Colorado Legislative Council Staff

March 2021 | Economic & Revenue Forecast

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Executive Summary

This report presents the budget outlook based on current law and the March 2021 forecast for General Fund and cash fund revenue, as well as the TABOR outlook. Additionally, 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

Based on the Comprehensive Annual Financial Report, the General Fund ended the year with a 15.4 percent reserve, $1.46 billion above the 3.07 percent required reserve. Revenue subject to TABOR fell just short ($82.6 million) of the Referendum C cap.

FY 2020-21

The impacts of the COVID-19 pandemic will weigh on FY 2020-21 General Fund revenue collections, which are projected to decline 1.1 percent from year-ago levels. Significant budget balancing actions made during the 2020 legislative session are expected to more than offset this projected revenue decline. The General Fund is projected to end the year with a 30.7 percent reserve, $2.95 billion above the required 2.86 percent reserve. Revenue subject to TABOR is expected to fall below the Referendum C cap by $941.2 million.

FY 2021-22 Unbudgeted

As revenue rebounds with improved economic activity, the General Assembly is projected to have $5.29 billion, or 45.5 percent, more to spend or save in the General Fund than what is budgeted to be spent and saved in FY 2020-21. The FY 2020-21 reserve accounts for more than half of this amount, and any changes to revenue or expenditures in FY 2020-21 will change this amount. As a budget has not yet been set, this amount holds current appropriations for FY 2020-21 constant and assumes current law transfers, and a 2.86 percent General Fund reserve requirement. This amount does not incorporate caseload, inflationary, or other budgetary pressures. It does include federal funds to be allocated to the state under the federal American Rescue Plan Act. Revenue subject to TABOR is expected to fall below the Referendum C cap by $328.7 million.

Risks to the forecast. The economic and health policy landscape continues to evolve, posing both upside and downside risks to the General Fund budget that remain high by historical standards. While income tax collections have exceeded expectations fiscal year-to-date, this forecast is based on limited real data for taxpayer refunds and decisions during the regular 2020 income tax filing period. If taxpayer refunds are lower than expected, revenue could be higher than expected in the current fiscal year. While two additional rounds of large-scale federal fiscal stimulus have boosted the near-term economic outlook, the longer-term impacts (or "scarring") of the pandemic recession remain yet to be seen and pose downside risks once stimulus effects fade.

Cash Fund Revenue

Cash fund revenue subject to TABOR remained largely unchanged relative to the December 2020 forecast. Preliminary figures from the Office of the State Controller indicate that cash fund revenue subject to TABOR totaled $2.24 billion in FY 2019-20, a decrease of $201.3 million, or 8.3 percent, from the prior fiscal year. Revenue in the current FY 2020-21 is expected to decline an additional 4.2 percent before rebounding 5.5 percent in FY 2021-22. The crude oil market rout, depressed travel activity due to COVID-19-related disruptions, and reduced casino capacity will continue to weigh on collections from severance tax, transportation-related revenue, and gaming revenue in the current fiscal year. As the economy improves and COVID-19-related restrictions ease, collections are expected to recover but to remain below FY 2018-19 levels through at least FY 2022-23.

Unemployment Insurance Trust Fund insolvency. The Unemployment Insurance Trust Fund is expected to end FY 2020-21 with a deficit of $955 million due to an unprecedented increase in unemployment benefits paid during the COVID-19-related recession. Benefits paid rose from $365.5 million in FY 2018-19 prior to the pandemic to $1.27 billion in FY 2019-20 and are expected to reach $1.98 billion in the current FY 2020-21. The fund became insolvent in August 2020, when benefits exceeded available funds. The fund is not expected to return to solvency within the forecast period, necessitating ongoing borrowing to fund benefits, and triggering a move to the highest rate schedule beginning January 1, 2022.

Economic Outlook

With vaccine distribution progressing in earnest and the recent announcement of a third round of federal government stimulus, this forecast upgrades the U.S. economic outlook for 2021 and 2022. For broad measures of U.S. and Colorado economic activity, the worst chapters of the pandemic-induced recession appear to be behind us. However, pre-pandemic levels of economic activity are closer in some areas than in others. The recession did lasting damage to employment levels and consumer spending, and a long road to recovery lies ahead. The effects of the recovery have been felt differently by different populations. For higher-income earners able to transition smoothly to remote work, the recession's economic impacts have been muted. Yet, for businesses and employees in industries that remain shut down or at partial capacity, the recession's consequences remain severe.

As the pandemic abates, the economy now faces new risks. Recessionary effects on the business cycle usually persist over multiple years, and lagging impacts on employment and incomes remain uncertain given the unusual nature of the pandemic recession. Government support for the economy has been significant, and sizable adjustments in financial markets and business investments may occur as the stimulus eventually wears off in late 2021 and into 2022. Finally, while inflationary pressures remain low, financial markets have signaled concern over the effects of the vast injection of liquidity may accelerate price inflation. This forecast anticipates that inflationary pressures will rise in the current year with rising global demand for energy and other commodities. However, these impacts are expected to dissipate in future years as long-term economic and demographic trends maintain downward pressure on prices.

Discussion of the economic outlook begins on page 35, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 14 and 15 on pages 54 and 55.

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 the following:

- a summary of changes in the forecast since May 2020 (Table 2);
- the TABOR outlook (Table 3 and Figure 1);
- statutory transfers to transportation and capital construction funds (Table 4);
- 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).

Legislative Assumptions

This forecast is based on current law, including changes enacted to date during the 2021 regular legislative session and federal legislation enacted to date. Legislation that has been adopted by both chambers and incorporated into this forecast includes:

- changes to General Fund appropriations under the supplemental package for FY 2020-21 (Senate Bill 21-041 through Senate Bill 21-052), the mid-year adjustment for the school finance act (Senate Bill 21-053), and other legislation enacted to date (House Bill 21-1002 and Senate Bill 21-109);
- changes to transfers to and from the General Fund (see Tables 4 and 6); and
- General Fund revenue impacts under House Bill 21-1002.

Some General Fund budget impacts from 2021 federal legislation are not yet known. As this forecast goes to print, funds distributed to the state of Colorado under the federal American Rescue Plan Act have not been allocated. Depending on how funds are allocated, the General Fund budget outlook is subject to change. This forecast does incorporate significant upward adjustments to the economic and revenue outlook as a result of the large-scale stimulative impacts to consumption, business activity, and household incomes. Additionally, this forecast incorporates revenue reductions attributable to expanded federal tax credits upon which state-level tax credits are based.

FY 2019-20

Based on the Comprehensive Annual Financial Report released by the Office of the State Controller, the General Fund ended FY 2019-20 with a 15.4 percent reserve, $1.46 billion higher than the statutorily required 3.07 percent reserve (Table 1, line 19). Revenue subject to TABOR fell short of the Referendum C cap by $82.6 million.

FY 2020-21

The General Fund is expected to end the current fiscal year with a 30.7 percent reserve, $2.95 billion higher than the statutorily required 2.86 percent reserve (Table 1, line 19). The projected year-end reserve is $696.2 million higher than expected in December, primarily reflecting increased income tax expectations based on higher than expected collections year-to-date and an improved economic outlook with two additional rounds of large-scale federal stimulus enacted since the December forecast.

General Fund revenue is now projected to contract 1.1 percent in FY 2020-21 relative to year-ago levels. Budget balancing actions made during the 2020 legislative session will more than offset the projected decline in revenue, resulting in a General Fund surplus that is high by historical standards. While the revenue outlook has improved, risks to the revenue forecast remain higher than usual for a March forecast due to data limitations for February income tax collections.

FY 2021-22 (Unbudgeted)

Because a budget has not yet been enacted for FY 2021-22, Table 1 (line 21) 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 $5.29 billion, or 45.5 percent, more to spend or save than in the current FY 2020-21. This amount assumes current law obligations for FY 2021-22, including transfers, and rebates and expenditures (Table 1, lines 8 through 12), as well as a 2.68 percent reserve requirement. The $5.29 billion amount is a cumulative amount based on revenue expectations and the budget situation in both 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 $5.29 billion amount holds FY 2020-21 appropriations constant and therefore does not reflect any caseload, inflationary, or other budgetary pressures.

Risks to the Forecast Remain High

The upside risks to the December 2020 forecast have largely materialized with two additional rounds of federal fiscal stimulus. That said, the economic and health policy landscape continues to evolve, posing both upside and downside risks to the forecast.

For each March forecast, February income tax collections tend to be particularly insightful in that they offer a view of what is to come for the regular income tax filing season. This year, however, February collections offered limited insight due to several factors, including delayed income tax filing start dates, delayed filing by taxpayers awaiting the outcome of additional federal stimulus, and delayed issuance of taxpayer refunds. As information on the regular 2020 income tax filing period remains limited, this forecast is subject to higher uncertainty than usual.

How much do we know about FY 2020-21?

This forecast is based on actual General Fund collections data for the first eight months of the fiscal year (July through February). On average, collections for these eight months have historically accounted for about 62 percent of total General Fund collections in a fiscal year. The largest share of revenue is collected during the regular income tax filing season, which runs from January through April. However, fewer taxpayers filed in February than usual, and many of the returns filed in February were not fully processed during that month.

Taxpayers continue to adjust to federal and state tax policy legislation enacted in 2020 and 2021. As a result, collections data may continue to follow unusual patterns well into FY 2021-22. While overall, risks are viewed as skewed to the upside, downside risks remain. In particular, the long-term negative impacts (“scarring”) of the pandemic-induced recession remain unknown and could weigh more heavily than expected on economic activity or business incomes in the years ahead.

Changes Between the May 2020 Forecast Update and March 2021 Forecast

The budget situation has changed considerably since the May 2020 forecast update on changes in the economic outlook and significant policy changes at both the state and federal level. Table 2 summarizes the changes across the forecasts between the May 2020 forecast update and this March 2021 forecast for both FY 2019-20 and the current FY 2020-21.

Changes to revenue expectations. Boosting revenue in FY 2019-20, economic activity and income tax collections for the 2019 tax year far exceeded May and June forecasts. These forecasts were prepared with limited data due to delayed 2019 and early 2020 income tax payment deadlines and COVID-19 related distortions to other revenue streams. As this information materialized, the September 2020 forecast was revised upward significantly for FY 2019-20 and subsequent years, growing from higher FY 2019-20 revenue. The December 2020 forecast reflected an improved economic outlook with the development and distribution of multiple effective COVID-19 vaccines. This March 2021 forecast incorporates additional upward adjustments to revenue stemming from two additional rounds of federal stimulus that are expected to bolster business and household incomes and boost consumer activity.

Changes in General Fund obligations. In addition to improvements to economic expectations, policy changes produced sizable changes to the General Fund budget situation over the past year. June, September, and December 2020 forecasts incorporated changes from legislation enacted during the regular 2020 session to balance the budget relative to the May forecast update and legislation enacted during the 2020 special session, which increased appropriations and transfers from the General Fund. The December 2020 forecast incorporated the outcomes for ballot measures approved by voters during the November election, which also had impacts on the budget situation. In particular, Proposition 116 reduced the income tax rate from 4.63 percent to 4.55 percent, resulting in a downward adjustment to revenue, and Proposition EE increased cigarette, tobacco, and nicotine taxes resulting in higher General Fund revenue and transfers. This March 2021 forecast incorporates legislative changes to revenue, transfers, and General Fund appropriations enacted to date during the 2021 regular session.

Cumulative changes in expectations for FY 2021-22. The FY 2021-22 General Fund budget outlook has improved considerably with increased economic and revenue expectations in each of the last four forecasts, including this March forecast. A majority of the improvement reflects the projected surplus year-end balance carried forward from FY 2020-21 into the beginning balance for FY 2021-22, as summarized in Table 2 on page 10. Higher revenue expectations account for the remainder of the improvement (up $2.1 billion from May 2020 projections for FY 2021-22). Legislative changes enacted in 2020 and to date in 2021 increased FY 2021-22 transfers from the General Fund on net by $358.5 million, accounting for the remainder of the change in next year's budget outlook since the May 2020 forecast update.

Table 1
General Fund Overview
Dollars in Millions

	Funds Available	FY 2019-20 Preliminary	FY 2020-21 Budgeted	FY 2021-22 Estimate	FY 2022-23 Estimate
1	Beginning Reserve	$1,262.6	$1,825.7	$3,249.7	*
2	General Fund Revenue	$12,868.5	$12,721.5	$13,804.6	$14,569.3
3	Transfers from Other Funds *(Table 6)*	$248.0	$333.1	$13.8	$13.0
4	**Total Funds Available**	**$14,379.1**	**$14,880.3**	**$17,068.1**	*****
5	Percent Change	2.9%	3.5%	14.7%	*
	Expenditures	**Preliminary**	**Budgeted**	**Estimate**	**Estimate**
6	General Fund Appropriations Subject to Limit[1]	$11,868.5	$10,586.8	*	*
7	TABOR Refund Obligation Under Art. X, §20, (7)(d)	$0.0	$0.0	$0.0	$0.0
8	Rebates and Expenditures *(Table 5)*	$145.7	$292.2	$302.0	$311.8
9	Transfers to Other Funds *(Table 6)*	$210.9	$565.6	$538.9	$577.5
10	Transfers to the State Education Fund[2]	$40.3	$113.0	$23.0	$0.0
11	Transfers to Transportation Funds *(Table 4)*	$300.0	$30.0	$0.0	$50.0
12	Transfers to Capital Construction Funds *(Table 4)*	$213.6	$43.0	$20.0	$20.0
13	**Total Expenditures**	**$12,778.9**	**$11,630.6**	*	*
14	Percent Change	-0.6%	-9.0%	*	*
15	Accounting Adjustments[3]	$225.5	*	*	*
	Reserve	**Preliminary**	**Budgeted**	**Estimate**	**Estimate**
16	Year-End General Fund Reserve	$1,825.7	$3,249.7	*	*
17	Year-End Reserve as a Percent of Appropriations	15.4%	30.7%	*	*
18	Statutorily Required Reserve[4]	$364.4	$302.8	*	*
19	**Amount in Excess or (Deficit) of Statutory Reserve**	**$1,461.4**	**$2,947.0**	*	*
20	Excess Reserve as a Percent of Expenditures	11.4%	25.3%	*	*
	Perspectives on FY 2020-21 (Unbudgeted)			**Estimate**	**Estimate**
	Scenario: Hold FY 2020-21 Appropriations Constant[5]				
21	Amount in Excess or (Deficit) of 2.86% Statutory Reserve			$5,294.6	*
22	As a Percent of Prior-Year Expenditures			45.5%	*
	Addendum	**Preliminary**	**Estimate**	**Estimate**	**Estimate**
23	Percent Change in General Fund Appropriations	5.4%	-10.8%	*	*
24	5% of Colorado Personal Income Appropriations Limit	$15,602.3	$16,759.8	$17,609.2	$18,489.7
25	Transfers to State Education Fund per Amendment 23	$646.7	$752.8	$750.3	$795.4

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

[1]Includes the 2021 supplemental package (SB 21-041 through SB 21-052), the mid-year adjustment for the school finance act (SB 21-053), and changes to appropriations under HB 21-1002 and SB 21-109.

[2]Includes transfers pursuant to SB 19-246 and HB 20-1420.

[3]Estimated adjustment based on the Office of the State Controller's Comprehensive Annual Financial Report for FY 2019-20.

[4]The required reserve is calculated as a percent of operating appropriations, and is required to equal 3.07 percent in FY 2019-20, 2.86 percent in FY 2020-21 and FY 2021-22, and 7.25 percent each year thereafter.

[5]This scenario holds appropriations in FY 2021-22 equal to appropriations in FY 2020-21 (line 6) to determine the total amount of money available relative to FY 2020-21 expenditures, net of the obligations in lines 7 through 12.

Table 2
Changes across Legislative Council Revenue Forecasts
Dollars in Millions

FY 2019-20

Components of Change	May 2020 Estimate	Changes Between Forecasts: June	Sept	Dec	March	Cumulative	March 2021 Estimate	Description of Changes
Funds Available	**$12,970.2**	**$464.4**	**$964.9**	**-$20.4**	**$0.0**	**$1,409.0**	**$14,379.1**	Strong 2019 income tax collections.
Beginning Reserve	$1,262.6	$0.0	$0.0	$0.0	$0.0	$0.0	$1,262.6	
General Fund Revenue	$11,653.8	$320.9	$893.8	$0.0	$0.0	$1,214.7	$12,868.5	Higher than expected 2019 income tax collections. Delayed July filings accrued back into FY 2019-20.
Transfers from Other Funds	$53.8	$143.5	$71.1	-$20.4	$0.0	$194.2	$248.0	Budget balancing transfers (see Table 6).
Expenditures & Transfers	**$12,989.7**	**-$282.2**	**$62.9**	**-$19.7**	**$28.2**	**-$210.8**	**$12,778.9**	Reduced appropriations with budget balancing actions.
Operating Appropriations	$12,086.2	-$281.3	$35.3	$0.0	$28.2	-$217.8	$11,868.5	Budget balancing.
Rebates and Expenditures	$141.4	$0.8	$3.5	$0.0	$0.0	$4.3	$145.7	Truing up to actual amounts.
State Education Fund Transfers	$40.3	$0.0	$0.0	$0.0	$0.0	$0.0	$40.3	
Transportation Transfers	$300.0	$0.0	$0.0	$0.0	$0.0	$0.0	$300.0	
Capital Construction Transfers	$225.8	$7.5	$0.0	-$19.7	$0.0	-$12.3	$213.6	Truing up actual transfers.
Other Cash Fund Transfers	$195.9	-$9.1	$24.0	$0.0	$0.0	$14.9	$210.9	Legislative actions (see Table 6).
Required Reserve	$876.3	-$513.8	$1.1	$0.0	$0.9	-$511.9	$364.4	Reduced from 7.25% to 3.07%.
Accounting Adjustment				$198.5	$27.0	$225.5	$225.5	Updated with Basic Financial Statements and CAFR.
Surplus (Shortfall)	**-$895.8**	**$1,260.4**	**$900.9**	**$197.9**	**-$2.1**	**$2,357.2**	**$1,461.4**	Shortfall is more than offset by higher than expected revenue, and budget balancing actions including appropriations reductions and the reduced reserve requirement.

