9.1%	15.5%	17.8%	-14.1%
Greeley MSA Single Family	32.1%	-8.4%	28.1%	3.8%	-9.8%	-6.9%
Nonresidential Construction Growth[7]						
Value of Projects	64.9%	-71.6%	85.4%	-26.9%	61.1%	33.4%
Square Footage (Level in Thousands)	$2,892	$2,424	$2,619	$2,581	$6,764	$3,225
Number of Projects	322	267	242	229	278	223
Housing Market[8]						
Average Sale Price - Single Family	$412	$426	$457	$532	$598	$606
Inventory - Single Family	6.3%	14.5%	-21.7%	-44.3%	53.4%	14.5%
Home Sales - Single Family	0.8%	2.7%	9.8%	2.3%	-20.4%	-19.0%
Retail Sales Growth[9]						
Larimer County	3.4%	5.3%	9.6%	7.6%	13.0%	12.3%
Weld County	12.5%	9.5%	8.9%	-2.3%	13.6%	16.2%

MSA = Metropolitan statistical area. NA = Not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2023.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[3]U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[4]National Agricultural Statistics Service. Cattle and calves on feed. Data through December 2023.
[5]Colorado Oil and Gas Conservation Commission. Data through December 2023.
[6]U.S. Census. Growth in the number of residential building permits. Data through December 2023.
[7]F.W. Dodge. Data through December 2023.
[8]Colorado Association of Realtors. Data through December 2023.
[9]Colorado Department of Revenue. Data through December 2023.

Colorado Springs Region

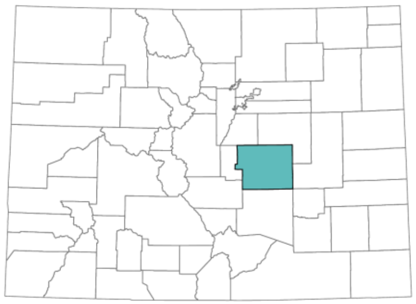


Table 21
Colorado Springs Region Economic Indicators
El Paso County

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth[1]						
Colorado Springs MSA	2.2%	2.6%	-2.7%	4.1%	4.3%	3.3%
Unemployment Rate[2]	3.7%	3.2%	6.9%	5.7%	3.3%	3.3%
Wages[3]						
Average Weekly Wages	3.1%	4.3%	7.5%	4.8%	4.6%	4.6%
Level	$971	$1,012	$1,088	$1,140	$1,192	$1,228
Housing Permit Growth[4]						
Total	15.4%	-3.8%	25.7%	34.7%	-5.5%	-40.0%
Single Family	9.6%	-4.1%	24.4%	0.7%	-28.4%	-26.2%
Nonresidential Construction Growth[5]						
Value of Projects	20.9%	0.5%	47.1%	0.8%	-26.0%	7.3%
Square Footage of Projects	9.3%	5.3%	124.5%	-48.2%	-31.8%	-31.7%
Level (Thousands)	2,841	2,992	6,719	3,480	2,374	1,622
Number of Projects	-1.3%	-31.1%	16.3%	-26.4%	18.1%	-42.6%
Level	543	374	435	320	378	217
Housing Market[6]						
Average Sale Price – Single Family	9.9%	5.8%	13.2%	18.2%	10.2%	0.2%
Level (Thousands)	$346	$366	$417	$492	$542	$541
Inventory – Single Family	3.0%	-9.8%	-34.7%	-30.0%	117.7%	8.0%
Home Sales – Single Family	-5.3%	1.9%	6.2%	4.0%	-17.5%	-24.3%
Retail Sales Growth[7]	9.2%	6.5%	8.6%	18.3%	8.5%	0.1%

MSA = Metropolitan statistical area. NA = Not available.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2023.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[3]U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[4]U.S. Census. Growth in the number of residential building permits. Data through December 2023.
[5]F.W. Dodge. Data through December 2023.
[6]Colorado Association of Realtors. Data through December 2023.
[7]Colorado Department of Revenue. Data through December 2023.

