*Colorado Legislative Council Staff*

# June 2020 | Economic & Revenue Forecast

June 19, 2020

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## Contributors

Kate Watkins, Chief Economist
Marc Carey
Louis Pino
Greg Sobetski
Meredith Moon
Elizabeth Ramey
Debbie Grunlien

Special thanks to Jerry Schierkolk, David Williams, Dan Phillips, Suzanne Keim, and Cathy Eslinger. Cover photos of the Colorado State Capitol, courtesy of Suzanne Keim.

Legislative Council Staff • State Capitol Building • Denver, Colorado 80203
(303) 866-3521 • LCS.Economist@state.co.us • http://leg.colorado.gov/EconomicForecasts
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## Executive Summary

This report presents the budget outlook based on current law and the June 2020 forecast for General Fund and cash fund revenue, as well as the TABOR outlook. This document includes summaries of expectations for the U.S. and Colorado economies and an overview of current economic conditions in nine regions of the state.

### General Fund Budget Outlook

**FY 2019-20**

The impacts of the COVID-19 pandemic and related economic recession that began will result in a significant decline in General Fund revenue over the last three months of the fiscal year. The budget-balancing legislation passed by the General Assembly during the 2020 legislative session addressed the current year revenue shortfall. As a result, revenue is now expected to exceed the 3.07 percent required reserve by $364.7 million at the end of FY 2019-20. This amount assumes legislative actions that have been signed into law or are awaiting the Governor's signature. Revenue subject to TABOR is expected to fall $959.5 million below the Referendum C cap.

**FY 2020-21**

The economic recession will reduce General Fund revenue further in FY 2020-21. With 2020 legislative budget-balancing actions that reduced appropriations relative to FY 2019-20, and increased General Fund revenue and transfers, the General Fund is now expected to end the year with a $272.7 million surplus above the required 2.86 percent reserve. Revenue subject to TABOR is expected to fall below the Referendum C cap by $2.7 billion.

**FY 2021-22 Unbudgeted**

As revenue rebounds from the recession, the General Assembly is projected to have $1.34 billion, or 11.9 percent, more to spend or save in the General Fund than what is budgeted to be spent and saved in FY 2020-21. This amount holds FY 2019-20 appropriations constant and assumes current law transfers, and a 2.86 percent General Fund reserve requirement. This amount does not incorporate caseload growth or inflationary pressures. Any changes to revenue or expenditures in prior budget years will change this amount. Revenue subject to TABOR is expected to fall below the Referendum C cap by $1.4 billion.

**Risks to the forecast.** The events that unfolded over the past three months have dramatically impacted the economy and state revenue. The economic and health policy landscape continues to evolve, and as a result, the General Fund budget faces an uncertain outlook with both upside and downside risks to the forecast. The pace of the economic recovery in Colorado and nationally will heavily influence revenue streams, including income and sales tax revenue. These two sources of revenue have historically accounted for about 95 percent of General Fund revenue. Longer or repeated periods of reduced economic activity to control the spread of COVID-19 will cause more severe and longer-lasting revenue impacts. Conversely, near-term development and distribution of a COVID-19 therapy, a stronger than expected resumption of economic activity, and additional federal fiscal and/or monetary policy support pose near-term upside risks to the forecast.

## Cash Fund Revenue

Total cash fund revenue subject to TABOR in the current FY 2019-20 is expected to total $2.24 billion, a decline of 8.2 percent from the prior year, and decline an additional 5.8 percent to total $2.11 billion in FY 2020-21. The crude oil market rout, drop in travel activity due to COVID-19-related disruptions, and closure of casinos will significantly slow collections from severance tax, transportation-related revenue, and gaming revenue. As the economy improves and COVID-19-related restrictions ease, collections will recover but remain below FY 2018-19 levels through FY 2021-22.

**Unemployment Insurance Trust Fund insolvency.** Unemployment insurance benefits paid have seen an unprecedented increase during the COVID-19-related economic contraction and are expected to reach $1.6 billion in FY 2019-20 and $2.3 billion in FY 2020-21. As a consequence, the fund balance on June 30, 2020, is expected to remain positive but dip below 0.4 percent, triggering a move to the second highest premium rate schedule beginning January 1, 2021. The fund is expected to become insolvent during FY 2020-21.

## Economic Outlook

U.S. and Colorado economic activity appears to have stabilized at low levels in May, following one of the steepest declines in economic activity on record in April 2020. In response to COVID-19-related business closures, unprecedented monetary policy and federal aid have helped to stabilize the economy and prevent further collapse. Current indicators of business and consumer activity point to a bounce back in growth as many businesses reopen. Businesses and households are assessing the health of their balance sheets, taking stock of ongoing risks, and adjusting to a new economic environment. These shifts pose challenges and opportunities for the year ahead.

From April 2020 lows, this forecast assumes ongoing growth in economic activity for the state and nation in the years ahead. Yet, the recovery will take years to reach pre-recessionary levels of activity as businesses and households continue to face challenges posed by COVID-19-related health and economic uncertainty.

Discussion of the economic outlook begins on page 31, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 14 and 15 on pages 46 and 47.

## General Fund Budget Overview

This section presents the General Fund overview based on current law. A summary of the General Fund overview is shown in Table 1. This section also presents expectations for the following:

- the TABOR outlook (Table 3 and Figure 1);
- statutory transfers to transportation and capital construction funds (Table 4);
- General Fund transfers to the State Education Fund (Figure 2);
- the disposition of fiscal policies dependent on revenue collections;
- General Fund rebates and expenditures (Table 5); and
- cash fund transfers to and from the General Fund (Table 6).

### Assumptions for 2020 Legislative Impacts

This forecast assumes that 2020 legislation passed by the General Assembly will be signed into law by the Governor. Estimates of the fiscal impacts of 2020 legislation contained in this forecast assume the most recently published fiscal notes. These estimates are subject to change depending on updated information and actions taken by the Governor. Legislative adjustments to the forecast include but are not limited to the following:

- enacted FY 2019-20 supplemental bills (HB 20-1243 through HB 20-1260);
- the FY 2020-21 Long Bill (HB 20-1360) and school finance bill (HB 20-1418);
- the budget package, which reduced appropriations for FY 2019-20 and FY 2020-21;
- reducing the General Fund reserve requirement from 7.25 percent to 3.07 percent in FY 2019-20, and 2.86 percent in FY 2020-21 and FY 2021-22 (HB 20-1383);
- increased transfers to the General Fund (see Table 6); and
- increased revenue to the General Fund (see Table 7).

### FY 2019-20

This June 2020 forecast expects the General Fund to end FY 2019-20 with a 6.2 percent reserve, $364.7 million higher than the required 3.07 percent reserve (Table 1, line 20). By comparison, the May forecast update expected an $895.8 million deficit relative to the required reserve. The change in the budget situation reflects several budget-balancing actions, including expenditure reductions, the reduction in the reserve requirement from 7.25 percent to 3.07 percent of General Fund appropriations, and higher General Fund revenue resulting from modest upgrades to the economic outlook and income tax policy changes under administrative rule and House Bill 20-1420. Table 2 provides a summary of changes between the May and June forecasts.

### FY 2020-21

The General Fund is expected to end the year with a 5.4 percent reserve, $272.7 million higher than the required 2.86 percent reserve (Table 1, line 20). Budget-balancing legislation included a reduction in the reserve requirement from 7.25 percent to 2.86 percent, and increased transfers to the General Fund. Relative to the May 2020 forecast update, revenue expectations were increased on income tax policy changes and slightly higher economic expectations. As a result, policy changes enacted during the 2020 legislative session are expected to more than close the $3.3 billion revenue shortfall projected in May.

## Table 1
## General Fund Overview
*Dollars in Millions*

| | Funds Available | FY 2018-19 Actual | FY 2019-20 Estimate | FY 2020-21 Estimate | FY 2021-22 Estimate |
|---|---|---|---|---|---|
| 1 | Beginning Reserve | $1,366.0 | $1,262.6 | $727.1 | $577.3 |
| 2 | General Fund Revenue | $12,564.6 | $11,974.8 | $10,832.8 | $12,338.9 |
| 3 | Transfers from Other Funds *(Table 6)* | $38.0 | $197.3 | $320.0 | $5.6 |
| **4** | **Total Funds Available** | **$13,968.6** | **$13,434.6** | **$11,879.8** | **$12,921.8** |
| 5 | Percent Change | 12.3% | -3.8% | -11.6% | 8.8% |
| | **Expenditures** | **Actual** | **Budgeted** | **Budgeted** | **Estimate** |
| 6 | General Fund Appropriations Subject to Limit[1] | $11,230.5 | $11,804.9 | $10,649.2 | * |
| 7 | Adjustments to Appropriations [2] | $28.2 | * | * | * |
| 8 | TABOR Refund Obligation Under Art. X, §20, (7)(d)[3] | $428.5 | $0.0 | $0.0 | $0.0 |
| 9 | Rebates and Expenditures *(Table 5)* | $249.8 | $142.2 | $315.1 | $334.2 |
| 10 | Transfers to Other Funds *(Table 6)* | $219.8 | $186.8 | $202.2 | $249.1 |
| 11 | Transfers to the State Education Fund[4] | $25.0 | $40.3 | $113.0 | $23.0 |
| 12 | Transfers to Transportation Funds *(Table 3)* | $495.0 | $300.0 | $0.0 | $0.0 |
| 13 | Transfers to Capital Construction Funds *(Table 3)* | $180.5 | $233.3 | $23.0 | $20.0 |
| **14** | **Total Expenditures** | **$12,857.3** | **$12,707.5** | **$11,302.53** | * |
| 15 | Percent Change | 14.6% | -1.2% | -11.1% | * |
| 16 | Accounting Adjustments[5] | $151.3 | * | * | * |
| | **Reserve** | **Actual** | **Budgeted** | **Budgeted** | **Estimate** |
| 17 | Year-End General Fund Reserve | $1,262.6 | $727.1 | $577.3 | * |
| 18 | Year-End Reserve as a Percent of Appropriations | 11.2% | 6.2% | 5.4% | * |
| 19 | Statutorily Required Reserve[6] | $814.2 | $362.4 | $304.6 | * |
| **20** | **Amount in Excess or (Deficit) of Statutory Reserve** | **$448.3** | **$364.7** | **$272.7** | * |
| 21 | Excess Reserve as a Percent of Expenditures | 3.5% | 2.9% | 2.4% | * |
| | **Perspectives on FY 2020-21 (Unbudgeted)** | | | | **Estimate** |
| | **Scenario: Hold FY 2020-21 Appropriations Constant[7]** | | | | |
| 22 | Amount in Excess or (Deficit) of 2.86% Statutory Reserve | | | | $1,341.7 |
| 23 | As a Percent of Prior-Year Expenditures | | | | 11.9% |
| | **Addendum** | **Actual** | **Estimate** | **Estimate** | **Estimate** |
| 24 | Percent Change in General Fund Appropriations | 7.6% | 4.9% | -9.8% | * |
| 25 | 5% of Colorado Personal Income Appropriations Limit | $14,479.0 | $15,537.7 | $16,647.1 | $17,664.4 |
| 26 | Transfers to State Education Fund per Amendment 23 | $692.8 | $646.7 | $559.4 | $666.5 |

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

*[1]Includes appropriations pursuant to 2020 legislation that is awaiting the Governor's signature or has been signed into law. Amounts are subject to change with new information and actions taken by the Governor.*

*[2]FY 2018-19 overexpenditures for the Department of Health Care Policy and Financing pursuant to HB 20-1246.*

*[3]Pursuant to Section 24-75-201 (2), C.R.S., the TABOR refund obligation is required to be set aside during the year it is collected to be refunded in the following fiscal year.*

*[4]Includes transfers pursuant to SB 13-234, SB 19-246, and HB 20-1420.*

*[5]For FY 2018-19, assumes the 2019 Colorado Basic Financial Statements General Fund budgetary fund balance. Also reflects a $0.1 million underfunded for the FY 2014-15 TABOR surplus; this amount is restricted in the General Fund from FY 2014-15 revenue and required to be refunded with the FY 2018-19 TABOR surplus.*

*[6]The required reserve is calculated as a percent of operating appropriations, and is required to equal 7.25 percent in FY 2018-19, 3.07 percent in FY 2019-21, 2.86 percent in FY 2020-21 and FY 2021-22, and 7.25 percent each year thereafter. Pursuant to SB 18-276, certificates of participation are included in the statutory reserve requirement calculation beginning in FY 2018-19.*

*[7]This scenario holds appropriations in FY 2020-21 equal to appropriations in FY 2019-20 (line 6) to determine the total amount of money available relative to FY 2019-20 expenditures, net of the obligations in lines 7 through 13.*

Table 2 summarizes the changes in the FY 2019-20 and FY 2020-21 General Fund budget situation between this June 2020 forecast and the May 2020 forecast update. This summary incorporates changes resulting from 2020 legislation and changes in forecast expectations.

**Table 2**
**Changes in the General Fund Budget Situation Relative to the May Forecast Update**
*Dollars in Millions, Positive Amounts Reflect an Increase Relative to May*

| | Components of Change | FY 2019-20 | FY 2020-21 | Description of Changes |
|---|---|---|---|---|
| **1** | **Funds Available** | **$464.4** | **$1,592.0** | |
| 2 | Beginning Reserve | $0.0 | $746.6 | Carries a higher FY 2019-20 balance into FY 2020-21. |
| 3 | General Fund Revenue | $320.9 | $526.1 | Emergency rule and HB20-1420 income tax policy changes. Economic expectations increased slightly. |
| 4 | Transfers from Other Funds | $143.5 | $319.2 | See Table 6. |
| **5** | **Expenditures** | **-$796.0** | **-$1,966.1*** | |
| 6 | Operating Appropriations | -$281.3 | -$1,437.0* | Appropriation reductions in the budget package and the 2020 Long Bill and school finance bill. |
| 7 | Rebates and Expenditures | $0.8 | -$2.8 | Slight changes based on year-to-date expenditures. |
| 8 | State Education Fund Transfers | $0.0 | $113.0 | HB 20-1420. |
| 9 | Transportation Transfers | $0.0 | -$50.0 | HB 20-1376. |
| 10 | Capital Construction Transfers | $7.5 | $3.0 | HB 20-1378 and HB 20-1261. |
| 11 | Other Cash Fund Transfers | -$9.1 | -$20.6 | See Table 6. |
| 12 | Required Reserve | -$513.8 | -$571.7* | Reduced appropriations and HB 20-1383, both of which reduced the reserve requirements. |
| **13** | **Budgetary Changes** | **+$1,260.4** | **+$3,558.1*** | Supplemented revenue and reduced expenditures more than closed the $3.3 billion revenue shortfall. |

**Because a budget for FY 2020-21 had not yet been adopted in May, May forecast amounts were based on a scenario that holds FY 2019-20 appropriations constant. The amount shown in this table reflect the difference between the May budget scenario and actual budgeted amounts as of the date of this June forecast.*

## FY 2021-22 (Unbudgeted)

Because a budget has not yet been enacted for FY 2021-22, Table 1 (line 22) shows the amount of revenue available in FY 2021-22 relative to the amount budgeted to be spent or saved in FY 2020-21. Based on this forecast, the General Assembly will have $1.34 billion, or 11.9 percent, more to spend or save than in FY 2020-21. This amount assumes current law obligations for FY 2021-22, including transfers and rebates and expenditures (Table 1, lines 9 through 13), as well as a 2.68 percent reserve requirement. The $1.34 billion amount is a cumulative amount based on revenue expectations and the budget situation in FY 2019-20 and FY 2020-21. Any changes in revenue expectations or changes made to the budget for FY 2020-21 will carry forward into FY 2021-22. The $1.34 billion amount holds FY 2020-21 appropriations constant and therefore does not reflect any caseload or inflationary pressures. Revenue subject to TABOR is expected to fall below the Referendum C cap by $1.4 billion.

### Risks to the Forecast

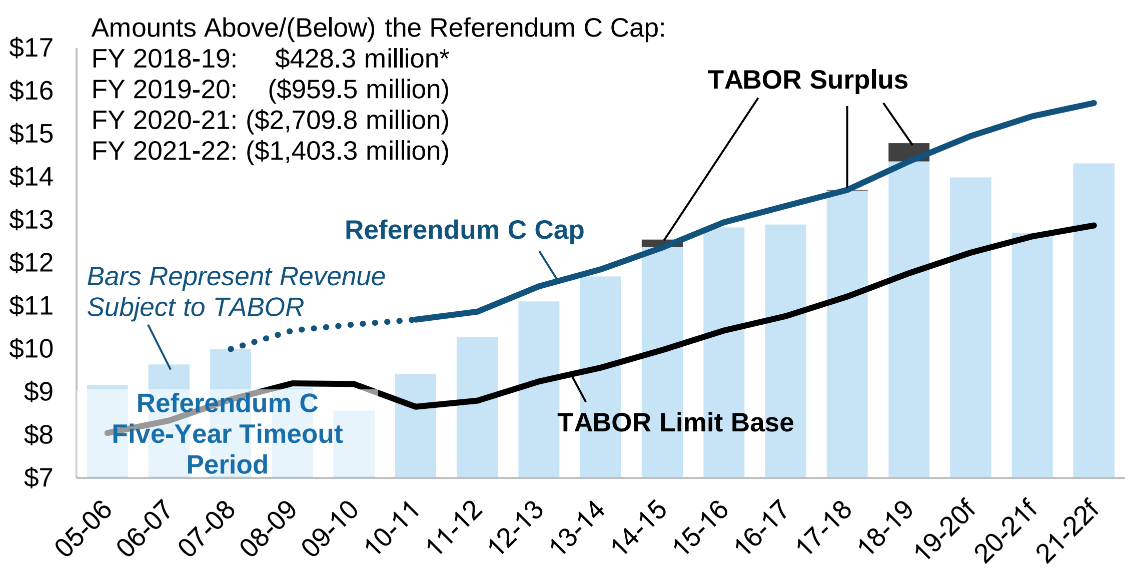
The events that have unfolded over the past three months have dramatically impacted the economy and state revenue. The economic and health policy landscape continues to evolve, and as a result, the General Fund budget faces an uncertain outlook with both upside and downside risks to the forecast. The pace of the economic recovery in Colorado and nationally will heavily influence revenue streams, including income and sales tax revenue. These two sources of revenue have historically accounted for about 95 percent of General Fund revenue.

Longer or repeated periods of reduced economic activity to control the spread of COVID-19 will cause more severe and longer-lasting revenue impacts. Conversely, near-term development and distribution of a COVID-19 vaccine, a stronger than expected resumption of economic activity, and additional federal fiscal and/or monetary policy support pose near-term upside risks to the forecast.

### TABOR Outlook

The state TABOR outlook is presented in Table 3 and illustrated in Figure 1, which also provides a history of the TABOR limit base and the Referendum C cap.

**Figure 1**
**TABOR Revenue, TABOR Limit Base, and the Referendum C Cap**
*Dollars in Billions*




*Source: Office of the State Controller and Legislative Council Staff. f = Forecast.*
**The refund amount for FY 2018-19 differs from the surplus amount because it includes underrefunds and other adjustments to previous TABOR surpluses.*

**Table 3**
**TABOR Revenue Limit and Retained Revenue**
*Dollars in Millions*

| | | Actual FY 2018-19 | Estimate FY 2019-20 | Estimate FY 2020-21 | Estimate FY 2021-22 |
|---|---|---|---|---|---|
| | **TABOR Revenue** | | | | |
| 1 | General Fund[1] | $12,350.4 | $11,750.6 | $10,594.4 | $12,078.8 |
| 2 | Cash Funds | $2,438.0 | $2,238.7 | $2,108.0 | $2,238.4 |
| 3 | **Total TABOR Revenue** | **$14,788.4** | **$13,989.4** | **$12,702.4** | **$14,317.2** |
| | **Revenue Limit** | | | | |
| 4 | Allowable TABOR Growth Rate | 4.8% | 4.1% | 3.1% | 2.0% |
| 5 | Inflation (*from Prior Calendar Year*) | 3.4% | 2.7% | 1.9% | 1.0% |
| 6 | Population Growth (*from Prior Calendar Year*) | 1.4% | 1.4% | 1.2% | 1.0% |
| 7 | TABOR Limit Base[2] | $11,759.3 | $12,241.5 | $12,621.0 | $12,873.4 |
| 8 | Voter Approved Revenue Change (Referendum C) | $2,600.7 | $1,747.9 | $81.4 | $1,443.8 |
| 9 | Total TABOR Limit / Referendum C Cap | $14,360.1 | $14,948.8 | $15,412.3 | $15,720.5 |
| 10 | **TABOR Revenue Above** (Below) **Referendum C Cap** | **$428.3** | **($959.5)** | **($2,709.8)** | **($1,403.3)** |
| | **Retained/Refunded Revenue** | | | | |
| 11 | Revenue Retained under Referendum C[2] | $2,600.7 | $1,747.9 | $81.4 | $1,443.8 |
| 12 | Fiscal Year Spending (*revenue available to be spent or saved*) | $14,360.1 | $13,989.4 | $12,702.4 | $14,317.2 |
| 13 | Outstanding Underrefund Amount[3] | $0.1 | | | |
| 14 | **Revenue Refunded to Taxpayers**[4] | **$428.5** | **$0.0** | **$0.0** | **$0.0** |
| 15 | TABOR Reserve Requirement | $430.8 | $419.7 | $381.1 | $429.5 |

*Totals may not sum due to rounding.*
*[1]General Fund revenue differs from the amount in the General Fund revenue summary because of accounting adjustments across TABOR boundaries.*
*[2]Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.*
*[3]This amount is restricted in the General Fund as part of the TABOR refund obligation for FY 2014-15.*
*[4]Pursuant to Section 4-75-201 (2), C.R.S., revenue above the Referendum C cap is required to be set aside during the year it is collected to be refunded in the following fiscal year. For example, excess revenue collected in FY 2018-19 was set aside in the budget for FY 2018-19 to be refunded in FY 2019-20 on tax returns for tax year 2019.*

**FY 2018-19.** State revenue subject to TABOR exceeded the Referendum C cap by $428.3 million in FY 2018-19. After accounting for a small outstanding refund obligation attributable to underrefunds of prior TABOR surpluses, the state is obligated to refund **$428.5 million** in the current FY 2019-20. TABOR refunds are made to taxpayers first via **property tax exemptions** administered at the county level. The remaining refund obligation triggered a **temporary income tax rate reduction** for 2019 income taxes on returns filed in 2020. The rate reduction refunds FY 2018-19 revenue that was restricted in the General Fund to pay TABOR refunds, and does not reduce income tax revenue credited to the General Fund for FY 2019-20 or subsequent years.

**Forecast for FY 2019-20 through FY 2021-22.** State revenue subject to TABOR is expected to fall short of the Referendum C cap in all three years of the current forecast period, and the state will not incur an obligation for TABOR refunds. As a result, no refunds to taxpayers are expected to be made via property tax exemptions or refunds using the income tax form through tax year 2022. The state obligation to reimburse counties for homestead exemptions for FY 2020-21 and FY 2021-22 will be paid from General Fund revenue in those years, rather than restricted prior year TABOR surpluses.

## General Fund Transfers to 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 reflected on lines 12 and 13. Other noninfrastructure-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 to and from the General Fund**
*Dollars in Millions*

| Transportation Funds | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|
| SB 18-001 & HB 20-1376 | $200.0 | | |
| SB 19-262 | $100.0 | | |
| **Total** | **$300.0** | **$0.0** | **$0.0** |

| Capital Construction Funds | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|
| HB 15-1344[1] | $20.0 | $20.0 | $20.0 |
| SB 17-262 | $60.0 | | |
| HB 19-1250 | $0.2 | | |
| SB 19-172 | $0.1 | | |
| SB 19-214 | $145.5 | | |
| HB 20-1378[2] | | $3.0 | |
| HB20-1261 | $7.5 | | |
| **Total** | **$233.3** | **$23.0** | **$20.0** |

*[1]Transfers are contingent upon requests made by the Capital Development Committee.*
*[2]HB 20-1378 also includes a $19.7 million transfer to the General Fund in FY 2019-20, which is shown in Table 6.*

**General Fund contributions to transportation.** Senate Bill 17-267, which authorized $1.88 billion in certificates of participation (COPs) for transportation projects, requires General Fund appropriations for COP-related lease payments beginning in FY 2018-19. Under current law, these General Fund appropriations are expected to total $100 million annually by FY 2021-22. These appropriations are included in line 6 of Table 1, and not included in Table 3.

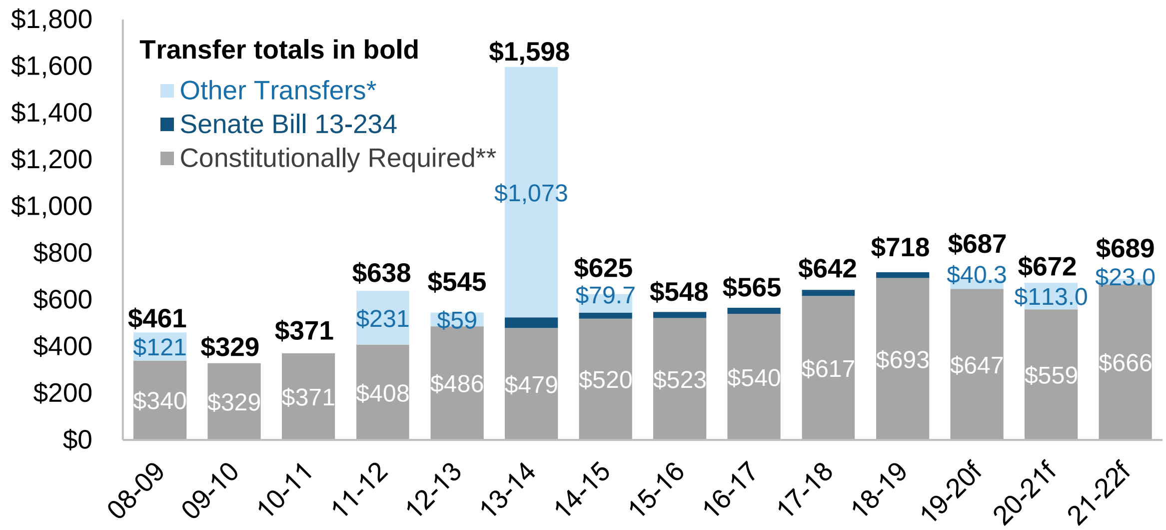
Senate Bill 18-001 created one-time General Fund transfers for transportation of $495 million in FY 2018-19 and $150 million in FY 2019-20. These amounts are apportioned to the State Highway Fund, a new Multimodal Transportation Options Fund, and county and municipal governments. Senate Bill 18-001 authorizes 20 years of additional transfers to the State Highway Fund set at $50 million per year beginning in FY 2019-20. House Bill 20-1376 repealed the $50 million transfers in each of FY 2019-20 and FY 2020-21 as a part of the budget-balancing package. Senate Bill 19-262 authorized a $100 million transfer to the Highway Users Tax Fund in FY 2019-20 only.