Source: Legislative Council Staff forecasts.
CAFR = Comprehensive Annual Financial Report.

Table 2 (Continued)
Changes across Legislative Council Revenue Forecasts
Dollars in Millions

FY 2020-21

Components of Change	May 2020 Estimate	Changes Between Forecasts: June	Sept	Dec	March	Cumulative	March 2021 Estimate	Description of Changes
Funds Available	**$10,287.8**	**$1,592.0**	**$1,444.0**	**$978.3**	**$578.2**	**$4,592.5**	**$14,880.3**	Higher revenue and beginning balance.
Beginning Reserve	-$19.5	$746.6	$902.0	$197.9	-$1.2	$1,845.3	$1,825.7	Higher FY 2019-20 year-end balance carries into FY 2020-21.
General Fund Revenue	$10,306.6	$526.1	$542.1	$775.7	$570.9	$2,414.9	$12,721.5	Stronger than expected revenue to date, stronger economic expectations on the COVID vaccine.
Transfers from Other Funds	$0.7	$319.2	$0.0	$4.7	$8.4	$332.3	$333.1	See Table 6. Budget balancing legislation, truing up actuals.
Expenditures & Transfers	**$12,696.9**	**-$1,394.4**	**$43.5**	**$396.8**	**-$112.3**	**-$1,066.4**	**$11,630.6**	Reduced appropriations with budget balancing, increased transfers during special session.
Operating Appropriations	$12,086.2	-$1,437.0	$9.2	$127.2	-$198.9	-$1,499.4	$10,586.8	Budget balancing legislation (June); Special session legislation and election outcomes (December).
Rebates and Expenditures	$317.9	-$2.8	-$10.7	-$5.9	-$6.3	-$25.8	$292.2	Slight changes based on year-to-date expenditures.
State Education Fund Transfers	$0.0	$113.0	$0.0	$0.0	$0.0	$113.0	$113.0	HB 20-1420.
Transportation Transfers	$50.0	-$50.0	$0.0	$0.0	$30.0	-$20.0	$30.0	HB 20-1376.
Capital Construction Transfers	$20.0	$3.0	$0.0	$0.0	$20.0	$23.0	$43.0	See Table 4.
Other Cash Fund Transfers	$222.8	-$20.6	$45.0	$275.4	$42.9	$342.8	$565.6	Budget balancing, special session bills, November election outcomes (see Table 6).
Required Reserve*	$876.3	-$571.7	$0.3	$3.6	-$5.7	-$573.5	$302.8	Reduced from 7.25% to 2.86%; changes consistent with appropriations.
Surplus (Shortfall)*	**-$3,285.4**	**$3,558.1**	**$1,400.2**	**$577.9**	**$696.2**	**$6,232.3**	**$2,947.0**	Shortfall is more than offset by increased beginning balance and revenue expectations, reduced appropriations.

Source: Legislative Council Staff forecasts.
**Surplus (shortfall) is shown relative to the required reserve. Since a budget had not yet been set, May FY 2020-21 appropriations and reserve requirement estimates held prior year appropriations constant at FY 2019-20 levels.*

Table 3
TABOR Revenue Limit and Retained Revenue
Dollars in Millions

		Actual FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23
	TABOR Revenue				
1	General Fund[1]	$12,629.5	$12,335.4	$13,261.5	$13,998.9
2	Cash Funds[1]	$2,244.2	$2,143.4	$2,261.5	$2,394.9
3	**Total TABOR Revenue**	**$14,873.8**	**$14,478.8**	**$15,523.0**	**$16,393.8**
	Revenue Limit				
4	Allowable TABOR Growth Rate	4.1%	3.1%	2.8%	3.6%
5	Inflation (*from Prior Calendar Year*)	2.7%	1.9%	2.0%	2.7%
6	Population Growth (*from Prior Calendar Year*)	1.4%	1.2%	0.9%	0.9%
7	TABOR Limit Base	$12,249.0	$12,628.7	$12,982.3	$13,449.7
8	Voter Approved Revenue Change (Referendum C)	$2,624.8	$1,850.1	$2,540.7	$2,944.2
9	Total TABOR Limit / Referendum C Cap	$14,956.4	$15,420.0	$15,851.8	$16,422.4
10	**TABOR Revenue Above** (Below) **Referendum C Cap**	**($82.6)**	**($941.2)**	**($328.7)**	**($28.6)**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[2]	$2,624.8	$1,850.1	$2,540.7	$2,944.2
12	Fiscal Year Spending (*revenue available to be spent or saved*)	$14,873.8	$14,478.8	$15,523.0	$16,393.8
13	**Revenue Refunded to Taxpayers**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
14	TABOR Reserve Requirement	$446.2	$434.4	$465.7	$491.8

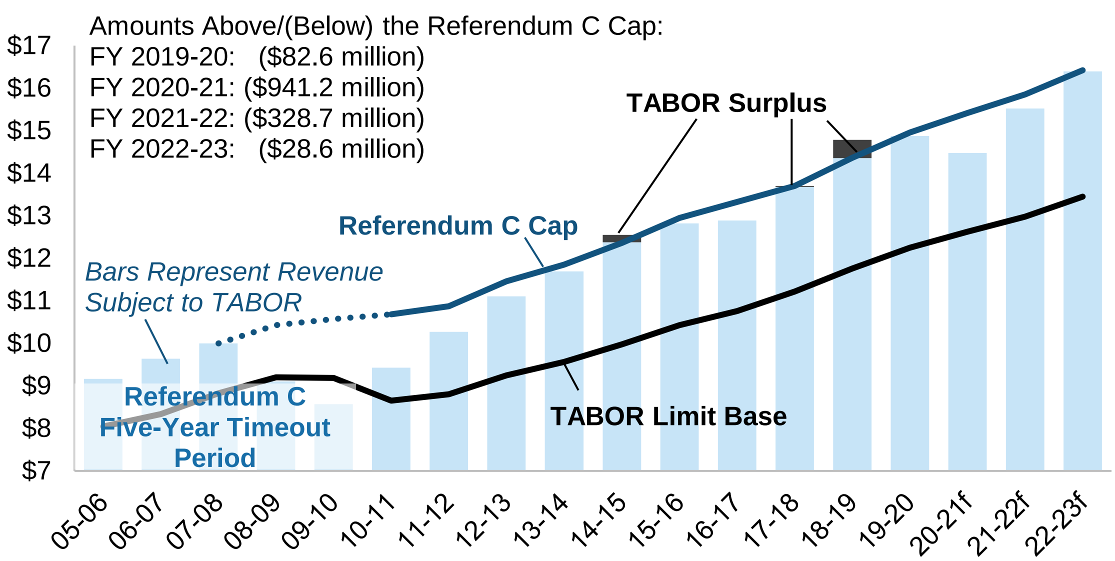
Totals may not sum due to rounding.
[1]Revenue differs from the amount in the General Fund and cash fund revenue summaries because of accounting adjustments across TABOR boundaries, including a $30 million transfer from the Unclaimed Property Trust Fund to the Housing Development Grant Fund anticipated for FY 2022-23.
[2]Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.

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.

FY 2019-20. The state's Comprehensive Annual Financial Report was released in March 2021 and shows that state revenue subject to TABOR fell short of the Referendum C cap by $82.6 million. Because state revenue did not exceed the Referendum C cap, there is no obligation to issue TABOR refunds during the current FY 2020-21.

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.

While no TABOR surplus is expected in FY 2020-21 through FY 2022-23, a surplus is possible in any or all of these years. 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 is not expected to incur an obligation for TABOR refunds. That said, while state revenue is projected to fall below the Referendum C cap by $941.2 million for FY 2020-21, this forecast was prepared with minimal information on final collections and refunds for the 2020 tax year. Upside risk to the income tax forecast is great enough that revenue subject to TABOR could exceed the Referendum C cap for FY 2020-21. If it does, then the state would be required to issue refunds to taxpayers during tax year 2021. Up to $160.8 million would be refunded via property tax exemptions for seniors and disabled veterans, offsetting the FY 2021-22 General Fund obligation for these exemptions. Any additional refund amount would be refunded via income tax returns for the 2021 tax year.

State revenue subject to TABOR is expected to fall short of the Referendum C cap by $328.7 million in FY 2021-22 and by $28.6 million in FY 2022-23. These amounts are within the range of normal forecast error, suggesting the possibility of a state TABOR refund obligation for either or both of tax years 2022 and 2023.

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 11 and 12. Other non-infrastructure-related transfers to and from the General Fund are summarized in Table 6, and shown on lines 3 and 9 of Table 1.

Table 4
Infrastructure Transfers to and from the General Fund
Dollars in Millions

Transportation Funds	2019-20	2020-21	2021-22	2022-23
SB 18-001 & HB 20-1376	$200.0			$50.0
SB 19-262	$100.0			
SB 21-110		$30.0		
Total	**$300.0**	**$30.0**	**$0.0**	**$50.0**

Capital Construction Funds	2019-20	2020-21	2021-22	2022-23
HB 15-1344*	$20.0	$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			
SB 21-112		$20.0		
HB 20-1378	-$19.7	$3.0		
HB 20-1261	$7.5			
Total	**$213.6**	**$43.0**	**$20.0**	**$20.0**

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

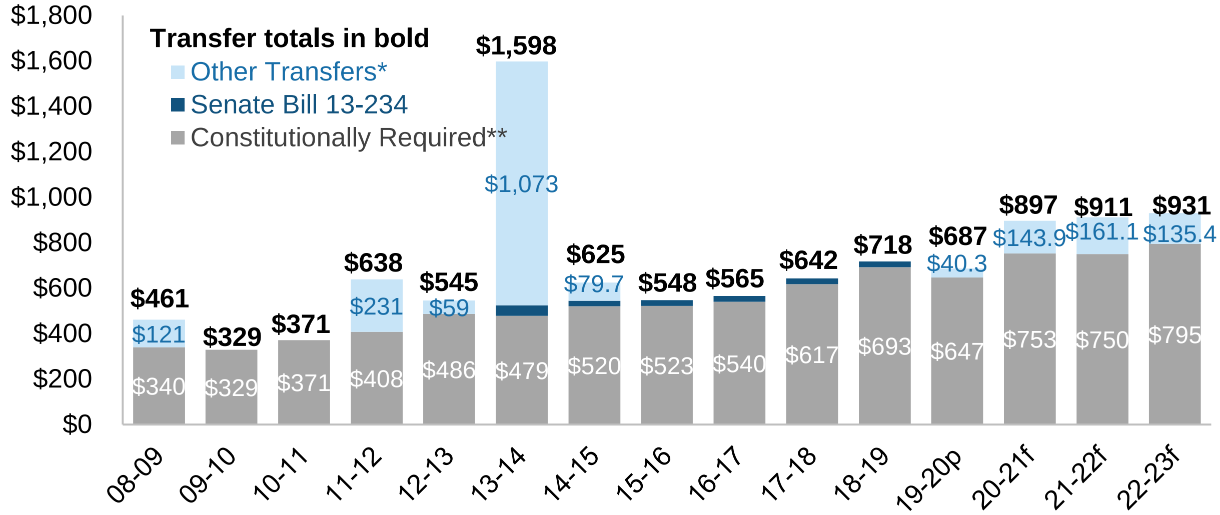
General Fund contributions to transportation. Senate Bill 17-267, which authorized $1.88 billion in certificates of participation (COPs) for transportation projects, requires General Fund appropriations for COP-related lease payments beginning in FY 2018-19. Under current law, these General Fund appropriations 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 4.

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, and Senate Bill 21-110 authorized a $30 million transfer to the State Highway Fund in FY 2020-21 only.

State Education Fund

Figure 2 shows revenue to the State Education Fund. The Colorado Constitution requires the State Education Fund to receive one-third of 1 percent of taxable income. In FY 2020-21, the State Education Fund is expected to receive $752.8 million as a result of this requirement, with higher amounts in the following year resulting from growth in taxable income among Colorado taxpayers.

Figure 2
Revenue to the State Education Fund
Dollars in Millions



Source: Colorado State Controller's Office and Legislative Council Staff forecast. p = Preliminary. f = Forecast.
**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, 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, and HB 20-1427 for FY 2020-21 through FY 2022-23.*
***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.*

In addition, the General Assembly has at different times authorized the transfer of additional moneys from the General Fund to the State Education Fund (see Table 1, line 10). Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education. The 2020 school finance act, House Bill 20-1418, includes a one-time $6.4 million transfer to the State Education Fund from multiple cash funds in FY 2020-21. In addition, House Bill 20-1420 includes transfers of $113 million in FY 2020-21 and $23 million in FY 2021-22 to the State Education Fund.

Finally, Proposition EE, which was approved by voters in the November 2020 election, also transfers new revenue from increased cigarette, tobacco and nicotine taxes to the State Education Fund for three fiscal years. These amounts are currently estimated at $30.9 million in FY 2020-21, $138.1 million in FY 2021-22, and $135.4 million in FY 2022-23. These amounts represent a portion of the transfers from the General Fund to the 2020 Tax Holding Fund shown in Table 6 under House Bill 20-1427.

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 was available for tax year 2019, but is not expected to be available for tax years 2020 through 2023. 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. The state did not collect a TABOR surplus in FY 2019-20, and this forecast update does not expect a TABOR surplus in any of FY 2020-21, FY 2021-22, or FY 2022-23. Therefore, partial refundability of the credit is not expected to be available for tax years 2020, 2021, 2022, or 2023.

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. Based on this forecast, no transfer is expected for FY 2022-23, as revenue subject to TABOR is expected to come in slightly above the cutoff amount.

Table 5
General Fund Rebates and Expenditures
Dollars in Millions

Category	Preliminary FY 2019-20	Percent Change	Estimate FY 2020-21	Percent Change	Estimate FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change
Senior and Veterans Property Tax Exemptions	$151.2	3.6%	$155.0	2.6%	$160.8	3.7%	$168.6	4.9%
TABOR Refund Mechanism[1]	-$151.2		$0.0		$0.0		$0.0	
Cigarette Rebate	$8.9	-5.0%	$9.1	2.9%	$8.7	-5.1%	$8.6	-1.3%
Old Age Pension Fund	$84.8	-2.3%	$75.9	-10.5%	$72.4	-4.6%	$71.2	-1.7%
Aged Property Tax and Heating Credit	$5.8	5.3%	$6.5	10.8%	$6.3	-2.2%	$6.1	-3.6%
Older Coloradans Fund	$10.0	0.0%	$8.0	-20.0%	$10.0	25.0%	$10.0	0.0%
Interest Payments for School Loans	$6.5	-11.9%	$1.3	-80.5%	$3.7	191.6%	$4.6	24.3%
Firefighter Pensions	$4.3	1.5%	$4.4	2.6%	$4.4	1.5%	$4.5	1.5%
Amendment 35 Distributions	$0.8	-1.7%	$0.8	5.1%	$0.8	1.2%	$0.8	0.0%
Marijuana Sales Tax Transfer to Local Govts	$24.5	27.4%	$31.1	26.7%	$34.8	12.0%	$37.3	7.2%
Total Rebates and Expenditures	**$145.7**	**-41.7%**	**$292.2**	**100.5%**	**$302.0**	**3.4%**	**$311.8**	**3.2%**

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		2020-21	2021-22	2022-23
HB 05-1262	Amendment 35 Tobacco Tax	$0.8	$0.8	$0.8
SB 13-133 & HB 20-1400	Limited Gaming Fund	$38.5	$6.6	$8.1
HB 20-1361	Reduce The Adult Dental Benefit	$1.1	$2.3	
HB 20-1380	Move Tobacco Litigation Settlement Moneys	$40.0		
HB 20-1381	Cash Fund Transfers	$88.5		
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	$11.9		
HB 20-1427	2020 Tax Holding Fund	$2.0	$4.1	$4.1
SB 21-055	Collection of State Debts[1]			
Total Transfers to the General Fund		**$333.1**	**$13.8**	**$13.0**

Transfers from the General Fund		2020-21	2021-22	2022-23
SB 11-047	Bioscience Income Tax Transfer to OEDIT	$19.9	$21.6	$23.0
SB 14-215	Marijuana Tax Cash Fund	$201.1	$225.2	$241.5
HB 14-1016[2]	Procurement Technical Assistance Cash Fund			
SB 15-244 & SB 17-267	State Public School Fund	$35.2	$39.5	$42.3
HB 18-1323	Pay For Success Contracts Pilot Program Funding	$0.5	$0.4	
HB 19-1168 & SB 20-215	Health Insurance Affordability Cash Fund	$5.2	$3.4	$17.3
HB 19-1245	Housing Development Grant Fund	$13.3	$52.8	$55.5
HB 20-1116	Procurement Technical Assistance Program Extension	$0.2	$0.2	$0.2
HB 20-1412	COVID-19 Utility Bill Payment-related Assistance	$4.8		
SB 20-003	State Parks Improvement Appropriation	$1.0		
HB 20-1427	2020 Tax Holding Fund	$75.1	$194.8	$197.0
HB 20-1427	Preschool Programs Cash Fund	$0.5	$1.1	$0.7
SB 20B-002	Housing & Direct COVID Emergency Assistance	$60.0		
SB 20B-003	Energy Utility Bill Payment Assistance	$5.0		
SB 20B-004	Transfers for COVID Emergency	$100.0		
SB 21-054	Transfers for Wildlife Mitigation Response	$13.0		
SB 21-113	Firefighting Aircraft Wildfire Mgmt & Response	$30.8		
Total Transfers from the General Fund		**$565.6**	**$538.9**	**$577.5**
Net General Fund Impact		**($232.5)**	**($525.1)**	**($564.5)**

**If unexpended money appropriated for certain programs is available, additional transfers may be made under HB20-1100, HB20-1388, and HB20-1389.*

[1]Requires the balance of the Debt Collection Fund to be transferred to the General Fund on June 30, 2021.