Pueblo – Southern Mountains Region

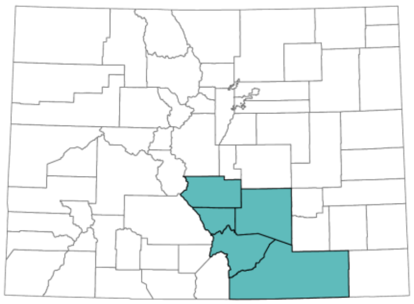


Table 22
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth						
Pueblo Region[1]	0.7%	1.0%	-2.5%	0.4%	2.0%	0.2%
Pueblo MSA[2]	0.4%	1.1%	-2.8%	0.7%	2.7%	0.7%
Unemployment Rate[1]	4.6%	4.0%	7.5%	7.8%	4.5%	4.4%
Wages[3]						
Average Weekly Wage	4.3%	3.7%	7.0%	3.8%	5.3%	4.6%
Level	$815	$845	$904	$939	$988	$1,020
Housing Permit Growth[4]						
Pueblo MSA Total	30.2%	3.8%	18.4%	24.0%	-22.9%	-43.8%
Pueblo MSA Single Family	36.2%	3.0%	19.4%	24.0%	-22.9%	-43.8%
Nonresidential Construction Growth[5]						
Value of Projects	222.9%	45.2%	26.2%	175.3%	-63.6%	160.8%
Square Footage of Projects	145.1%	-19.7%	37.7%	278.3%	-69.4%	180.9%
Level (*Thousands*)	397	318	438	1,658	508	1,426
Number of Projects	50.0%	23.3%	86.5%	2.9%	-23.9%	35.2%
Level	30	37	69	71	54	73
Housing Market[6]						
Average Sale Price – Single Family	9.6%	9.5%	16.2%	24.1%	4.4%	2.9%
Level (*Thousands*)	$206	$226	$265	$326	$340	$349
Inventory – Single Family	-1.2%	-8.9%	-23.9%	-27.0%	68.7%	31.4%
Home Sales – Single Family	-3.8%	0.3%	14.1%	7.3%	-6.2%	-17.5%
Retail Sales Growth[7]	8.4%	8.5%	4.2%	13.4%	14.5%	-1.7%

MSA = Metropolitan statistical area. NA = Not available.
[1] U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[2] U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2023.
[3] U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[4] U.S. Census. Growth in the number of residential building permits. Data through December 2023.
[5] F.W. Dodge. Data through December 2023.
[6] Colorado Association of Realtors. Data through December 2023.
[7] Colorado Department of Revenue. Data through December 2023.

Eastern Region

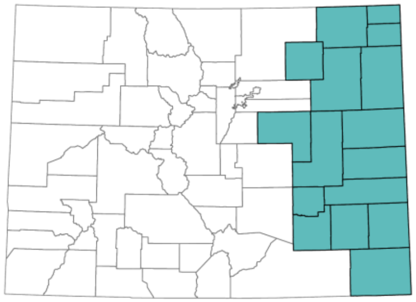


Table 23
Eastern Region Economic Indicators
Baca, Bent, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Logan, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth[1]	2.2%	0.7%	-3.9%	-1.9%	1.8%	0.9%
Unemployment Rate[1]	2.7%	2.4%	4.2%	4.5%	2.8%	2.7%
Wages[2]						
Average Weekly Wage	5.7%	3.9%	5.4%	4.1%	5.3%	4.3%
Level	$765	$795	$838	$872	$918	$939
Crop Price Changes[3]						
Wheat ($/Bushel)	34.6%	-7.0%	6.3%	37.7%	42.2%	-14.3%
Corn ($/Bushel)	2.8%	9.3%	-4.6%	53.8%	30.9%	-7.0%
Alfalfa Hay (Baled, $/Ton)	23.5%	14.3%	-6.6%	2.5%	2.8%	14.7%
Livestock[3]						
State Cattle and Calf Inventory Growth	2.6%	8.0%	1.9%	4.0%	-1.0%	-7.5%
Milk Production	8.8%	5.5%	7.1%	2.4%	0.7%	-1.9%
Housing Permit Growth[4]	43.4%	0.2%	22.3%	21.7%	-26.2%	-25.9%
Housing Market[5]						
Average Sale Price – Single Family	6.7%	7.2%	6.3%	18.0%	7.2%	0.1%
Level (Thousands)	$283	$303	$328	$382	$412	$407
Inventory – Single Family	12.8%	3.5%	-22.6%	-28.9%	65.9%	23.6%
Home Sales – Single Family	5.1%	0.6%	4.2%	9.9%	-6.8%	-10.3%
Retail Sales Growth[6]	9.4%	13.6%	3.3%	12.5%	18.9%	-0.3%