### State Education Fund

The Colorado Constitution requires the State Education Fund (SEF) to receive one-third of 1 percent of taxable income. Money in the SEF is required to be used to fund kindergarten through twelfth grade public education. Consistent with income tax revenue expectations, the SEF is expected to receive $647 million in FY 2019-20 and $559 million in FY 2020-21 as a result of this requirement. Expectations for these diversions and other SEF transfers under current law are shown in Figure 2.

In addition to the SEF diversion, 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). During the 2020 legislative session, the General Assembly enacted House Bill 20-1420, which authorized a $113 million SEF transfer in FY 2020-21 and a $23 million transfer in FY 2021-22, after which no additional SEF transfers are scheduled.

**Figure 2**
**Revenue to the State Education Fund**
*Dollars in Millions*




*Source: Colorado State Controller's Office and Legislative Council Staff forecast (f).*
**Includes transfers under SB 09-260 for FY 2008-09, SB 11-183 and SB 11-156 for FY 2011-12, HB 12-1338 for FY 2012-13 and FY 2013-14, and HB 14-1342 for FY 2014-15, SB 19-246 for FY 2019-20, and HB 20-1420 for FY 2020-21 and FY 2021-22.*
***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.*

## 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 is available for tax year 2019, but is not expected to be available for tax years 2020, 2021, or 2022.** 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. Because a TABOR surplus was collected in FY 2018-19, the credit was partially refundable for tax year 2019. This forecast update does not expect a TABOR surplus in each of FY 2019-20, FY 2020-21, and FY 2021-22. Therefore, partial refundability of the credit is not expected to be available for tax years 2020, 2021, or 2022.

**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 and subsequent June forecasts. For the fiscal year in which a relevant 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 greater of $30 million, or the UPTF fund balance. A forecast is not yet available to estimate these transfers.

**Table 5**
**General Fund Rebates and Expenditures**
*Dollars in Millions*

| Category | Actual FY 2018-19 | Percent Change | Estimate FY 2019-20 | Percent Change | Estimate FY 2020-21 | Percent Change | Estimate FY 2021-22 | Percent Change |
|---|---|---|---|---|---|---|---|---|
| Senior and Veterans Property Tax Exemptions | $145.9 | 10.3% | $151.2 | 3.6% | $163.8 | 8.4% | $171.6 | 4.7% |
| TABOR Refund Mechanism[1] | -$39.5 | | -$151.2 | | $0.0 | | $0.0 | |
| Cigarette Rebate | $9.4 | -3.8% | $9.5 | 1.2% | $9.2 | -2.6% | $8.9 | -3.7% |
| Old Age Pension Fund | $86.8 | -4.9% | $83.0 | -4.3% | $92.1 | 10.9% | $98.9 | 7.4% |
| Aged Property Tax and Heating Credit | $5.5 | 13.0% | $5.7 | 1.9% | $6.2 | 10.5% | $6.6 | 6.2% |
| Older Coloradans Fund | $10.0 | -60.0% | $10.0 | 0.0% | $8.0 | -20.0% | $10.0 | 25.0% |
| Interest Payments for School Loans | $7.4 | 48.3% | $6.5 | -11.9% | $6.7 | 2.7% | $6.9 | 3.0% |
| Firefighter Pensions | $4.2 | -3.4% | $4.3 | 1.4% | $4.4 | 2.7% | $4.5 | 2.7% |
| Amendment 35 Distributions | $0.8 | -2.7% | $0.8 | -1.5% | $0.8 | -1.7% | $0.8 | -1.9% |
| Marijuana Sales Tax Transfer to Local Governments | $19.3 | 11.5% | $22.4 | 16.4% | $23.8 | 6.3% | $26.0 | 9.1% |
| **Total Rebates and Expenditures** | **$249.8** | **-14.1%** | **$142.2** | **-43.1%** | **$315.1** | **121.6%** | **$334.2** | **6.1%** |

*Totals may not sum due to rounding.*

*[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.*

## Table 6
## Cash Fund Transfers
*Dollars in Millions*

| Transfers to the General Fund | | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|
| HB 05-1262 | Amendment 35 Tobacco Tax | $0.8 | $0.8 | $0.8 |
| SB 13-133 & HB 20-1400 | Limited Gaming Fund | $23.2 | $28.2 | $2.6 |
| SB 17-265 & SB 19-208 | State Employee Reserve Fund | $23.0 | | |
| SB 19-158 | Pet Animal Care and Facility Fund | $0.01 | $0.01 | $0.01 |
| SB 19-261 | Unclaimed Property Trust Fund | $30.0 | | |
| HB 20-1361 | Reduce The Adult Dental Benefit | | $1.1 | $2.3 |
| HB 20-1378 | Capital-related Transfers of Money | $19.7 | | |
| HB 20-1380 | Move Tobacco Litigation Settlement Moneys | | $40.0 | |
| HB 20-1381 | Cash Fund Transfers | $54.9 | $88.5 | |
| HB 20-1382 | Repeal Cash Funds with General Fund Reversions | $13.9 | | |
| HB 20-1387 | Transfers From Unexpended County Reimbursements | | $13.0 | |
| HB 20-1395 | End WORK Act Grants Transfer Money To General Fund | | $0.2 | |
| HB 20-1401 | Marijuana Tax Cash Fund Spending & Transfer | | $137.0 | |
| HB 20-1406 | Cash Fund Transfers To The General Fund | $31.6 | $11.2 | |
| **Total Transfers to the General Fund** | | **$197.3** | **$320.0** | **$5.6** |
| **Transfers from the General Fund** | | **2019-20** | **2020-21** | **2021-22** |
| SB 11-047 | Bioscience Income Tax Transfer to OEDIT | $6.5 | $5.8 | $6.9 |
| SB 14-215 | Marijuana Tax Cash Fund | $144.9 | $154.1 | $168.2 |
| HB 14-1016[1] | Procurement Technical Assistance Cash Fund | $0.2 | | |
| SB 15-244 & SB 17-267 | State Public School Fund | $25.4 | $27.0 | $29.5 |
| HB 16-1161[2] | Older Coloradans Fund & Veterans Grant Program Fund | $0.0 | | |
| HB 18-1323 | Pay For Success Contracts Pilot Program Funding | $0.5 | $0.5 | $0.4 |
| HB 18-1363 | Recommendations Of Child Support Commission | $0.04 | $0.04 | $0.04 |
| SB 18-016[3] | Transitioning from Criminal & Juvenile Justice System | $0.0 | $0.0 | $0.0 |
| HB 19-1026 | Parks and Wildlife Fines | $0.4 | $0.4 | $0.4 |
| HB 19-1147 | Traumatic Brain Injury Program | $0.5 | | |
| HB 19-1168 & SB 20-215 | Health Insurance Affordability Cash Fund | $0.0 | $0.0 | $0.0 |
| HB 19-1174, HB 19-1216, HB 19-1233, HB 19-1269, HB 19-1283 | Division of Insurance Cash Fund for Out-of-Network Health Care Services, Insulin Prices, Investments in Primary Care, Mental Health Parity, and Disclosure of Insurance Liability Coverage | $0.3 | $0.2 | $0.2 |
| HB 19-1245 | Housing Development Grant Fund | $8.0 | $2.8 | $43.2 |
| HB 20-1061 | HIV Infection Prevention Medications | | $0.02 | $0.02 |
| HB 20-1116 | Procurement Technical Assistance Program Extension | | $0.2 | $0.2 |
| HB 20-1158 | Ins Cover Infertility Diagnosis Treatment Preserve | | $0.00 | $0.01 |
| HB 20-1215 | Sunset Water Wastewater Facility Operators Certification Board | | $0.02 | $0.02 |
| HB 20-1412 | COVID-19 Utility Bill Payment-related Assistance | | $10.0 | |
| SB 20-003 | State Parks Improvement Appropriation | | $1.0 | |
| SB 20-007 | Treatment Opioid & Other Substance Use Disorders | | $0.03 | |
| **Total Transfers from the General Fund** | | **$186.8** | **$202.2** | **$249.1** |
| **Net General Fund Impact** | | **$10.5** | **$117.8** | **($243.5)** |

**Excludes transfers that could not be estimated at this time, including those under HB20-1100, HB20-1388, and HB20-1389.*

*[1]The transfer is contingent upon the receipt of at least $200,000 in gifts, grants, and donations by the relevant contractor.*

*[2]HB 16-1161 requires transfers to the Older Coloradans Fund (95%) and the Veterans Assistance Grant Program Cash Fund (5%) of any excess General Fund moneys set aside for reimbursements to local governments for the Senior Homestead and Disabled Veteran property tax exemptions. These transfers are repealed under HB20-1387.*

*[3]SB 18-016 transfers any unexpended Department of Public Safety appropriation for community corrections to a Department of Local Affairs cash fund for transitional offender housing. There were no unexpended appropriations for FY 2018-19 and no transfer was made. This forecast assumes that all future community corrections appropriations will be expended and that no transfer will be made in future years.*

## General Fund Revenue

This section presents the Legislative Council Staff outlook for General Fund revenue, the state's main source of funding for operating appropriations. Table 8 on page 20 summarizes General Fund revenue collections for FY 2018-19 and projections for FY 2019-20 through FY 2021-22.

**FY 2019-20**. General Fund revenue collections are expected to decrease 4.7 percent during the current fiscal year to total $12.0 billion. The decrease reflects declines in business and consumer activity consistent with a deep economic recession. Expectations were increased $320.9 million, or 2.8 percent, relative to the May 2020 forecast update. The upward revision incorporates the expected impact of emergency rules promulgated by the Department of Revenue (DOR) on June 2, 2020, affecting the state's administration of retroactive increases to federal income tax deductions allowed under the CARES Act. Upward revisions also reflect moderate increases in expectations for individual and corporate income taxes and sales and use taxes, consistent with modest upgrades to the economic outlook and year-to-date collections. While expectations were increased, the year-on-year decline in revenue is expected to be the worst the state has experienced since FY 2008-09 and to capture only the first part of the economic impacts of the recession.

**FY 2020-21.** Revenue collections are expected to fall 9.5 percent further from reduced FY 2019-20 levels and total $10.8 billion in FY 2020-21. The decrease reflects the impacts of the deep economic recession during the spring of 2020 that will have ongoing impacts across all revenue streams over the full fiscal year. Expectations for FY 2020-21 incorporate much more uncertainty than usual, as a potential double-dip recession or faster-than-expected recovery pose a wide range of possible revenue outcomes.

Relative to the May 2020 forecast update, General Fund revenue expectations for FY 2020-21 were increased by $526.1 million, or 5.1 percent. The increase reflects modest upgrades in the economic outlook as well as the impacts of the June 2, 2020, DOR emergency rules and of legislation, especially House Bill 20-1420.

**FY 2021-22.** Revenue is expected to rebound, increasing 13.9 percent in FY 2021-22 to total $12.3 billion. The forecast anticipates growth from low levels as business and consumer activity continue to recover after the recession. Despite the strong growth rate, revenue collections for FY 2021-22 are expected to remain below FY 2018-19 levels.

**Risks to the forecast.** The outlook for revenue is especially uncertain in light of the evolving COVID-19 crisis. This uncertainty poses significant upside and downside risks to the General Fund revenue forecast. The pace at which economic activity resumes across the many impacted industries will affect income and sales tax revenue, and longer periods of reduced activity will cause more permanent closures and longer-term economic and revenue impacts. In contrast, development and distribution of a vaccine for the virus pose upside risk, as does additional fiscal and/or monetary policy support from the federal government to businesses, households, and state and local governments. Finally, spring 2020 tax payment deadlines were delayed until July. This change has affected the timing of revenue collections and muddied normal data reporting, reducing the amount of data available relative to that incorporated in a normal June forecast. Depending on how state accountants implement accrual adjustments for tax payments, more (or less) revenue may be shifted into FY 2019-20 from FY 2020-21. These accounting adjustments will not impact the total amount collected over the two year period.

**Legislation.** This forecast includes adjustments for 2020 legislation signed into law or sent to the governor as of the date of this forecast. These adjustments are shown by bill number in Table 7 and are subject to change in future forecasts with updated information or actions taken by the Governor.

**Table 7**
**2020 Legislative Adjustments to the General Fund Revenue Forecast**
*Dollars in Millions*

| Bill Number and Short Title | | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|
| HB 20-1001 | Nicotine Product Regulation | | $0.1 | $0.1 |
| HB 20-1003 | Rural Jump-Start Zone Act Modifications | | ($0.2) | ($0.8) |
| HB 20-1020 | Long-Term Lodging Sales Tax Exemption | | $3.7 | $7.4 |
| HB 20-1024 | Net Operating Loss Deduction Modifications[1] | | | |
| HB 20-1048 | Race Trait Hairstyle Anti-Discrimination Protections[2] | | | |
| HB 20-1109 | Tax Credit Employer Contributions to Employee 529s | | | ($0.04) |
| HB 20-1143 | Environmental Justice and Projects[2] | | | |
| HB 20-1385 | Use of Increased Medicaid Match | $0.04 | $1.3 | |
| HB 20-1420 | Adjust Tax Expenditures for State Education Fund[3] | | $94.1 | $32.0 |
| SB 20-200 | Implementation of Colorado Secure Savings Plan[4] | | | |
| **Total General Fund Revenue Impact** | | **$0.04** | **$99.0** | **$38.7** |

*[1]Increases state revenue beginning in FY 2035-36.*

*[2]Assessed as a minimal revenue increase.*

*[3]This bill increases revenue in part by reversing revenue decreases anticipated to result from income tax deductions in the federal CARES Act. The amounts presented here include the reversal of these decreases, which eliminated the negative adjustments to revenue included in the May 2020 forecast update.*

*[4]Assessed as an indeterminate revenue decrease.*

**Expiring tax expenditures.** This forecast estimates state revenue under current state and federal law. Under current state law, certain tax expenditures that were available in 2019 expire within the forecast period. Where applicable, the forecast includes upward adjustments to revenue projections to account for the expiration of these tax expenditures.

**Individual income tax.** Individual income tax revenue is the largest source of General Fund revenue; it accounted for just over 60 percent of FY 2018-19 revenue, net of the SEF diversion. Individual income tax revenue is expected to decrease sharply, falling 4.9 percent in FY 2019-20 and 11.3 percent in FY 2020-21, as discussed below.

*FY 2019-20.* Individual income tax revenue is expected to decline 4.9 percent, or $0.4 billion, to total $7.8 billion. Relative to the May forecast update, expectations for individual income tax revenue were increased by $0.2 billion, or 2.6 percent, consistent with modest upgrades to the economic outlook and administrative rule and legislative changes affecting the state's administration of federal income tax deductions in the CARES Act.

The outlook for revenue remains uncertain even with actual collections data for eleven months of the fiscal year due to the severe economic downturn and changes in the timing of tax payments. Pursuant to Governor Polis' Executive Orders D 2020 010 and D 2020 040, the following income tax filing and payment deadlines have been extended until July 15, 2020:

- the deadline to file and pay income taxes for the 2019 tax year, which would otherwise have been April 15, 2020;
- the deadline to make estimated income tax payments for the first quarter of the 2020 tax year, which would otherwise have been April 15, 2020; and
- the deadline to make estimated income tax payments for the second quarter of the 2020 tax year, which would otherwise have been June 15, 2020.

Because taxpayers may wait until July to file their returns or make estimated payments, significantly less tax data are available now than at a similar point in a normal fiscal year. This complicates the ability to isolate the revenue impacts of the economic downturn from filing distortions. For example, the Department of Revenue reports that, through May, less than 450,000 taxpayers had filed returns with balances due, compared with over 650,000 through May 2019. Many income tax payments that would otherwise be made in April or June are being delayed into July during FY 2020-21. Because these payments reflect economic activity that occurred during FY 2019-20, state accountants will shift them out of FY 2020-21 and into FY 2019-20 by means of an accrual adjustment.

*FY 2020-21.* Individual income tax revenue is expected to fall 11.3 percent further to total $7.0 billion, consistent with expectations for declining wage, business, and investment income during the fiscal year. For comparison, individual income tax revenue declined 17.9 percent between its peak in FY 2007-08 and its trough in FY 2009-10. This forecast assumes a slightly lesser decline of 15.6 percent between FY 2018-19 and FY 2020-21. Revenue is falling from tax years 2018 and 2019, when taxpayers accelerated economic activity in order to take advantage of the federal tax cuts enacted in the Tax Cuts and Jobs Act of 2017. Additionally, COVID-related losses are being compounded by a simultaneous collapse in oil prices, which has historically suppressed income tax revenue associated with oil producers and a slew of downstream industries. One mitigating factor is fiscal and monetary policy stimulus, which was enacted prospectively to address anticipated COVID-19-related economic damage and which appears to have softened the economic blow.

The extent of revenue loss will ultimately depend on factors that are unknown at this time, like when normal consumer activity will resume in many industries and whether and when a COVID-19 vaccine can be developed and distributed. Additional federal stimulus may also ameliorate a portion of the revenue decrease to the extent that they keep businesses from shuttering permanently. For these reasons, the FY 2020-21 forecast contains significant risk to both the downside and the upside.

*FY 2021-22.* Individual income tax revenue is projected to rebound significantly, rising 19.1 percent to total $8.3 billion. The outlook for FY 2021-22 depends on whether the health concerns expected to limit economic activity have been overcome. This forecast assumes a return to unconstrained economic behavior in FY 2021-22, but even under such a scenario, the recession will have lasting impacts, keeping income tax revenue below FY 2018-19 levels. Depending on the secondary impacts of the recession, and duration and severity of additional actions to contain COVID-19, economic activity may be suppressed for a longer period of time, resulting in income tax revenue below forecast.

*Federal and state policies impacting the individual income tax forecast.* President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) into law on March 27, 2020. The CARES Act includes several provisions expected to reduce taxable income, of which the largest are:

- allowing the deduction of "excess" losses by non-corporate businesses that would otherwise exceed a threshold established in the Tax Cuts and Jobs Act of 2017;
- allowing net operating losses for individuals, estates, and trusts to be carried back for up to five years, and delimiting the amount by which these losses may be used to reduce taxable income;
- increasing the percentage of business interest income that is tax deductible; and
- suspending required minimum distributions from retirement funds, allowing some retirees to let their fund balances recover before making distributions and incurring tax liability.

The CARES Act is expected to reduce federal taxable income for tax years 2015 through 2020.

On June 2, 2020, the DOR adopted two emergency rules that affect the state's administration of the deductions in the CARES Act. Specifically, the emergency rules together define "internal revenue code" for the purpose of determining federal taxable income, which in turn is used to determine Colorado taxable income. Under the rules, "internal revenue code" is defined to exclude federal statutory changes enacted after the end of a tax year. DOR is expected to disallow amended returns filed for tax year 2019 and earlier years that show reduced federal taxable income as a result of the deductions in the CARES Act. The rules effectively eliminate the revenue impact of most CARES provisions for 2019 and earlier years.

**House Bill 20-1420** requires state income tax additions to reverse the revenue decreases attributable to the three most significant provisions in the CARES Act: those related to excess business losses, net operating losses, and business interest income. In combination with the emergency rules, HB 20-1420 effectively reverses the entire revenue impact of these sections on Colorado state income tax collections.

The provisions of the CARES Act that are not addressed in HB 20-1420, like those related to required minimum distributions from retirement accounts, are expected to decrease revenue by about $17.5 million in FY 2019-20 and $34.1 million in FY 2020-21.

*TABOR refund mechanism.* The FY 2018-19 TABOR surplus triggered a temporary income tax rate reduction for tax year 2019. This TABOR refund mechanism temporarily reduces the state income tax rate from 4.63 percent to 4.50 percent for one year only. The rate reduction refunds revenue collected during FY 2018-19 that has been restricted in the General Fund to pay refunds required in FY 2019-20. Because this revenue has already been collected and restricted to pay the required refund, the rate reduction does not reduce income tax revenue from the amount that would otherwise be collected for tax year 2019.

**Corporate income tax.** After reaching record levels in FY 2018-19, corporate income tax revenue will decline in each of the next two fiscal years. In FY 2018-19, corporate income tax revenue totaled $919.8 million, the highest level of collections in the state's history. Revenue growth was primarily driven by a strong economy, federal tax law changes that took effect in 2018, and a large audit concluded by the Department of Revenue in 2019.

Corporate income tax revenue is expected to drop by 16.1 percent to $771.4 million in FY 2019-20 and decline by an additional 42.5 percent to $443.6 million in FY 2020-21, as the global economic shock caused by the COVID-19 pandemic and steep declines in oil prices ripple through the economy and manifest in reduced payments.

Corporate income tax revenue is volatile, and the revenue stream has significant exposure to at least two sectors that are expected to suffer significant hits: the oil and gas industry and the travel industry. To the extent that economic performance falls short of expectations, corporate income tax revenue will likewise be lower than forecast. This forecast expects an immediate reduction in corporate income tax revenue in the last two months of the current fiscal year and weakness throughout calendar year 2020. In addition, the extension of the tax deadline to July 15 will cause further distortions for corporate income revenue. Compared with the May 2020 forecast, expectations for corporate income tax collections were increased by $48.5 million in FY 2019-20 on higher than expected collections to date and are relatively unchanged in FY 2020-21.

**Sales tax.** The 2.9 percent state sales tax is assessed on the purchase of goods, except those specifically exempted, and a relatively small collection of services. Sales tax receipts are expected to increase 0.9 percent to total $3.1 billion during the current FY 2019-20, before remaining essentially flat in FY 2020-21 with 0.3 percent growth. A modest rebound in growth is expected in FY 2021-22, when sales taxes will grow 2.4 percent.

Prior to the COVID-19-related business closures and stay at home orders in March, sales tax receipts experienced strong growth through the first eight months of the current FY 2019-20, largely attributable to legislative changes impacting the taxation of out-of-state retailers in House Bill 19-1240 and House Bill 19-1245. During March and April, based on national retail sales and personal consumption expenditure data to date, consumer spending declined across most sectors except for essential goods, home improvement spending, and online sales. National retail sales rebounded in May, growing 17.7 percent over April; however, retail sales are still down 6.1 percent over May last year. Auto sales, which comprise the largest share of sales tax revenue, dipped by 50 percent nationally from March 1 to April 30, but grew by 44.1 percent in May over April as retailers adapted to the new environment and were able to capitalize on pent-up demand. Retail locations face strict restrictions on reopening, and spending will depend on consumer confidence related to both the virus and economic conditions. Job losses, low inflation, and lower population growth will also constrain sales tax collections through the forecast period.

**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. Revenue is expected to fall during FY 2019-20 by 38.2 percent and by 5.4 percent in FY 2020-21, before recovering with 7.1 percent growth FY 2021-22. Oil and gas industry capital expenditures have been cut significantly, with many companies halting most new drilling for the year.

Legislative changes and the rules promulgated by the Department of Revenue to collect out-of-state retail sales tax will gradually convert retail use tax collections, around 7 percent of total use tax collections as of 2018, to sales tax collections. This trend will also put significant downward pressure on use tax collections throughout the forecast period.

## Table 8
## General Fund Revenue Estimates
*Dollars in Millions*

| | Category | Actual FY 2018-19 | Percent Change | Estimate FY 2019-20 | Percent Change | Estimate FY 2020-21 | Percent Change | Estimate FY 2021-22 | Percent Change |
|---|---|---|---|---|---|---|---|---|---|
| | **Excise Taxes** | | | | | | | | |
| 1 | Sales | $3,054.0 | 4.4 | $3,079.9 | 0.9 | $3,089.6 | 0.3 | $3,163.1 | 2.4 |
| 2 | Use | $345.5 | 11.5 | $213.6 | -38.2 | $202.0 | -5.4 | $216.4 | 7.1 |
| 3 | Retail Marijuana Sales | $193.2 | 14.9 | $224.2 | 16.0 | $238.4 | 6.3 | $260.1 | 9.1 |
| 4 | Cigarette | $32.6 | -5.8 | $32.4 | -0.5 | $31.6 | -2.6 | $30.4 | -3.7 |
| 5 | Tobacco Products | $22.3 | 35.8 | $19.0 | -14.9 | $26.9 | 41.7 | $30.5 | 13.5 |
| 6 | Liquor | $48.3 | 3.9 | $50.2 | 3.9 | $49.0 | -2.3 | $51.7 | 5.4 |
| 7 | **Total Excise** | $3,695.9 | 5.5 | $3,619.2 | -2.1 | $3,637.4 | 0.5 | $3,752.1 | 3.2 |
| | **Income Taxes** | | | | | | | | |
| 8 | Net Individual Income | $8,247.0 | 8.8 | $7,842.9 | -4.9 | $6,957.8 | -11.3 | $8,287.6 | 19.1 |
| 9 | Net Corporate Income | $919.8 | 17.6 | $771.4 | -16.1 | $443.6 | -42.5 | $601.1 | 35.5 |
| 10 | Total Income Taxes | $9,166.8 | 9.7 | $8,614.3 | -6.0 | $7,401.5 | -14.1 | $8,888.7 | 20.1 |
| 11 | Less: Portion Diverted to the SEF | -$692.8 | 12.3 | -$646.7 | -6.7 | -$559.4 | -13.5 | -$666.5 | 19.1 |
| 12 | **Income Taxes to the General Fund** | $8,474.0 | 9.5 | $7,967.6 | -6.0 | $6,842.1 | -14.1 | $8,222.2 | 20.2 |
| | **Other Sources** | | | | | | | | |
| 13 | Estate | $0.0 | NA | $0.0 | NA | $0.0 | NA | $0.0 | NA |
| 14 | Insurance | $314.7 | 3.6 | $320.8 | 1.9 | $301.2 | -6.1 | $310.9 | 3.2 |
| 15 | Pari-Mutuel | $0.5 | -1.7 | $0.5 | -7.3 | $0.5 | 6.4 | $0.5 | -2.0 |
| 16 | Investment Income | $26.5 | 35.8 | $27.8 | 4.7 | $11.8 | -57.7 | $12.9 | 9.5 |
| 17 | Court Receipts | $4.2 | -5.3 | $4.2 | 0.8 | $4.2 | 1.2 | $4.3 | 1.2 |
| 18 | Other Income | $48.9 | 25.7 | $34.7 | -29.0 | $35.5 | 2.3 | $36.0 | 1.4 |
| 19 | **Total Other** | $394.7 | -17.8 | $387.9 | -1.7 | $353.2 | -8.9 | $364.5 | 3.2 |
| 20 | **Gross General Fund Revenue** | **$12,564.6** | **7.2** | **$11,974.8** | **-4.7** | **$10,832.8** | **-9.5** | **$12,338.9** | **13.9** |

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

## Cash Fund Revenue

Table 9 summarizes the forecast for cash fund revenue subject to TABOR. The largest revenue sources are motor fuel taxes and other transportation-related revenue, gaming taxes, and severance taxes. The end of this section also presents the forecasts for marijuana sales and excise tax, Federal Mineral Lease, and unemployment insurance revenue. These forecasts are presented separately because they are not subject to TABOR limitations.