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

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General Fund Revenue

This section presents the Legislative Council Staff outlook for General Fund revenue, the state's main source of funding for discretionary operating appropriations. Table 7 on page 24 summarizes actual General Fund revenue collections for FY 2019-20 and projections for FY 2020-21 through FY 2022-23.

FY 2019-20. General Fund revenue collections increased 2.4 percent and totaled $12.9 billion. Strong individual income tax revenue collections for the 2019 tax year, coupled with persistent growth in sales tax revenue, were more than enough to offset significant weakening in corporate income tax payments and use tax receipts.

Revenue for FY 2019-20 includes accrual adjustments made at the end of the fiscal year. Accrual adjustments are made every year so that tax revenue is accounted in the year when the underlying economic activity being taxed actually occurred. For FY 2019-20, accrual adjustments were especially significant because final income tax payment deadlines for the 2019 tax year and some estimated payment due dates for the 2020 tax year were delayed until July 2020, and therefore collected in FY 2020-21. Thus, revenue collections for FY 2019-20 were boosted by more than usual due to the annual accrual adjustment that pulled these collections back into FY 2019-20.

FY 2020-21. Revenue is expected to fall 1.1 percent and total $12.7 billion in FY 2020-21. The decrease reflects the impacts of the recession on individual and corporate income tax revenue, which are each expected to decrease, and sales tax revenue, which is expected to grow at a below-trend rate.

While this forecast still expects a year-over-year revenue decrease of nearly $150 million, revenue expectations have been revised upward substantially – by about $571 million – from expectations published in December. Revisions to the forecast reflect continued strength in collections to date and upgrades to the economic outlook based on ongoing vaccine distribution and the passage of the federal American Rescue Plan.

FY 2021-22. Revenue is expected to rebound, increasing 8.5 percent to total $13.8 billion. The forecast anticipates growth from low levels as business and consumer activity both recover after the recession. Relative to the December 2020 forecast, revenue expectations have increased for all major sources of General Fund revenue on a stronger economic outlook following the COVID-19 vaccine rollout and the passage of significant federal stimulus through the American Rescue Plan.

FY 2022-23. Revenue growth is expected to moderate, particularly for individual and corporate income taxes. The General Fund will add 5.5 percent and total $14.6 billion.

Risks to the forecast. Much of the upside risk to the December 2020 revenue forecast has come to fruition. With two additional rounds of federal stimulus and a successful vaccine rollout to date, both the economic outlook and General Fund revenue forecasts have been upgraded accordingly.

Relative to past March forecasts, this year's March forecast is based on limited collections data from income tax returns filed for the recently completed tax year. Delays in filing start dates, taxpayer incentives to wait for the passage of federal tax legislation before filing, and a system programming issue limited revenue tracking data on which this forecast is based. For these reasons, risks to the current year forecast are higher than normal for a March forecast. While the resulting risks are bidirectional, the absence of data on refunds for the 2020 tax year, which are expected to be elevated, skews risk in the current year revenue forecast to the upside.

Any error in the current year revenue forecast will contribute to upside or downside risk for FY 2021-22 and FY 2022-23. Additional risks include changes to taxpayer behavior following significant changes to federal tax law, as well as risks inherent in the economic outlook as business activity and household incomes and spending recover from pandemic lows.

Legislation and ballot measures. This forecast is prepared based on current law and accounts for the passage of House Bill 21-1002, which was enacted in January and which is discussed in the individual income tax section below. Additionally, based on the outcome of the November 2020 election, this forecast includes adjustments for two ballot measures:

- Proposition 116, which reduced the state income tax rate from 4.63 percent to 4.55 percent for 2020 and all future tax years. While Proposition 116 reduced projections for individual and corporate income tax revenue by 1.73 percent, its impacts have been more than offset by improved expectations for the economy relative to the December 2020 forecast.

- Proposition EE, which increased cigarette and tobacco taxes and created a nicotine products tax effective January 1, 2021. Proposition EE tobacco tax revenue is credited to the General Fund and transferred in whole to a cash fund. The measure's impacts are described further on page 23.

Individual Income Tax

Taxable income earned by individuals and non-corporate businesses is taxed at a flat rate of 4.55 percent. Revenue is credited to the General Fund and is subject to TABOR, except that an amount equal to one third of 1 percent of taxable income is transferred to the State Education Fund (SEF) and exempt from TABOR. Individual income tax revenue is the largest source of General Fund revenue, accounting for about 63 percent of revenue to the General Fund in FY 2019-20, net of the SEF transfer.

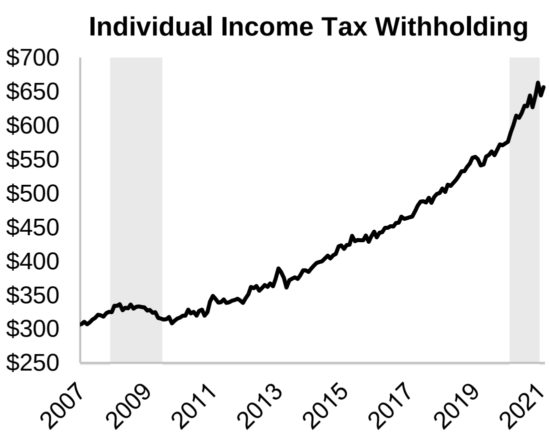
Forecast. Individual income tax revenue is expected to fall 3.3 percent to total $8.4 billion for FY 2020-21. The decrease is attributable to falling taxable wage and business incomes for the 2020 tax year and the reduction of the state income tax rate from 4.63 percent to 4.55 percent. Revenue expectations were increased by about $371 million, or 4.6 percent, relative to the December 2020 forecast, on persistent strength in wage withholding and estimated tax payments. Expectations were also revised up significantly for FY 2021-22 and FY 2022-23. Revenue is expected to increase by 8.2 percent to total $9.0 billion in FY 2021-22, and then to increase by 6.5 percent to total $9.6 billion in FY 2022-23, with the upward revisions matching the upgraded economic outlook.

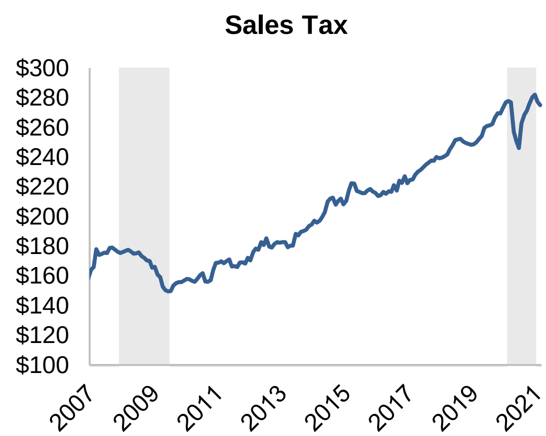
Near-term uncertainty remains high, with risks skewed to the upside. This March forecast is based on actual revenue collections through January and a preliminary report on collections in February. Usually, February collections data provide strong insight into the composition of returns for the completed tax year, including the share of taxpayers who owe tax and the share who will receive refunds.

This year's data are of limited value. Following similar delays at the federal level, the Colorado Department of Revenue began accepting returns for the 2020 tax year on February 18, 2021, about two weeks later than last year. Further, many taxpayers waited to file their returns until after passage of the American Rescue Plan, which amended federal tax law for the 2020 tax year in taxpayers' favor. Finally, a system programming issue delayed state tax refunds for most taxpayers who filed returns in February into March 2021, meaning that data on refunds for returns filed in February were mostly omitted from the February collections report. Actual state income tax refunds paid in the month of February declined by 92 percent based on preliminary figures, which is assumed to reflect changes to filing periods and data reporting issues rather than actual changes to tax liability. Reported delays in the income tax payment deadline will likewise limit data available for the June 2021 forecast.

Consistent with the December and September forecasts, this forecast continues to expect elevated refunds for the 2020 tax year. Taxes withheld from paychecks and other sources of income increased by 11.3 percent, or $765.5 million, between tax year 2019 and tax year 2020, well exceeding estimated growth in wage income over the same period (Figure 3, left). About $204.5 million was withheld from unemployment benefits during this period, contributing to elevated receipts. The remainder of the increase is attributed to faster wage growth among high-income earners, for whom a higher share of wages are taxable, and to changes to state tax withholding forms that increased the amount withheld for most taxpayers.

Figure 3
Selected Sources of General Fund Revenue
Millions of Dollars Collected per Month





Source: Office of the State Controller and Department of Revenue. Data are seasonally adjusted by Legislative Council Staff and shown as three-month moving averages. Data are through February 2021. February 2021 data are preliminary.

Tax refunds normally spike following recessions, and overwithholding of tax for many workers is expected to contribute to especially high refunds for the 2020 tax year. However, there are no data through February 2021 to confirm this expectation. If refunds remain at tax year 2019 levels or decrease, then revenue for FY 2020-21 could significantly exceed this revenue forecast. In this case, revenue for FY 2021-22 would likely also exceed the forecast.

The American Rescue Plan does not affect state income taxes for tax year 2020. The $1.9 trillion American Rescue Plan Act includes many provisions affecting federal income taxes for tax years 2020 and 2021. Many of these provisions affect federal tax credits that have no direct impact on state income tax due.

The act allows taxpayers to deduct up to $10,200 in unemployment benefits from their federal taxable income for tax year 2020; however, this change is expected not to affect state taxable income for Coloradans. While Colorado's income tax is generally applied to federal taxable income, a Department of Revenue administrative rule promulgated in June 2020 interprets changes to federal taxable income for completed tax years as inapplicable for state tax purposes.

The legislation also increases the federal earned income tax credit and child and dependent care tax credit for tax year 2021. Colorado offers state income tax credits based on these federal credits, and the changes are expected to decrease state revenue by about $33 million for tax year 2021.

House Bill 21-1002, signed by Governor Polis in January, changes the state tax treatment of certain federal income tax deductions that were accelerated in the March 2020 CARES Act. Under the bill, business owners who carry back certain business losses on their federal returns do not lose the corresponding state tax benefit, but may access the benefit in tax year 2021 and future tax years instead. This forecast reverses upward adjustments to the revenue outlook that had been included in prior forecasts in order to account for this effect.

Corporate Income Tax

Corporate income tax revenue totaled $728.3 million in FY 2019-20, a 20.8 percent drop from the prior fiscal year. The steep decline resulted from the pandemic and related restrictions, which either closed or significantly slowed activity for many businesses. In addition, steep declines in oil prices rippled through the economy, causing decreases in tax payments. Corporate tax revenues are expected to fall by an additional 2.6 percent in FY 2020-21 to $709.6 million as the economic effects of the COVID-19 pandemic continue to hamper business activity. This forecast also incorporates a reduction in corporate income taxes resulting from the passage of Proposition 116, which reduced the state income tax rate from 4.63 percent to 4.55 percent.

Revenue is expected to begin to recover in FY 2021-22 and exceed pre-pandemic levels by FY 2022-23. For FY 2020-21, corporate income tax revenue expectations were revised upward by $111.8 million on higher than expected collections to date and increased economic expectations relative to December. Corporate income tax revenue is volatile, and to the extent that economic performance falls short of or exceeds expectations, corporate income tax revenue will likewise be lower or higher than forecast.

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 3.3 percent to total $3.3 billion during FY 2020-21, after growing by 4.7 percent during FY 2019-20. Sales tax revenue is expected to pick up in FY 2021-22 and FY 2022-23, growing by 4.7 percent and 4.6 percent, respectively.

Following the sharp contraction in collections after the onset of the pandemic, collections rebounded through the summer and fall and posted positive growth on a year-over-year basis from June to November (Figure 3, right). Rising COVID-19 cases and restricted activity for many businesses impacted retail sales in the last two months of the calendar year, dampening collections from December to January. Improving pandemic conditions and loosened restrictions entering the spring are expected to boost collections through the remaining months of FY 2020-21. As consumer behavior normalizes with more widespread distribution of the COVID-19 vaccines and warming weather, sales tax collections will be boosted by improving activity for many large contributors to the tax base including spending at restaurants and bars and for accommodations. Further, consumer activity will be boosted on the stimulative effects of the direct impact payments in the American Rescue Plan.

Out-of-state sales. Legislative and rule changes made during 2019 have bolstered sales tax collections from out-of-state, including online, retailers. The Department of Revenue reported that a total of $79.3 million was collected in sales tax revenue from new out-of-state accounts during FY 2019-20. Total revenue attributable to out-of-state sales well exceed this amount. Revenue continues to grow as out-of-state retail activity expands. However, growth is expected to moderate moving into FY 2021-22 as the accelerated move toward online sales during the pandemic eases.

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 decrease by 0.8 percent in FY 2020-21, before growing at a modest 1.2 percent in FY 2021-22 and 1.8 percent in FY 2022-23.

Use tax revenue fell by 39.1 percent in FY 2019-20 as rules promulgated by the Department of Revenue and legislative changes from HB 19-1240 converted retail use tax collections to sales tax collections. The steep decline in retailers' use tax appears to have moderated over the last several months, while consumers' use tax remains stable. This is expected to keep use tax collections lower than their historical trend. Modest investments in oil and gas activity and lagging improvement in nonresidential investment activity are expected to moderate growth in use tax collections.

Proposition EE Cigarette, Tobacco, and Nicotine Taxes

Table 7 now includes a line for Proposition EE taxes, which are collected in the General Fund, transferred to the 2020 Tax Holding Fund, and distributed to fund affordable housing, eviction legal defense, rural schools, tobacco education programs and, in the future, preschool programs. Table 7 shows expected revenue collections, and equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 6 on page 17. This forecast estimates that Proposition EE taxes will total $75.1 million in FY 2020-21 and increase to $194.8 million in FY 2021-22.

Proposition EE was referred to voters under House Bill 20-1427 and approved in November 2020. The measure increased cigarette and tobacco taxes and created a new tax on nicotine products. Beginning January 1, 2021, the cigarette tax increased from $0.84 to $1.94 per pack; the tax for tobacco products increased from 40 percent to 50 percent of manufacturer's list price (MLP); and the new tax for nicotine products, 30 percent of MLP, was instituted. These tax rates will continue to increase incrementally until FY 2027-28, when they reach $2.64 per pack for cigarettes and 62 percent of MLP for tobacco and nicotine products. Revenue from the new taxes is exempt from TABOR as a voter-approved revenue change.