[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[2]U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[3]National Agricultural Statistics Service statewide data. Data through December 2023.
[4]F.W. Dodge. Data through December 2023.
[5]Colorado Association of Realtors. Data through December 2023.
[6]Colorado Department of Revenue. Data through December 2023.

Mountain Region

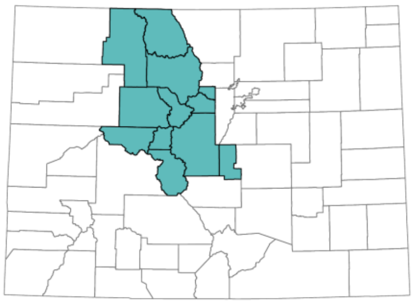


Table 24
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth[1]	3.0%	1.8%	-7.7%	2.0%	3.7%	3.0%
Unemployment Rate[1]	2.6%	2.3%	7.8%	4.8%	2.7%	2.6%
Wages[2]						
Average Weekly Wages	3.4%	4.4%	11.6%	4.8%	8.4%	5.2%
Level	$842	$879	$981	$1,028	$1,114	$1,142
Housing Permit Growth[3]	68.0%	20.7%	-38.7%	30.7%	41.1%	-36.1%
Nonresidential Construction Growth[3]						
Value of Projects	-78.0%	40.6%	87.8%	-55.1%	31.3%	-8.4%
Square Footage of Projects	-65.1%	29.2%	24.7%	-21.7%	10.1%	-16.0%
Level *(Thousands)*	708	915	1,141	893	983	826
Number of Projects	17.7%	-37.0%	76.1%	7.4%	13.8%	-31.3%
Level	73	46	81	87	99	68
Housing Market[4]						
Average Sale Price - Single Family	2.5%	12.6%	19.1%	33.1%	5.5%	3.4%
Level *(Thousands)*	$842	$941	$1,261	$1,507	$1,568	$1,662
Inventory - Single Family	-7.4%	5.1%	-30.7%	-43.2%	29.6%	23.6%
Home Sales - Single Family	-3.0%	-1.6%	22.3%	1.3%	-27.0%	-15.6%
Retail Sales Growth[5]	7.3%	12.1%	3.8%	21.0%	17.0%	4.0%

[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[2]U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[3]F.W. Dodge. Data through December 2023.
[4]Colorado Association of Realtors. Data through December 2023.
[5]Colorado Department of Revenue. Data through December 2023.