**FY 2018-19**. Final figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled $2.44 billion in FY 2018-19, an increase of $133.7 million or 5.8 percent from the prior fiscal year. The most significant increase was in severance tax collections, which grew by $112.2 million, or 78.4 percent. The improvement in oil and gas production activity and in rising energy prices aided taxes levied on the extraction of natural resources. Transportation-related revenue, the largest source of cash fund revenue subject to TABOR, added just over $500,000 as the pace of economic expansion slowed.

**Forecast for FY 2019-20 through FY 2021-22.** Total cash fund revenue subject to TABOR in the current FY 2019-20 is expected to total $2.24 billion, a decline of 8.2 percent from the prior year. The crude oil market rout and drop in travel activity due to COVID-19-related disruptions that began to meaningfully affect the state in early March are expected to impact several cash fund sources in the current and following fiscal year. Specifically, revenue to transportation-related and severance cash funds are expected to decline in FY 2019-20 and FY 2020-21 before picking up in FY 2021-22, while gaming and marijuana revenues are expected to increase from FY 2019-20 lows in both FY 2020-21 and FY 2021-22.

**Transportation-related** revenue subject to TABOR is expected to decrease 6.2 percent in FY 2019-20, with most of the decline attributable to falling motor fuel consumption and vehicle registration payments between April and June of 2020. Transportation-related revenue is expected to increase 1.2 percent in FY 2020-21 before growing by 2.4 percent in FY 2021-22. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 10.

The largest source of transportation-related revenue is the motor fuel excise tax credited to the Highway Users Tax Fund (HUTF). Fuel tax remittances declined by 1.0 percent over the first ten months of FY 2019-20, reflecting a modest decrease in the amount of fuel distributed between June 2019 and March 2020. In contrast, fuel tax revenues for May 2020, reflecting April 2020 distributions, declined by about 30 percent from the same month in 2019. A similar decrease is expected for June, leading to a 5.8 percent decline in fuel tax revenue for FY 2019-20 relative to FY 2018-19. Reduced vehicle traffic attributable to COVID-19-related business and office closures is expected to persist through the first half of FY 2020-21. Fuel consumption is expected to rebound in 2021 and 2022, but to remain below FY 2018-19 levels due to both cyclical and structural factors.

Vehicle registration fees, which are also credited to the HUTF, had already exhibited distortions in FY 2018-19 and FY 2019-20 following migration to the Division of Motor Vehicles' new software system, DRIVES. Further, closures of local DMV offices have delayed some registration-related revenue from FY 2019-20 into FY 2020-21. Consistent with steep decreases in registration fees during April and May, registration fee revenue expectations have been revised downward relative to the May forecast update. Registrations are new expected to decline in FY 2019-20, and to rebound sharply in FY 2020-21 as offices reopen and delayed registration payments are made.

**Table 9**
**Cash Fund Revenue Subject to TABOR**
*Dollars in Millions*

| | Actual FY 2018-19 | Estimate FY 2019-20 | Estimate FY 2020-21 | Estimate FY 2021-22 | CAAGR* |
|---|---|---|---|---|---|
| Transportation-Related | $1,275.9 | $1,196.5 | $1,210.7 | $1,240.2 | |
| Percent Change | 0.0% | -6.2% | 1.2% | 2.4% | -0.9% |
| Severance Tax | $255.2 | $162.2 | $30.7 | $74.4 | |
| Percent Change | 78.4% | -36.4% | -81.1% | 142.6% | -33.7% |
| Gaming Revenue[1] | $107.0 | $65.9 | $66.8 | $78.2 | |
| Percent Change | 0.1% | -38.4% | 1.4% | 17.0% | -9.9% |
| Insurance-Related | $22.6 | $24.6 | $17.6 | $18.4 | |
| Percent Change | 26.7% | 9.0% | -28.5% | 4.5% | -6.6% |
| Regulatory Agencies | $78.8 | $79.2 | $78.1 | $79.1 | |
| Percent Change | -2.1% | 0.5% | -1.3% | 1.2% | 0.1% |
| Capital Construction Related - Interest[2] | $4.7 | $6.2 | $3.0 | $2.1 | |
| Percent Change | 1.6% | 31.4% | -51.1% | -29.8% | -23.3% |
| 2.9% Sales Tax on Marijuana[3] | $10.8 | $12.1 | $12.3 | $12.7 | |
| Percent Change | -33.1% | 12.6% | 1.9% | 3.0% | 5.7% |
| Other Cash Funds | $683.0 | $692.0 | $688.8 | $733.3 | |
| Percent Change | 3.5% | 1.3% | -0.5% | 6.5% | 2.4% |
| **Total Cash Fund Revenue[4]** | **$2,438.0** | **$2,238.7** | **$2,108.0** | **$2,238.4** | |
| **Subject to the TABOR Limit** | 5.8% | -8.2% | -5.8% | 6.2% | -2.8% |

*Totals may not sum due to rounding.*
** CAAGR: Compound average annual growth rate for FY 2018-19 to FY 2021-22.*
*[1]Gaming revenue in this table does not include Amendment 50 revenue, because it is not subject to TABOR.*
*[2]Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from certain enterprises.*
*[3]Includes revenue from the 2.9 percent sales tax collected from the sale of medical and retail marijuana. This revenue is subject to TABOR.*

COVID-related travel slowdowns are expected to severely reduce vehicle rentals, with the attendant decline in daily vehicle rental fees driving large decreases in other HUTF receipts during FY 2019-20 and FY 2020-21.

The State Highway Fund (SHF) receives money primarily from HUTF allocations, interest earnings, and local government matching grants. HUTF revenue is subject to TABOR when initially collected but not double-counted for TABOR purposes when distributed to the SHF, and is for this reason omitted from SHF revenue in Table 10. Following a March 2020 Attorney General opinion, local government matching grants will not be accounted as subject to TABOR, reducing SHF revenue shown in Table 10 for FY 2019-20 and subsequent years. Fewer HUTF allocations and local government funds are expected to limit the SHF balance, reducing interest earnings in the fund through the forecast period.

**Table 10**
**Transportation Funds Revenue by Source**
*Dollars in Millions*

| | Actual FY 2018-19 | Estimate FY 2019-20 | Estimate FY 2020-21 | Estimate FY 2021-22 | CAAGR* |
|---|---|---|---|---|---|
| **Highway Users Tax Fund (HUTF)** | | | | | |
| Motor and Special Fuel Taxes | $654.9 | $617.0 | $602.1 | $637.6 | -0.9% |
| Percent Change | -0.1% | -5.8% | -2.4% | 5.9% | |
| Total Registrations | $382.7 | $377.5 | $403.1 | $391.9 | 0.8% |
| Percent Change | -0.2% | -1.4% | 6.8% | -2.8% | |
| *Registrations* | *$229.1* | *$223.1* | *$238.0* | *$231.4* | |
| *Road Safety Surcharge* | *$132.2* | *$133.7* | *$142.7* | *$138.7* | |
| *Late Registration Fees* | *$21.4* | *$20.7* | *$22.5* | *$21.8* | |
| Other HUTF Receipts /A | $71.1 | $65.4 | $61.3 | $64.7 | -3.1% |
| Percent Change | 1.7% | -8.0% | -6.2% | 5.5% | |
| **Total HUTF** | **$1,108.7** | **$1,059.9** | **$1,066.5** | **$1,094.2** | -0.4% |
| Percent Change | 0.1% | -4.4% | 0.6% | 2.6% | |
| State Highway Fund (SHF) /B | $39.9 | $29.6 | $27.9 | $28.5 | -10.6% |
| Percent Change | -1.8% | -25.8% | -5.6% | 2.1% | |
| Other Transportation Funds | $127.4 | $107.1 | $116.3 | $117.5 | -2.7% |
| Percent Change | -1.2% | -15.9% | 8.6% | 1.1% | |
| *Aviation Fund /C* | *$33.7* | *$28.7* | *$21.6* | *$29.2* | |
| *Law Enforcement-Related /D* | *$8.6* | *$8.5* | *$8.4* | *$8.3* | |
| *Registration-Related /E* | *$85.1* | *$69.9* | *$86.2* | *$80.0* | |
| **Total Transportation Funds** | **$1,275.9** | **$1,196.5** | **$1,210.7** | **$1,240.2** | -0.9% |
| Percent Change | -0.1% | -6.2% | 1.2% | 2.4% | |

*Totals may not sum due to rounding.*
**CAAGR: Compound average annual growth rate for FY 2018-19 to FY 2021-22.*
*/A Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.*
*/B Includes only SHF revenue subject to TABOR. Beginning in FY 2019-20, SHF revenue subject to TABOR no longer includes des local government grants and contracts.*
*/C Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.*
*/D Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.*
*/E Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.*

**Addendum: TABOR-Exempt FASTER Revenue**

| | Actual FY 2018-19 | Estimate FY 2019-20 | Estimate FY 2020-21 | Estimate FY 2021-22 | CAAGR* |
|---|---|---|---|---|---|
| Bridge Safety Surcharge | $114.6 | $112.0 | $121.5 | $124.3 | 2.4% |
| Percent Change | -13.9% | -2.3% | 8.5% | 2.3% | |

*Note: Revenue to the Statewide Bridge Enterprise from the bridge safety surcharge is TABOR-exempt and therefore not included in the table above. It is included as an addendum for informational purposes.*

Other transportation cash fund revenue subject to TABOR is expected to decline in FY 2019-20 before rebounding in FY 2020-21. The rebound is attributable to registration-related payments, which are assumed to bounce back as DMV offices reopen and delayed registrations are renewed. Aviation fuel excise tax revenue is expected to remain subdued through FY 2020-21. Revenue to the **Statewide Bridge Enterprise** is not subject to TABOR and is shown as an addendum to Table 10.

**Severance tax** revenue, including interest earnings, totaled $255.2 million in FY 2018-19 and is expected to total $162.2 million in FY 2019-20 then fall to $30.7 million in FY 2020-21. 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 11.

**Table 11**
**Severance Tax Revenue by Source**
*Dollars in Millions*

| | Actual FY 2018-19 | Estimate FY 2019-20 | Estimate FY 2020-21 | Estimate FY 2021-22 | CAAGR* |
|---|---|---|---|---|---|
| Oil and Gas | $235.7 | $147.1 | $15.3 | $58.8 | -37.0% |
| Percent Change | 86.8% | -37.6% | -89.6% | 284.8% | |
| Coal | $3.6 | $2.8 | $2.4 | $2.3 | -13.0% |
| Percent Change | -4.9% | -21.2% | -14.0% | -3.0% | |
| Molybdenum and Metallics | $2.4 | $2.8 | $2.5 | $2.6 | 2.0% |
| Percent Change | -15.0% | 15.0% | -12.7% | 5.8% | |
| **Total Severance Tax Revenue** | **$241.7** | **$152.7** | **$20.1** | **$63.7** | -35.9% |
| Percent Change | 82.0% | -36.8% | -86.8% | 216.4% | |
| Interest Earnings | $13.5 | $9.6 | $10.5 | $10.6 | -7.6% |
| Percent Change | 32.1% | -29.2% | 10.2% | 1.2% | |
| **Total Severance Tax Fund Revenue** | **$255.2** | **$162.2** | **$30.7** | **$74.4** | -33.7% |
| Percent Change | 78.4% | -36.4% | -81.1% | 142.6% | |

**CAAGR: Compound average annual growth rate for FY 2018-19 to FY 2021-22.*

Severance tax collections from **oil and natural gas** totaled $235.7 million in FY 2018-19 and are forecast to decline 37.6 percent in FY 2019-20 to $147.1 million based on year-to-date collections that reflect activity in 2019. Oil and natural gas severance tax revenue will decline an additional 89.6 percent in FY 2020-21 to $15.3 million, as low oil prices will significantly constrain the U.S. oil and gas sector and result in production cuts.

Global crude oil prices declined 24 percent on March 9, 2020, the second largest one-day decline on record as Russia and Saudi Arabia abandoned supply levels to keep global oil supply balanced and moved to capture market share. COVID-19 related shutdowns in the U.S. have significantly dampened demand for oil, as transportation consumption accounts for about 70 percent of oil demand in the U.S. Demand for oil is expected to remain low until travel and commuting activity resume to near their pre-shutdown levels.

OPEC+ agreed to continue with oil production cuts through the end of July; however, some U.S. producers have resumed extraction activities, creating a more complex outlook for oil market recovery. Global oil demand in June is still about 13 percent below 2019 levels, which, in conjunction with resuming oil production, will place continued downward pressure on prices. Production in Colorado remains subdued, with wells shut in, capital expenditures cut significantly, and only 6 rigs active in the state. This forecast is consistent with average Colorado oil prices of around $35 per barrel in 2020 and $45 per barrel in 2021. Natural gas prices are forecast at $1.95 per thousand cubic feet in 2020 and $2.66 per thousand cubic feet in 2021. Property taxes for 2019 have already been paid on near historic production levels, which will reduce severance taxes to $0 for many oil wells in 2020 through the ad valorem credit.

It is unclear how far production of oil and natural gas will fall as a result of prolonged low oil prices. Resumption of production will depend on demand increasing in both the U.S. and globally; however, with most production going into storage this spring, prices will remain low through the forecast period.

**Coal severance tax** revenue declined 4.9 percent in FY 2018-19 and will decline through the forecast period as electricity generation continues to transition away from coal to renewable sources and natural gas. Based on current year-to-date collections, coal severance taxes are expected to decline 21.2 percent in FY 2019-20 to $2.8 million and 14.0 percent to $2.4 million in FY 2020-21.

**Metal and molybdenum** mines are expected to pay $2.8 million in severance taxes on the value of minerals produced in FY 2019-20 and $2.5 million in FY 2020-21. Mining activity at the two molybdenum mines in Colorado, the Climax Mine outside Leadville and the Henderson Mine outside Empire, is fairly constant when the mines are in operation.

Finally, interest earnings on severance tax revenue are expected to total $9.6 million in FY 2019-20 and $10.5 million in FY 2020-21. Interest earnings in FY 2019-20 will be based on a higher average balance in severance tax accounts following the passage of Senate Bill 19-016. SB 19-016 distributes severance tax revenue in the year following when the revenue is collected; therefore, the principal builds through the fiscal year generating interest revenue.

**Limited gaming revenue** includes taxes, fees, and interest earnings collected in the Limited Gaming Fund and the State Historical Fund. Most of this revenue is subject to TABOR. Revenue attributable to Amendment 50, which expanded gaming beginning in FY 2009-10, is TABOR-exempt. 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, in the three state-sanctioned gaming municipalities: Black Hawk, Central City, and Cripple Creek. Casinos on tribal lands in southwestern Colorado are not subject to the state tax.

Limited gaming revenue subject to TABOR totaled $104.8 million in FY 2018-19 and is expected to decline by 38.4 percent to $65.9 million in FY 2019-20 before growing 1.4 percent in FY 2020-21 and 17.1 percent in FY 2021-22. Colorado casinos were closed by executive order on March 17, and were allowed to reopen with limited capacity and limited game offerings on June 15. This left casinos with no revenue for half of March and all of April, and this forecast assumes they will collect minimal revenue in June. Due to the graduated tax system, casino revenue is typically taxed at higher rates toward the end of the year, thus resulting in a greater loss of gaming tax revenue for FY 2019-20. In FY 2020-21, casino activity is expected to resume slowly at first, as limitations on large gatherings remain in place.

House Bill 20-1400, passed by the legislature during the 2020 session, changes the formulas to calculate revenue attributed to limited and extended gaming. The new formula was created to keep distributions to limited and extended revenue beneficiaries similar to the breakdowns between the two prior to the significant dip in tax revenue. These formulas supersede current statutory distribution formulas until the fiscal year after gaming tax revenues return to pre-downturn levels.

**Sports betting** was legalized in the state after the passage of House Bill 19-1327 in the 2019 legislative session, as well as the passage of Proposition DD during the November 2019 election. It launched on May 1; however, sports betting revenues face an uncertain near-term future with all professional sports indefinitely suspended in the U.S. A forecast of sports betting revenue will be available in future forecasts, once tax collections data for several months become available.

Revenue collected from sports betting activity includes licensing fees, set at between $1,200 and $2,000 per operator and master license biannually, 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 will not be subject to the TABOR limit; however, the fee revenue will be subject to TABOR. A Sports Betting Operations Fee was created under the rules adopted by the Limited Gaming Commission to cover a portion of administrative costs. The intent of the fee is to cover the remaining costs after license fees are paid, and was set for FY 2019-20 at $54,000 for internet sports betting operators and master licensees and at $12,500 for retail sports betting operators and master licensees. License fees, the sports betting operations fee, and other miscellaneous fees collected through April total $397,834.

**Marijuana tax revenue** totaled $262.9 million in FY 2018-19, a 4.6 percent increase from the prior year and the slowest growth in marijuana tax revenue since legalization. Marijuana tax revenues will continue to grow at a slow pace through the forecast period reaching $311.1 million in FY 2019-20 and $328.9 million in FY 2020-21. The majority of the revenue from the marijuana industry is voter-approved revenue exempt from TABOR; however, the 2.9 percent state sales tax is included in the state's revenue limit. Tax revenue from marijuana sales is shown in Table 12.

The special sales tax is the largest marijuana revenue source, and is taxed at a rate of 15 percent of the retail price of marijuana. Special sales tax revenue is expected to reach $224.2 million in FY 2019-20 and $238.4 million in FY 2020-21. The state distributes 10 percent of the special sales tax to local governments and retains the rest to be used in the Marijuana Tax Cash Fund, the General Fund, and the State Public School Fund. 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 expected to generate $74.9 million in FY 2019-20 and $78.2 million in FY 2020-21.

**Table 12**
**Marijuana Tax Revenue by Source**
*Dollars in Millions*

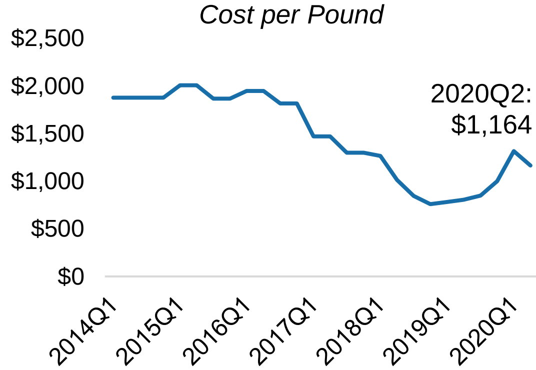
| | Actual FY 2018-19 | Estimate FY 2019-20 | Estimate FY 2020-21 | Estimate FY 2021-22 | CAAGR* |
|---|---|---|---|---|---|
| **Proposition AA Taxes** | **$252.2** | **$299.0** | **$316.6** | **$339.0** | 10.4% |
| Special Sales Tax | $193.2 | $224.2 | $238.4 | $260.1 | 8.7% |
| State Share of Sales Tax | $173.9 | $201.7 | $214.5 | $234.1 | |
| Local Share of Sales Tax | $19.3 | $22.4 | $23.8 | $26.0 | |
| 15% Excise Tax | $58.9 | $74.9 | $78.2 | $79.0 | 10.2% |
| **2.9 Sales Tax** (Subject to TABOR) | **$10.8** | **$12.1** | **$12.3** | **$12.7** | 5.7% |
| Medical Marijuana | $9.4 | $10.5 | $10.6 | $10.9 | |
| Retail Marijuana | $1.1 | $1.3 | $1.4 | $1.5 | |
| Interest | $0.3 | $0.3 | $0.4 | $0.4 | |
| **Total Taxes on Marijuana** | **$262.9** | **$311.1** | **$328.9** | **$351.8** | 10.2% |

**CAAGR: Compound average annual growth rate for FY 2018-19 to FY 2021-22.*

The excise tax is based on the calculated or actual wholesale price of marijuana when it is transferred from the cultivator to the retailer. There is considerable uncertainty about the calculated price due to a lack of available information. The wholesale price bottomed out at $759 per pound of marijuana flower in the fourth quarter of 2018 and has been steadily increasing each quarter before declining to $1,164 per pound in the second quarter of 2020, as shown in Figure 3. The wholesale price is a significant determinant of the excise tax revenue and it is not clear if the price will continue to increase or fall, consistent with a downward trends from 2016 to 2019. The wholesale price remains as both and upside and downside risk to the forecast.

The 2.9 percent state sales tax rate applies to medical marijuana and marijuana accessories purchased at a retail marijuana store. Medical marijuana sales tax revenue is expected generate $10.5 million in FY 2019-20 and remain flat through the forecast period, generating $10.6 million in FY 2020-21 and $10.9 million in FY 2021-22. Retail marijuana dispensaries will remit the state sales tax on marijuana accessories totaling $1.3 million in FY 2019-20 and $1.4 million in FY 2020-21. Revenue from the 2.9 percent sales tax is deposited in the Marijuana Tax Cash Fund and is subject to TABOR.

**Figure 3**
**Calculated Average Wholesale Rate**
*Cost per Pound*




*Source: Colorado Department of Revenue.*

**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 between the federal government and mining companies. Since FML revenue is not deposited into the General Fund and is exempt from TABOR, the forecast is presented separately from other sources of state revenue.

FML revenue totaled $113.8 million in FY 2018-19, a 31.5 percent increase as the state fulfills its obligations for previous payments associated with canceled leases on the Roan Plateau. In FY 2019-20, FML revenue is forecast to decrease 45.4 percent to $62.1 million. This decrease is attributable to a royalty rate reduction granted by the Bureau of Land Management to the Colowyo coal mine in Routt County, as well as lower oil and natural gas prices and production. This rate reduction was approved for several prior years, causing the Department of Interior to refund revenue from prior years and will reduce distributions to Colorado. Due to the crash in oil prices and subsequent production cuts, oil prices are expected to remain around $35 per barrel during 2020 and about $45 per barrel during 2021, resulting in a decrease in royalties collected. Producers are cutting oil production due to lower prices, which causes a drop in natural gas production as well. FML revenue will rebound gradually in the last two years of the forecast to $73.7 million in FY 2020-21 and $88.4 million in FY 2021-22.

Forecasts for **Unemployment Insurance (UI) Trust Fund** revenue, benefit payments, and year-end balance are shown in Table 13. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 9. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is subject to TABOR and is included in the revenue estimates for other cash funds in Table 9.

UI benefits paid have seen an unprecedented increase during the COVID-19-related rapid economic contraction. Benefits paid are expected to reach $1.6 billion in FY 2019-20, with $1.3 billion paid in the last quarter alone. As a consequence, the fund balance on June 30, 2020, is expected to remain positive but dip below 0.4 percent, triggering a move to the second highest premium rate schedule beginning January 1, 2021. The fund is expected to become insolvent during FY 2020-21. The forecast fund balances assume no federal borrowing; however, if the balance of the UITF falls below zero, the state is federally required to borrow money from the federal UI Trust Fund to cover required benefit payments.

For states facing UI program insolvency, the Families First Coronavirus Response Act, signed into law March 18, 2020, includes a provision to provide interest-free federal loans, as well as funding for extended state benefits, which were triggered in Colorado by deteriorating economic conditions in the second quarter of this year. While the federal provisions are currently set to expire at the end of 2020, this forecast assumes full federal funding of extended state benefits, consistent with historical experience in prior recessions.

Benefits paid are expected to grow further in FY 2020-21 to $2.3 billion, as the economy begins to recover but continues to feel the effects of COVID-19, with swaths of businesses remaining shuttered or operating at reduced levels for much of the remainder of 2020. By FY 2021-22, the amount of benefits paid are expected to fall back to $1.2 billion, with continued high unemployment levels amidst a gradual economic recovery, consistent with the usual delayed decline in unemployment rates following a recession.

Senate Bill 20-207 amended the Colorado Employment Security Act. In addition to other provisions, the bill suspends the solvency surcharge for 2021 and 2022 and increases the chargeable wage base incrementally beginning in 2022, from $13,600 to $30,600 per employee by 2026. The chargeable wage base will be adjusted each year after by the prior year's average weekly earnings. This forecast assumes that SB 20-207 will be enacted and incorporates its provisions.