Table 7
General Fund Revenue Estimates
Dollars in Millions

	Category	Preliminary FY 2019-20	Percent Change	Estimate FY 2020-21	Percent Change	Estimate FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change
	Excise Taxes								
1	Sales	$3,196.0	4.7	$3,302.8	3.3	$3,458.8	4.7	$3,618.4	4.6
2	Use	$210.5	-39.1	$208.7	-0.8	$211.2	1.2	$215.1	1.8
3	Retail Marijuana Sales	$245.5	27.0	$311.0	26.7	$348.3	12.0	$373.4	7.2
4	Cigarette	$32.5	-0.1	$32.5	0.0	$30.9	-5.1	$30.5	-1.3
5	Tobacco Products	$24.4	9.5	$29.5	20.9	$25.9	-12.2	$27.2	5.0
6	Liquor	$50.1	3.7	$53.4	6.6	$53.9	1.1	$56.1	4.0
7	Proposition EE Tobacco Taxes	$0.0	NA	$75.1	NA	$194.8	159.4	$197.0	1.1
8	**Total Excise**	$3,759.0	1.7	$4,013.0	6.8	$4,323.8	7.7	$4,517.6	4.5
	Income Taxes								
9	Net Individual Income	$8,645.5	4.8	$8,360.9	-3.3	$9,048.0	8.2	$9,634.7	6.5
10	Net Corporate Income	$728.3	-20.8	$709.6	-2.6	$778.8	9.8	$808.1	3.8
11	Total Income Taxes	$9,373.8	2.3	$9,070.5	-3.2	$9,826.9	8.3	$10,442.8	6.3
12	Less: Portion Diverted to the SEF	-$646.7	-6.7	-$752.8	16.4	-$750.3	-0.3	-$795.4	6.0
13	**Income Taxes to the General Fund**	$8,727.1	3.0	$8,317.7	-4.7	$9,076.6	9.1	$9,647.5	6.3
	Other Sources								
14	Estate	$0.0	NA	$0.0	NA	$0.0	NA	$0.0	NA
15	Insurance	$337.4	7.2	$320.6	-5.0	$338.6	5.6	$349.2	3.1
16	Pari-Mutuel	$0.4	-23.7	$0.2	-60.7	$0.4	150.0	$0.4	9.0
17	Investment Income	$31.1	17.2	$35.8	15.1	$30.0	-16.2	$18.1	-39.6
18	Court Receipts	$3.9	-6.7	$3.5	-10.7	$3.7	7.9	$3.8	1.4
19	Other Income	$9.7	-80.2	$30.7	216.8	$31.4	2.3	$32.7	4.2
20	**Total Other**	$382.5	-3.1	$390.7	2.2	$404.2	3.4	$404.2	0.0
21	**Gross General Fund Revenue**	**$12,868.5**	**2.4**	**$12,721.5**	**-1.1**	**$13,804.6**	**8.5**	**$14,569.3**	**5.5**

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

Cash Fund Revenue

Table 8 summarizes the forecast for cash fund revenue subject to TABOR. The largest cash fund revenue sources subject to TABOR 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 tax revenue, Federal Mineral Lease payments, and the outlook for the Unemployment Insurance Trust Fund. These forecasts are presented separately because they are not subject to TABOR limitations.

FY 2019-20. Figures from the Office of the State Controller indicate cash fund revenue subject to TABOR totaled $2.24 billion in FY 2019-20, a decrease of 193.8 million from the prior fiscal year. The most significant decrease in both dollar and percentage terms was in severance tax collections, which shrank by $123.5 million, or 48.4 percent. The collapse of oil and gas prices in April 2020 and subsequent decline in production activity curtailed severance tax revenue significantly. Transportation-related revenue, the largest source of cash fund revenue subject to TABOR, also declined, contracting by $77.7 million, as demand for motor fuel and vehicle registrations fell April through June on pandemic-related disruptions and reduced travel activity.

Table 8
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Transportation-Related	$1,198.2	$1,171.0	$1,240.5	$1,275.8	
Percent Change	-6.1%	-2.3%	5.9%	2.8%	2.1%
Severance Tax	$131.7	$18.4	$45.5	$110.0	
Percent Change	-48.4%	-86.0%	147.4%	141.8%	-5.8%
Gaming Revenue[1]	$69.1	$88.2	$92.5	$96.5	
Percent Change	-35.4%	27.6%	4.9%	4.3%	11.7%
Insurance-Related	$24.9	$22.4	$21.0	$21.9	
Percent Change	10.5%	-10.2%	-6.3%	4.3%	-4.3%
Regulatory Agencies	$81.1	$82.9	$85.6	$88.2	
Percent Change	2.9%	2.3%	3.3%	3.0%	2.9%
Capital Construction Related - Interest[2]	$6.3	$3.4	$2.8	$2.4	
Percent Change	33.6%	-46.6%	-18.2%	-14.5%	-28.0%
2.9% Sales Tax on Marijuana[3]	$13.3	$16.4	$17.6	$18.2	
Percent Change	24.0%	22.9%	7.5%	3.0%	10.8%
Other Cash Funds	$712.0	$740.6	$756.0	$782.0	
Percent Change	4.2%	4.0%	2.1%	3.4%	3.2%
Total Cash Fund Revenue	**$2,236.8**	**$2,143.4**	**$2,261.5**	**$2,394.9**	
Subject to the TABOR Limit[4]	-8.3%	-4.2%	5.5%	5.9%	2.3%

Totals may not sum due to rounding.
** CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.*
[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.
[4]The amount in this row for FY 2019-20 does not match the amount in Table 3 due to changes in cash fund revenue subject to TABOR first included in the Comprehensive Annual Financial Report.

Forecast for FY 2020-21 through FY 2022-23. Total cash fund revenue subject to TABOR in the current FY 2020-21 is expected to decline again and total $2.14 billion. Expectations relative to the December forecast were largely unchanged throughout the forecast period. The crude oil market rout and drop in travel activity are expected to impact several cash fund sources in the current fiscal year. Specifically, revenue to transportation-related and severance cash funds is expected to decline in FY 2020-21 before picking up in FY 2021-22. Other cash fund revenue sources, including gaming and marijuana revenues, are expected to increase in each of FY 2020-21 and FY 2021-22 over year-ago levels. Total cash fund revenue subject to TABOR is forecast to increase by 5.5 percent and 5.9 percent in FY 2021-22 and FY 2022-23, respectively.

Transportation-related revenue subject to TABOR fell 6.1 percent to total $1,198.2 million in FY 2019-20. With reduced vehicle traffic, revenue has continued to decline and is expected to end FY 2020-21 down 2.3 percent, with most of the decrease attributable to falling fuel tax receipts. Transportation collections are expected to rebound to grow 5.9 percent in FY 2021-22 as road usage begins to normalize, before increasing 2.8 percent in FY 2022-23. The forecast for TABOR revenue to transportation-related cash funds is shown in Table 9. Expectations for current year revenue were decreased by $33.2 million relative to the December forecast, and revised only slightly for FY 2021-22 and FY 2022-23.

Most transportation-related revenue comes from fuel taxes and registration fees; these are collected in the Highway Users Tax Fund (HUTF) and allocated to the State Patrol, the Department of Transportation, and to counties and municipalities for their transportation expenses. Consistent with pandemic closures and restrictions, fuel tax receipts between July 2020 and January 2021 were 9.4 percent lower than during the same months in FY 2019-20, a decrease of $36.2 million. The entire decline is attributable to a drop in gasoline purchases, as the ongoing boom in online sales and home deliveries has kept diesel fuel tax collections afloat. With vaccine distribution in full swing, fuel tax collections are expected to pick up significantly between the second and fourth quarters of 2021. The uptick in vehicle traffic will drive a strong increase in transportation-related revenue during FY 2021-22.

Closures of local Department of Motor Vehicle (DMV) offices delayed collection of some vehicle registration fees from FY 2019-20 into FY 2020-21. Revenue from registrations is expected to grow 4.7 percent in the current FY 2020-21 as a result of these distortions, and to return to trend levels for FY 2021-22 and FY 2022-23. Conversely, other revenue credited to the HUTF has suffered during FY 2020-21 on weakness in vehicle rentals, but is expected to rebound in FY 2021-22. HUTF revenue subject to TABOR is expected to total $1,097.7 million in FY 2021-22. Allocations to counties and municipalities are estimated at $209.9 million and $144.2 million, respectively.

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 thus is omitted from SHF revenue in Table 9. Following a March 2020 Attorney General opinion, local government matching grants are no longer accounted as subject to TABOR, reducing SHF revenue shown in Table 9 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 9
Transportation Revenue by Source
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Highway Users Tax Fund (HUTF)					
Motor and Special Fuel Taxes	$624.5	$605.1	$638.5	$649.5	1.3%
Percent Change	-4.6%	-3.1%	5.5%	1.7%	
Total Registrations	$381.8	$399.6	$395.8	$400.6	1.6%
Percent Change	-0.2%	4.7%	-0.9%	1.2%	
Registrations	*$227.0*	*$236.8*	*$234.2*	*$237.0*	
Road Safety Surcharge	*$134.0*	*$140.7*	*$139.6*	*$141.3*	
Late Registration Fees	*$20.9*	*$22.2*	*$22.0*	*$22.3*	
Other HUTF Receipts[1]	$63.0	$52.2	$63.4	$70.3	3.7%
Percent Change	-11.5%	-17.1%	21.3%	11.0%	
Total HUTF	**$1,069.3**	**$1,057.0**	**$1,097.7**	**$1,120.5**	1.6%
Percent Change	-3.6%	-1.2%	3.9%	2.1%	
State Highway Fund (SHF)[2]	$27.5	$23.5	$25.5	$26.7	-1.1%
Percent Change	-30.9%	-14.7%	8.7%	4.4%	
Other Transportation Funds	$101.4	$90.6	$117.3	$128.7	8.3%
Percent Change	-20.4%	-10.6%	29.4%	9.7%	
Aviation Fund[3]	*$26.2*	*$16.9*	*$30.6*	*$35.3*	
Law Enforcement-Related[4]	*$7.7*	*$6.8*	*$8.0*	*$8.4*	
Registration-Related[5]	*$67.5*	*$66.9*	*$78.7*	*$85.0*	
Total Transportation Funds	**$1,198.2**	**$1,171.0**	**$1,240.5**	**$1,275.8**	2.1%
Percent Change	-6.1%	-2.3%	5.9%	2.8%	

Totals may not sum due to rounding.

**CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.*

[1]Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

[2]Includes only SHF revenue subject to Article X, Section 20, of the Colorado Constitution (TABOR). Beginning in FY 2019-20, SHF revenue subject to TABOR no longer includes local government grants and contracts.

[3]Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

[4]Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

[5] 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

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Bridge Safety Surcharge	$112.2	$112.2	$112.8	$114.5	0.7%
Percent Change	-2.1%	0.0%	0.5%	1.5%	

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.

Aviation fuel excise tax revenue is expected to remain subdued through FY 2020-21 before rebounding in FY 2021-22 and FY 2022-23. Revenue to the **Statewide Bridge Enterprise** is not subject to TABOR and is therefore omitted from the "Total Transportation Funds" line in Table 9; however, a forecast for this revenue is shown as an addendum to Table 9 for informational purposes.

Severance tax revenue, including interest earnings, totaled $131.7 million in FY 2019-20, a decline of 48.4 percent over the previous year. Revenue is expected fall further during FY 2020-21 to just $18.4 million, before rebounding to $45.5 million in FY 2021-22 and $110.0 million in FY 2022-23. 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 10.

Severance tax collections from **oil and natural gas** totaled $111.9 million in FY 2019-20 and are forecast to decline 95.7 percent in FY 2020-21 to $4.9 million based on year-to-date collections that reflect activity in 2020. In early FY 2020-21, low oil prices significantly constrained the U.S. oil and gas sector and resulted in production cuts. The ad valorem tax credit is also expected to put downward pressure on collections. However, the recent increase in oil and gas prices has increased the FY 2020-21 forecast for oil and gas collection modestly compared to the December forecast.

Demand for crude oil tanked as countries across the globe restricted both domestic and foreign travel during the spring of 2020. Travel by car picked up this summer but has remained subdued compared to 2019 levels. Transportation consumption accounts for about 70 percent of oil demand in the U.S., so demand for oil is expected to remain low until travel and commuting activity again approach their pre-shutdown levels.

After falling precipitously in early 2020, oil prices rose from around $40 per barrel in October 2020 to over $60 per barrel in February 2021. However, production in Colorado, and the United States, remains subdued. Wells are shut and only 8 rigs are active in the state, down from 26 during September 2019. Regulatory changes for oil and gas drilling are likely to cause a slower bounce back from these low levels. This forecast is consistent with average Colorado oil prices of around $43 per barrel in 2020 and $49 per barrel in 2021, both of which have been revised up modestly from the December forecast. Natural gas prices are forecast at $2.04 per thousand cubic feet in 2020 and $2.51 per thousand cubic feet in 2021. Property taxes for 2019 have already been paid on near-historic production levels. Severance taxes will fall to $0 for many oil wells in 2020 through the ad valorem credit, which allows oil and gas producers to deduct any property taxes paid from their severance tax liability.

Coal severance tax revenue declined 26.1 percent in FY 2019-20 and will decline modestly throughout the remainder of the forecast period as electricity generation continues to transition away from coal to renewable sources and natural gas. Based on current expectations, coal severance taxes are expected to decline 25.0 percent in FY 2020-21 to $2.0 million and decline by an additional 8.8 percent to $1.8 million in FY 2021-22.

Metal and molybdenum mines are expected to pay $2.1 million in severance taxes on the value of minerals produced in FY 2020-21 and $2.4 million in FY 2021-22. Mining activity at the two molybdenum mines in Colorado, the Climax Mine outside Leadville and the Henderson Mine outside

Empire, is expected to be significantly reduced based on lower demand for steel and other products that use molybdenum.

Table 10
Severance Tax Revenue Forecast by Source
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Oil and Gas	$111.9	$4.9	$31.8	$95.9	-5.0%
Percent change	-52.5%	-95.7%	555.2%	201.6%	
Coal	$2.6	$2.0	$1.8	$1.6	-14.7%
Percent change	-26.1%	-25.0%	-8.8%	-9.3%	
Molybdenum and Metallics	$2.4	$2.1	$2.4	$2.4	0.6%
Percent change	-3.2%	-12.1%	13.4%	1.9%	
Total Severance Tax Revenue	**$116.8**	**$8.9**	**$36.0**	**$99.9**	-5.1%
Percent change	-51.7%	-92.4%	303.9%	178.0%	
Interest Earnings	$14.8	$9.5	$9.5	$10.1	-12.2%
Percent change	10.1%	-36.1%	0.5%	5.5%	
Total Severance Tax Fund Revenue	**$131.7**	**$18.4**	**$45.5**	**$110.0**	-5.8%
Percent change	-48.4%	-86.0%	147.4%	141.8%	

**CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.*

Finally, interest earnings on severance tax revenue are expected to total $9.5 million in both FY 2020-21 and FY 2021-22. Interest earnings in FY 2019-20 were 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. 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. Casinos on tribal lands in southwestern Colorado are not subject to the state tax.

Most gaming revenue is subject to TABOR. Revenue attributable to gaming expansions enacted under Amendment 50 and, more recently, Amendment 77, is TABOR-exempt. After the adoption of Amendment 77 at the November 2020 general election, voters in Black Hawk, Central City, and Cripple Creek subsequently passed ordinances that removed bet limits and allowed city councils to permit more games. Expanded gaming in each community begins May 1, 2021.

Limited gaming revenue subject to TABOR declined by 35.4 percent to $69.1 million in FY 2019-20. Revenue is expected to grow by 27.6 percent in FY 2020-21 before growing by 4.9 percent and 4.3 percent in FY 2021-22 and FY 2022-23, respectively. Colorado casinos were closed by executive order on March 17, 2020, and were allowed to reopen with limited capacity and limited game offerings on June 15, 2020. Most casinos remitted little tax revenue during the last quarter of the FY 2019-20.

Gaming revenue gradually improved over the latter half of calendar year 2020. In January 2021, revenue was down just 4.1 percent year-over-year. Loosening of restrictions, combined with the passage of Amendment 77, will help to increase casino revenue in FY 2020-21. Revenue for FY 2021-22 and FY 2022-23 is expected to grow at a strong pace as the industry recovers from the health and economic crises, and as the new bet limits and games take effect.

House Bill 20-1400, passed by the legislature during the 2020 session, changes the formula used to calculate revenue subject to TABOR. 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 Proposition DD at the November 2019 election. It launched on May 1, 2020, and got off to a rocky start with all professional sports suspended in the U.S. until late July 2020. 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, a master license fee charged 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 is not subject to the TABOR limit; however, fee revenue is subject to TABOR. The sports betting operations fee was set at $77,000 for internet sports betting operators and master licensees and at $17,900 for retail sports betting operators and master licensees. Revenue from license fees, the sports betting operations fee, and other miscellaneous fees totaled $0.6 million in FY 2019-20, while sports betting tax revenue totaled $0.3 million.

Sports betting tax collections through January totaled $3.8 million for FY 2020-21. Sports betting activity is growing rapidly and collections more than quadrupled from the third quarter of 2020 to the fourth quarter. Through December, FY 2020-21 license and application fees, sports betting operations fees, and other revenue totaled nearly $2 million.

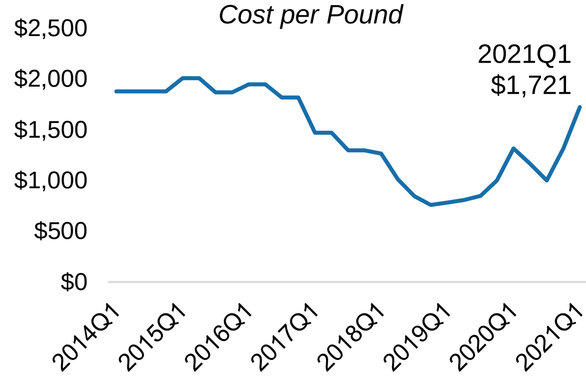
Figures from the Office of the State Controller indicate that **marijuana tax revenue** totaled $347.3 million in FY 2019-20, a 32.1 percent increase from the prior fiscal year. Marijuana tax revenues will continue to grow through the forecast period, reaching $458.8 million in FY 2020-21 and $513.1 million in FY 2021-22. 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 subject to the state's revenue limit. Tax revenue from marijuana sales is shown in Table 11.