Western Region

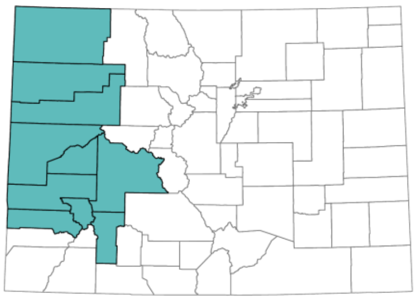


Table 25
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth						
Western Region[1]	2.7%	1.2%	-5.1%	1.3%	2.5%	1.9%
Grand Junction MSA[2]	2.5%	1.4%	-5.3%	3.9%	2.5%	1.3%
Unemployment Rate[1]	3.4%	3.0%	6.7%	5.5%	3.2%	3.2%
Wages[3]						
Average Weekly Wages	4.2%	3.3%	5.7%	3.5%	7.4%	5.2%
Level	$844	$872	$922	$954	$1,025	$1,057
Natural Gas Production Growth[4]	5.2%	-0.9%	-7.7%	-9.1%	-5.8%	-17.0%
Housing Permit Growth[5]	15.5%	-11.7%	31.5%	20.8%	-10.8%	27.7%
Nonresidential Construction Growth[5]						
Value of Projects	2.8%	64.7%	-66.9%	231.3%	-8.9%	-25.9%
Square Footage of Projects	27.4%	7.0%	-26.4%	57.3%	2.7%	-10.0%
Level (*Thousands*)	608	651	479	753	773	696
Number of Projects	18.0%	20.3%	22.5%	33.3%	7.8%	-9.6%
Level	59	71	87	116	125	113
Housing Market[6]						
Average Sale Price - Single Family	0.8%	3.3%	18.7%	26.1%	3.1%	10.6%
Level (*Thousands*)	$334	$347	$421	$519	$536	$597
Inventory - Single Family	-9.2%	-12.3%	-26.9%	-42.4%	25.2%	15.2%
Home Sales - Single Family	3.3%	-7.2%	12.4%	1.6%	-21.8%	-16.9%
Retail Sales Growth[7]	7.1%	14.2%	1.7%	19.2%	11.4%	4.8%
National Park Recreation Visits[8]	-5.8%	2.3%	-0.1%	12.7%	-3.9%	0.1%

MSA = Metropolitan statistical area. NA = not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[2]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2023.
[3]U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[4]Colorado Oil and Gas Conservation Commission. Data through December 2023.
[5]F.W. Dodge. Data through December 2023.
[6]Colorado Association of Realtors. Data through December 2023.
[7]Colorado Department of Revenue. Data through December 2023.
[8]National Park Service. Recreation visits for Black Canyon of the Gunnison NP, Colorado NP, Dinosaur NM, and Curecanti NRA. Data through December 2023.

Southwest Mountain Region

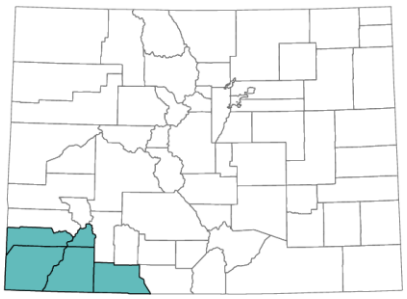


Table 26
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth[1]	1.8%	-0.3%	-5.1%	-0.4%	3.3%	3.2%
Unemployment Rate[1]	3.2%	2.9%	6.6%	5.5%	3.2%	3.1%
Wages[2]						
Average Weekly Wages	4.3%	2.4%	6.9%	4.8%	4.5%	5.6%
Level	$826	$846	$904	$948	$991	$1,015
Housing Permit Growth[3]	24.1%	-33.9%	12.4%	18.4%	-21.9%	16.3%
Housing Market[4]						
Average Sale Price - Single Family	7.1%	7.3%	16.0%	25.4%	14.2%	6.3%
Level (Thousands)	$416	$452	$541	$656	$750	$805
Inventory - Single Family	-3.7%	-10.4%	-29.3%	-47.5%	12.4%	8.9%
Home Sales - Single Family	-0.3%	-13.5%	31.3%	-1.2%	-23.3%	-18.9%
Retail Sales Growth[5]	2.6%	5.6%	10.3%	20.1%	4.9%	1.4%
National Park Recreation Visits[6]	-7.6%	-2.1%	-48.1%	87.2%	-8.2%	2.3%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[2]U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[3]F.W. Dodge. Permits for residential units. Data through December 2023.
[4]Colorado Association of Realtors. Seasonally adjusted. Data through December 2023.
[5]Colorado Department of Revenue. Seasonally adjusted. Data through December 2023.
[6]National Park Service. Recreation visits for Mesa Verde National Park and Hovenweep National Monument. Data through December 2023.