**Table 13**
**Unemployment Insurance Trust Fund**
**Revenues, Benefits Paid, and Fund Balance**
*Dollars in Millions*

| | Actual FY 2018-19 | Estimate FY 2019-20 | Estimate FY 2020-21 | Estimate FY 2021-22 | CAAGR* |
|---|---|---|---|---|---|
| Beginning Balance | $922.3 | $1,104.1 | $74.6 | ($1,606.8) | |
| Plus Income Received | | | | | |
| UI Premium | $523.0 | $531.5 | $644.1 | $713.5 | 10.9% |
| Solvency Surcharge | $0.0 | $0.0 | $0.0 | $0 .0 | |
| Interest | $23.3 | $21.1 | $0.0 | $0.0 | |
| **Total Revenues** | **$546.3** | **$552.6** | **$644.1** | **$713.5** | 9.3% |
| Percent Change | -6.0% | 1.2% | 16.6% | 10.8% | |
| Less Benefits Paid | ($365.5) | ($1,582.1) | ($2,325.5) | ($1,184.4) | 48.0% |
| Percent Change | -8.2% | 332.9% | 47.0% | -49.1% | |
| **Ending Balance** | **$1,104.1** | **$74.6** | **($1,606.8)** | **($2,077.8)** | |
| Solvency Ratio | | | | | |
| Fund Balance as a Percent of Total Annual Private Wages | 0.87% | 0.05% | -1.10% | -1.35% | |

*Totals may not sum due to rounding.*
**CAAGR: Compound average annual growth rate for FY 2018-19 to FY 2021-22.*

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## Economic Outlook

The U.S. and Colorado economies are emerging from one of the steepest declines in economic activity in recorded history. The National Bureau of Economic Research announced that the nation officially entered a recession in February. While one of the most severe on record, this recession could also prove to be one of the shortest. The latest employment release from the U.S. Bureau of Labor Statistics suggests that after losing more than 22.1 million jobs between February and April, the nation added back 2.5 million jobs in May. Indicators of business and consumer confidence also show a strong rebound in activity for May and June, following severe declines in March and April.

While economic activity is projected to expand beginning in the third quarter of 2020 and continuing through the remainder of the forecast period, many unknowns cloud this outlook. Businesses are still assessing the damage caused by business closures and the risks of reopening. Consumers continue to constrain activity on COVID-19-related health concerns and apprehensions about their own household balance sheets. While many industries have recovered jobs, several sectors, including state and local government, are shedding jobs at an increasing pace. Widespread resurgence of COVID-19 and the possibility of a resumption of business closures and stay-at-home orders poses a significant risk to the outlook.

With the help of unprecedented monetary policy, large-scale fiscal aid stabilized and partially offset some of the impacts of business closures on job losses and cash flow crises. One-time economic impact payments, paycheck protection program incentives, and enhanced unemployment insurance benefits have boosted household incomes and supplemented consumer activity. Yet as this federal aid ends, economic activity could lose momentum. Tables 14 and 15 on pages 46 and 47 present histories and expectations for other economic indicators for the U.S. and Colorado, respectively.

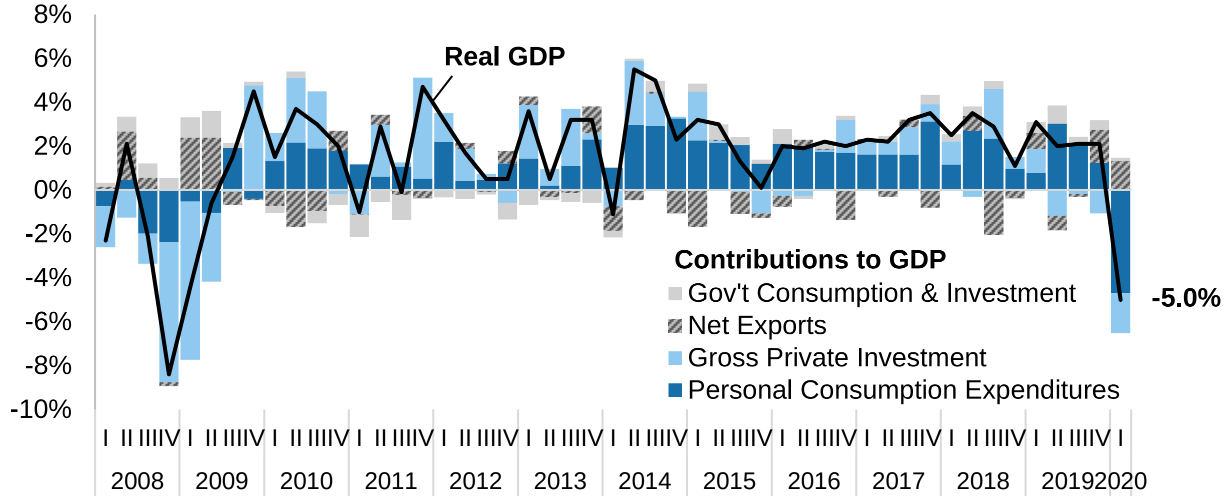
**Forecast assumptions for COVID-19.** This forecast assumes that an effective vaccine will not be available for 12 to 18 months, necessitating ongoing social distancing restrictions until a vaccine or other effective treatment can be widely distributed. Ongoing easing of business and social restrictions is expected, with targeted localized interventions in areas facing outbreaks. Widespread closures are not assumed in this forecast, but are possible and could result in a slower than expected economic recovery or a double-dip recession.

### Gross Domestic Product

The most commonly cited estimate of total economic activity in the U.S. is real gross domestic product, (GDP), an estimate of the inflation-adjusted value of final goods and services. Data from the U.S. Bureau of Economic Analysis suggests that real GDP declined at an annualized rate of 5.0 percent in the first quarter of 2020, ending the longest U.S. economic expansion on record (Figure 4). A much larger contraction is expected in the second quarter of the year, reflecting the business closures and stay at home orders that swept across states beginning in March and continuing through early May.

- Real U.S. GDP is expected to decline 5.7 percent in 2020 as it endures and begins to recover from a contraction during the first half of the year. The rate of decline is more than twice that experienced during the Great Recession. Economic activity is expected to expand 2.3 percent in 2021 and rise an additional 3.2 percent in 2022.

**Figure 4**
**Contributions to U.S. Real Gross Domestic Product**
*Seasonally Adjusted Annual Rates*




*Source: U.S. Bureau of Economic Analysis. "Real" GDP is inflation-adjusted. Contributions to percent change and percent change in GDP reflect annualized quarter-over-quarter growth rates.*

**Consumer spending remains subdued.** Consumer spending, as measured by personal consumption expenditures and accounting for more than two-thirds of total economic output, dropped at an annualized rate of 6.8 percent in the first quarter of the year, the steepest pullback in activity since the second quarter of 1980. Although spending on nondurable products, such as food, cleaning products, and paper products, jumped 7.7 percent from the prior quarter, expenditures on big-ticket items such as cars, home appliances, and furniture dropped by 13.2 percent. In addition, cancelations of sporting events, mandatory restaurant shutdowns, and suspensions of non-essential services such as elective medical procedures and visits to salons resulted in a decline of 9.7 percent on spending of services in the first quarter of the year, the steepest drop for this category in almost 70 years. The sharp halt to consumer activity is expected to continue into the second quarter of the year amid ongoing shutdowns and phased reopening, before rebounding in the second half of the year. However, job losses, wage cuts, health concerns, and ongoing uncertainty will restrain consumer spending throughout 2020.

**Depressed business investment will weigh on economic growth.** A slowing global economy and trade uncertainty had already created challenges for many U.S. businesses before the spread of COVID-19 to the U.S. While the impact of COVID-19-related closures is not yet well known, a rising number of bankruptcies have been reported in retail and leisure and hospitality sectors, and many businesses are choosing to delay reopening or permanently shutter.

In the first quarter of 2020, total gross domestic business investment fell by 10.5 percent after declining by 6.0 percent in the previous quarter. Business shutdowns and slowdowns have added to uncertainty and forced many companies to reevaluate their expectations and capital expenditures. Investment in business equipment plunged by 16.7 percent in the first quarter of the year, while spending on nonresidential structures dropped by 3.9 percent over the same period. Spending on residential housing jumped by an impressive 18.5 percent in the quarter, reflecting increased home improvement activities at the start of the shutdown. Business investment will deteriorate further in the second quarter of the year, reflecting shutdowns extending into May, and ongoing business uncertainty. A rebound is expected in the second half of 2020, although an uptick in bankruptcies beyond the hardest hit sectors could signal widening business disruptions and a dampened outlook.

**Import and export activity deteriorated significantly in the first half of 2020.** In the first quarter of 2020, U.S. exports declined by 8.7 percent, while imports dropped by a notable 15.5 percent over the same period. The fall in both imports and exports reflect the supply-side constraints from shutdowns across the globe. Coupled with supply disruptions, shutdowns have prompted a precipitous drop in global demand for goods. Further, travel restrictions have brought the export of services to a standstill. These disruptions will continue in the second half of 2020.

**Federal stimulus will partially offset declines in GDP.** Government spending was relatively flat in the first quarter of the year but is expected to rise in the near-term with the largest injection of federal stimulus in U.S. history. The federal Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security Act (CARES) are projected to inject about $2 trillion in stimulus between 2020 and 2025. The Families First and CARES Acts include direct payments to households, expanded and extended unemployment insurance benefits, business assistance, health and education spending, and tax cuts to households and businesses. Even with the unprecedented stimulus, however, the U.S. economy is still projected to contract at higher rates than experienced during the Great Recession.

While federal government spending is expected to rise considerably, state and local government spending will contract in 2020. State and local governments continue to report lower levels of tax revenue, leading to layoffs and spending cuts across nearly all states.

## Labor Markets

Labor market indicators for both the U.S. and Colorado bear out the extraordinary depth and breadth of the COVID-19 shock to labor markets, seen in the sharp increase in initial unemployment claims in March and April. Recent data indicate a halt in job losses, possibly even a nascent recovery, in response to phased re-openings, although pre-COVID-19 employment levels remain far from reach. Substantial uncertainty about the long-term impacts of the pandemic on labor markets and the trajectory of recovery remains.

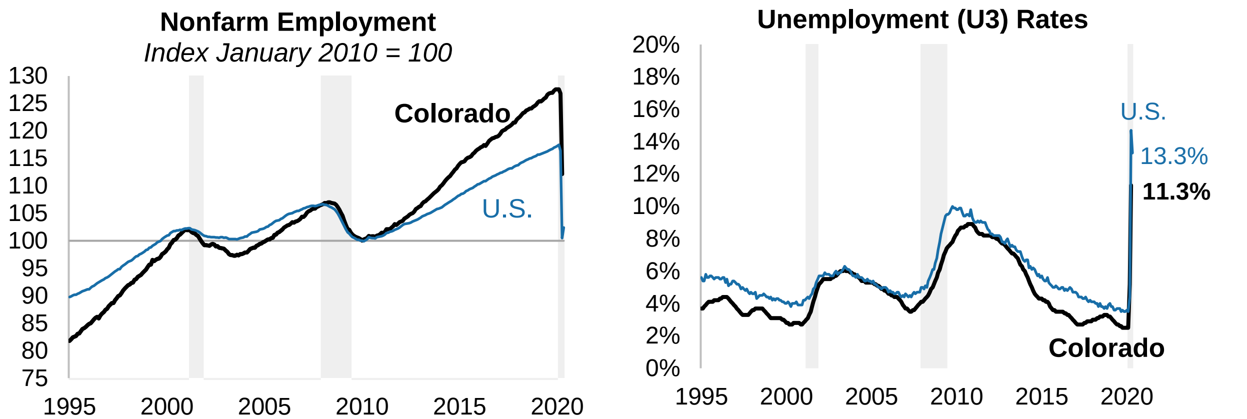
- U.S. nonfarm employment is expected to decline 4.7 percent in 2020 before growing 3.6 percent in 2021. After reaching a historic low of 3.7 percent in 2019, the U.S. unemployment rate is expected to rise to 8.8 percent in 2020, and to remain elevated at 7.1 percent in 2021.

- In Colorado, nonfarm employment is expected to decline by 4.5 percent in 2020 before beginning a recovery in 2021 to 3.3 percent growth. The Colorado unemployment rate is expected to increase sharply from 2.8 percent in 2019 to 7.4 percent in 2020, before falling to 6.3 percent in 2021.

**Unemployment has risen sharply.** As the COVID-19 pandemic brought the U.S. and Colorado economies to a standstill, labor market conditions deteriorated sharply in March and April. Between March 15 and May 30, 42.7 million people filed for unemployment in the U.S., representing almost 21 percent of the working age population (those aged 15 to 64). The U.S. unemployment rate rose from 3.5 percent in February to 4.4 percent in March and 14.7 percent in April (Figure 5, right). Meanwhile, the underemployment rate spiked to 22.8 percent in April.

In Colorado, 433,552 people filed initial unemployment claims between March 15 and May 30, although the number of weekly claims has been steadily decreasing since their peak of 104,217 for the week ending April 11. The statewide unemployment rate increased from 2.5 percent in February, one of the lowest in the nation, to 5.2 percent in March and to 11.3 percent in April, the 15th highest rate among the fifty states and equal to that of Montana and New Mexico.

**Figure 5**
**Selected U.S. and Colorado Labor Market Indicators**



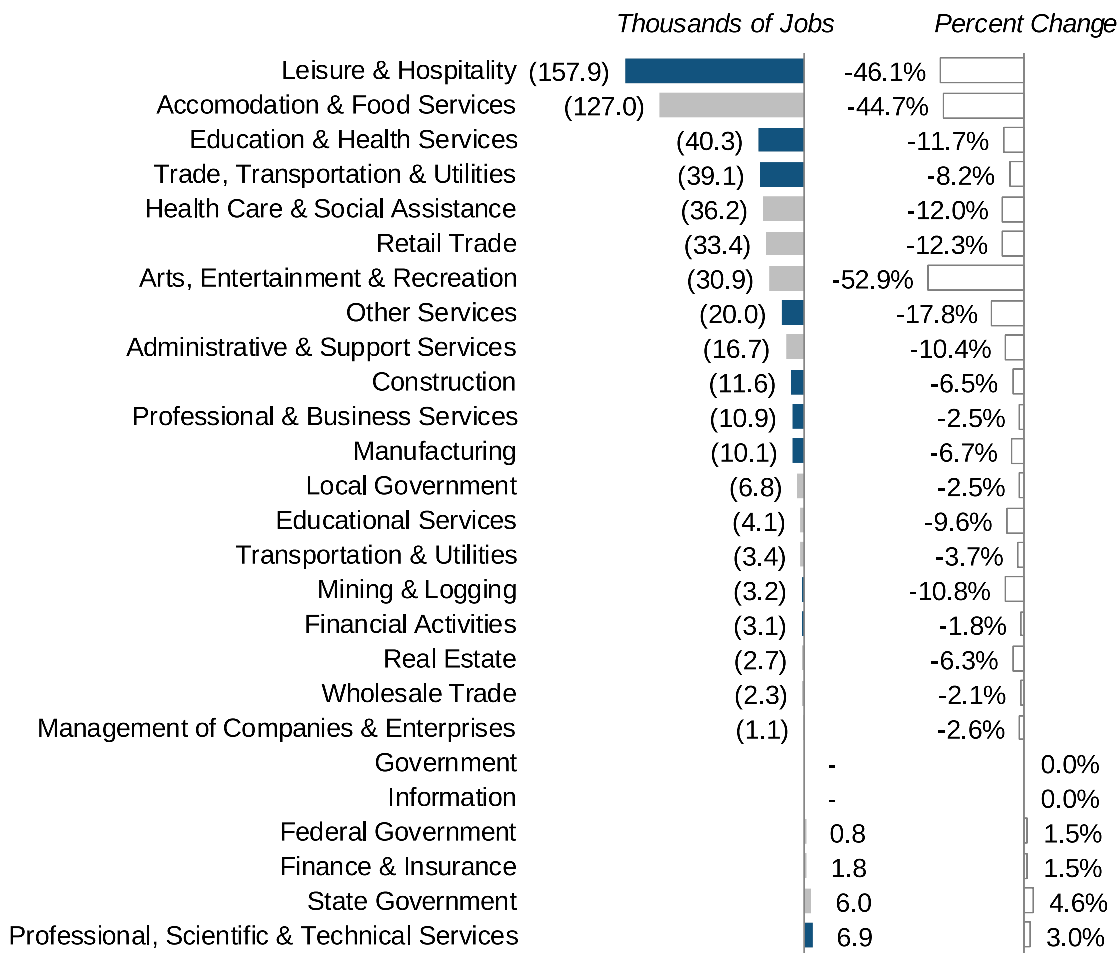

*Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted and are through May 2020 for the U.S. and April 2020 for Colorado. Gray bars indicate recession.*

**Employment losses are widespread.** Employment losses at the national and state levels have been broad-based, with industries such as accommodation and food services, and arts, entertainment and recreation experiencing the largest share of losses. The nation lost 1.4 million jobs in March and an additional 20.7 million in April, a decrease of 13.3 percent in total nonfarm employment relative to a year ago. Colorado lost 16,500 jobs in March and an additional 323,500 jobs in April, for a 10.7 percent decline in total nonfarm employment from levels a year ago (Figure 5, left). As in the nation, job losses are broad-based, with leisure and hospitality comprising the largest share of losses (Figure 6). Job losses have likewise been concentrated in counties most reliant on leisure and hospitality industries, with mountain resort communities among the hardest hit. April unemployment rates exceeded 20 percent in Pitkin, Gilpin, San Miguel, Summit, and Eagle counties (Figure 7).

**Recent data indicate a halt in job losses.** The most recent labor market data indicate that job losses may have halted and even reversed, with a larger-than-expected increase of 2.5 million jobs recorded in May. Many of the hardest-hit industries show signs of bouncing back, with employment gains of 1.4 million in food services and drinking places accounting for about half of the job gains. The U.S. unemployment rate declined to 13.3 percent, and the underemployment rate to 21.2 percent. While conditions now appear slightly less bleak, labor markets remain severely impaired by the COVID-19 shock, with 19.6 million jobs still lost since February.

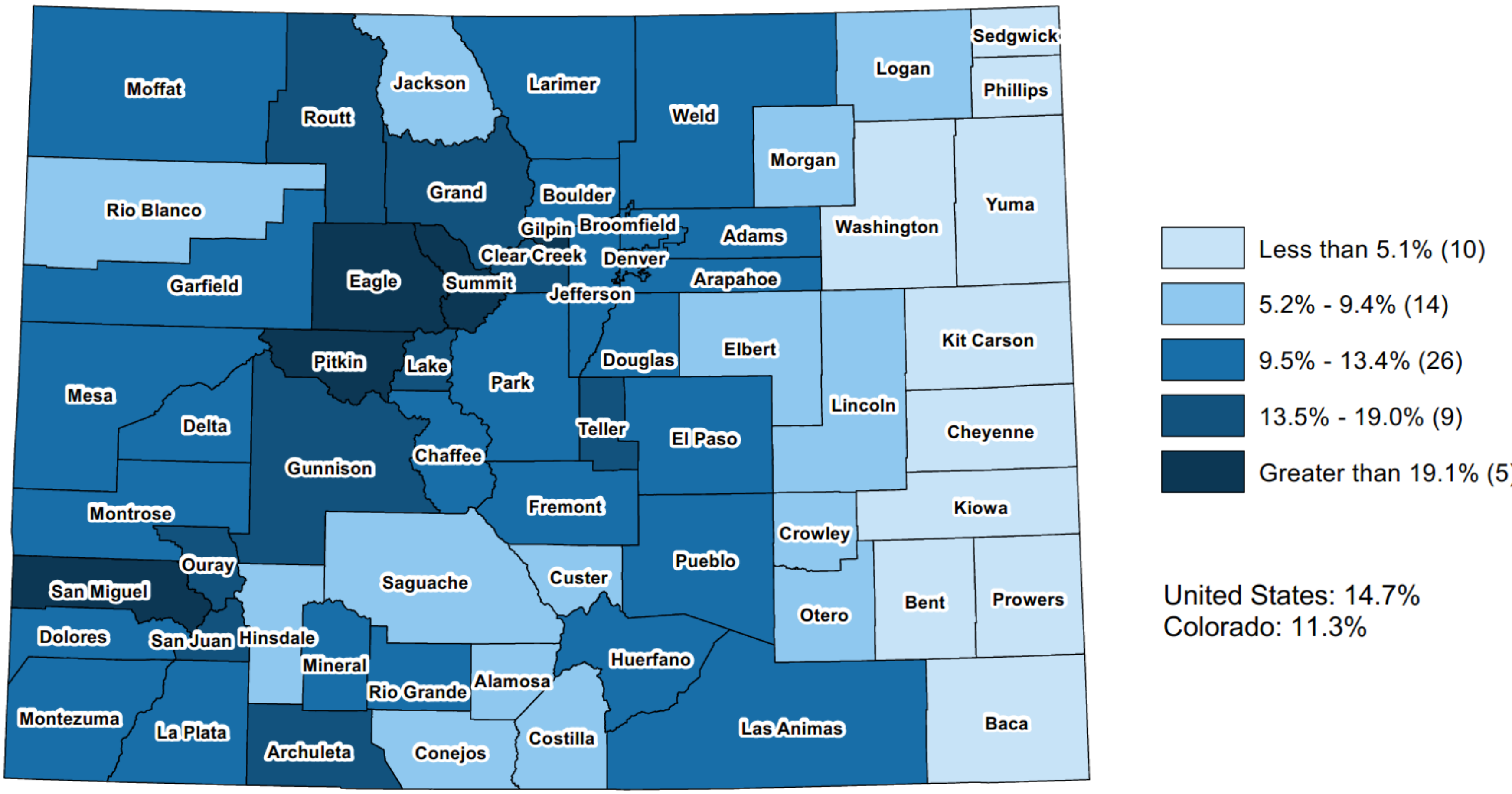
As the Safer at Home phases of Colorado's pandemic response are implemented, employment in many industries is expected to bounce back, albeit much more slowly than it has declined, as continued health concerns plague the recovery of economic activity. Government job losses, as well as the expiration of enhanced unemployment benefits and Paycheck Protection Program employment requirements later in the summer could portend a second wave of job losses later this year. Risks for permanent job loss in tourism and hospitality, as well as increasing layoffs in the oil and gas industry, dampen the outlook for Colorado.

**Figure 6**
**Colorado Job Gains and Losses by Industry**
*Year -over-Year Change, April 2020 over April 2019*




*Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Blue shading indicates a supersector, while grey shading indicates a subsector. Data are through April 2020.*

**Figure 7**
**Colorado Unemployment Rates by County, April 2020**




*Source: U.S. Bureau of Labor Statistics.*

## Personal Income

The sharp decline in economic activity has reduced household incomes for workers, business owners, and investors, while an influx of government support in the form of economic impact payments and expanded unemployment insurance benefits has counteracted much of the blow to date. The U.S. Bureau of Economic Analysis measured an 8.1 percent increase in personal income between February and April. However, the increase was overwhelmingly attributable to government transfer payments, which increased 93.7 percent over this period, primarily reflecting the increase due to the economic impact payments to households. Without these transfer payments, personal income would have fallen 9.6 percent in April, with large declines in wage and salary income (down 11.2 percent), business proprietors' income (down 19.5 percent), and income from assets (down 1.7 percent).

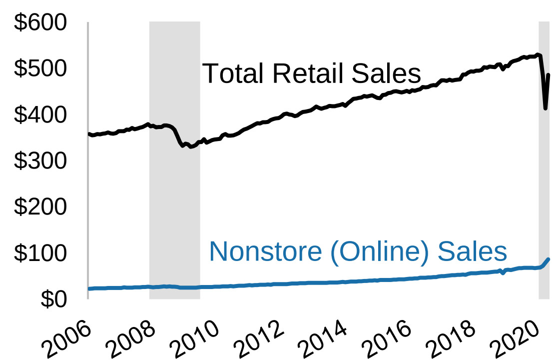
Economic impact payments to households under the CARES Act are still being distributed and are expected to bolster personal income through June. Some expanded unemployment insurance benefits are scheduled to expire at the end of July. Current federal law does not include additional COVID-19-related direct payments to households. As the year wears on, some households will benefit from businesses reopening and rehiring. Others will face additional budget strains as high unemployment persists and government support dissipates. Over this year and next, wage earners and business owners are expected to earn incomes at levels well below pre-recession peaks. However, the potential for additional fiscal stimulus poses an upside risk to the near-term outlook for personal income.

- Government transfer payments received this spring are expected to nurture modest growth in personal income during 2020, when U.S. and Colorado personal income is expected to increase 1.3 percent and 2.0 percent, respectively. As transfer payments dissipate, personal income is expected to decline in 2021, even while other income components resume growth. U.S. personal income will fall 0.9 percent, and Colorado personal income will fall 0.2 percent.

## Consumer Activity

From peak activity in February to a trough in April 2020, retail sales fell 21.8 percent based on revised estimates from the May advanced report (Figure 8). In May, total sales rebounded 17.7 percent, partially offsetting the slide in spending while many brick and mortar retailers were shuttered. Spending is down across all retailer types except nonstore (which includes online) retailers. Nonstore retail trade accelerated in March, April, and May and is up 30.8 percent over year-ago levels as of May. Expenditures on durable goods experienced the largest declines during the shut down, with sales at furniture stores and electronics stores plunging to less than half of February levels.

**Figure 8**
**Monthly U.S. Retail Sales**
*Billions of Dollars*




*Source: U.S. Census Bureau, advanced monthly retail trade report.*

**Colorado retail trade activity reflects a sharp decline in tourism.** The Colorado Department of Revenue publishes monthly retail trade reports, tracking trends across industries and counties in the state. Colorado retail trade increased in March, the latest month for which data are available, by 11.1 percent over February retail sales; however, sales are down 4.6 percent year-over-year. March data reflect preparation for the pandemic as well as the start of business closures and stay-at-home orders. The industries hardest hit by closures have been tourism and travel-related spending. The Colorado counties most reliant on tourism were the hardest hit in March, including the counties of Eagle, Routt, Summit, and Pitkin, all with double-digit declines in retail trade. Tourist activity is expected to remain low through the end of this year, which will result in ongoing reduced levels of retail trade.

### Tourism in Colorado

Tourism spans several industries hardest hit by the COVID-19 pandemic, including the leisure and hospitality supersector and related subsectors such as accommodation and food services, arts, entertainment, and recreation, transportation, personal services, and retail trade. Data from the Colorado Tourism Office indicate that tourist spending in mid-April was down 89 percent compared with the same week last year. Seasonally adjusted vehicle miles traveled for April 2020 were down 41.2 percent nationwide and 21.9 percent in Colorado, after declining 18.5 percent and 21.4 percent, respectively, in March, according to the U.S. Department of Transportation. Passenger traffic through Denver International Airport was down 46.4 percent in March and 94.9 percent in April, compared with the same months in 2019.