The special sales tax is the largest source of marijuana revenue and is imposed at a rate of 15 percent of the retail price of marijuana. Special sales tax revenue generated $245.5 million in FY 2019-20. Revenue from the special sales tax has been strong since the beginning of calendar year 2020 and is expected to reach $311.0 million in FY 2020-21, a 27 percent increase from the prior year. Revenue is expected to grow through the forecast period, reaching $348.3 million in FY 2021-22 and $373.4 million by FY 2022-23. The state distributes 10 percent of the special sales tax to local governments and retains the rest 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. However, for FY 2020-21 only, HB 20-1418 requires the first $40 million in excise tax revenue go to the BEST Fund, with the remainder going to the State Public School Fund. In FY 2019-20, the excise tax generated $88.5 million, a 50.1 percent increase from the prior year. Robust demand for marijuana products will continue to bolster the excise tax through the forecast period as revenue from marijuana excise taxes is expected to total $131.4 million in FY 2020-21 and $147.2 million by 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, but has risen to $1,721 per pound in the first quarter of 2021 as shown in Figure 4. The wholesale price has faced upward pressure in recent months, as demand for marijuana has increased and supply was negatively affected by the wildfires over the summer. The wholesale price is a significant determinant of excise tax revenue, and it is not clear if the price will continue to increase or fall consistent with downward trends from 2016 to 2019. The wholesale price remains both an upside and downside risk to the forecast.

Figure 4
Calculated Average Wholesale Rate
Cost per Pound



Source: Colorado Department of Revenue.

Table 11
Tax Revenue from the Marijuana Industry
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Proposition AA Taxes					
Special Sales Tax	$245.5	$311.0	$348.3	$373.4	15.0%
State Share of Sales Tax	$220.9	$279.9	$313.5	$336.1	
Local Share of Sales Tax	$24.5	$31.1	$34.8	$37.3	
15% Excise Tax	$88.5	$131.4	$147.2	$159.9	21.8%
Total Proposition AA Taxes	**$334.0**	**$442.4**	**$495.5**	**$533.3**	**16.9%**
2.9 Sales Tax (Subject to TABOR)					
2.9% Sales Tax on Medical Marijuana	$11.7	$14.4	$15.7	$16.1	11.2%
2.9% Sales Tax on Retail Marijuana	$1.3	$1.6	$1.6	$1.7	
TABOR Interest	$0.3	$0.4	$0.3	$0.4	
Total 2.9% Sales Tax	**$13.3**	**$16.4**	**$17.6**	**$18.2**	10.8%
Total Taxes on Marijuana	**$347.3**	**$458.8**	**$513.1**	**$551.4**	**16.7%**

**CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.*

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 generated $13.3 million in FY 2019-20 and is expected to grow through the forecast period, generating $16.4 million in FY 2020-21 and $17.6 million in FY 2021-22. Retail marijuana dispensaries remitted the state sales tax on marijuana accessories totaling $1.3 million in FY 2019-20, and this amount is expected to increase moderately through the forecast period. Revenue from the 2.9 percent sales tax is deposited in the Marijuana Tax Cash Fund and is subject to TABOR.

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. The forecast and its estimated distributions are shown in Table 12.

FML revenue totaled $62.7 million in FY 2019-20, a 44.9 percent decrease from FY 2018-19. 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 reducing future distributions to Colorado. In FY 2020-21, FML revenue is forecast to increase 4.1 percent to $65.3 million. The forecast was revised upward from December as a result of the rise in oil prices from around $40 per barrel to above $60 per barrel in recent months. Producers are expected to increase production modestly in 2021 due to higher prices and increased expectations for demand. Natural gas prices fell in 2020, but are expected to increase in 2021 to around $2.51 per thousand cubic feet, up from $2.04 in 2020. FML revenue will continue its modest growth through the forecast period to $67.4 million in FY 2021-22 and $68.8 million in FY 2022-23.

Table 12
Federal Mineral Lease Revenue Distribution
Dollars in Millions

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23
Total FML Revenue	**$62.7**	**$65.3**	**$67.4**	**$68.8**
Bonus Payments	**$1.9**	**$2.0**	**$2.0**	**$2.1**
Local Government Permanent Fund	$0.9	$1.0	$1.0	$1.0
Higher Education FML Revenues Fund	$0.9	$1.0	$1.0	$1.0
Other (non-bonus) FML Revenue	**$60.9**	**$63.4**	**$65.4**	**$66.7**
State Public School Fund	$29.4	$30.6	$31.6	$32.2
Colorado Water Conservation Board	$6.1	$6.3	$6.5	$6.7
DOLA Grants	$12.2	$12.7	$13.1	$13.3
DOLA Direct Distribution	$12.2	$12.7	$13.1	$13.3
School Districts	$1.0	$1.1	$1.1	$1.1

Note: This table shows the actual and projected revenue distributions to the various FML recipients. It does not reflect transfers of FML revenue from the recipients and funds to other funds.
DOLA = Department of Local Affairs.

The **Unemployment Insurance (UI) Trust Fund** is expected to end FY 2020-21 with a deficit of $955 million, as the high levels of benefits being paid drain the fund without sufficient revenue increases to offset the losses. The fund is not expected to return to solvency within the forecast period. Forecasts for UI revenue, benefit payments, and year-end balances are shown in Table 13. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 8. 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 8.

UI benefits paid have seen an unprecedented increase during the COVID-19-related rapid economic contraction. Benefits paid reached $1.3 billion in FY 2019-20, an increase of 247.1 percent, with nearly $1 billion in the last quarter alone. As a consequence, the fund balance as of June 30, 2020, was almost depleted, triggering a move to the second highest premium rate schedule beginning January 1, 2021. The fund became insolvent in August 2020. When the balance of the UI Trust Fund falls below zero, the federal government requires that another revenue source be found to continue funding the UI program. On August 18, 2020, Colorado began borrowing from the Federal Unemployment Account to fund benefit payments. Loans are currently extended interest-free until September 2021. As of March 15, 2021, the state had $932.4 million in federal loans outstanding, up from $638.2 million in December 2020.

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

	Preliminary FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Beginning Balance	$1,104.1	$412.2	($954.5)	($891.2)	
Plus Income Received					
UI Premium	$532.8	$617.0	$756.7	$963.6	21.8%
Solvency Surcharge	$0.0	$0.0	$0.0	$123.0	
Interest	$25.9	$0.8	$0.0	$0.0	
Total Revenues	$558.7	$617.8	$756.7	$1,086.7	24.8%
Percent Change	2.3%	10.6%	22.5%	43.6%	
Less Benefits Paid	$1,268.5	$1,984.6	$693.4	$674.8	-19.0%
Percent Change	247.1%	56.4%	-65.1%	-2.7%	
Accounting Adjustment	$18.0	$0.0	$0.0	$0.0	
Ending Balance	$412.2	($954.5)	($891.2)	($479.3)	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.30%	-0.69%	-0.61%	-0.31%	

Totals may not sum due to rounding.
**CAAGR: Compound average annual growth rate for FY 2019-20 to FY 2022-23.*

The amount of UI benefits paid is expected to grow further in FY 2020-21 to $1.985 billion. Benefits paid are expected to fall back to $693 million in FY 2021-22 and to $675 million in FY 2022-23. The forecast benefit amounts include only regular unemployment insurance benefits, as these are the only benefits currently being funded by the state UI Trust Fund under current law. The negative fund balances beginning in FY 2020-21 are expected to result in a shift to the highest rate schedule beginning January 1, 2022. This forecast incorporates the adjustments to fund revenues enacted with Senate Bill 20-207. Namely, the solvency surcharge is suspended for 2021 and 2022, and the chargeable wage base is held constant at $13,600 for 2021. Beginning in 2022, the chargeable wage base will increase incrementally, to $17,000 in 2022 and to $20,400 in 2023. The solvency surcharge will be turned on beginning January 1, 2023. The forecast fund balances do not account for the required federal borrowing to maintain the fund balance at $0 or above.

Economic Outlook

For broad measures of U.S. and Colorado economic activity, the worst chapters of the pandemic-induced recession appear to be behind us. The U.S. Food and Drug Administration has now approved emergency use authorization for three vaccines effective against the virus that causes COVID-19, and the number of Americans immunized against the disease is growing daily. With vaccine distribution in full swing, confidence among businesses and consumers is on the rise. The labor market recovery lost some of its momentum toward the end of 2020, but the most recent figures suggest that employment has begun to grow again, albeit modestly, to begin 2021.

The great lesson of the 2020 recession is that indicators of aggregate economic performance often misrepresent the economic conditions experienced by people. This disconnect is especially apparent for those with low incomes. While broad statistics show a moderate-to-strong increase in household earnings during 2020, unemployment and underemployment rates are high. The number of jobs in Colorado's leisure and hospitality sector – a key employer statewide and especially in tourism-oriented communities – is down by over a quarter. The shape of the recovery, to date, has been a "K." Many wealthier households exited 2020 with higher incomes and greater savings than at the start of the year, while poorer households finished the year with lost jobs, mounting debt, and more stress.

The most important revisions relative to our December 2020 forecast are related to the adoption of two additional rounds of federal fiscal stimulus. First, in December, Congress enacted a $900 billion stimulus act to continue some unemployment benefits and replenish the paycheck protection program that provides support to businesses. Then, in March, Congress passed the American Rescue Plan Act of 2021, a $1.9 trillion bill to provide direct payments to households, extend unemployment benefits, and offer support to state and local governments and to schools. Together, the two bills represent nearly $3 trillion in federal support, a vast injection of cash for the roughly $21 trillion U.S. economy. This forecast upgrades the outlooks for economic performance and for key sources of state revenue, like income and sales taxes, on passage of the new legislation.

As the pandemic abates, the economy now faces new risks. Recessionary effects on the business cycle usually persist over multiple years, so lagging impacts on employment and incomes remain uncertain given the unusual nature of the pandemic recession. Government support for the economy has been significant, and there may be shocks as stimulus eventually wears off in late 2021 and into 2022. Finally, while inflationary pressures remain low, financial markets have begun to signal concern over the effects of the vast injection of liquidity on future prices.

Tables 14 and 15 on pages 54 and 55 present histories and expectations for key indicators for the U.S. and Colorado economies, respectively.

Gross Domestic Product

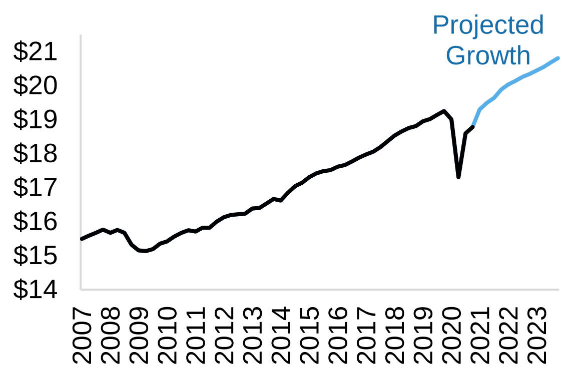
The most commonly cited indicator of total economic activity in the U.S. is real gross domestic product (GDP), an estimate of the inflation-adjusted value of all final goods and services produced in the United States. Following the unprecedented 31.4 percent decline in economic activity in the second quarter of 2020, economic activity rebounded sharply by 33.4 percent in the third quarter, according to the U.S. Bureau of Economic Analysis. In the fourth quarter, economic activity grew by 4.1 percent, a return to a more typical, albeit above average, quarterly growth rate.

- After declining 3.5 percent in 2020, U.S. real GDP is expected to expand 6.3 percent in 2021, surpassing pre-COVID-19 levels. Economic activity will rise an additional 3.1 percent in 2022 before returning to trend levels of economic activity in future years.

Changes in the forecast and the shape of recovery. Since the May 2020 forecast update, projections of economic activity have improved with each subsequent forecast. Upward revisions reflect stronger than expected activity through 2020, stronger-than-expected boosts from unprecedented federal and monetary stimulus, and for this March forecast, the enactment of the American Rescue Plan and ongoing distribution of multiple effective COVID-19 vaccines (Figure 5). For comparison, the May forecast update expected a much starker 5.6 percent decline in real GDP than the 3.5 percent decrease that actually occurred in 2020. Like many other prominent economic indicators, real GDP masks the "K-shaped" recovery across industries. In this recovery, many are continuing to experience pre-pandemic growth in their household or business incomes, while others have borne the brunt of the recession's impact severely.

Consumption of services remains subdued. Consumer spending, as measured by personal consumption expenditures, accounts for more than two-thirds of total economic activity and accounted for a majority of the recessionary decline. While consumption of goods grew comfortably through 2020, consumption of in-person services remains well below pre-pandemic levels. Spending on services is expected to remain subdued while the vaccine rollout continues and social distancing requirements remain in place. Until the U.S. attains widespread vaccination, expected around the third quarter of this year, consumption of goods is expected to remain above trend as consumers opt to stay home.

Figure 5
U.S. Real Gross Domestic Product
Seasonally Adjusted Annual Rates



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff March 2021 forecast.

The business investment outlook continues to improve. Overall, business investment, as measured by gross private domestic investment, rebounded sharply in the third quarter and remained strong in the fourth quarter of 2020. This follows three consecutive quarters of declines. Among its underlying components, investment in nonresidential equipment, intellectual property, and residential property continued their strong growth in the fourth quarter of 2020. And after declining for four consecutive quarters, investment in nonresidential structures grew modestly in the fourth quarter. The expansion of private inventories in the fourth quarter of 2020 further strengthened business investment growth.

Overall trade flows remain subdued. Net exports were a drag on growth in the fourth quarter of 2020. Exports of U.S. goods to foreign consumers increased, but remain well below pre-pandemic levels. Imports of foreign goods rose sharply, more than offsetting export growth, and are approaching pre-recession peak levels. Ongoing impacts of the pandemic on economies across the globe are expected to mute demand for U.S. goods for a significant portion of 2021.

Federal stimulus is central to the recovery. Significant injections of fiscal and monetary support staved off a far worse recession in 2020. Congress provided assistance to households, businesses, and unemployed persons under the March 2020 CARES Act, then followed that up with an additional $900 billion in support in December 2020. The Federal Reserve offered its aid in the form of lending facilities for businesses and state and local governments, and by cutting interest rates to zero to boost consumption as much as possible during and following the initial demand shock.

On March 12, 2021, President Biden signed the American Rescue Plan Act of 2021, which promises $1.9 trillion in federal spending for recession relief and recovery. Key provisions of the legislation include:

- extending expanded unemployment benefits, offering $300 per week for unemployed persons through Labor Day 2021;
- direct payments of $1,400 to individuals with adjusted gross income below $75,000 ($150,000 for married taxpayers filing jointly), with smaller benefits for taxpayers with incomes above that threshold;
- creation or expansion of certain targeted federal tax programs, including the federal earned income tax credit, the federal child tax credit, and a tax credit for employers offering paid family or medical leave benefits;
- $350 billion in assistance to state, local, territorial, and tribal governments;
- $130 billion in assistance to K-12 schools to assist with school reopenings; and
- over $100 billion in COVID-19-related spending, with the largest portion of this going to the Federal Emergency Management Agency (FEMA) to conduct vaccine distribution.

The scope of the stimulus is significant by historical standards, with the American Rescue Plan amounting to nearly 9 percent of U.S. GDP. It is the single largest contributor to the upward revisions to the economic and revenue projections in this March 2021 forecast.

Labor Markets

The labor market recovery lost much of its momentum during the second half of 2020 as COVID-19 cases surged and public health restrictions temporarily tightened. Data show modest growth in U.S. and Colorado employment to begin 2021, but pre-pandemic employment levels remain out of reach in the near term. Labor markets are expected to remain subdued through 2021 as the lingering effects of the pandemic continue to suppress travel, tourism, and leisure and hospitality industries. Nonfarm employment is expected to return to pre-COVID-19 levels, not accounting for population growth, in the first half of 2022.

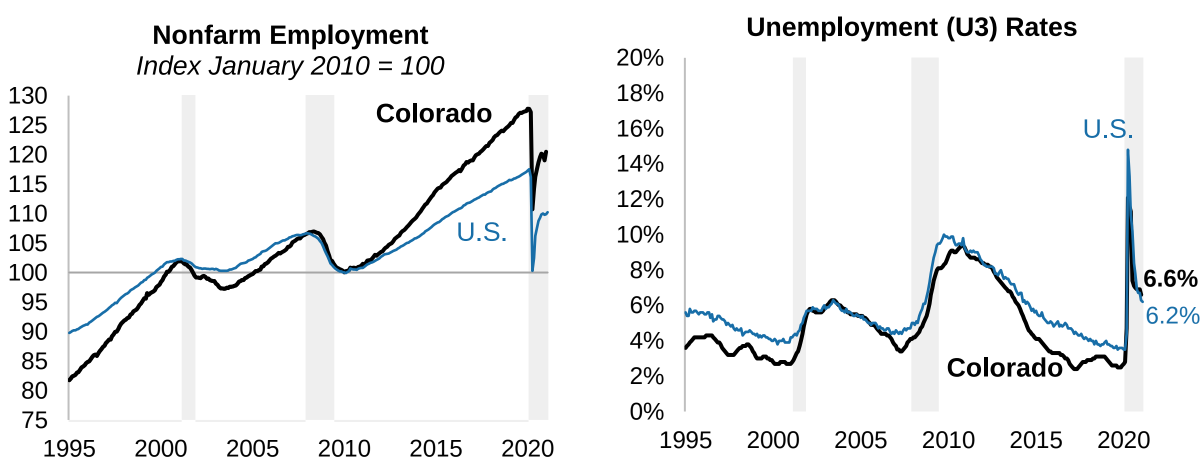
- After decreasing at a rate of 5.7 percent in 2020, U.S. nonfarm employment is expected to grow by 2.6 percent and 3.3 percent in 2021 and 2022, respectively. The U.S. unemployment rate is expected to decline from 8.1 percent in 2020 to 5.8 percent in 2021 and 5.2 percent in 2022.