San Luis Valley Region

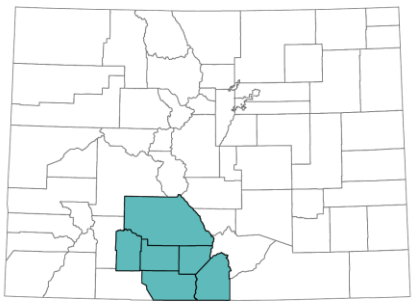


Table 27
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2018	2019	2020	2021	2022	YTD 2023
Employment Growth[1]	3.0%	0.9%	-4.4%	-1.8%	3.1%	2.3%
Unemployment Rate[1]	4.1%	3.6%	6.2%	6.1%	3.7%	3.5%
Wages[2]						
Average Weekly Wages	5.2%	3.1%	7.0%	4.6%	6.3%	5.9%
Level	$698	$719	$770	$805	$856	$884
Barley[3]						
Acres Harvested	53,000	52,000	47,000	47,000	40,000	51,000
Crop Value ($/Acre)	$660	$672	$709	$548	$628	$996
Potatoes[3]						
Acres Harvested	55,000	51,000	53,800	52,400	52,900	54,800
Crop Value ($/Acre)	$3,942	$4,709	$4,494	$4,674	$7,169	$4,928
Housing Permit Growth[4]	16.3%	-11.1%	13.9%	28.6%	-21.6%	-6.3%
Housing Market[5]						
Average Sale Price – Single Family	11.9%	8.1%	18.7%	30.5%	2.9%	1.5%
Level (Thousands)	$203	$226	$270	$343	$352	$365
Inventory – Single Family	-9.5%	-28.7%	-25.3%	-44.0%	18.6%	32.9%
Home Sales – Single Family	0.6%	-15.9%	27.8%	7.1%	-25.4%	-14.8%
Retail Sales Growth[6]	10.1%	5.0%	8.8%	17.1%	9.0%	2.3%
National Park Recreation Visits[7]	-9.0%	19.1%	-12.5%	30.6%	-18.1%	3.8%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2023.
[2]U.S. Bureau of Labor Statistics, QCEW. Data through 2023Q3.
[3]National Agricultural Statistics Service, statewide data. Data through December 2023.
[4]F.W. Dodge. Data through December 2023.
[5]Colorado Association of Realtors. Data through December 2023.
[6]Colorado Department of Revenue. Data through December 2023.
[7]National Park Service. Recreation visits for Great Sand Dunes NP. Data through December 2023.

Appendix: Historical Data

National Economic Indicators

Calendar Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GDP ($ Billions)[1]	$15,049.0	$15,599.7	$16,254.0	$16,880.7	$17,608.1	$18,295.0	$18,804.9	$19,612.1	$20,656.5	$21,521.4	$21,322.9	$23,594.0	$25,744.1	$27,356.4
Percent Change	3.9%	3.7%	4.2%	3.9%	4.3%	3.9%	2.8%	4.3%	5.3%	4.2%	-0.9%	10.7%	9.1%	6.3%
Real GDP ($ *Billions*)[1]	$16,789.8	$17,052.4	$17,442.8	$17,812.2	$18,261.7	$18,799.6	$19,141.7	$19,612.1	$20,193.9	$20,692.1	$20,234.1	$21,407.7	$21,822.0	$22,375.3
Percent Change	2.7%	1.6%	2.3%	2.1%	2.5%	2.9%	1.8%	2.5%	3.0%	2.5%	-2.2%	5.8%	1.9%	2.5%
Unemployment Rate[2]	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.6%	3.6%
Inflation[2]	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%
10-Year Treasury Note[3]	3.2%	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%	0.9%	1.4%	3.0%	4.0%
Personal Income ($ *Billions*)[1]	$12,556.6	$13,309.6	$13,917.8	$14,068.8	$14,784.1	$15,473.7	$15,887.7	$16,662.8	$17,528.2	$18,356.3	$19,629.0	$21,407.7	$21,840.8	$22,966.3
Percent Change	4.1%	6.0%	4.6%	1.1%	5.1%	4.7%	2.7%	4.9%	5.2%	4.7%	6.9%	9.1%	2.0%	5.2%
Wage & Salary Income ($ *Billions*)[1]	$6,372.5	$6,626.2	$6,928.1	$7,114.0	$7,476.3	$7,859.5	$8,091.3	$8,474.4	$8,899.8	$9,325.0	$9,464.7	$10,312.6	$11,116.0	$11,805.3
Percent Change	2.0%	4.0%	4.6%	2.7%	5.1%	5.1%	2.9%	4.7%	5.0%	4.8%	1.5%	9.0%	7.8%	6.2%
Nonfarm Employment (*Millions*)[2]	130.3	131.9	134.2	136.4	138.9	141.8	144.3	146.6	148.9	150.9	142.2	146.3	152.5	156.1
Percent Change	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%