Colorado's mountain resort communities were among the earliest and hardest hit by the pandemic, with infection rates several times those of surrounding counties or even of metropolitan areas in the state. Ski resorts and casinos were among the first subject to shutdown orders, and these closures were followed by scores of tourist and recreation sites throughout the state, in the midst of the spring break travel season. Rocky Mountain National Park is one of the state's most popular tourist attractions and the third most visited national park in the U.S., hosting 4.7 million visitors in 2019. The park was closed for over two months before beginning a phased reopening in late May. The park saw over 440,000 visitors during the same period in 2019.

Colorado's tourism industry helped fuel Colorado's rapid economic growth in recent years, but now leaves it vulnerable to the impacts of the pandemic. Even as tourist sites and activities slowly reopen, tourism is expected to remain subdued by ongoing health concerns and social-distancing measures.

### Business Activity

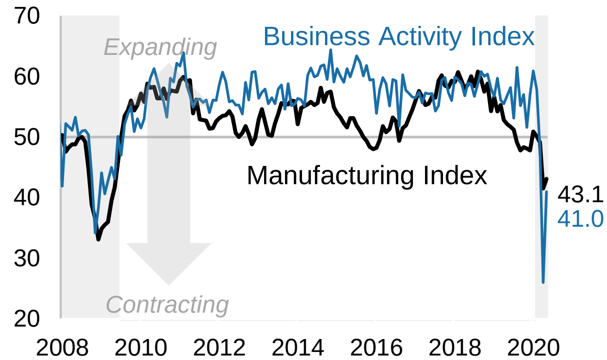
The COVID-19 pandemic had sudden and severe impacts on U.S. and Colorado business activity. In early March, social distancing restrictions forced many businesses to close or significantly reduce operations, decreasing profits and forcing many companies to preserve cash, reduce their capital budgets, and delay projects. In addition, many industries, especially manufacturing, faced supply chain disruptions causing downstream impacts for other reliant businesses and consumers.

**Federal and local government offered loans to support businesses**. The federal government began offering loans in April to assist small businesses through the pandemic, but many companies continue to struggle, and some may be forced to close. The Paycheck Protection Program (PPP) provisions of the CARES Act provided an initial $349 billion in small business loans with the goal of preventing significant job losses due to the COVID-19 pandemic. In addition, many local governments, including in Colorado, offered additional loans in order to aid them through the social distancing restrictions.

The City and County of Denver offered small business emergency relief loans to help businesses such as restaurants, nail salons, retail shops and barber shops. However, the loans have not prevented bankruptcy for some of the targeted businesses. In June, JCPenney announced they were closing 154 stores across 20 states, and many Denver restaurants have closed permanently after being hit hard by the pandemic restrictions.

**Current indicators suggest signs of stabilization at low levels.** The Institute for Supply Management (ISM) produces a monthly index of manufacturing and non-manufacturing business activity based on a survey of firms. The May 2020 manufacturing index rose slightly to 43.1 from 41.5 in April (Figure 9). Though a value below 50 indicates contractionary activity, the May value indicates improvement in the industry relative to April's lows.

**Figure 9**
**ISM Manufacturing and Business Indices**
*Diffusion Index*




*Source: Institute for Supply Management (ISM).*

In May, the National Federation of Independent Business (NFIB) Small Business Optimism Index, an indicator of small business expectations, rebounded after hitting a seven-year low in April. Eight of the ten components in the index reported an improvement from the prior month, but the overall index remained well below pre- COVID-19 levels, indicating many small businesses still face a long recovery.

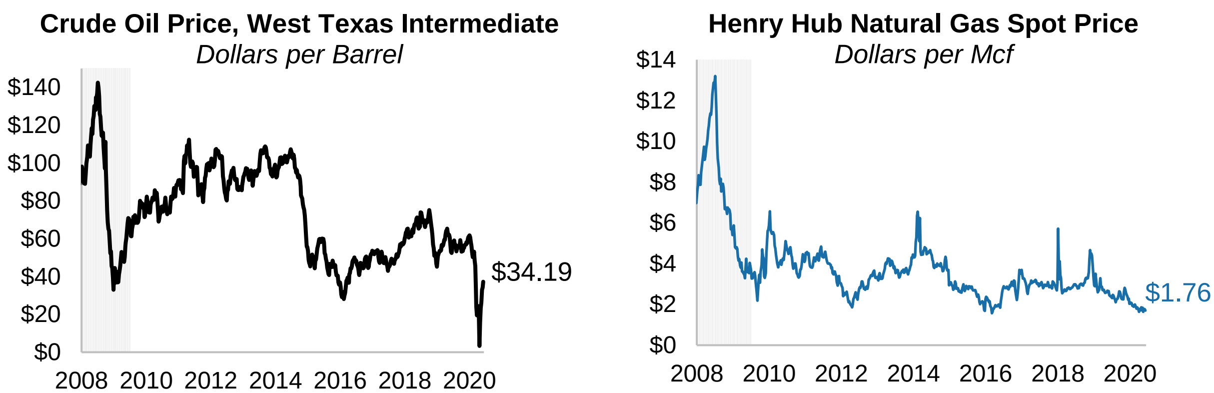
## Energy Markets

**The energy industry continues to face significant headwinds on reduced demand.** West Texas Intermediate crude oil prices began to recover in May from a low of $16.55 per barrel in April (Figure 10). Oil prices are expected to remain low through 2020, averaging around $35 per barrel, before increasing to $45 per barrel in 2021. Natural gas prices also took a hit in recent months, coming down from already low levels to between $1.60 and $1.70 per thousand cubic feet (Mcf) in May. Natural gas prices are expected to recover in the third and fourth quarters of the year as both residential and industrial demand pick back up. Many producers in Colorado have oil prices hedged at around $50 per barrel until 2021, providing a buffer while prices are at their lowest. Prices for both oil and natural gas are projected to stay below historic averages until demand recovers, and oil and gas stocks built up over the past two months are depleted.

**Production cuts in Colorado have been deeper than expected.** As a result of reduced demand and low prices, oil producers across the world and in Colorado have cut production. In April, OPEC Member Countries agreed to production cuts; however, not all members have complied. These production cuts are intended to boost prices and alleviate storage capacity concerns, as crude oil stocks have increased by 9.6 percent from the third week of March through the end of May to the highest level since at least 1990, when the data series began. Production fell in Colorado faster than expected, by 20.4 percent through April over the same period last year, with many wells shut in throughout the Denver Julesberg basin. Active drilling rigs in Colorado fell from 21 to 6 rigs between March 20 and

May 22 (Figure 11). Because wells are more productive during the first year, the drilling hiatus will diminish production in future years.

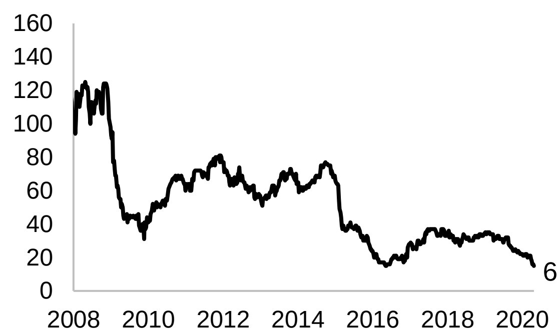
**Figure 10**
**U.S. Energy Prices**




*Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted.*

As the energy sector contracts, job losses and bankrutcies have mounted. Unemployment claims in the oil and gas sector totaled 5,495 through May 16 of this year. Claims during the two-month period from March 15 to May 16 amounted to 63.2 percent of the total annual claims during the 2015 energy crisis. About 60.1 percent of claims have been concentrated in oil and gas support services, which are primarily exploration and production service jobs. These jobs are not likely to return until drilling and production recover.

**Figure 11**
**Colorado Active Oil and Gas Drilling Rigs**




*Source: Baker Hughes. Data are not seasonally adjusted.*

### Real Estate and Construction Activity

COVID-19-related restrictions slowed U.S. and Colorado real estate and construction activity in March and April, but fundamental market indicators remain solid and suggest ongoing strength in residential real estate and construction activity. In March, Colorado and many areas in the nation implemented shelter-in-place and shutdown restrictions, which hampered the ability to show homes to potential buyers, prompting many sellers to remove their home listings. Construction spending and new home sales declined in the first quarter of the year. However, the drop was not as sharp as expected and home prices remained relatively stable during the peak of the COVID-19-related restrictions, which has spurred optimism about the summer housing market. As economies reopen, the residential housing market is expected to improve and remain relatively stable as tight inventories and low mortgage rates are expected to support the market in spite of economic uncertainty.

- In 2020, , Colorado housing construction activity, as measured by residential construction permits, is expected to decline 3.6 percent from 2019 levels as pandemic-related distortions slow activity.

In 2021, the number of new housing permits is expected to pick up again as low inventory, mortgage rates, and pent-up demand bolster the market

**Nonresidential construction activity and commercial real estate has slowed.** In Colorado, construction was exempt from city and state stay-at-home orders and work continued on current projects in April and May. However, the pandemic is expected to affect the industry starting in the second quarter of the year as companies demand less leased space and future planned developments are delayed. In addition, public outlays have been the main driver for U.S. nonresidential construction activity over the past several years. In April 2020, spending on public nonresidential construction was up 0.5 percent from the same month one year ago, while private spending was down 6.2 percent. The COVID-19 crisis is expected to strain state and local governments, which have already suspended many impending projects.

- The value of nonresidential construction starts in Colorado is expected to drop in 2020 and 2021, declining by 3.2 percent and 14.6 percent, respectively, as many industries hold off on new construction projects in an uncertain economic climate.

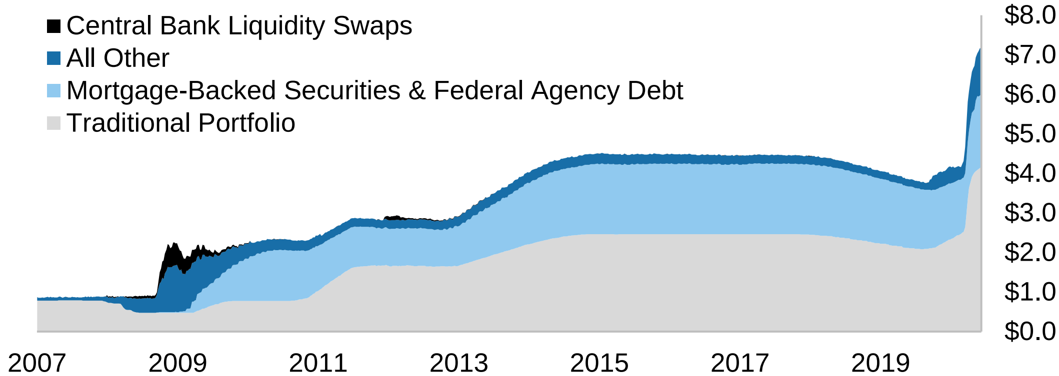
## Monetary Policy and Inflation

**Monetary policy offers support for a cash-strapped economy.** The Federal Reserve (the Fed) is utilizing its broad arsenal of monetary policy tools in order to counteract the degree and extent of economic damage caused by the COVID-19 pandemic. In March, the federal funds rate was reduced to a zero lower bound, the lowest possible positive interest rate. Current forward guidance is that the Fed will keep the funds rate at a zero lower bound "until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals." This forecast expects interest rates to remain at lower bound levels through the current forecast period.

The Fed is offering economic support by increasing and broadening its asset purchases. In late May, the Fed's portfolio was measured at $7.1 trillion, up from $4.2 trillion in late February. The Fed is purchasing U.S. Treasury securities and mortgage-backed securities, the assets that generally comprise its portfolio. However, the Fed's recent asset purchases also include debt issued by businesses, states, and local governments. These purchases amount to a vast injection of liquidity for borrowers, shoring up their cash flows at a time when other liquidity facilities are scarce. The Fed's asset portfolio is shown in Figure 12.

**Deflationary risk outweighs inflationary pressure.** The economy is more likely to face deflationary rather than inflationary pressure in the short to medium term. In May, headline inflation across U.S. cities rose just 0.2 percent (Figure 13). The COVID-19 crisis shocked global and U.S. consumer demand, especially for services. As the immediate shock abates, the economy is entering a new phase of high unemployment and dissipating government support for households and businesses. Coupled with oil prices that remain historically low, it is expected to take time for inflation to again approach the Federal Reserve's two percent annual inflation target.

**Figure 12**
**Federal Reserve Balance Sheet through May 27, 2020**
*Trillions of Dollars*

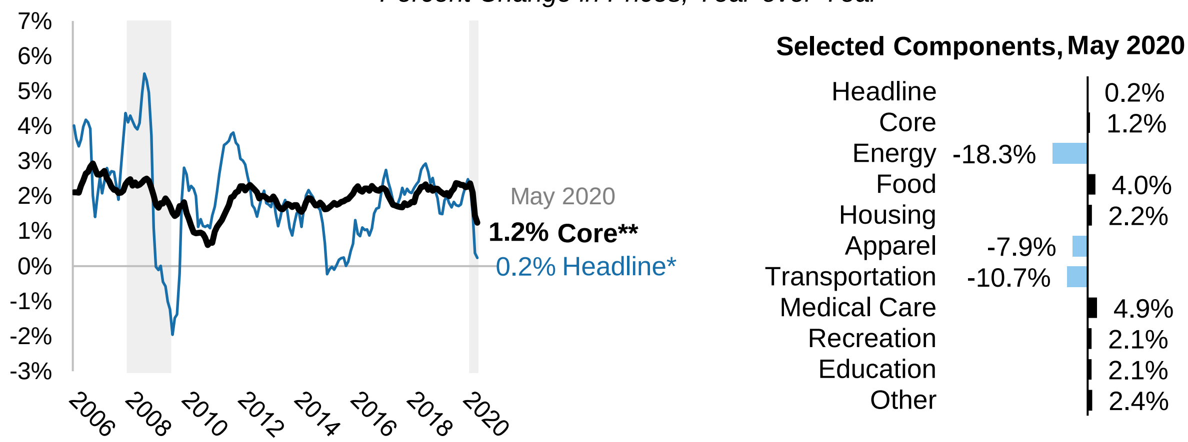



*Source: Federal Reserve Board of Governors.*

The unprecedented increase in the money supply will counteract some deflationary pressure. Supply side distortions that have emerged during the crisis have also raised inflationary pressure for some commodities, notably meat. However, higher-than-usual inflation is expected only for specific goods and services with unique supply constraints.

- Headline inflation for U.S. urban consumers is expected to rise 0.7 percent in 2020 and 1.9 percent in 2021. Similarly, headline inflation in the Denver-Aurora-Lakewood combined statistical area is forecast at 1.0 percent in 2020 and 2.0 percent in 2021.

**Figure 13**
**U.S. Consumer Price Index (CPI) Inflation**
*Percent Change in Prices, Year-over-Year*

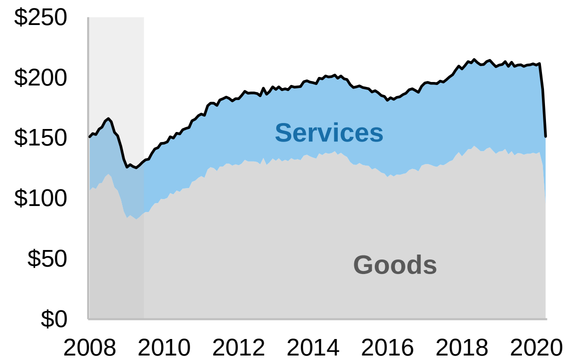



*Source: U.S. Bureau of Labor Statistics. Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.*
**Headline inflation includes all products and services. **Core inflation excludes food and energy prices.*

## Global Economy and International Trade

As COVID-related shutdowns lift across much of East Asia, Europe, and North America, the virus persists across the Global South, putting significant economic pressure on populations that rely on daily work. The worst period of economic decline for each country depends on the timing and severity of virus's impact, with East Asia and Europe experiencing deeper declines in the first quarter, while South America, Africa, and South Asia are seeing larger contractions in the second quarter. The uneven nature of the crisis will result in ongoing drags on global economic activity disruptions to travel and tourism. The International Monetary Fund projects that global GDP will contract by 3.0 percent during 2020, before rebounding to 5.8 percent growth in 2021.

**Figure 14**
**Total 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.*

**U.S. export activity contracted severely on COVID-19-related restrictions and a slowdown in demand.** The slow pace of economic recovery has reduced international trade activity. U.S. exports decreased 9.5 percent through April over year-ago levels, while imports declined 9.0 percent over the same period (Figure 14). Vehicles, machinery, aircraft, and manufacturing supplies led the decline in exports, as some U.S. manufacturers have had difficulty obtaining imported parts needed in the manufacturing process and demand abroad has fallen. Year-to-date through April, trade between the U.S. and its largest trading partners led the decline, falling 13.9 percent for exports to Canada, 15.6 percent for exports to Mexico, and 9.0 percent for exports to China. Colorado's exports increased in April by 15.5 percent on strong beef exports, up 17.7 percent, and an idiosyncratic export of spacecraft to two countries worth $500 million. Global trade activity through 2020 is projected to face further headwinds as countries recover at varying paces, the dollar remains strong, and economic activity is sluggish.

**Export-reliant countries face significant hurdles.** Export-reliant countries, including China and Germany, face dual pressures of low global demand and COVID-19-related restrictions which will limit supply. China's Caixin manufacturing index dropped month-over-month from November 2019 through February 2020 before rebounding in March. April's index fell again on weak global demand for its manufactured goods, but surged again in May. Consumer spending in China has shown similar weakness, dropping by 15.8 percent in March and 7.5 percent in April in year-over-year comparisons.

With exports accounting for almost half of Germany's GDP, manufacturing activities dropped 15.6 percent in March and related activity fell by 11.0 percent in April. The IHS Markit Purchasing Managers' Index for the Eurozone, an indicator of manufacturing and business activity, has been in contractionary territory since February, bottoming out at 33.4 in April before increasing to 39.5 in May. Recovery throughout the region is expected to be sluggish through much of 2020, as consumer and international demand remains low.

## Agriculture

COVID-19 has significantly dampened the outlook for agricultural producers, who are already in the midst of a prolonged economic downturn. Both demand and supply conditions in the months ahead are likely to continue to weigh on agricultural commodity prices. Prior to the emergence of COVID-19, growth in farm lending continued to show signs of slowing. Agricultural credit conditions deteriorated at a faster pace during the first quarter of 2020, as surveys indicated a larger decline in farm income and loan repayment rates than in recent quarters. Much of the near-term economic outlook is dependent on the trajectory of COVID-19, with weak market conditions expected to have major implications for farm income in coming months. Farmland values, which remained steady in spite of deteriorating conditions, may remain a key source of support.

**Farm commodity prices decline sharply.** Disruptions caused by the COVID-19 pandemic have resulted in price declines for most major Colorado agricultural commodities, including corn, wheat, milk, and live cattle. Disruptions at meatpacking plants and a substantial slowdown in ethanol production put heavy downward pressure on corn and cattle prices, which had declined more than 20 percent from January through early May. Compounding depressed demand conditions, corn supply is forecast to be the largest on record in 2020. Higher demand for wheat-based products in grocery stores has helped to moderate price declines. The closure of schools and restaurants, which account for a substantial share of milk demand, have led to bottlenecks at processing plants, resulting in a large overall milk surplus and the collapse of milk prices to levels not seen in decades.

**Cattle and beef markets remain volatile, plagued by uncertainty.** The pandemic has led to increased volatility and disruptions in cattle and beef markets. Wholesale beef prices soared in March as consumers began stocking up ahead of statewide stay-at-home orders. The surge in demand has been compounded by virus outbreaks leading to temporary closures of meatpacking plants, labor shortages, and slowed production lines. As of early May, roughly one quarter of U.S. meatpacking and food processing plants with confirmed COVID-19 cases were located in the Kansas City Federal Reserve's Tenth District, a seven-state region which includes Colorado. Bottlenecks have led to depressed cattle prices, while contributing to shortages of meat and higher retail prices, particularly for ground beef and other lower-priced cuts. Downward pressure on cattle prices is expected to continue, even as supply chain disruptions recede, due to depressed demand conditions as the economic impacts of the pandemic continue to ramify.

**Crop, livestock, and dairy producers to receive federal support.** The Coronavirus Food Assistance Program (CFAP) is providing $16 billion in direct financial assistance to agricultural producers who have suffered COVID-19-related price declines or losses due to supply chain disruptions. Eligible commodities include key Colorado crops such as corn, millet, wheat, cattle, lambs, peaches, cantaloupe, and dairy products. The program includes $9.5 billion in appropriated funding provided in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. As of June 3, Colorado crop, livestock, and dairy farmers and ranchers had received $5 million, or less than 1 percent of the $545 million distributed.

## Summary

U.S. and Colorado economic activity appears to have stabilized at low levels in May, following one of the steepest declines in economic activity on record in April 2020. In response to COVID-19-related business closures, unprecedented monetary policy and federal aid have helped to stabilize the economy and prevent further collapse. Current indicators of business and consumer activity point to a bounce back in growth as many businesses reopen. Businesses and households are assessing the health of their balance sheets, taking stock of ongoing risks, and adjusting to a new economic environment. These shifts pose challenges and opportunities for the year ahead.

From April 2020 lows, this forecast assumes ongoing growth in economic activity for the state and nation in the years ahead. Yet, the recovery will take years to reach pre-recessionary levels of activity as businesses and households continue to be challenged by ongoing COVID-19-related health and economic uncertainty.

## Risks to the Forecast

Several factors could result in either stronger or weaker economic activity than forecast.

**Downside**. The most sizeable downside risk to the economic outlook is a resurgence of COVID-19, necessitating a resumption of widespread business closures and stay-at-home orders. Other downside risks include stronger than expected headwinds from existing vulnerabilities, including high levels of corporate debt and gaps in workforce skills and training, as well as income inequalities that will constrain the labor market and consumer activity across a significant share of U.S. households. Additionally, the fiscal health of state and local governments threatens to prolong the downturn, as it did during the Great Recession.

**Upside**. Risks to the upside include containment of COVID-19 and/or a near-term vaccine or other treatment, resulting in a rapid and sustained return to pre-recessionary economic activity. Additional federal stimulus could further soften the impact of the recession on businesses and state and local governments, stabilizing and boosting job growth. Finally, the challenges of the COVID-19 pandemic have expedited shifts toward remote work, leveraging technology, and in many realms, simpler, more localized supply chains. These shifts in consumer demands and business operations could give way to new and unexpected drivers of economic activity.

**Table 14**
**National Economic Indicators**

| Calendar Years | 2015 | 2016 | 2017 | 2018 | 2019 | Legislative Council Staff Forecast 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Real GDP (*Billions*)[1] | $17,403.8 | $17,688.9 | $18,108.1 | $18,638.2 | $19,073.1 | $17,985.9 | $18,399.6 | $18,988.4 |
| Percent Change | 2.9% | 1.6% | 2.4% | 2.9% | 2.3% | -5.7% | 2.3% | 3.2% |
| Nonfarm Employment (*Millions*)[2] | 141.8 | 144.3 | 146.6 | 148.9 | 150.9 | 143.8 | 149.0 | 153.3 |
| Percent Change | 2.1% | 1.8% | 1.6% | 1.6% | 1.4% | -4.7% | 3.6% | 2.9% |
| Unemployment Rate[2] | 5.3% | 4.9% | 4.3% | 3.9% | 3.7% | 8.8% | 7.1% | 5.8% |
| Personal Income (*Billions*)[1] | $15,717.8 | $16,121.2 | $16,878.8 | $17,819.2 | $18,608.3 | $18,850.2 | $18,680.6 | $19,689.3 |
| Percent Change | 4.8% | 2.6% | 4.7% | 5.6% | 4.4% | 1.3% | -0.9% | 5.4% |
| Wage and Salary Income (*Billions*)[1] | $7,856.7 | $8,083.5 | $8,462.1 | $8,888.5 | $9,304.2 | $8,736.6 | $8,998.7 | $9,439.7 |
| Percent Change | 5.1% | 2.9% | 4.7% | 5.0% | 4.7% | -6.1% | 3.0% | 4.9% |
| Inflation[2] | 0.1% | 1.3% | 2.1% | 2.4% | 1.8% | 0.7% | 1.9% | 2.2% |

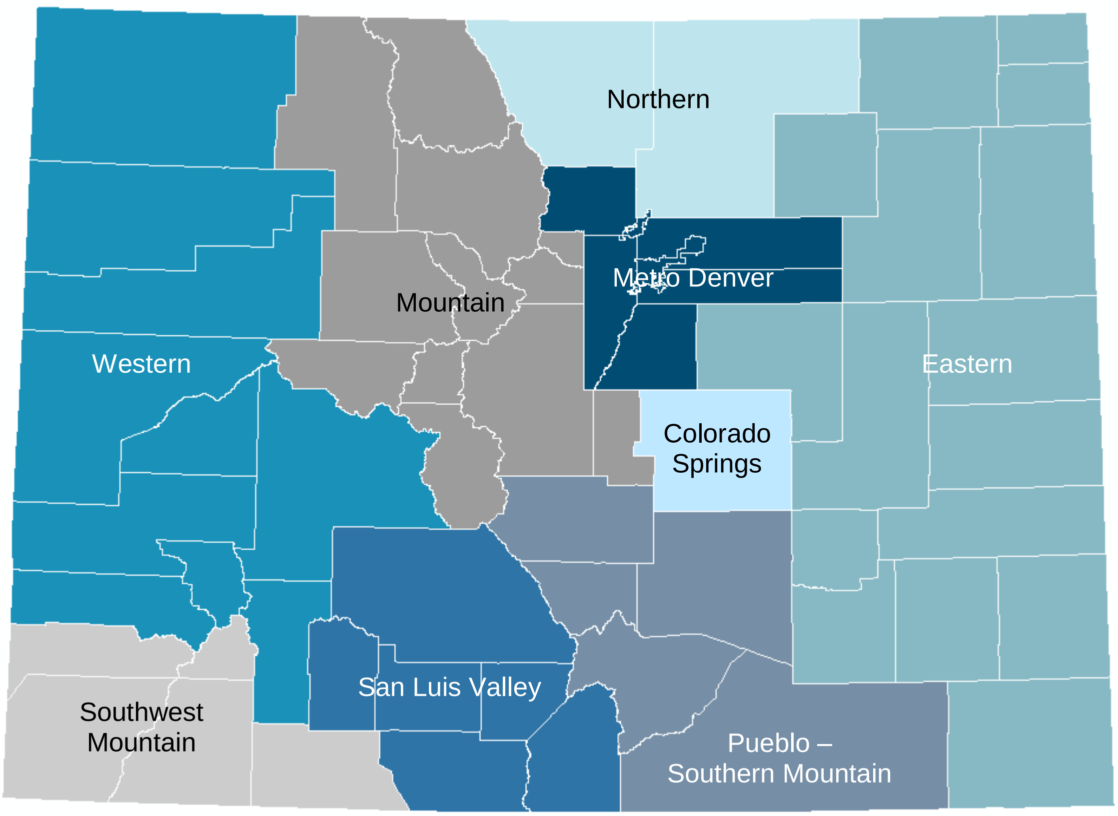
*Sources*
*[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.*
*[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban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

**Table 15**
**Colorado Economic Indicators**

| Calendar Years | 2015 | 2016 | 2017 | 2018 | 2019 | Legislative Council Staff Forecast 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Population (*Thousands, as of July 1*)[1] | 5,450.6 | 5,539.2 | 5,611.9 | 5,691.3 | 5,758.7 | 5,816.3 | 5,862.9 | 5,909.8 |
| Percent Change | 1.9% | 1.6% | 1.3% | 1.4% | 1.2% | 1.0% | 0.8% | 0.8% |
| Nonfarm Employment (*Thousands*)[2] | 2,541.2 | 2,601.2 | 2,660.2 | 2,727.5 | 2,785.8 | 2,660.4 | 2,748.2 | 2,819.7 |
| Percent Change | 3.2% | 2.4% | 2.3% | 2.5% | 2.1% | -4.5% | 3.3% | 2.6% |
| Unemployment Rate[2] | 3.9% | 3.3% | 2.8% | 3.2% | 2.8% | 7.4% | 6.3% | 5.1% |
| Personal Income (*Millions*)[3] | $284,234 | $289,581 | $310,755 | $332,943 | $353,287 | $360,353 | $359,632 | $379,052 |
| Percent Change | 4.8% | 1.9% | 7.3% | 7.1% | 6.1% | 2.0% | -0.2% | 5.4% |
| Wage and Salary Income (*Millions*)[3] | $146,531 | $151,016 | $160,719 | $170,115 | $182,288 | $171,715 | $177,038 | $186,067 |
| Percent Change | 5.7% | 3.1% | 6.4% | 5.8% | 7.2% | -5.8% | 3.1% | 5.1% |
| Housing Permits (*Thousands*)[1] | 31.9 | 39.0 | 40.7 | 42.6 | 38.6 | 37.2 | 39.6 | 39.8 |
| Percent Change | 11.1% | 22.3% | 4.4% | 4.8% | -9.4% | -3.6% | 6.2% | 0.6% |
| Nonresidential Building (*Millions*)[4] | $4,990.8 | $5,989.0 | $6,156.1 | $8,096.3 | $4,898.4 | $4,741.7 | $4,049.4 | $4,134.4 |
| Percent Change | 14.7% | 20.0% | 2.8% | 31.5% | -39.5% | -3.2% | -14.6% | 2.1% |
| Denver-Aurora-Lakewood Inflation[5] | 1.2% | 2.8% | 3.4% | 2.7% | 1.9% | 1.0% | 2.0% | 2.2% |

*Sources*
*[1]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family 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. Forecast shown for 2019.*
*[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




### A 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 undergoes an annual revision, which is published 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 agriculture 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 activity.