- In Colorado, nonfarm employment declined by 5.2 percent in 2020 and is expected to grow by 3.1 percent and 3.2 percent in 2021 and 2022, respectively. The Colorado unemployment rate is expected to decline from 7.3 percent in 2020 to 5.3 percent in 2021 and 4.2 percent in 2022.

Job growth shows improvement to begin 2021. After a disappointing second half in 2020, employment began to show modest renewed growth to begin 2021. The U.S. economy lost 306,000 jobs in December, the first single-month drop since April. Since then, the U.S. Bureau of Labor Statistics has recorded gains of 166,000 jobs in January and 379,000 jobs in February. Even after those gains, total nonfarm employment is down by nearly 9.5 million jobs, or 6.2 percent, since the February 2020 prerecession peak (Figure 6, left). The U.S. unemployment rate declined from 6.7 percent in December to 6.2 percent in February, still well above the year-ago level of 3.5 percent and consistent with the fallout of a severe recession (Figure 6, right).

Colorado nonfarm employment showed two months of declines to close the year, losing 21,200 jobs in December 2020 before gaining 32,000 jobs in January. Employment in the state is down 160,300 jobs, or 5.7 percent, from the February 2020 pre-pandemic level (Figure 6, left). Colorado's unemployment rate held steady at 6.9 percent from October through December before declining to 6.6 percent in January 2021 (Figure 6, right). While it remains far below the 12.1 percent April peak, the unemployment rate is more than twice what it was in December 2019, 2.6 percent, but below the maximum unemployment rate of 8.9 percent reached following the Great Recession.

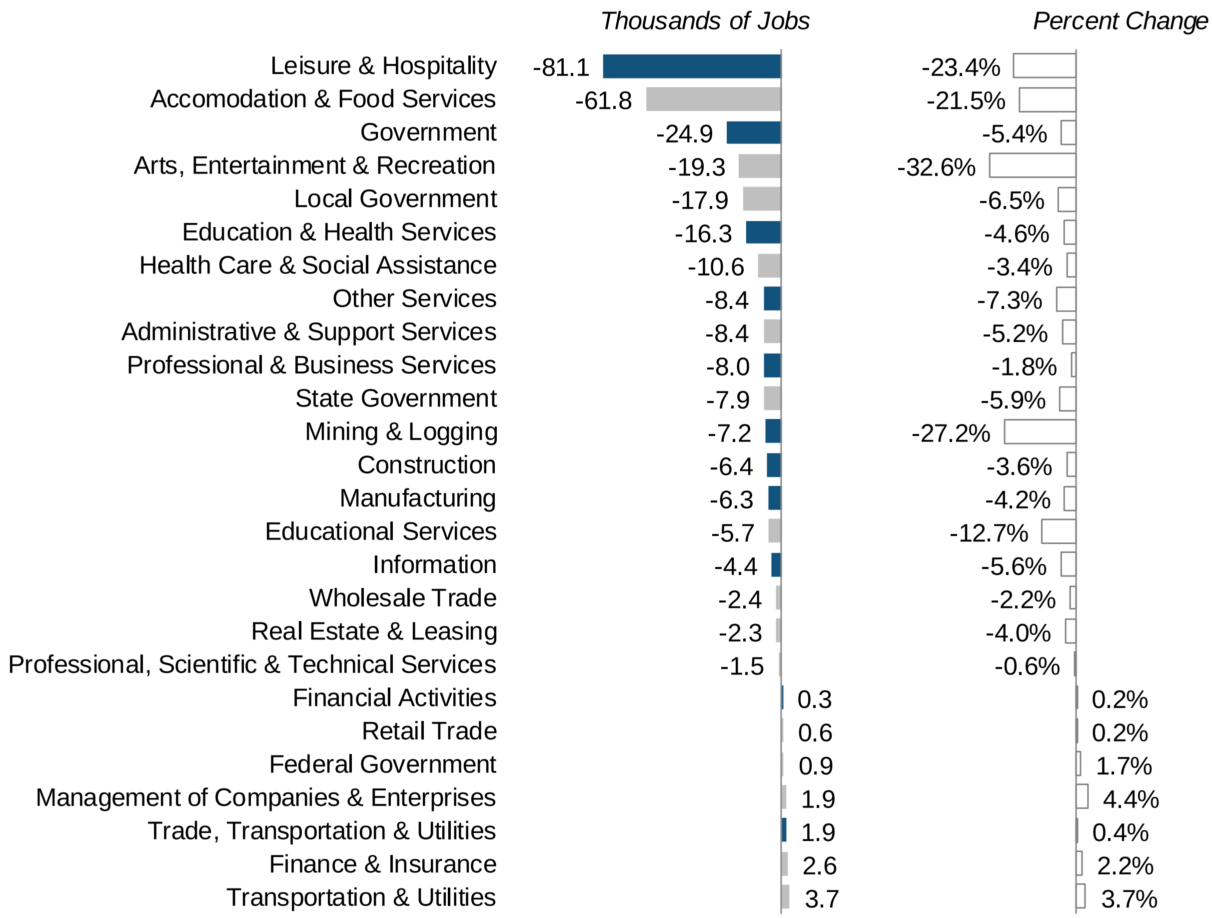
Figure 6
Selected U.S. and Colorado Labor Market Indicators



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. U.S. data are through February 2021. Colorado data are through January 2021.

Leisure and hospitality still accounts for a large share of jobs lost. Through January 2021, Colorado had gained back 215,500 jobs, or 57.3 percent of those lost initially following the arrival of the pandemic in the state. Sectoral differences were severe. January job gains were concentrated in the leisure and hospitality sector (up 21,200 jobs). Other sectors with significant January job gains included professional and business services (up 4,200 jobs), financial activities (up 1,800 jobs), and trade, transportation, and utilities (up 1,200 jobs). Compared to year-ago levels, leisure and hospitality is by far the hardest-hit supersector, down 81,100 jobs or 23.4 percent, followed by government, down by 24,900 jobs or 5.4 percent, and education and health services, down 16,300 jobs or 4.6 percent (Figure 7).

Figure 7
Colorado Job Gains and Losses by Industry
Year-over-Year Change, January 2021 over January 2020



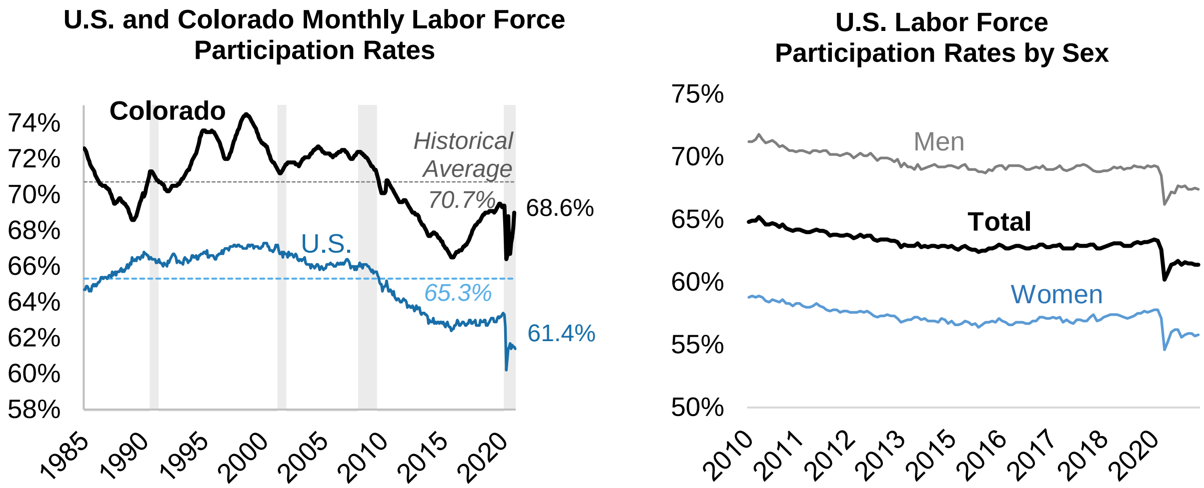
Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted. Blue (dark) shading indicates a supersector, while grey (light) shading indicates a subsector.

Labor force participation rates suggest continued labor market distress. The labor force participation rate measures the share of working-age adults who are employed or seeking employment. Labor force participation rates plummeted during the early months of the pandemic as health concerns, business shutdowns, and school closures drove large numbers of workers out of the labor force. Participation has recovered somewhat fitfully in the ensuing months, and remains below pre-pandemic levels (Figure 8, left). Sensitivity to virus exposure risk and intermittent or unavailable in-person education and childcare services remain significant drags on labor force participation.

Statistically, low participation results in a lower unemployment rate than would otherwise be reported, as people who are not seeking employment are not counted as unemployed. But the elevated number of adults who have left the labor force raises concerns over longer-term labor market scarring, as these workers may struggle to regain employment post-pandemic. Impacts of the pandemic on labor force participation rates have varied by sex, with many more women than men leaving the labor force due largely to disruptions in and availability of in-person childcare options.

Between February 2020 and February 2021, the U.S. labor force participation rate among women fell from 57.8 percent to 55.8 percent, compared to the men's rate, which fell from 69.2 percent to 67.4 percent (Figure 8, right). The discrepancy in impacts by sex was wider in Colorado, where the annual average male workforce grew by 15,000 while the female workforce fell by 16,000 in 2020. For comparison, the workforce grew by 44,000 in 2019, with 19,000 more men and 25,000 more women.

Figure 8
Labor Force Participation Rates



Source: U.S. Bureau of Labor Statistics. U.S. data are through February 2021. Colorado data are through January 2021.

Personal Income

Personal income, an aggregate measure of most sources of household and non-corporate business income, experienced a paradoxical rise in 2020. Extraordinary government intervention in the form of unemployment benefits and direct payments to households more than offset declines in other sources of income, including wages. One effect was to mask the severe impacts of the recession for many households, staving off more dire financial consequences in the daily lives of some.

With the American Rescue Plan poised to inject $1.9 trillion more in government support, the roadmap for personal income in 2021 looks similar in some ways to what Americans just experienced in 2020. While other sources of income will take more time to recover, government support will keep household balance sheets largely insulated from broader weakness in the economy. However, because transfer payments have been such an important support to this point in the recovery, households may experience a delayed shock whenever those supports run out.

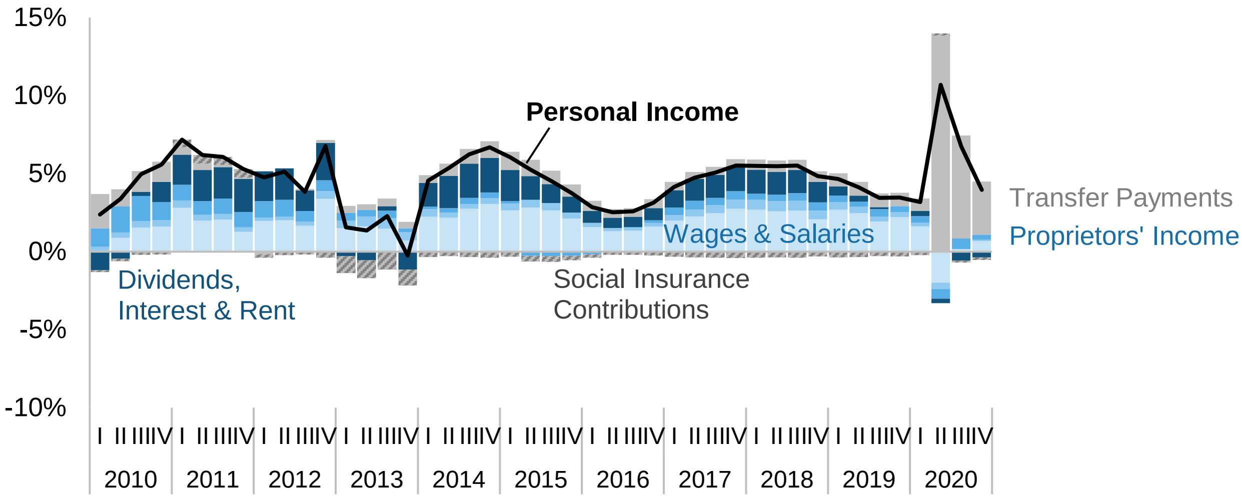
Last year, the boost to incomes did not fully translate to downstream growth in aggregate economic activity, as COVID-related economic distortions warped the usual relationship between household incomes and consumer spending. Consumers were reluctant or unable to consume many in-person services. Rising incomes may drive spending later in 2021 and into 2022 as the pandemic's impositions on economic behavior abate.

- Government transfer payments are expected to continue to nurture growth in personal income during 2021, when U.S. and Colorado personal incomes are expected to increase 5.6 percent and

5.2 percent, respectively. As transfer payments dissipate, personal income growth is expected to slow considerably in 2022, increasing 0.2 percent at the national level and 1.3 percent in Colorado.

Government support outweighed hits to wage, business, and investment income. U.S. personal income grew 6.1 percent last year, but this fast rate misrepresents the full story of the 2020 economy. Earnings associated with productive economic activity made only modest contributions in the cases of wages (up 0.2 percent) and business profits (up 1.4 percent), or detracted from income in the case of investments (down 1.1 percent), as shown in Figure 9. Instead, the entire increase in personal income was attributable to increased government support through transfer payments, which grew 36.6 percent in 2020 compared to 2019 levels.

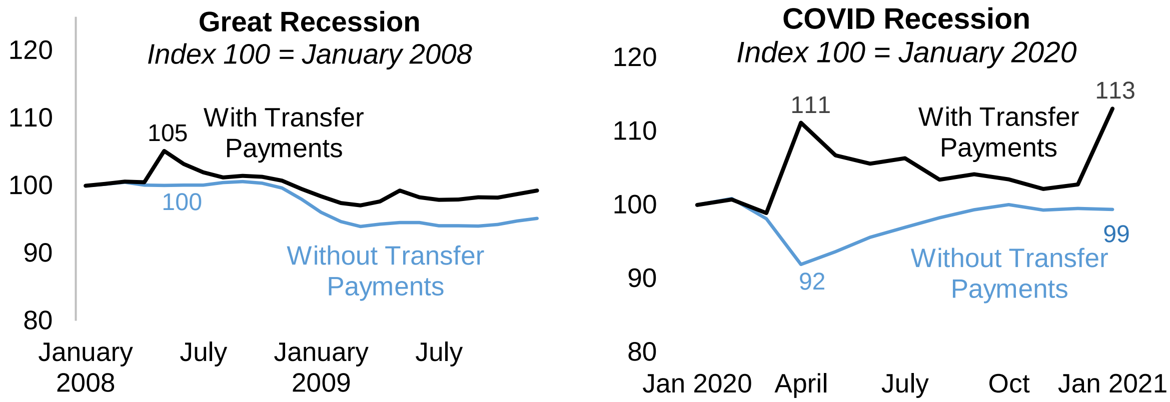
Figure 9
U.S. Personal Income and Its Contributions
Contributions to Percent Change, Year-over-Year



Source: U.S. Bureau of Economic Analysis. Data shown as seasonally adjusted annual rates.

Government support turned what would otherwise have been an historic collapse in incomes during mid-2020 into two record-setting quarters for income *gains*. Figure 10 tracks actual personal income relative to what would have occurred absent the contribution from transfer payments, including both those resulting from Congressional intervention and those from preexisting programs that grow during recessions. As shown in the right panel of Figure 10, transfer payment contributions swung personal incomes from an eight-point loss in April 2020 to an eleven-point gain. Likewise, impact payments in January 2021 pushed incomes 13 percentage points higher than in the same month last year, versus a one-point drop that would have occurred absent the influx of government support. For comparison, the left panel of Figure 10 shows an analogous analysis for the Great Recession, when government support added five points to household incomes at its peak.

Figure 10
Personal Income, With and Without Transfer Payments, During Recessions



Source: U.S. Bureau of Economic Analysis.

The outlook for wages is murky and unequal. Because it is necessarily tied to employment, wage income is usually a lagging indicator that can remain suppressed for years following an economic downturn. Following the Great Recession, per capita, inflation-adjusted wages and salaries did not return to pre-recession peak levels until the fourth quarter of 2014, about six years after the trough of the recession.

Wage income is expected to recover much more quickly following the 2020 recession than it did at the beginning of the last business cycle. The unusual nature of the recession caused a sharp rebound, and wage and salary income has already surpassed pre-pandemic levels on a nominal basis. However, aggregate compensation could face future headwinds if and when persistently low demand causes businesses to lay off employees or close permanently. These downside risks will linger through 2022.

Aggregate wage figures obscure the disparate impacts of the recession across the income spectrum. Layoffs and furloughs most acutely affected lower-wage workers in service sectors, especially the leisure and hospitality supersector. While these workers' incomes are underrepresented in topline figures, their losses have been severe, and the recovery they face is comparatively long as consumer activity in this area remains subdued.