Sources:
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas (CPI-U).
[3]Federal Reserve Board of Governors.

Colorado Economic Indicators

Calendar Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nonfarm Employment (*Thousands*)[1]	2,221	2,257	2,312	2,381	2,463	2,541	2,602	2,660	2,727	2,790	2,653	2,751	2,870	2,943
Percent Change	-1.0%	1.6%	2.4%	3.0%	3.5%	3.2%	2.4%	2.2%	2.5%	2.3%	-4.9%	3.7%	4.3%	2.5%
Unemployment Rate[1]	9.2%	8.7%	8.0%	6.8%	5.0%	3.8%	3.1%	2.6%	3.0%	2.7%	6.8%	5.5%	3.1%	3.2%
Personal Income ($ *Millions*)[2]	$206,053	$223,874	$236,033	$247,817	$268,453	$279,696	$283,679	$303,367	$328,113	$351,373	$375,158	$417,968	$442,213	NA
Percent Change	2.9%	8.6%	5.4%	5.0%	8.3%	4.2%	1.4%	6.9%	8.2%	7.1%	6.8%	11.4%	5.8%	
Per Capita Income ($)[2]	$40,827	$43,732	$45,490	$47,082	$50,244	$51,394	$51,306	$54,171	$57,794	$61,258	$64,852	$71,923	$75,722	NA
Percent Change	1.4%	7.1%	4.0%	3.5%	6.7%	2.3%	-0.2%	5.6%	6.7%	6.0%	5.9%	10.9%	5.3%	
Wage & Salary Income ($ *Millions*)[2]	$113,670	$118,415	$124,947	$129,521	$138,626	$146,578	$151,168	$160,940	$170,790	$182,962	$187,834	$205,570	$224,332	NA
Percent Change	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	6.1%	7.1%	2.7%	9.4%	9.1%	
Housing Permits[3]	11,591	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	40,469	56,524	48,839	39,337
Percent Change	23.9%	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	4.8%	39.7%	-13.6%	-19.5%
Nonresidential Construction ($ *Millions*)[4]	$3,147	$3,923	$3,695	$3,624	$4,351	$4,991	$5,988	$6,151	$8,132	$5,161	$5,608	$5,663	$6,652	$6,542
Percent Change	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.7%	32.2%	-36.5%	8.6%	1.0%	17.5%	-1.6%
Denver-Aurora-Lakewood Inflation[1]	1.9%	3.7%	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%	3.5%	8.0%	5.2%
Population (*Thousands, July 1*)[3]	5,029.2	5,121.9	5,193.7	5,270.8	5,352.6	5,454.3	5,543.8	5,617.4	5,697.2	5,758.5	5,773.7	5,811.6	5,841.0	5,877.6
Percent Change	1.1%	1.8%	1.4%	1.5%	1.6%	1.9%	1.6%	1.3%	1.4%	1.1%	0.3%	0.7%	0.5%	0.6%

NA = Not available.

[1]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for Denver-Aurora-Lakewood metro area.

[2]U.S. Bureau of Economic Analysis. Personal income and wages and salaries not adjusted for inflation.

[3]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building. 2010 and 2020 population numbers reflect the decennial Census, while other numbers reflect July 1 estimates.

[4]F.W. Dodge.