## Metro Denver Region

Colorado's diverse seven-county metro Denver region holds the largest population and workforce of the nine economic regions identified in this forecast. The region showed signs of a mature economic expansion entering into 2020, characterized by a tight labor market, slowing employment growth, and post-peak levels of construction activity. On COVID-19-related business closures and stay-at-home orders, the region saw as steep contraction in economic activity in March and April that will leave a lasting impact on the region's business, consumer, and nonresidential real estate markets. Economic indicators for the region are summarized in Table 16.

**Table 16**
**Metro Denver Region Economic Indicators**
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

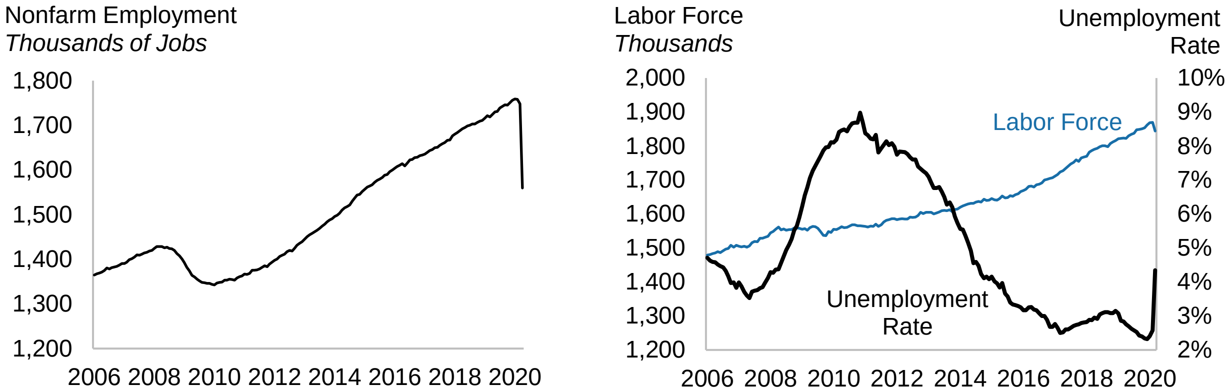
| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth[1] | 2.3% | 1.9% | 2.4% | 2.1% | -1.5% |
| Unemployment Rate[2] | 3.0% | 2.7% | 3.0% | 2.6% | 3.1% |
| Housing Permit Growth[3] | | | | | |
| Denver-Aurora MSA Single Family | 12.2% | 3.8% | 7.9% | -6.1% | 4.9% |
| Boulder MSA Single Family | 10.2% | -4.3% | 15.7% | -9.5% | -9.1% |
| Nonresidential Construction Growth[4] | | | | | |
| Value of Projects | 27.9% | -10.9% | 45.2% | -39.2% | -29.1% |
| Square Footage of Projects | 6.9% | -14.4% | -13.8% | -7.8% | -0.1% |
| Level (*Millions*) | 22,624 | 19,372 | 16,699 | 15,401 | 4,979 |
| Number of Projects | 9.9% | -23.9% | -18.7% | -12.8% | 2.4% |
| Level | 1,242 | 945 | 768 | 670 | 211 |

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2020.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2020.
[3]U.S. Census. Growth in the number of residential building permits. Data through March 2020.
[4]F.W. Dodge. Data through April 2020.

**Labor market.** Available data for the metro Denver region indicate that the number of jobs in the area declined 1.5 percent in the first four months of the year over year-ago levels. In February, prior to COVID-19-related business closures, the region posted 1,758,500 jobs. The U.S. Bureau of Labor Statistics establishment survey data suggest that 10,300 jobs were lost in March, followed by 188,800 additional job losses in April. April's steep job losses eclipsed those experienced during the Great Recession (Figure 15, left).

The metro Denver region is home to a wide range of tourism-related and business travel activity, serving as the main air transit hub in and out of Colorado. Ceased air travel and mandatory business closures shuttered hotels, retail establishments, restaurants, and bars beginning mid-March. Many of these businesses have begun reopening at partial capacity, yet business and consumer activity remain heavily subdued. In addition to COVID-19-related closures, the steep decline in crude oil prices hit the energy and downstream industries. The Denver metro area is home to a large concentration of oil and gas firms, many of which have furlough or laid off employees. On oil and gas weakness and COVID-19-related business closures, the area unemployment rate rose from 2.6 percent in February to 4.3 in March with much higher rates expected in April and subsequent months (Figure 15, right).

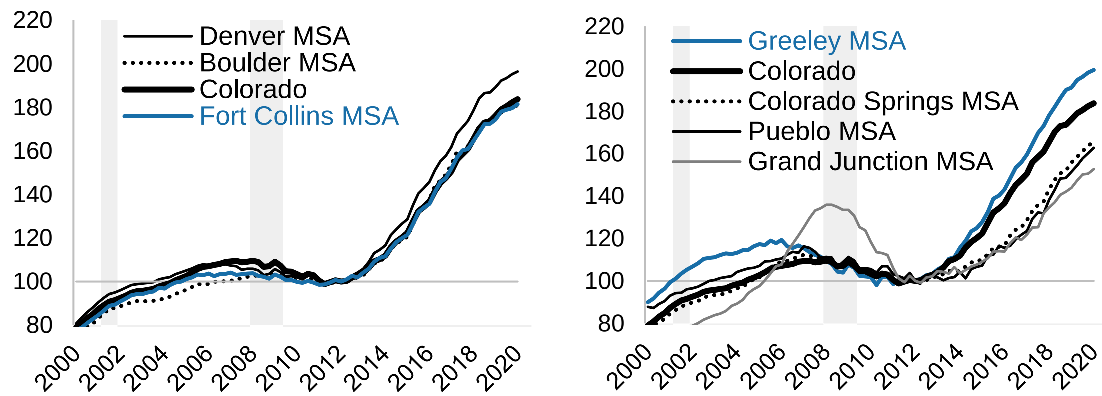
**Figure 15**
**Metro Denver Region Labor Market Activity**




Source: U.S. Bureau of Labor Statistics. CES (left) data are through April 2020. LAUS (right) data are through March 2020. Data are seasonally adjusted. Data prior to 2010 adjusted by Legislative Council Staff.

**Home prices.** Following several years of double-digit gains, home price appreciation continues to moderate in the metro Denver region along with other regions of the state (Figure 16). COVID-19-related restrictions and uncertainty limited the number of homes put on the market in recent months. Home prices are expected to remain elevated as demand for housing in the metro Denver area continues to outstrip supply, even in the uncertain environment.

**Figure 16**
**FHFA All-Transaction Home Price Indices**
*Index 100 = 2012Q1*

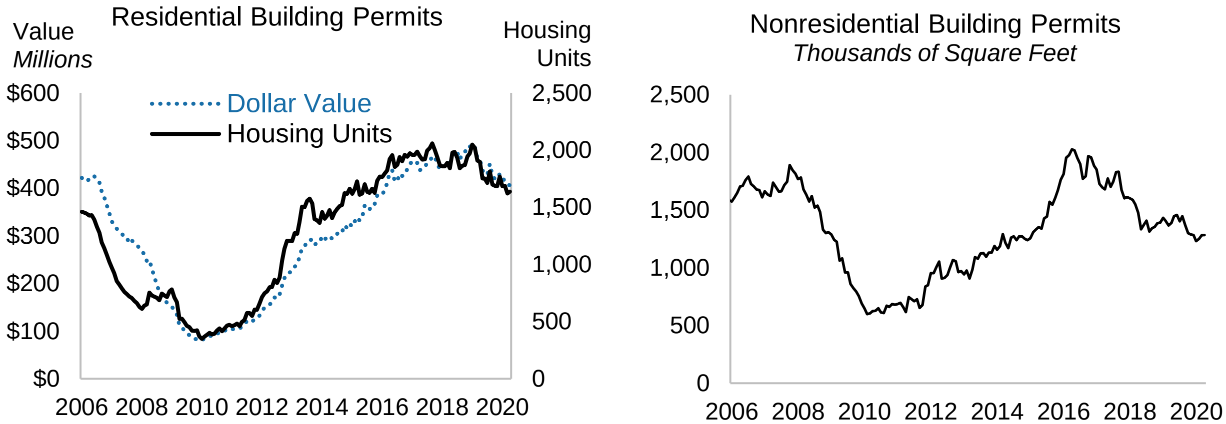



Source: Federal Housing Finance Agency (FHFA).

**Residential construction.** Metro Denver residential construction activity continued to moderate in the first quarter of the year (Figure 17, left). The region is coming off a multi-year residential construction boom, with the high cost of housing dampening interest among many would-be buyers, and construction labor and land shortages constraining the pace of new building. Permits for new single family residential construction activity in the Denver-Aurora metropolitan statistical area (MSA) rose 4.9 percent year-to-date through March relative to the same period last year. Construction activity in the Boulder MSA contracted 9.1 percent over the same period, continuing the slowdown in activity from 2019.

**Nonresidential construction.** Metro Denver nonresidential building activity slowed further at the start of 2020. The value, and square footage (Figure 17, right) of new projects declined, while the number of projects was up slightly in the first four months of the year relative to year-ago levels. The shift toward remote work and business impacts of the COVID-19 crisis are expected to put downward pressure on demand for commercial real estate, which will slow nonresidential construction activity through the remainder of the year.

**Figure 17**
**Metro Denver Region Construction Activity**




Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2020.

## Northern Region

Larimer and Weld counties comprise the diverse economy of the northern region. Larimer County's economy continues to expand with population growth drawn to the Fort Collins area, while Weld County's economic activity is driven largely by the oil and gas and agricultural industries. Colorado's energy industry is at significant risk from low oil prices and reduced global demand for oil and gas, which threatens both the private and public sectors. The region's labor market has been one of the tightest in the state, but may face stronger headwinds than other regions due to the composition of its economy. Construction industry activity slowed in 2019, but has reaccelerated through April this year as it is coming off low levels. Table 17 shows economic indicators for the northern region

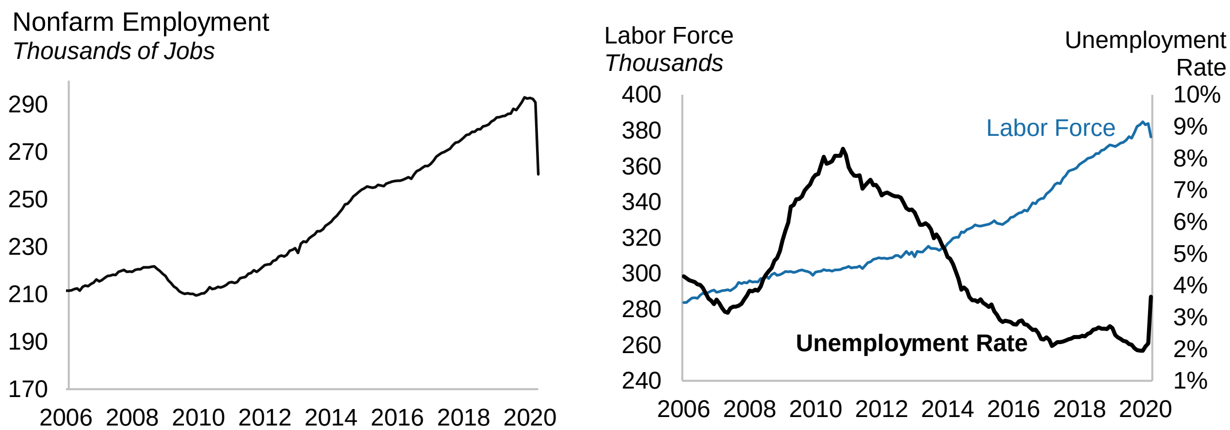
**Table 17**
**Northern Region Economic Indicators**
Weld and Larimer Counties

| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth[1] | | | | | |
| Fort Collins-Loveland MSA | 3.8% | 3.7% | 2.7% | 2.5% | -0.2% |
| Greeley MSA | -0.3% | -0.4% | 2.4% | 1.3% | -3.5% |
| Unemployment Rate[2] | | | | | |
| Fort Collins-Loveland MSA | 2.8% | 2.4% | 2.7% | 2.3% | 2.8% |
| Greeley MSA | 3.4% | 2.7% | 2.9% | 2.5% | 3.1% |
| State Cattle and Calf Inventory Growth[3] | 1.0% | 6.7% | 2.6% | 8.0% | 1.0% |
| Natural Gas Production Growth[4] | 14.6% | 5.6% | 18.9% | 19.2% | NA |
| Oil Production Growth[4] | -7.3% | 13.5% | 36.0% | 4.9% | NA |
| Housing Permit Growth[5] | | | | | |
| Fort Collins-Loveland MSA Total | 47.9% | -18.2% | 8.4% | -18.2% | 2.3% |
| Fort Collins-Loveland MSA Single Family | -2.9% | 21.0% | -14.1% | -4.9% | 84.6% |
| Greeley MSA Total | -7.8% | 23.1% | 24.6% | -2.2% | 58.2% |
| Greeley MSA Single Family | -9.9% | 16.4% | 32.1% | -8.4% | 45.2% |
| Nonresidential Construction Growth[6] | | | | | |
| Value of Projects | -0.5% | 32.2% | 64.0% | -72.0% | 78.0% |
| Square Footage of Projects | -14.8% | 17.8% | -29.0% | -16.4% | 55.5% |
| Level (*Thousands*) | 3,393 | 3,996 | 2,838 | 2,371 | 941 |
| Number of Projects | 11.3% | 2.9% | 12.7% | -17.5% | -5.1% |
| Level | 276 | 284 | 320 | 264 | 94 |

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2020.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2020.
[3]National Agricultural Statistics Service. Cattle and calves on feed through April 2020.
[4]Colorado Oil and Gas Conservation Commission. Data through December 2019.
[5]U.S. Census Bureau. Growth in the number of residential building permits. Data through March 2020.
[6]F.W. Dodge. Data through April 2020.

**Labor market.** The region's labor market saw some of the fastest job growth and lowest unemployment rates in the state leading up to 2020. Even accounting for significant layoffs in March, the unemployment rate sat at 2.8 percent in Fort Collins-Loveland and 3.1 percent in Greeley through March 2020 compared with year-ago levels. On COVID-19-related business closures, employment contracted in both cities in March and April and is expected to worsen through the remainder of the second quarter of the year. The oil and gas crisis, which turned from a supply crisis at the beginning of March to a demand crisis nearing the end of the month, took hold during April and May and incited layoffs across the industry as well as in secondary industries. Figure 18 shows labor market trends for the region.

**Figure 18**
**Northern Region Labor Market Activity**

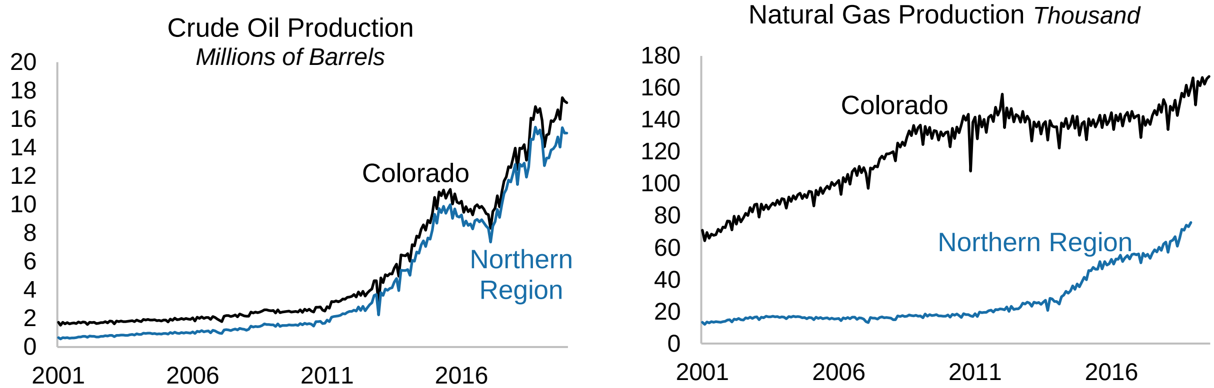



Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through April 2020.

**Agriculture.** The northern region produces about a quarter of the value of Colorado's agricultural products due to the heavy concentration of the livestock industry in Weld County. Despite increasing by 1.0 percent through April, the number of cattle and calves on feed decreased in May by 10.0 percent over May 2019 levels. The COVID-19 crisis has wreaked havoc on food supply chains, both domestic and abroad, with demand decreasing significantly from large institutional consumers, including schools and restaurants. COVID-19 outbreaks at the JBS meat-processing facility in Greeley has slowed production and put upward pressure on consumer prices for beef. Production disruptions and supply constraints are expected to continue over the next several months.

**Energy sector.** Oil production in the northern region, particularly in Weld County, has dominated statewide production for over a decade (Figure 19). Oil production climbed through December 2019, increasing 4.9 percent after increasing by a robust 36.0 percent in 2018. With the significant fall in oil prices this spring and the drop in demand due to COVID-19-related shut downs, oil and gas production has been cut this year and capital expenditures slashed. Oil prices are currently hovering between $30 and $35 per barrel, which is an unprofitable price for many producers in the Denver Julesberg Basin. Some companies have filed for bankruptcy to restructure debt loads, and thousands of workers have been laid off. With oil storage in the U.S. increasing as demand remains below normal levels, prices are expected to remain depressed through 2020 and well into 2021.

**Figure 19**
**Colorado Energy Production**

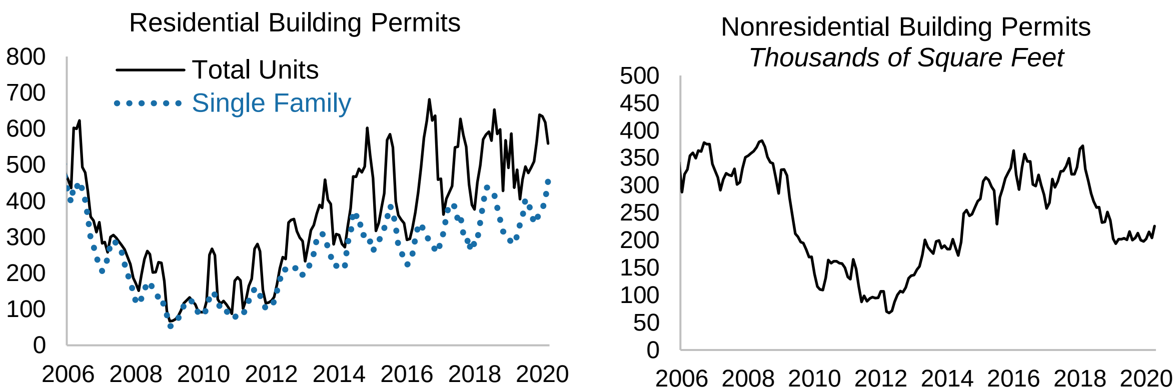



Source: Colorado Oil and Gas Conservation Commission. Monthly data through December 2019.

**Housing.** Housing construction in the northern region softened in 2019 after robust growth in preceding years (Figure 20, left). Due to strong demand, the median sales price increased about 10 percent during 2019, pushing buyers further afield. With mortgage rates dropping off during the beginning of 2020 and demand still strong, single-family housing permits are up 84.6 percent in the Fort Collins-Loveland area and by 45.2 percent in Greeley through March over the same period last year. Through April, the Colorado Association of Realtors reports that sales are down by almost 25 percent in Weld County and down by more than 28 percent in Larimer County. Prices are up in both counties through April, however, and are expected to remain elevated due to constrained supply.

**Nonresidential construction.** Nonresidential construction activity in the region declined in 2019, as there was less investment in the oil and natural gas sector. Coming off of lower levels and boosted by multiple projects at Colorado State University, the value of nonresidential construction projects jumped by 78.0 percent through April over year-ago levels (Figure 20, right). These levels are not expected to continue through the rest of 2020 and will likely remain lower into 2021, as the oil and gas sector cuts expenditures further and large capital projects are put on hold during uncertain economic conditions.

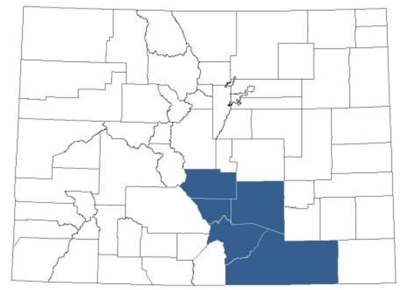
**Figure 20**
**Northern Region Construction Activity**




Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through March 2020.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2020.

## Pueblo – Southern Mountains Region



The Pueblo – Southern Mountains region includes five southern Front Range counties surrounding the City of Pueblo. Though the pace of job growth had been slowing before the COVID-19-related closures, early data suggests substantial job losses for the region. However, an affordable housing market compared with other regions has helped minimize the COVID-19-related impacts. The nonresidential construction market has been strong through 2020 to date, but is expected to slow as some projects are delayed or canceled. Recent successes in attracting new, high tech industries to the region are expected to support economic growth. Indicators for the regional economy are presented in Table 18.

**Table 18**
**Pueblo Region Economic Indicators**
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth | | | | | |
| Pueblo Region[1] | 2.8% | 2.7% | 0.8% | 1.6% | -0.1% |
| Pueblo MSA[2] | 1.8% | 1.1% | 0.1% | 1.0% | -2.1% |
| Unemployment Rate[1] | 4.9% | 4.3% | 4.8% | 4.2% | 4.9% |
| Housing Permit Growth[3] | | | | | |
| Pueblo MSA Total | 6.0% | 14.9% | 45.1% | 3.8% | 30.2% |
| Pueblo MSA Single Family | 29.9% | 16.2% | 52.6% | -6.2% | 30.2% |
| Nonresidential Construction Growth[4] | | | | | |
| Value of Projects | -22.6% | -64.5% | 224.5% | 44.5% | -69.7% |
| Square Footage of Projects | -3.8% | -52.6% | 145.1% | -19.7% | 21.9% |
| Level (*Thousands*) | 341 | 162 | 397 | 318 | 41 |
| Number of Projects | 50.0% | -72.2% | 55.0% | 19.4% | 228.6% |
| Level | 72 | 20 | 31 | 37 | 23 |

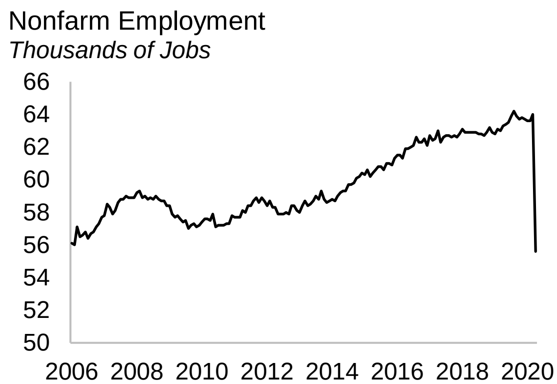
MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2019.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through December 2019.
[3]U.S. Census. Growth in the number of residential building permits. Data through December 2019.
[4]F.W. Dodge. Data through December 2019.