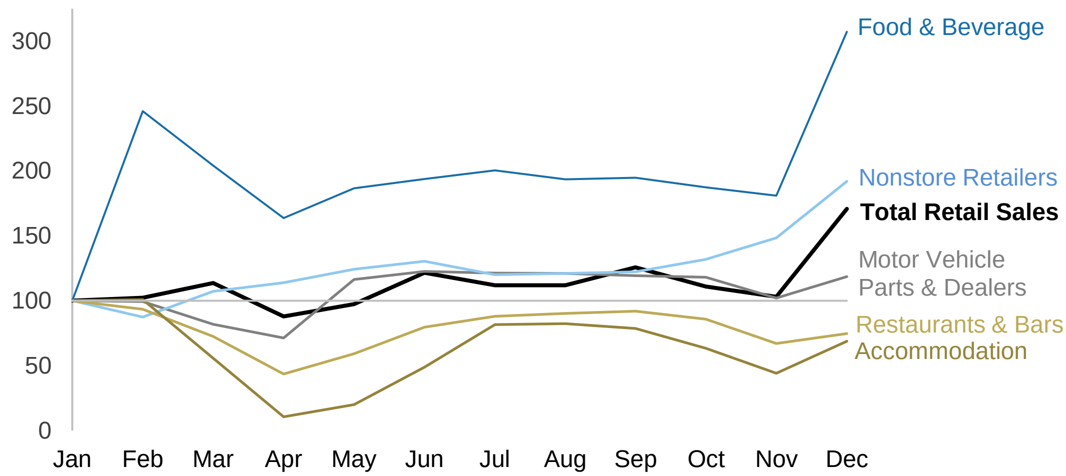
Consumer Activity

Consumer activity is the engine that drives economic expansion in the United States. In early 2020, the COVID-19 pandemic suffocated consumer activity. While goods consumption rebounded quickly, many in-person service industries continue to experience lasting impacts. Recovery from 2020 levels of consumer activity is a virtual guarantee – but the pace at which activity will normalize poses both upside and downside risks to the economic outlook.

Reduced travel weighed on spending, though online sales made up part of the gap. According to data published by the Department of Revenue, Colorado retail sales increased 7.6 percent between December 2019 and December 2020. Strength in retail sales by nonstore retailers, including online sellers (up 70 percent), manufacturing firms (up 32 percent), and wholesale sellers (up 38 percent), was more than enough to offset severe hits to sales by food and drinking places (down 31 percent) and lodging (down 29 percent).

Figure 11 presents monthly 2020 Colorado retail sales indexed to pre-pandemic January 2020 levels. These amounts are not seasonally adjusted. As illustrated, retail sales remained essentially flat through November before experiencing a seasonal bump during the December holidays. The compositional effects stand out, with pandemic-induced declines in hospitality purchases offset by booming activity for grocery stores and online sellers.

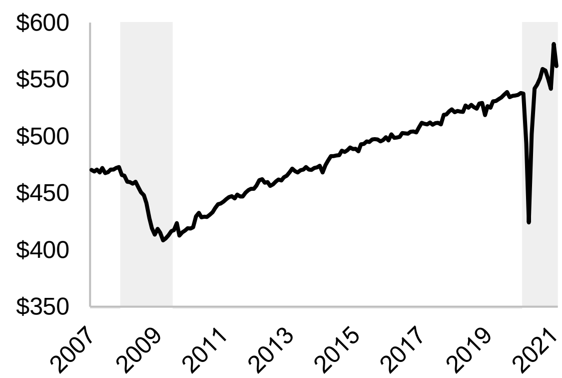
Figure 11
2020 Colorado Retail Sales
Index January 2020 = 100



Source: Colorado Department of Revenue. Data are not seasonally adjusted.

U.S. retail spending began 2021 with strong growth. Advance estimates indicate that inflation-adjusted (real) U.S. retail and food service sales increased by 8.0 percent year-over-year in January 2021, marking the fastest year-over-year increase since 2011 and reflecting the boost to consumer activity from direct payments to households (Figure 12). Notably, strong growth was recorded for durable goods such as motor vehicles and parts and furniture and home furnishings, two retail categories that were challenged in 2020. Motor vehicles and parts comprise a large share of retail sales, making up approximately 20 percent of sales in 2019. Additionally, restaurants and bars posted their first monthly increase in sales since September. In February, retail sale activity returned closer to trend levels, but remained 4.5 percent above year-ago and pre-pandemic levels on an inflation-adjusted basis.

Figure 12
Real U.S. Retail and Food Service Sales
Billions of 2020 Dollars



Source: U.S. Census Bureau advanced retail sales report, adjusted by inflation using the consumer price index for all urban areas. Data through January 2021.

Expectations for spending have improved. The New York Fed's January 2021 Survey of Consumer Expectations found renewed consumer optimism in January. That improvement follows surveys in December finding that household expectations for 2021 spending increased relative to both August 2020 and year-ago levels. Households expected to increase spending for essential and nonessential services, large purchases, among other items. Consumer activity is anticipated to quicken as pandemic conditions ease and consumer confidence improves.

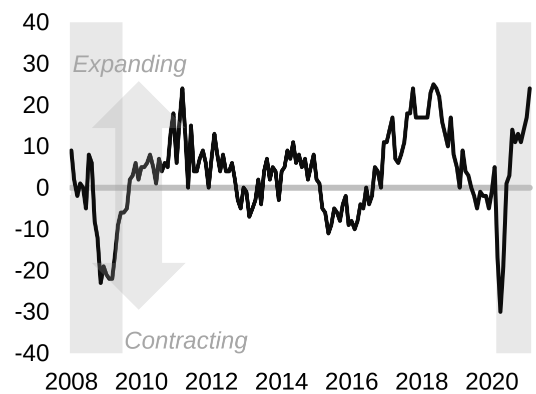
Overall, consumer activity in Colorado is expected to improve over the next year. The federal stimulus package will support households and boost activity over the first half of 2021. Subsequently, as pandemic conditions ease, spending on large purchases and leisure and hospitality industries will further lift activity in the state.

Business Activity

While business activity has recovered following its precipitous decline in April 2020, recent indicators suggest that the recovery has softened in recent months and that business output remains below pre-recession levels. Additionally, the pandemic has reshaped consumer spending patterns, supporting recovery for some companies while hindering others. The federal government has periodically offered support to businesses during the pandemic, but many companies have continued to struggle, with some closing or significantly reducing operations. Moreover, the spike in COVID-19 cases during late 2020 and the attendant reimposition of capacity restrictions appear to have weakened business activity at the start of 2021.

Manufacturing activity has improved. The Federal Reserve Bank of Kansas City produces a monthly index of manufacturing business activity based on a survey of firms in the Tenth District, which includes Colorado and surrounding states. Recent manufacturing activity, as measured by the index, is shown in Figure 13. After contracting at rates that exceeded those during the Great Recession, the index climbed rapidly into expansionary territory at the end of 2020 and into February 2021. At the national level, industrial production and other manufacturing indicators suggest similar expansions, though some supply constraints and pandemic related distortions persisted into the first two months of the year.

Figure 13
Tenth District Manufacturing Activity
Diffusion Index



Source: Kansas City Federal Reserve Manufacturing Survey with Legislative Council Staff diffusion index calculations.

Some sectors face sweeping structural change. Economic indicators show businesses tied to the goods sector are recovering sooner than those that offer in-person services. Work from home orders and capacity restrictions have boosted demand for housing-related items such as wood products for remodeling or new home construction, or supermarket-related items like laundry detergent and toiletries, while business tied to-person services such as transportation or live entertainment continue to struggle. Companies within the same industry are also experiencing structural shifts in market conditions.

Business dissolutions in Colorado. The pandemic has likewise taken a toll on business in Colorado. Data from the Secretary of State's Office indicate that over 38,000 businesses dissolved during 2020, an increase of 9.6 percent from the roughly 35,000 dissolutions in 2019. However, some entrepreneurs are finding opportunities within the changing landscape, with the number of new business filings with the Secretary of State surging up by 16.4 percent over the same period.

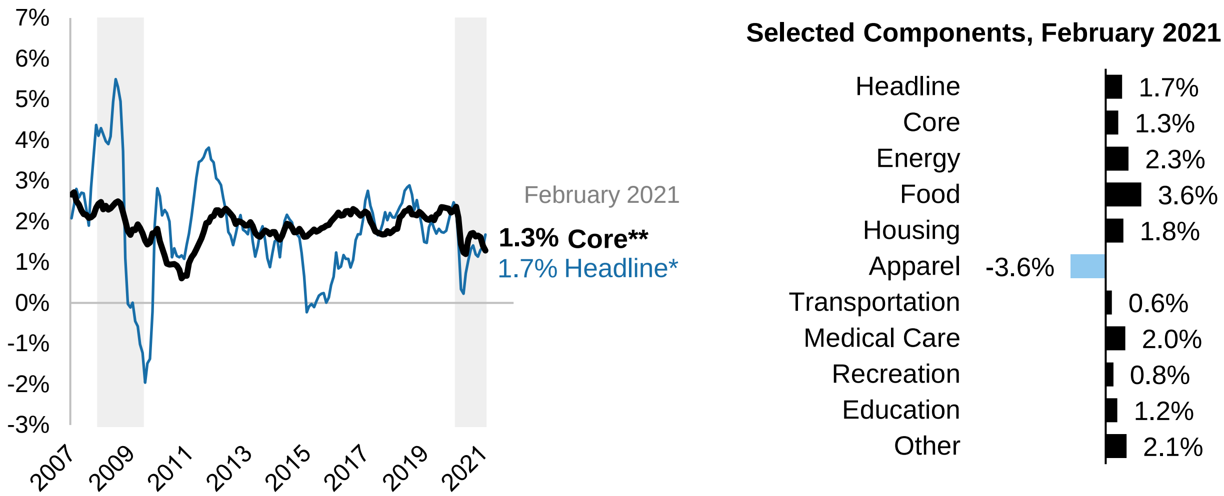
Monetary Policy and Inflation

Broad use of monetary policy has buoyed a struggling economy. Beginning in early March 2020, the Federal Reserve (Fed) put into motion several monetary policy changes in anticipation of and in response to the economic damage caused by the COVID-19 pandemic. These actions include reducing the federal funds rate to zero, implementing a new $700 billion round of large scale asset purchases (also known as quantitative easing), establishing and expanding emergency lending facilities, and easing banking regulations, all in an effort to create additional liquidity and boost economic activity. The Fed has signaled, and this forecast expects, that interest rates will remain at the zero lower bound through at least 2022 offering an accommodative lending environment supportive of the ongoing economy recovery.

Beginning in late March 2020, the CARES Act made additional funding available to the Fed for further monetary policy support, including the creation of the Paycheck Protection Program Liquidity Facility, the Main Street Business Lending Program, and the Municipal Liquidity Facility. These programs were largely designed to purchase debt from businesses and local governments to support additional spending in the economy. The Paycheck Protection Program Liquidity Facility is set to expire at the end of June, and the Main Street Business Lending Program and the Municipal Liquidity Facility were allowed to expire at the beginning of 2021.

Inflation remains below Federal Reserve target, but is expected to rise. At the national level, depleted demand has weighed down inflation since the beginning of the pandemic recession. As shown in Figure 14, inflation fell from a high of 2.5 percent in January 2020 to 1.7 percent in February 2021, reflecting both widespread demand-side weakness and the lingering effects of last spring's petroleum market rout. Similarly, core inflation, which excludes volatile food and energy components, slowed as a result of the recession, falling from about 2.4 percent in February 2020 to 1.3 percent in February 2021. While inflation has risen slightly in recent month and this forecast projects that it will rise further, it remains low by historical standards (Figure 15).

Figure 14
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.*

The recent rise in energy prices will likely push inflation higher in the near term. In early March 2021, financial markets began to signal their inflation concerns in response to a dovish Fed and stimulus-friendly Congress. While price pressures have not yet met the hype, the aggressive intervention in both monetary and fiscal policy raises upside risk for inflation through the forecast period.

Prices in the Denver-Aurora-Lakewood combined statistical area have likewise tapered off in the wake of the recession. Headline inflation averaged 2.0 percent in 2020. The collapse in energy prices was a significant drag on inflation in the second half of the year. However, the recent increase in prices for oil and gas is likely to contribute to inflationary pressure in 2021. Moderation in Denver-area home price appreciation and rents are expected to keep inflation at rates closer to the U.S. city average.

Figure 15
U.S. Inflation is Historically Low

Source: U.S. Bureau of Labor Statistics. Consumer price index for all urban consumers, all items in U.S. city average. Seasonally adjusted.

- Headline inflation for U.S. urban consumers is expected to rise 2.5 percent in 2021 and 2.3 percent in 2022. While historically low, the 2021 rate would be higher than each of the past nine years, reflecting rising global demand as the economy recovers and pandemic-related constraints dissipate. Headline inflation in the Denver-Aurora-Lakewood combined statistical area is forecast at 2.7 percent in 2021 and 2.5 percent in 2022.

A shift to average inflation targeting will likely result in more dovish monetary policy in the near future. In August, the Fed announced the adoption of a new policy framework to guide future interest rate decisions: average inflation targeting. Rather than maintaining a strict inflation target of 2 percent, the Fed will target an average inflation rate of 2 percent over a period of years, allowing for periods of below target inflation to be offset by periods of above target inflation. This new framework will likely result in the Fed maintaining lower interest rates for longer during the ongoing recovery and expansion. Complementarily, the Fed announced that it will be more responsive to periods where employment falls below estimates of full employment, compared to periods where employment is in excess.

Real Estate and Construction Activity

Residential construction activity continued its decade-long crescendo during 2020, while nonresidential construction activity began to recede. With comparatively few public health restrictions on construction work, builders increased the supply of highly coveted housing stock. Even with rising mortgage rates, demand for residential property is expected to remain elevated, driving further homebuilding nationally and especially in Colorado. The outlook for nonresidential construction is more mixed, with certain property types expected to struggle with depleted demand as pandemic-induced cyclical and structural changes take hold.

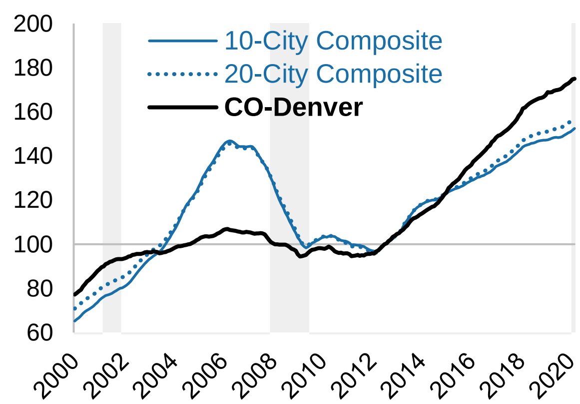
The U.S. housing market favors sellers. Across the United States, housing markets are being influenced by several conditions that each boost demand, limit inventory, and favor sellers:

- Interest rates have plunged to historic lows, with average rates for 30-year fixed rate mortgages falling to an all-time low of 2.68 percent in December 2020 before beginning to tick up.
- The K-shaped recovery from last year's recession, together with limited opportunities for discretionary spending, has boosted savings rates and improved household balance sheets for wealthier would-be buyers.
- Logistical difficulties associated with selling a home during the pandemic have combined with shifts to remote work to sap the inventory of homes for sale.

The combination of these factors has caused home prices to shoot up around the country. The Case-Shiller composite indices show home price appreciation of approximately 10 percent during 2020, the fastest rate of appreciation since 2013, when home prices were recovering from the 2008 crash (Figure 16).

The Colorado housing market is extraordinarily tight. Colorado's housing prices are likewise surging. The Colorado Association of Realtors reports that statewide median single family sales prices reached $445,000 in January 2021, up 11.5 percent from the same month last year. Price increases are occurring statewide, with especially strong appreciation in metro markets other than

Figure 16
U.S. and Colorado Home Prices Indices



Sources: S&P Dow Jones Indices LLC, seasonally adjusted). Indices compare current prices to those in January 2012.

Denver, like Pueblo, Colorado Springs, and Grand Junction. More discussion of local housing markets can be found in the regional sections of this forecast document, which begin on page 56.

In 2020, homebuilders pulled permits for 46,800 units, 11.6 percent more than in 2019, with the entire increase attributable to single family homes. After navigating COVID-related headwinds, builder enthusiasm once again came to a head this winter, with residential permits in December and January increasing 39.3 percent from the same months one year ago.

- Robust demand for homes, combined with favorable financing conditions, is expected to sustain strong homebuilding through the forecast period. The number of residential permits is expected to increase 10.1 percent in 2021 before declining by 7.2 percent in 2022. Consistent with emerging trends, homebuilding in Colorado is expected to remain weighted toward single family units.

Nonresidential construction activity faces an uphill climb. U.S. nonresidential construction activity receded during 2020, as the value of nonresidential facilities put in place fell 4.7 percent between December 2019 and December 2020. Activity was down across the board, but drop-offs were steepest in the property types most directly affected by pandemic constraints on economic activity, including lodging, amusement and recreation, and office space to a lesser extent. Colorado experienced a similar pullback in activity, with the value of nonresidential construction contracting by 7.4 percent between 2019 and 2020.