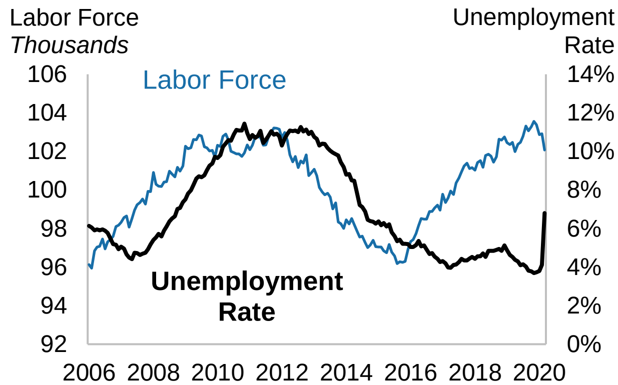
**Labor market.** Though job growth had been slowing before the COVID-19-related closures, preliminary published data suggests substantial job losses for the Pueblo region through April. Job growth in the Pueblo metropolitan statistical area, which only includes Pueblo County, declined 2.1 percent through April from the same period last year. In April, the first full month of the pandemic shutdown, the area lost nearly 8,400 jobs from the previous month (Figure 21, left). Employment for the entire region was down 0.2 percent from the same period last year. Job loss occurred across all major industry sectors with the transportation, retail, financial, and leisure and hospitality sectors most heavily impacted by the COVID-19 crisis.

Unemployment insurance initial claims in the Pueblo region have spiked primarily because of COVID-19-related closures pushing up the region's unemployment rate. In March, 8,597 initial unemployment claims were filed, up 1,377 percent from the same month last year. The region's unemployment rate ticked up to 4.9 percent on average through the first months of year after averaging 4.3 percent in 2019. In March, the unemployment rate jumped to 6.8 percent from

4.1 percent in March (Figure 21, right). The region's unemployment rate is expected to continue to rise through most of the year.

**Figure 21**
**Pueblo Region Labor Market Trends**



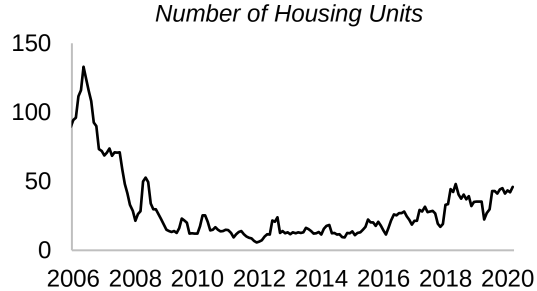




Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2020.

**Housing.** Despite COVID-19-related headwinds, residential real estate market indicators in the region continued to improve in 2020. In the first quarter of the year, Pueblo County issued 138 total residential building permits, a 30.2 percent increase from the same period last year (Figure 22).

An affordable housing market compared with the northern and Metro Denver regions has helped minimize the COVID-19-related impacts in the Pueblo region housing market. The median sales price for a single-family home in Pueblo County was $245,000 in April 2020, compared to $510,000 in the Metro Denver region, according to data from the Colorado Association of Realtors. Many realtors in the region reported minimal impacts from the change in buyer-seller protocol (e.g. virtual tours) which were in effect through early May.

**Figure 22**
**Single-Family Residential Permits**
*Number of Housing Units*




Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through March 2020.

**Nonresidential construction.** Early market indicators show that the region's nonresidential market was continuing to gain momentum through the first months of the year, but the impacts from COVID-19 are expected to slow the start of new projects in the region. The value of nonresidential projects fell by 69.7 percent through April, but the number and size of new nonresidential projects is up from the same period last year. Amusement and public improvement-related projects have provided most of the lift for the region. The City of Pueblo has recently opened a convention center expansion along the Historic Arkansas Riverwalk. Through this project, the city is adding a large exhibit hall and Professional Bull Riders Sports Performance Center to the Pueblo Convention Center, a three-story parking garage across the street from the convention center, and a Gateway Plaza outdoor space. The total cost for the improvements is projected to top $30 million. The bulk of the project will be paid for by state sales taxes under the state Regional Tourism Act program in addition to state and federal grants. In addition, EVRAZ Rocky Mountain Steel in Pueblo reached a long-term contract with Xcel Energy to develop a 240 megawatt solar array at the steel mill site.

## Colorado Springs Region

The Colorado Springs economy started the year with some of the strongest growth rates across the state. While construction activity remains elevated, the negative effects of COVID-19-related closures have distressed the regional labor market. The region's leisure and hospitality industries were significantly impacted by the closures, but low real estate prices compared to the northern Front Range continue to attract young professionals into the area and is expected to support the economic recovery. Home sales and prices continued to increase in March and April despite the challenges social distancing placed on the industry, and the number of new residential permit issuances remained strong. Finally, nonresidential construction activity, especially in downtown Colorado Springs, continues to be robust. Indicators for the regional economy are presented in Table 19.

**Table 19**
**Colorado Springs Region Economic Indicators**
El Paso County

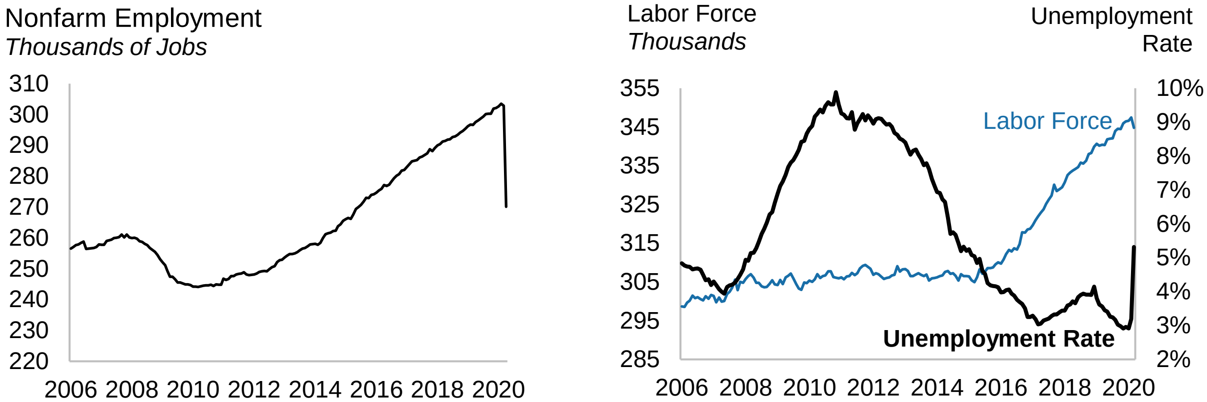
| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth[1] | 2.9% | 1.8% | 2.2% | 2.2% | -0.7% |
| Colorado Springs MSA | 3.7% | 3.2% | 3.8% | 3.3% | 3.8% |
| Unemployment Rate[2] | | | | | |
| Housing Permit Growth[3] | 41.3% | -3.9% | 15.4% | -3.8% | 19.1% |
| Total | 19.7% | 6.7% | 9.6% | -4.1% | 47.7% |
| Single Family | | | | | |
| Nonresidential Construction Growth[4] | | | | | |
| Value of Projects | 48.9% | -22.6% | 20.8% | 0.9% | 564.7% |
| Square Footage of Projects | 26.1% | 10.5% | 9.2% | 1.6% | 1,136.1% |
| Level (*Thousands*) | 2,353 | 2,599 | 2,838 | 2,884 | 4,721 |
| Number of Projects | 11.6% | 30.0% | -1.5% | -31.5% | 3.9% |
| Level | 423 | 550 | 542 | 371 | 133 |

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2020.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2020.
[3]U.S. Census. Growth in the number of residential building permits. Data through March 2020.
[4]F.W. Dodge. Data through April 2020.

**Labor market**. The Colorado Springs labor market opened up 2020 strong by adding nearly 1,400 new jobs in January and February before the COVID-19 outbreak began weighing heavily on the region's economy (Figure 23, left). Preliminary data shows the Colorado Springs metropolitan statistical area lost a staggering 33,400 jobs in March and April. Job loss has been broad-based across industries, with the retail trade and leisure and hospitality industries experiencing the greatest declines. In April, leisure and hospitality employment was down 52.1 percent from the same month last year. Relatively affordable housing is expected to mitigate COVID-19-related impacts as it boosts in-migration to the region (Figure 23, right).

The region's average unemployment rate ticked up to 3.8 percent in the first quarter of the year, after averaging 3.3 percent in 2019. In March, the unemployment rate jumped to 5.3 percent from 3.2 percent in February and is expected to climb through the year.

**Figure 23**
**Colorado Springs Labor Market Activity**




Source: U.S. Bureau of Labor Statistics; CES data (left) and LAUS data (right) are through December. Data are seasonally adjusted through March 2020.

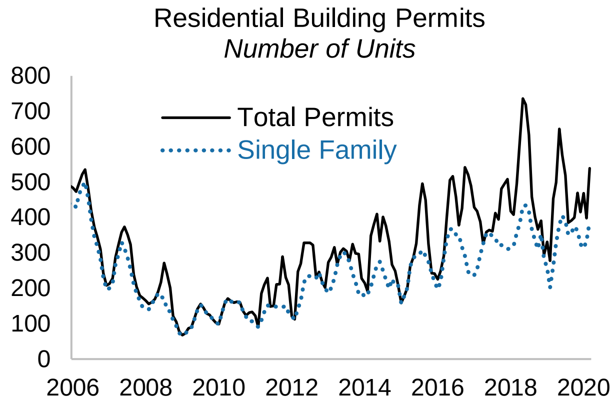
**Tax collections**. Similar to other areas in the state, the City of Colorado Springs saw a sharp decline in tax collections due to COVID-19 related closures. According to reports released by the City of Colorado Springs, revenue collected from the city's general sales and use tax in April (for March sales) dropped 14.0 percent from the same month one year prior. Tax collections were down for the majority of the city's retail industries, with only the medical marijuana, business services, and building materials industries posting gains.

**Housing.** The Colorado Springs residential real estate market continues to perform well despite the COVID-19 pandemic headwinds. Through April, total new residential permit issuances were up almost 20 percent from the same period last year (Figure 24, left). In April 2020, the median sales price for a single family home in the region was $358,900, up 8.9 percent from the previous year, according to the Colorado Association of Realtors. The average number of days on the market declined to 18 days in April, down from 31 days in the same month one year ago.

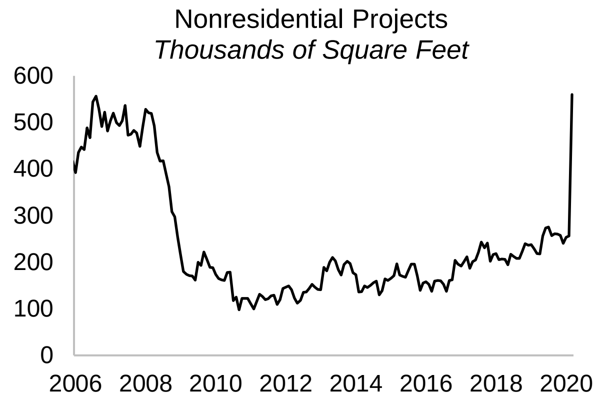
The region's healthy economy and several years of robust home price gains have pushed the cost of living higher, and affordable housing is becoming a concern. Strong demand has pushed down the months of supply of inventory in the region to one month in April 2020, and the number of homes for sale declined by 31 percent from January 2019. While still more affordable than real estate in the Denver metro region, Colorado Springs home prices continue to rise at solid rates as demand continues to outstrip supply.

**Nonresidential construction.** Investment in nonresidential projects in the region picked up pace in 2019 and is expected to maintain this momentum through 2020 (Figure 24, right). In March, Amazon broke ground on their $369 million fulfilment center near the Colorado Springs airport. The fulfillment center is expected to open in the summer of 2021 and bring over 1,000 jobs to the region. The new Olympic Museum in downtown Colorado Springs continues to take shape and is expected to open soon. Other major projects announced in the region and expected to start construction soon include the Weidner Field at Switchbacks Stadium, Robson Arena at Colorado College, and several new hotels in the downtown area of Colorado Springs.

**Figure 24**
**Colorado Springs Construction Activity**

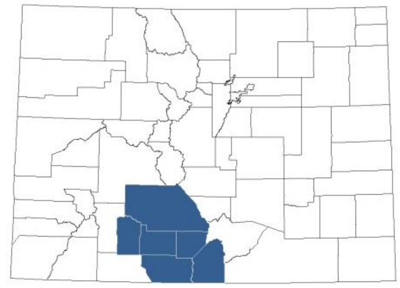



Source: U.S. Census Bureau. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through March 2020.




Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2020.

## San Luis Valley Region



Among the nine economic regions of the state identified in this forecast, the San Luis Valley has the state's smallest and oldest population with the lowest household incomes. The economy of the region's six counties is largely agricultural. Nonfarm employers include commercial, health, and government services, as well as a small but resilient tourism sector. While the region continued to see modest job growth at the start of 2020, the COVID-19 crisis is wreaking havoc on labor markets and the tourism industry. Economic indicators for the region are summarized in Table 20.

**Table 20**
**San Luis Valley Region Economic Indicators**
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

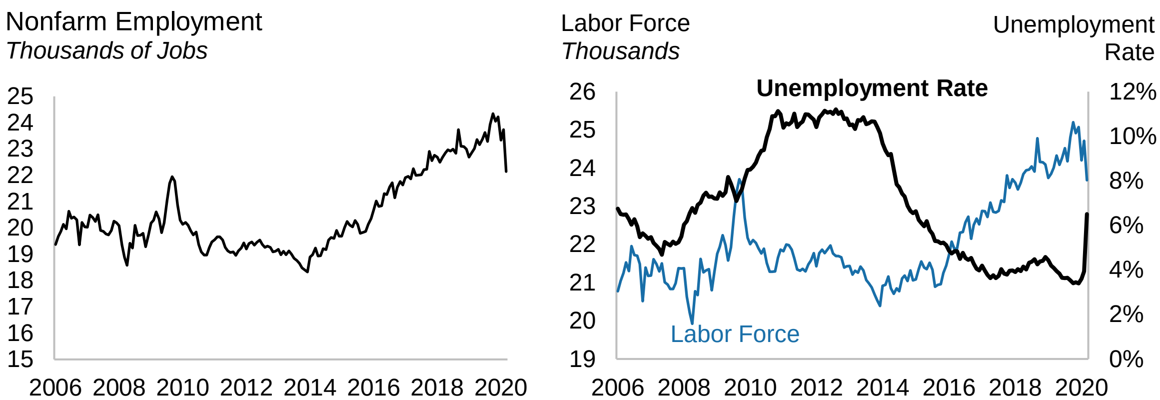
| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth[1] | 6.1% | 4.5% | 3.3% | 2.4% | 1.0% |
| Unemployment Rate[1] | 4.5% | 3.9% | 4.2% | 3.8% | 4.7% |
| San Luis Valley Agriculture District[2] | | | | | |
| Barley | | | | | |
| Acres Harvested | NA | NA | 44,500 | NA | NA |
| Crop Value ($/Acre) | $685 | $607 | $650 | $628 | NA |
| Potatoes | | | | | |
| Acres Harvested | 51,500 | 51,500 | 51,600 | 48,500 | NA |
| Crop Value ($/Acre) | $3,734 | $3,572 | $3,828 | NA | NA |
| Housing Permit Growth[3] | -1.1% | 16.8% | 16.3% | -11.1% | 12.3% |

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2020.
[2]National Agricultural Statistics Service. Data through 2019.
[3]F.W. Dodge. Data through April 2020.

**Agricultural industry.** The San Luis Valley's agricultural sector relies primarily on the production of potatoes, and secondarily on barley, although hemp and quinoa acreages have been on the upswing. The COVID-19 pandemic has disrupted potato markets, which saw a surge in retail demand as consumers stocked up on storable foods at the beginning of March, but not significantly enough to make up for the loss of markets caused by closures of restaurants, schools, and hotels. Market volumes in all potato-producing regions in the U.S. have declined since late March, with the most pronounced declines in Idaho and Colorado, the nation's first and second largest potato-producing regions, respectively. Potato shipments from the San Luis Valley through the last week of May are down 2.0 percent over the same period last year. Prices for Colorado potatoes have declined since March, but remain higher than in 2019.

**Labor market.** In addition to the agricultural industry, tourism, a large retirement community, and government services, including Adams State University, support the San Luis Valley economy. Employment conditions in the region deteriorated in the first quarter of 2020, particularly in March, when the statewide stay-at-home order went into effect. A 4.2 percent decline in the labor force between February and March was more than offset by a 6.7 percent decline in employment and pushed the unemployment rate up from 4.2 percent to 6.7 percent (Figure 25, right). This sharp slowdown in labor market activity has occurred across all state regions, however smaller regions including the San Luis Valley are more volatile and subject to data revisions.

**Figure 25**
**San Luis Valley Labor Market Activity**

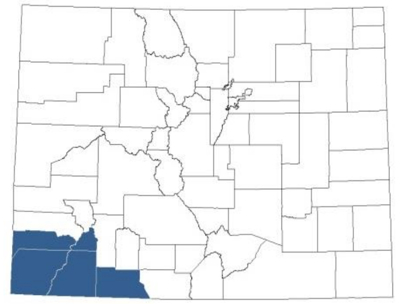



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2020.

**Housing and population growth.** After two consecutive years of strong growth, housing permits issued in the San Luis Valley declined by 11.5 percent in 2019, but are up 12.3 percent through April 2020 compared with the same period last year. Population growth in the region is mixed. Declining or relatively unchanged populations in Conejos, Costilla, Rio Grande, and Saguache counties are expected to be offset by population growth in Alamosa and Mineral counties over the next ten years, according to the Colorado State Demography Office. Single-family home prices in Alamosa County declined 3.1 percent through April 2020 over the same period last year, although the small number of home purchases in the region tends to cause volatility in the data. Median home prices remain at less than half of the statewide average, according to the Colorado Association of Realtors, making this region a more affordable destination for retirees.

**Tourism.** Visits to the Great Sand Dunes National Park and Preserve are down 34 percent for the first four months of 2020 compared to the same period last year, after increasing by 19.1 percent in 2019. All of this decline took place in April, when the park was closed due to social distancing measures enacted as a result of the COVID-19 crisis. The park began a phased reopening in early June. National forest land, recreation areas, and wetlands surround the national park, making the region a destination for outdoor enthusiasts. Additionally, the Cumbres and Toltec Scenic Railroad, which embarks from Antonito, a town just north of the New Mexico border, typically attracts a large number of tourists during the summer season beginning in mid-June. However, visits to regional attractions are expected to remain low this season due to the risks associated with travel.

## Southwest Mountain Region



The southwest mountain region comprises five counties in the southwest corner of the state. The area economy receives significant contributions from agriculture, tourism, and natural gas extraction, as well as typical regional services like health care and education. Regional tourism and outdoor recreation faced several challenges in recent years, including 2018 forest fires and park closures due to the federal shutdown in 2019. The sizable tourism impacts and business closures of the COVID-19 crisis will continue to dampen area economic activity through 2020. Economic indicators for the region are summarized in Table 21.

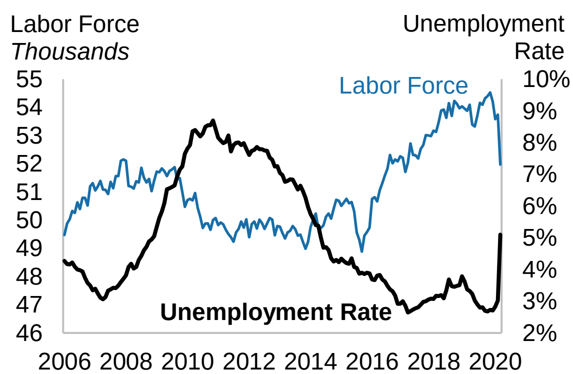
**Table 21**
**Southwest Mountain Region Economic Indicators**
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth[1] | 3.8% | 2.4% | 2.0% | 0.8% | -1.8% |
| Unemployment Rate[1] | 3.5% | 2.9% | 3.4% | 3.0% | 3.6% |
| Housing Permit Growth[2] | -4.6% | 29.8% | 24.1% | -40.8% | -1.7% |
| National Park Recreation Visits[3] | 7.5% | 4.4% | -7.6% | -2.1% | -52.7% |

[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2020.
[2]F.W. Dodge. Data through March 2020.
[3]National Park Service. Data through April 2020. Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

**Labor market.** Consistent with other regions of the state, employment contracted heavily beginning in March 2020 on COVID-19-related business closures and stay-at-home orders. Year-to-date through March, employment is down 1.8 percent in the area with more sizable job losses expected in April. The area unemployment rose to 5.1 percent in March, up from 3.0 percent in the prior month (Figure 26).

**Figure 26**
**Southwest Mountain Region Labor Market**




Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2020.

The number of initial claims for unemployment insurance in the region totaled 6,285 between March 15 and May 9, representing 15.2 percent of total nonfarm employment in the region. Relative to other areas of the state, the region has been among the hardest hit due to its reliance on the tourism, leisure, and hospitality sectors, those most affected by the COVID-19-related shutdowns.

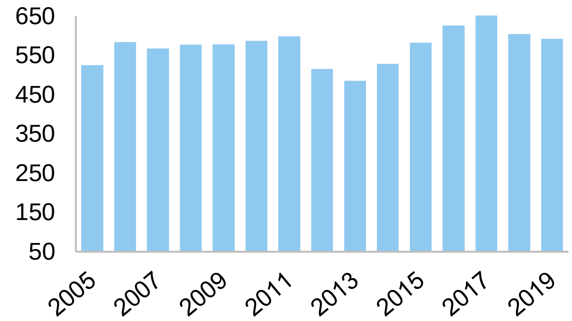
**Housing.** After significant additions to the regional housing supply in 2017 and 2018, homebuilders slowed activity last year. In 2020, new permits for residential construction are down a slight 1.7 percent through March over year-ago levels. Builders continue to face constraints from scarcity of buildable lots, diminished labor supply, and ongoing demand. According to the Durango Area

Association of Realtors, home prices continued to rise in most areas of the region in the first quarter of the year. The number of days homes remained on the market fell slightly relative to year-ago levels.

**Tourism.** The region boasts tourist opportunities for year-round outdoor recreation, historical cultural sites, and in-town destinations. After a 2018 summer season marked by severe forest fires, regional tourism remained subdued in 2019. In 2020, tourism faces new challenges as visitors cancel or reduce travel plans in response to the COVID-19 crisis.

On March 14, Governor Polis issued Executive Order D 2020 004, which mandated closure of downhill ski areas beginning March 15, bringing the area ski season to an early end. Cautious tourism and the potential for resurgence of the virus during the 2020-21 ski season each pose downside risks to regional tourism.

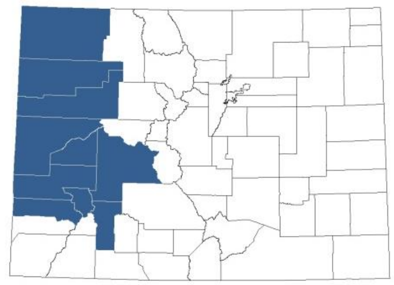
**Figure 27**
**Southwest Mountain National Park Visits**
*Thousands of Visits*




Source: National Park Service visitations for Mesa Verde National Park and Hovenweep National Monument. Annual data through 2019.

Annual visitations to Mesa Verde National Park and Hovenweep National Monument are presented in Figure 27. Visitations dropped slightly between 2018 and 2019 due to park closures associated with the federal government shutdown in early 2019, but outpaced 2018 levels over the remainder of the year. Relative to 2019, visits are down 52.7 percent year-to-date through March on closures due to COVID-19.

## Western Region



The ten-county western region has a diverse economy. Key industries in the more northern counties of Mesa, Garfield, Moffat, Rio Blanco, and Routt include energy and agriculture, while the counties of Delta, Gunnison, Hinsdale, Montrose, Ouray, and San Miguel are more reliant on tourism, mining, and retiree-related spending. In 2019, the region's economy continued to build on momentum from 2017 and 2018 as the area offers a more affordable option than the Front Range, but it has not been immune to the impacts of the COVID-19 crisis. Economic indicators for the region are summarized in Table 22.

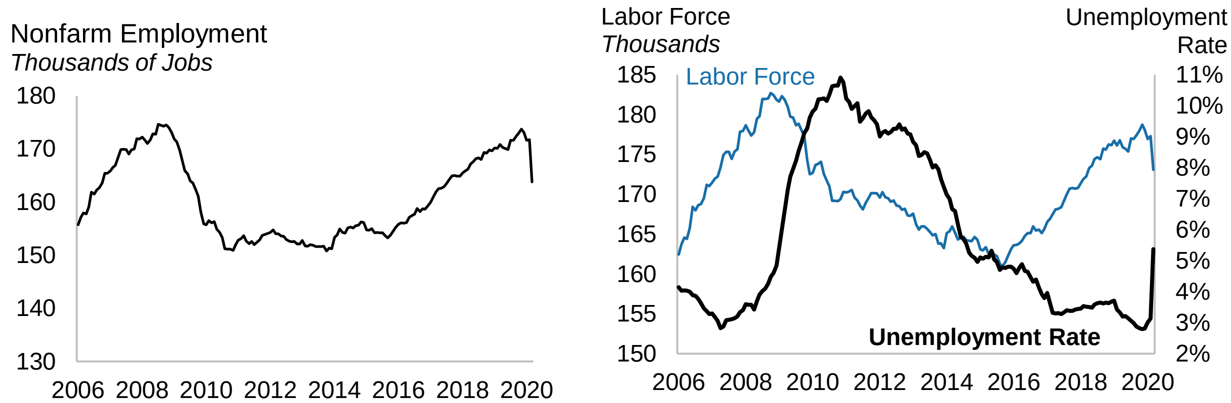
**Table 22**
**Western Region Economic Indicators**
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth | | | | | |
| Western Region[1] | 2.1% | 3.6% | 2.9% | 2.1% | -0.8% |
| Grand Junction MSA[2] | -0.3% | -0.4% | 2.4% | 1.3% | -3.5% |
| Unemployment Rate[1] | 4.4% | 3.4% | 3.6% | 3.1% | 3.8% |
| Natural Gas Production Growth[3] | -6.7% | -2.1% | 1.3% | 2.2% | 0.0% |
| Housing Permit Growth[4] | 6.7% | 42.8% | 15.5% | -16.0% | -4.6% |
| Nonresidential Construction Growth[4] | | | | | |
| Value of Projects | 16.4% | -33.1% | 4.5% | 52.4% | -83.8% |
| Square Footage of Projects | -3.9% | -17.6% | 30.4% | -2.0% | -45.0% |
| Level (*Thousands*) | 579 | 477 | 622 | 610 | 142 |
| Number of Projects | 41.1% | -36.7% | 20.0% | 15.0% | 15.8% |
| Level | 79 | 50 | 60 | 69 | 22 |

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2020.
[2]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2020.
[3]Colorado Oil and Gas Conservation Commission. Data through December 2019.
[4]F.W. Dodge. Data through April 2020.

**Labor market.** Coming off of a strong labor market in 2019 that saw 2.1 percent employment growth, the first quarter of 2020 experienced a decline in job creation. All of this decline occurred in March, which has caused employment to contract by 0.8 percent year-to-date over-year ago levels (Figure 28, left). The region has a diverse array of jobs; however, many are in sectors hit hardest by the COVID-19-induced economic downturn, such as tourism and energy. Initial unemployment claims in the region totaled 21,212 from March 15 to May 9, 2020, which is approximately 15.1 percent of total nonfarm employment in the region. The Grand Junction area experienced a faster decline in employment levels over the first three months of the year, a 3.5 percent decrease in the number of jobs, as there is a larger concentration of retail- and service-sector jobs in the area. The regional labor force shrunk as people stopped searching for jobs during the crisis, keeping the unemployment rate lower than it may otherwise be (Figure 28, right).

**Figure 28**
**Western Region Labor Market Activity**

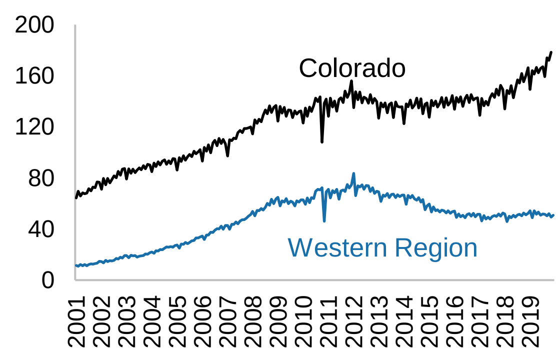



Source: U.S. Bureau of Labor Statistics; Data are seasonally adjusted and are through March 2020.

**Construction.** Residential construction activity, as measured by housing permits, declined 16.0 percent in 2019 over year-ago levels, despite rising demand for housing in the region. Permit activity fell an additional 4.6 percent through April of this year. According to the Colorado Association of Realtors, home sales and new listings in Mesa County have both seen double-digit declines through April this year over year-ago levels; however, the median home sales price is up 17.0 percent over 2019 levels, as demand outpaces supply. After two large projects drove up the value of nonresidential construction during 2019, the first four months of 2020 experienced a decrease of 83.8 percent in the value of projects, as the sector normalizes after 2019 and as the economic crisis halts business investment. Nonresidential construction activity is expected to remain at lower levels during 2020, as professional workers continue to work from home and businesses refrain from significant investments due to high levels of ongoing uncertainty.

**Energy sector.** The Piceance Basin is located in the western region of Colorado and is the second largest potentially developable natural gas resource in the country. Natural gas production in the region increased 2.0 percent in 2019, but remains flat during the first four months of 2020 over year-ago levels (Figure 29). The oil supply and demand crises have put significant downward pressure on production and investment over the last few months, which results in lower associated natural gas production. While natural gas demand is currently down due to decreased industrial activity, natural gas prices are forecast to tick up towards the end of the year when industrial production ticks back up and residential demand increases with the colder seasons. This provides a slightly more positive outlook for the Piceance Basin and the Western Slope in the coming quarters.

**Figure 29**
**Natural Gas Production**




Source: Colorado Oil and Gas Conservation Commission. Data through December 2019. BCF = Billion cubic feet

**National park visitors.** The number of visitors to the Black Canyon of the Gunnison National Park increased 52.5 percent during the first two months of 2020 compared with the same period last year, while the nearby Curecanti National Recreation Area experienced a 12.2 percent increase during the same period. Both parks were closed due to social-distancing measures and the temporary limitation of tourists to Gunnison County enacted as a result of the COVID-19 crisis. Both parks started to partially reopen on May 15; however, visitations are expected to remain low this season due to the risks associated with travel. Tourist revenue to the region is expected to remain depressed through 2020 and likely into 2021. Visitations to the Colorado National Monument near Grand Junction increased 3.1 percent through February this year compared with the first two months of 2019.

## Mountain Region

The mountain region comprises twelve counties stretching from Poncha Pass north to the Wyoming border. The region is the state's most dependent on tourism, and to this point has been the most acutely affected by COVID-19 travel restrictions and the ongoing recession. Economic indicators for the mountain region are presented in Table 23.

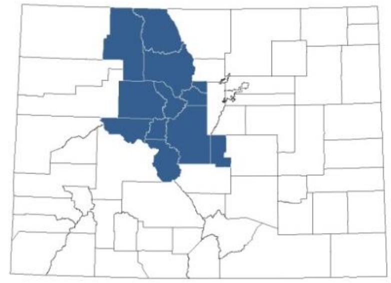


**Table 23**
**Mountain Region Economic Indicators**
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth[1] | 3.4% | 4.2% | 3.2% | 2.7% | -0.3% |
| Unemployment Rate[1] | 2.8% | 2.4% | 2.7% | 2.3% | 2.8% |
| Housing Permit Growth[2] | 29.0% | -10.7% | 73.9% | 6.2% | -19.2% |
| Nonresidential Construction Growth[2] | | | | | |
| Value of Projects | -28.9% | 298.4% | -78.1% | 37.2% | 1436.7% |
| Square Footage of Projects | 23.0% | 221.0% | -65.1% | 15.8% | 356.8% |
| Level (*Thousands*) | 632 | 2,028 | 708 | 820 | 360 |
| Number of Projects | 57.5% | -1.6% | 17.7% | -39.7% | 475.0% |
| Level | 63 | 62 | 73 | 44 | 23 |

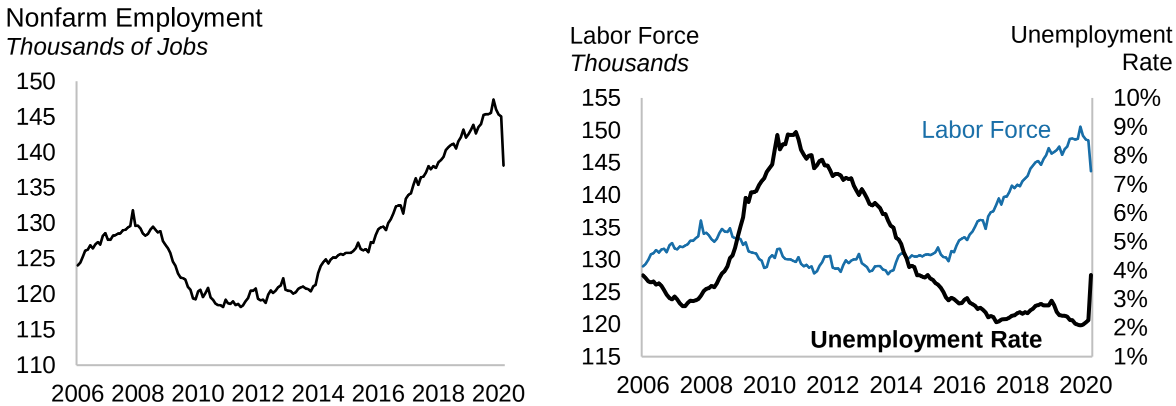
[1]U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2020.
[2]F.W. Dodge. Data through April 2020.

The mountain region economy is especially procyclical, in that it performs better than other areas during expansions and suffers more than others during recessions. In normal economic circumstances, the mountain economy performs best when households have enough disposable income to travel on vacation to the region. The COVID-19 crisis is uniquely detrimental for the mountain economy because it brought most tourist visitations to an immediate halt, while also sparking a recession that will limit travel budgets over the next few years.

**Labor market.** The immediate cessation of tourist visitations, coupled with mandatory closures of ski areas, casinos, bars, and dine-in seating at restaurants, hit the mountain region especially hard. Initial unemployment insurance claims filed with the Department of Labor and Employment indicate that nearly 28,400 people lost their jobs between March 15 and May 9. This represents 23.6 percent of total employment, by far the most severe impact in percentage terms among the nine economic regions reviewed in this document.

Figure 30 shows labor market indicators reported in household surveys conducted through March. The March survey was conducted before most COVID-related closures and showed about 7,000 fewer employed persons than in February (left panel). The survey indicated an unemployment rate of 3.8 percent, a 1.5 percentage point increase relative to February (right panel). Despite the stark changes to the trajectories shown in the chart, the March statistics capture only a small portion of the economic damage caused by COVID-19, and labor market indicators made available for April, May, and June are expected to show far worse impacts.

**Figure 30**
**Mountain Region Labor Market Activity**



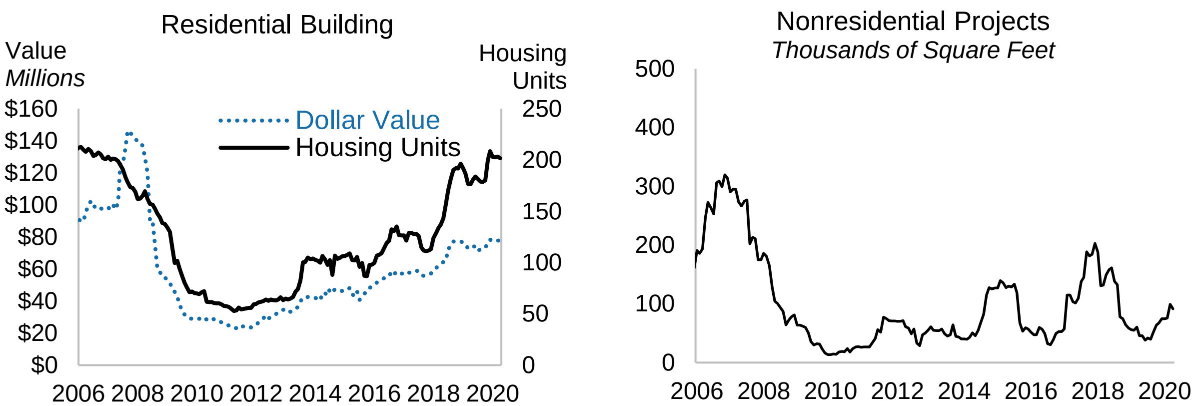

Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2020.

**Tourism.** Reduced recreational travel in 2020 and potentially 2021 will pose significant economic challenges for the tourism-dependent areas that comprise most of this region. Households and businesses are now faced with decreases in summer season visitations by outdoor vacationers, restrictions on casino activity in Gilpin and Teller counties, and potential restrictions on ski area operations over the coming winter. International and out-of-state visitors tend to spend the most when visiting the region, but these travelers are also the most likely to cancel plans given travel restrictions and ongoing economic and COVID-19-related uncertainty. As the impacts of the recession damage household budgets, consumers who need to tighten their spending will cut travel budgets, posing a major downgrade to the outlook for the mountain region.

Some major summer destinations, most developed national forest campgrounds, and most hot springs pools, remain closed. Rafting outfitters in Chaffee County report that they are operating at between 25 percent and 30 percent of last year's levels. However, most lodging remains open, and ski areas are selling passes for the 2020-21 season. Future COVID-related restrictions on tourist activity pose risk to the regional outlook.

**Construction.** The regional construction indicators shown in Table 23 represent permitted activity through April on which construction remains underway. Year-to-date through April, residential construction remains elevated and nonresidential construction activity has shown sizable growth relative to very low year-ago levels (Figure 31). During the years following the current economic downturn, reduced demand for vacation properties combined with reduced business activity in the region is expected to lead to less building, consistent with the declines following the Great Recession.

**Figure 31**
**Mountain Region Construction Activity**




Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2020.

## Eastern Region

The eastern region includes 16 rural counties on Colorado's eastern plains. Agriculture is the primary industry in the region, with retailers, other locally-focused businesses, and government operations supporting the region's farming and ranching communities. Out-migration and an aging population continue to put pressure on the labor force in the region, which is the most sparsely populated in the state. The COVID-19 crisis disrupted labor markets and agricultural prices beginning in March and is expected to weigh on the outlook for the region throughout 2020. Economic indicators for the region are presented in Table 24.

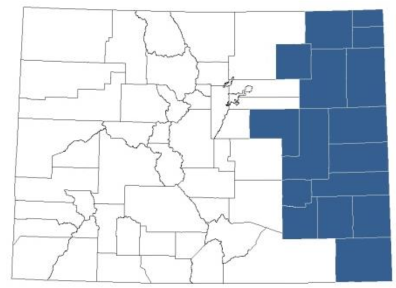


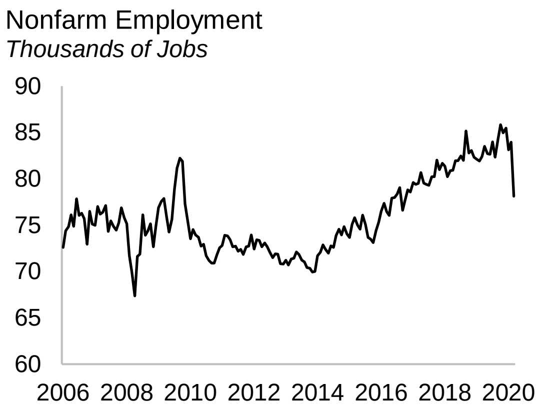
**Table 24**
**Eastern Region Economic Indicators**
Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

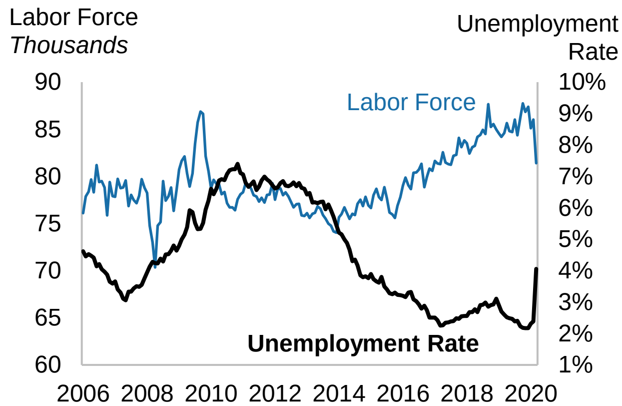
| | 2016 | 2017 | 2018 | 2019 | YTD 2020 |
|---|---|---|---|---|---|
| Employment Growth[1] | 4.0% | 3.3% | 2.3% | 1.7% | -0.5% |
| Unemployment Rate[1] | 3.0% | 2.4% | 2.8% | 2.4% | 2.9% |
| Crop Price Changes[2] | | | | | |
| Wheat ($/Bushel) | -27.9% | -2.9% | 34.6% | -7.0% | -11.6% |
| Corn ($/Bushel) | -7.7% | -3.4% | 2.8% | 9.3% | 5.6% |
| Alfalfa Hay (Baled, $/Ton) | -15.5% | 4.8% | 23.8% | 14.9% | -5.6% |
| Livestock[3] | | | | | |
| State Cattle and Calf Inventory Growth | 1.0% | 6.7% | 2.6% | 8.0% | 1.0% |
| Milk Production | 5.2% | 6.7% | 8.8% | 5.5% | 7.8% |

[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2020.
[2]National Agricultural Statistics Service. Data through March 2020.
[3]National Agricultural Statistics Service. Data through April 2020.

**Labor market.** At 2.5 percent, the region had one of the lowest unemployment rates in the state in 2019. As in other areas of the state, the eastern plains has seen a deterioration in labor market conditions during the first quarter of 2020. Employment fell by 7.0 percent in March alone, resulting in a spike in the unemployment rate from 2.4 percent in February to 4.1 percent in March. In addition, the labor force shrunk by 5.4 percent in March, as caregivers exited the labor force or the unemployed suspended job searches due to pandemic-related closures. As these data are based on survey results, they are subject to revision, particularly for smaller areas such as the eastern plains region. Indicators of labor market activity for the eastern region can be found in Figure 32.

**Figure 32**
**Eastern Region Labor Market Activity**




Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2020.

**Agriculture and livestock.** The eastern plains is the largest agricultural region in the state, and much of the region's economy is driven by the agricultural sector. Farm income declined after the drop in commodity prices leading into 2015 and has yet to recover. Low crop prices, increasing global supplies, and constrained access to global markets have kept incomes subdued. These trends have been exacerbated by the pandemic, which has substantially disrupted agricultural markets.

Disruptions caused by the COVID-19 pandemic have resulted in price declines for most major Colorado agricultural commodities, including corn, wheat, alfalfa hay, milk, and live cattle. Disruptions at meatpacking plants and a substantial slowdown in ethanol production put heavy downward pressure on corn and cattle prices. The closure of schools and restaurants, which account for a substantial share of milk demand, have led to bottlenecks at processing plants and coincide with the most productive time of the year for dairy cows, resulting in a large overall milk surplus and the collapse of milk prices to levels not seen in decades.

**Housing.** Despite the contraction of many rural community populations, counties bordering the northern region and the Front Range are seeing population growth, as former residents of larger, more expensive metro areas have left in search of more affordable housing. The median sales price for a home in Elbert County, for example, which borders the metro Denver region, has risen from about $330,000 in 2014 to almost $500,000 in 2019, according to the Colorado Association of Realtors. However, home prices are down 2.4 percent through April of 2020 compared to the same period last year. Median prices for single-family homes in Morgan County began climbing around mid-2017, rising from about $145,000 in 2014 to almost $250,000 in 2019, yet are still well below the median in neighboring Weld and Adams counties. Median home prices have continued to rise through 2020, and are up 13.4 percent through April, compared to the same period in 2019.

## Appendix: Historical Data

### National Economic Indicators

| Calendar Years | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP ($ *Billions*)[1] | $13,814.6 | $14,451.9 | $14,712.8 | $14,448.9 | $14,992.1 | $15,542.6 | $16,197.0 | $16,784.9 | $17,527.3 | $18,224.8 | $18,715.0 | $19,519.4 | $20,580.2 | $21,427.7 |
| Percent Change | 6.0% | 4.6% | 1.8% | -1.8% | 3.8% | 3.7% | 4.2% | 3.6% | 4.4% | 4.0% | 2.7% | 4.3% | 5.4% | 4.1% |
| Real GDP ($ *Billions*)[1] | $15,338.3 | $15,626.0 | $15,604.7 | $15,208.8 | $15,598.8 | $15,840.7 | $16,197.0 | $16,495.4 | $16,912.0 | $17,403.8 | $17,688.9 | $18,108.1 | $18,638.2 | $19,073.1 |
| Percent Change | 2.9% | 1.9% | -0.1% | -2.5% | 2.6% | 1.6% | 2.2% | 1.8% | 2.5% | 2.9% | 1.6% | 2.4% | 2.9% | 2.3% |
| Unemployment Rate[2] | 4.6% | 4.6% | 5.8% | 9.3% | 9.6% | 8.9% | 8.1% | 7.4% | 6.2% | 5.3% | 4.9% | 4.3% | 3.9% | 3.7% |
| Inflation[2] | 3.2% | 2.9% | 3.8% | -0.3% | 1.6% | 3.1% | 2.1% | 1.5% | 1.6% | 0.1% | 1.3% | 2.1% | 2.4% | 1.8% |
| 10-Year Treasury Note[3] | 4.8% | 4.6% | 3.7% | 3.3% | 3.2% | 2.8% | 1.8% | 2.4% | 2.5% | 2.1% | 1.8% | 2.3% | 2.9% | 2.1% |
| Personal Income ($ *Billions*)[1] | $11,381.7 | $12,007.8 | $12,442.2 | $12,059.1 | $12,551.6 | $13,326.8 | $14,010.1 | $14,181.1 | $14,991.7 | $15,717.8 | $16,121.2 | $16,878.8 | $17,819.2 | $18,608.3 |
| Percent Change | 7.4% | 5.5% | 3.6% | -3.1% | 4.1% | 6.2% | 5.1% | 1.2% | 5.7% | 4.8% | 2.6% | 4.7% | 5.6% | 4.4% |
| Wage & Salaries ($ *Billions*)[1] | $6,057.0 | $6,396.8 | $6,534.3 | $6,248.6 | $6,372.1 | $6,625.9 | $6,927.5 | $7,113.2 | $7,475.2 | $7,856.7 | $8,083.5 | $8,462.1 | $8,888.5 | $9,304.2 |
| Percent Change | 6.4% | 5.6% | 2.1% | -4.4% | 2.0% | 4.0% | 4.6% | 2.7% | 5.1% | 5.1% | 2.9% | 4.7% | 5.0% | 4.7% |
| Nonfarm Employment (*Millions*)[2] | 136.5 | 138.0 | 137.2 | 131.3 | 130.3 | 131.9 | 134.2 | 136.4 | 138.9 | 141.8 | 144.3 | 146.6 | 148.9 | 150.9 |
| Percent Change | 1.8% | 1.1% | -0.6% | -4.3% | -0.7% | 1.2% | 1.7% | 1.6% | 1.9% | 2.1% | 1.8% | 1.6% | 1.6% | 1.4% |

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 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nonfarm Employment (*Thousands*)[1] | 2,278.7 | 2,330.3 | 2,349.6 | 2,244.2 | 2,220.9 | 2,257.7 | 2,311.8 | 2,380.3 | 2,463.5 | 2,541.2 | 2,601.2 | 2,660.2 | 2,727.5 | 2,785.8 |
| Percent Change | 2.4% | 2.3% | 0.8% | -4.5% | -1.0% | 1.7% | 2.4% | 3.0% | 3.5% | 3.2% | 2.4% | 2.3% | 2.5% | 2.1% |
| Unemployment Rate[1] | 4.3% | 3.7% | 4.9% | 7.3% | 8.7% | 8.4% | 7.9% | 6.9% | 5.0% | 3.9% | 3.3% | 2.8% | 3.2% | 2.8% |
| Personal Income ($ *Millions*)[2] | $189,476 | $201,876 | $208,738 | $198,800 | $205,372 | $223,153 | $237,142 | $249,282 | $271,308 | $284,234 | $289,581 | $310,755 | $332,943 | $353,287 |
| Percent Change | 8.1% | 6.5% | 3.4% | -4.8% | 3.3% | 8.7% | 6.3% | 5.1% | 8.8% | 4.8% | 1.9% | 7.3% | 7.1% | 6.1% |
| Per Capita Income ($)[2] | $40,140 | $42,024 | $42,689 | $39,982 | $40,682 | $43,570 | $45,659 | $47,298 | $50,711 | $52,147 | $52,278 | $55,374 | $58,500 | $61,348 |
| Percent Change | 6.1% | 4.7% | 1.6% | -6.3% | 1.8% | 7.1% | 4.8% | 3.6% | 7.2% | 2.8% | 0.3% | 5.9% | 5.6% | 4.9% |
| Wage & Salary Income ($ *Millions*)[2] | $105,649 | $112,526 | $116,710 | $112,228 | $113,670 | $118,414 | $124,947 | $129,521 | $138,626 | $146,531 | $151,016 | $160,719 | $170,115 | $182,288 |
| Percent Change | 7.0% | 6.5% | 3.7% | -3.8% | 1.3% | 4.2% | 5.5% | 3.7% | 7.0% | 5.7% | 3.1% | 6.4% | 5.8% | 7.2% |
| Retail Trade Sales ($ *Millions*)[3] | $70,437 | $75,329 | $74,760 | $66,345 | $70,738 | $75,548 | $80,073 | $83,569 | $90,653 | $94,920 | NA | NA | NA | NA |
| Percent Change | 7.5% | 6.9% | -0.8% | -11.3% | 6.6% | 6.8% | 6.0% | 4.4% | 8.5% | 4.7% | | | | |
| Residential Housing Permits[4] | 38,343 | 29,454 | 18,998 | 9,355 | 11,591 | 13,502 | 23,301 | 27,517 | 28,698 | 31,871 | 38,974 | 40,673 | 42,627 | 38,633 |
| Percent Change | -16.4% | -23.2% | -35.5% | -50.8% | 23.9% | 16.5% | 72.6% | 18.1% | 4.3% | 11.1% | 22.3% | 4.4% | 4.8% | -9.4% |
| Nonresidential Construction ($ *Millions*)[5] | $4,641 | $5,259 | $4,114 | $3,354 | $3,147 | $3,923 | $3,695 | $3,624 | $4,351 | $4,991 | $5,989 | $6,156 | $8,096 | $4,898 |
| Percent Change | 8.6% | 13.3% | -21.8% | -18.5% | -6.2% | 24.7% | -5.8% | -1.9% | 20.1% | 14.7% | 20.0% | 2.8% | 31.5% | -39.5% |
| Denver-Aurora-Lakewood Inflation[1] | 3.6% | 2.2% | 3.9% | -0.6% | 1.9% | 3.7% | 1.9% | 2.8% | 2.8% | 1.2% | 2.8% | 3.4% | 2.7% | 1.9% |
| Population (*Thousands, July 1*)[4] | 4,720.4 | 4,803.9 | 4,889.7 | 4,972.2 | 5,047.3 | 5,121.1 | 5,192.6 | 5,269.0 | 5,350.1 | 5,450.6 | 5,539.2 | 5,611.9 | 5,691.3 | 5,758.7 |
| Percent Change | 1.9% | 1.8% | 1.8% | 1.7% | 1.5% | 1.5% | 1.4% | 1.5% | 1.5% | 1.9% | 1.6% | 1.3% | 1.4% | 1.2% |

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]Colorado Department of Revenue. Data are not available after 2015.
[4]U.S. Census Bureau. Residential housing permits are the number of new single and multi-family housing units permitted for building.
[5]F.W. Dodge.