Investors in commercial real estate anticipate a bumpy road ahead. Demand for hotels and other lodging is not expected to return to 2019 levels until beyond the current forecast period. Likewise, the shift toward remote work has dampened the outlook for office space, where real estate values are deteriorating. Low demand is expected to suppress construction activity in these areas, suppressing headline figures despite growth opportunities in other areas, including warehouses and industrial space. Differences across the nation are expected to be less pronounced than differences across property types, though urban retail space and storefronts have generally suffered larger hits than similar properties in the suburbs.

- The value of nonresidential construction starts in Colorado is expected to decline in 2021 and 2022, dropping by 7.4 percent and 4.0 percent, respectively, on low demand and cautious behavior among investors.

Global Economy and International Trade

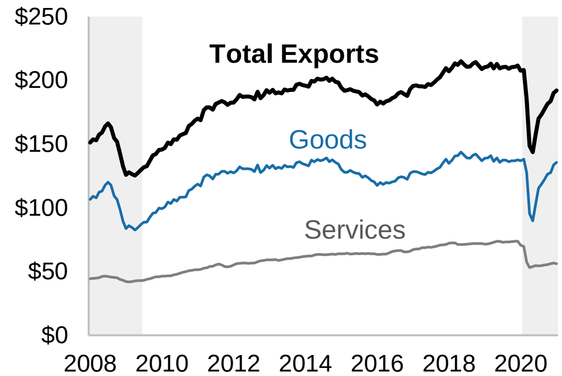
The global economic situation continues to improve. In January, the International Monetary Fund (IMF) upgraded its World Economic Outlook to estimate a 3.5 percent contraction in 2020 and 5.5 percent expansion in 2021, netting to a modest 1.8 percent increase over the two-year period. There is elevated uncertainty, with both upside and downside risks to global growth. A smooth and efficient vaccine rollout combined with strong fiscal and monetary responses in advanced economies could push global growth higher than expected. Challenges from new COVID-19 variants, hiccups in vaccine delivery, or an overly aggressive pullback of governmental economic support could hinder growth expectations.

Improved global growth expectations were attributed in part to additional fiscal support announced in the United States and Japan at the close of 2020. Strong policy support partially compensated for weakened fourth quarter activity as infections spiked in many countries. Overall, advanced economies have fared better than many emerging and developing economies. The IMF now expects that the pandemic reversed two decades worth of global poverty reduction.

Global trade volumes are expected to increase, trade in goods to recover faster than services. The IMF estimates that the world trade volume of goods and services contracted 9.6 percent in 2020, and only a partial recovery is expected for 2021. Trade in goods is expected to recover more quickly than services, aided in part by a rapid recovery in China. Ongoing travel restrictions, reduced tourism, and reduced business travel will continue to weigh on trade in services over the next year (Figure 17).

U.S. trade volumes also contracted in 2020. Exchange with most of the nation's largest trading partners – including Canada, Mexico, Japan, and Germany – all contracted. According to data published by WiserTrade, the value of U.S. exports of goods fell by 12.9 percent in 2020, with imports falling by a smaller 6.4 percent. Exports of civilian aircraft, oil, and motor vehicles and parts all decreased. In December 2020, U.S. exports of goods were down 3.0 percent year-over-year, while exports of services were down 23.5 percent.

Figure 17
U.S. Monthly Exports
Billions of Dollars



Source: U.S. Bureau of Economic Analysis (balance of payments basis). Nominal, seasonally adjusted data are through December 2020.

Colorado's 2020 export activity was boosted by aerospace. Colorado export activity increased by 2.3 percent in 2020, as measured by the value of goods exported from the state to foreign countries. Exports continue to grow steadily, with contributions from producers of computer and electronic products, transportation equipment, and food. In 2020, Colorado's export activity was supported in large part by more than $500 million in spacecraft and launch vehicles, offsetting losses in many other sectors. Additionally, exports of beef and pork increased by more than $100 million.

The pandemic limited exports to Colorado's North American trade partners. Exports to Canada, the state's largest trade partner, fell by 11.6 percent in 2020, and exports to Mexico were down 1 percent. Fortunately, sales to these critical trade partners improved dramatically over the latter half of the year. In the fourth quarter, exports to Canada were down just 3.8 percent from pre-pandemic levels, while exports to Mexico were up 26.7 percent. Comparatively, exports had fallen 15.9 percent and 36.7 percent, respectively, in the second quarter. Trade with Canada and Mexico is expected to improve over the course of 2021 despite the potential for economic activity in each country to remain below 2019 levels. The pandemic recession was particularly severe in Mexico. The IMF estimates that the country's GDP contracted by 8.5 percent in 2020, and predicts that it will recover only partially in 2021 with 4.3 percent growth.

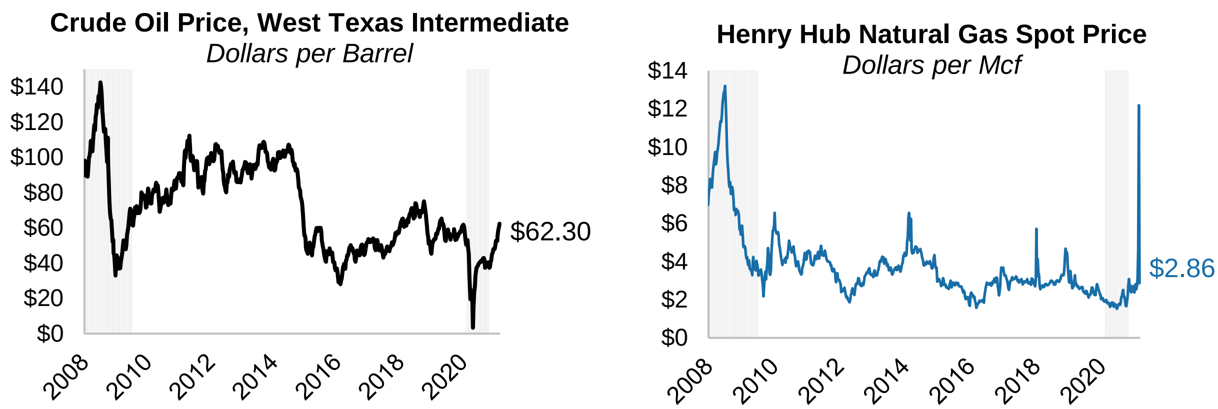
Energy Markets

The accelerating vaccine rollout has bolstered crude oil prices. On news of an accelerating vaccine rollout, optimism abounded in anticipation of an uptick in oil demand later this year. West Texas

Intermediate crude prices rose above $62 per barrel in late February and are expected to remain around the $50 mark for the remainder of 2021 (Figure 18, left). Crude oil stocks have been dropping steadily since mid-June 2020 when demand for gasoline picked up for summer road trips, helping to boost prices.

Natural gas prices spiked with unusual weather disruptions. Natural gas prices ebb and flow with the weather in colder months. Henry Hub natural gas prices increased significantly in recent months, initially rising over 40 percent between September and January (Figure 18, right). Prices spiked in mid-February on surging demand as arctic cold set in over the central United States, but have since returned to more normal levels. Prices are expected to average over $3 per million Btu in 2021 as demand picks up and production remains subdued.

Figure 18
U.S. Energy Prices

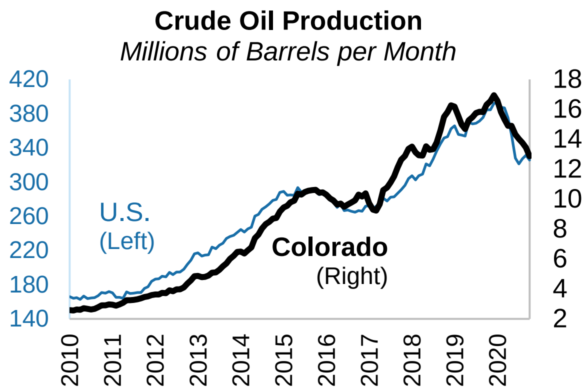


Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted. Oil price data are through the week of March 5, 2021; natural gas price data are through the week of February 26, 2021.

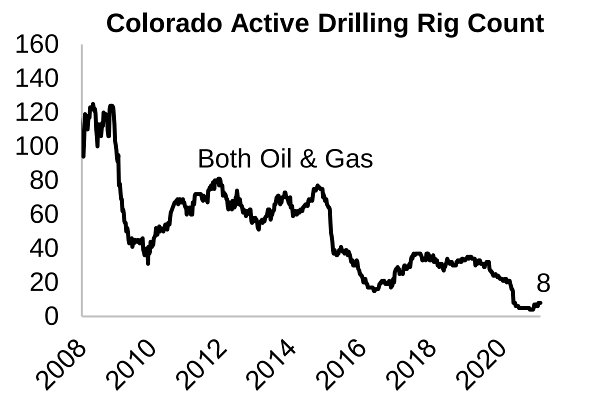
Already low oil and gas production may decline further before rebounding. Oil production in both the U.S. and Colorado is far from recovering to pre-pandemic levels, as low demand for gasoline and jet fuel caused prices to sit below profitable levels for producers for much of 2020 (Figure 19, left). Despite the recent uptick in prices, U.S. production is expected to remain subdued in 2021, before beginning to increase again in 2022.

New drilling activity remains subdued in Colorado and the across the nation, even as crude oil prices have crept above break-even prices in some areas. The oil and gas drilling rig count is down by about two-thirds since early 2020, although a few rigs have recently come back online (Figure 19, right). Additional pressure came from regulatory uncertainty for Colorado oil and gas producers, as the Colorado Oil and Gas Conservation Commission set rules to implement Senate Bill 19-181. Colorado oil production is expected to continue at subdued levels through mid-2021 before picking back up on stronger demand and prices, while associated natural gas production will rise along with oil production.

Figure 19
Selected Energy Market Indicators



Source: U.S. Energy Information Administration. Data are shown as a three-month moving average and are not seasonally adjusted. Data are through December 2020.



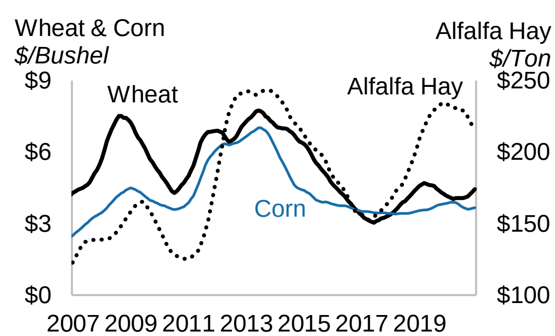
Source: Baker Hughes. Data are not seasonally adjusted. Data are through February 5, 2021.

Agriculture

Colorado agricultural producers were beset by multiple challenges in 2020, including significant market disruptions caused by the pandemic, severe weather conditions, and natural disasters. After beginning the year with a steep decline, farm income and agricultural credit conditions rebounded sharply in the fourth quarter in the Federal Reserve's Tenth District, which includes Colorado. Government payments provided broad support in 2020, with producers also benefiting from price gains at the end of the year. Areas of the district such as Colorado, which is more dependent on livestock revenues and exposed to severe drought, saw a much less dramatic improvement in conditions and a cloudier outlook for 2021. In Colorado, Wyoming, and northern New Mexico, about 30 percent of survey respondents indicated that incomes were lower than a year ago, compared with only 8 percent of respondents in Kansas, Nebraska, and western Missouri.

Agricultural markets rebound. While pandemic-related disruptions roiled agricultural markets earlier this year, the prices of most agricultural commodities began to recover in the summer months, and received some late-season support due to an improved outlook for agricultural exports. In the fourth quarter, Tenth District average prices of corn and wheat increased more than 20 percent from the previous quarter. Livestock prices are still below year-ago levels, but also improved from lows reached earlier in the year. Colorado wheat finished the year at a multi-year high of $5.21 per bushel, up 6.3 percent on average in 2020 compared to 2019. Colorado corn prices broke $4.00 per bushel in October to finish the year at $4.16, but 12-month average prices are still down by 4.6 percent in 2020 (Figure 20).

Figure 20
Prices Received for Colorado Crops



Source: U.S. Department of Agriculture, National Agriculture Statistics Service. Data shown as a 12-month moving average through December 2020.

Drought conditions continue to plague Colorado. The southwestern United States, including Colorado, continues to suffer from drought. As of February 2021, 100 percent of the state remains in moderate to exceptional drought, although conditions have moderated slightly with recent snowfall. Over half (57 percent) of the state is in extreme or exceptional drought compared to 76 percent at the start of 2021. Sixty-two of the state's 64 counties are designated primary drought disaster areas by the U.S. Department of Agriculture. With these conditions comes the threat of large agricultural and recreational economic losses, as well as lasting damage from depleted soil health, increased pest infestations, rangeland deterioration, declining groundwater and reservoirs, and large wildfires. Three of the largest wildfires in Colorado history burned in Colorado in 2020, including the Pine Gulch fire north of Grand Junction, which burned vast tracts of grazing land and fencing infrastructure.

Farmers receive government support. Government aid programs have provided relief to producers, significantly boosting farm incomes and supporting credit conditions. U.S. farm income for 2020 hit a nine-year high of $121 billion, largely due to record levels of government payments to farmers. Government support totaled over $46 billion and accounted for nearly 39 percent of farm income, mostly due to supplemental and ad hoc assistance due to COVID-19 and natural disasters. As this support is expected to wane, farm income for 2021 is forecast to drop 8 percent. The first round of the Coronavirus Food Assistance Program (CFAP 1) provided $16 billion in direct financial assistance to agricultural producers who faced market disruptions and losses due to COVID-19. In September, the USDA announced an additional $14 billion to be provided through CFAP 2. As of February 2021, Colorado producers had received $385.7 million, or 1.6 percent of the $23.8 billion distributed through these programs. Top supported commodities in Colorado included cattle, corn, milk, and wheat. A third round of CFAP was included in the Consolidated Appropriations Act of 2021, signed into law in late December 2020, however these funds have been put on hold pending regulatory review.

Summary

With vaccine distribution progressing in earnest and the announcement of another round of government support, this forecast upgrades the U.S. economic outlook for 2021 and 2022. However, pre-pandemic levels of economic activity are closer in some areas than in others. The recession did lasting damage in areas like employment and consumer spending, and a long road to recovery still lies ahead.

Further, the effects of the recovery have been felt differently by different populations. For higher-income earners who were able to transition to remote work, the recession's economic impacts have been muted. For businesses and employees in industries that remain shut down, the recession's consequences remain severe.

Risks to the Forecast

Several factors could result in either stronger or weaker economic activity than forecast. Risks to the forecast remain elevated but have moderated relative to December on burgeoning vaccinations and passage of the federal American Rescue Plan.

Downside risks. The greatest downside risk to the economic outlook is a resurgence of COVID-19, necessitating a resumption of widespread business closures and stay-at-home orders. While this risk appears to be receding, emergence of a new, vaccine-resistant mutation could impede or reverse the ongoing recovery. Rising energy and producer prices, and unprecedented federal stimulus met with highly accommodative monetary policy, pose upside inflationary risks. These risks raise the potential for renewed volatility in the financial markets, or could cause economic overheating necessitating quicker interest rate hikes than expected. Over the medium and long term, additional risks include economic shocks as the effects of fiscal stimulus eventually wear off, elevated levels of corporate debt, gaps in workforce skills and training, and income inequalities that may constrain labor market growth and consumer activity.

Upside risks. With passage of the American Rescue Plan, much of the upside risk identified in the September and December forecasts has already materialized. This forecast assumes a long road to recovery for industries acutely affected by shutdowns, but a faster return in consumer activity could speed up rehiring and accelerate the business cycle. A post-pandemic boom in spending on services could promote business expansion and lift economic growth back to or above pre-recession trend levels. Additionally, the challenges of the pandemic have expedited shifts toward remote work, leveraging technology, and in many realms, simpler, more localized supply chains. These shifts in consumer demand and business operations could produce stronger-than-expected growth over the forecast period.

Table 14
National Economic Indicators

Calendar Years	2016	2017	2018	2019	2020	Legislative Council Staff Forecast 2021	2022	2023
Real GDP (*Billions*)[1]	$17,730.5	$18,144.1	$18,687.8	$19,091.7	$18,423.4	$19,584.1	$20,191.2	$20,635.4
Percent Change	1.7%	2.3%	3.0%	2.2%	-3.5%	6.3%	3.1%	2.2%
Nonfarm Employment (*Millions*)[2]	144.3	146.6	148.9	150.9	142.3	146.0	150.8	153.8
Percent Change	1.8%	1.6%	1.6%	1.3%	-5.7%	2.6%	3.3%	2.0%
Unemployment Rate[2]	4.9%	4.3%	3.9%	3.7%	8.1%	5.8%	5.2%	4.9%
Personal Income (*Billions*)[1]	$16,160.7	$16,948.6	$17,851.8	$18,551.5	$19,691.5	$20,794.2	$20,835.8	$21,335.9
Percent Change	2.8%	4.9%	5.3%	3.9%	6.1%	5.6%	0.2%	2.4%
Wage and Salary Income (*Billions*)[1]	$8,089.1	$8,471.5	$8,894.2	$9,309.3	$9,331.9	$9,929.1	$10,485.2	$11,009.4
Percent Change	2.9%	4.7%	5.0%	4.7%	0.2%	6.4%	5.6%	5.0%
Inflation[2]	1.3%	2.1%	2.4%	1.8%	1.2%	2.5%	2.3%	2.0%

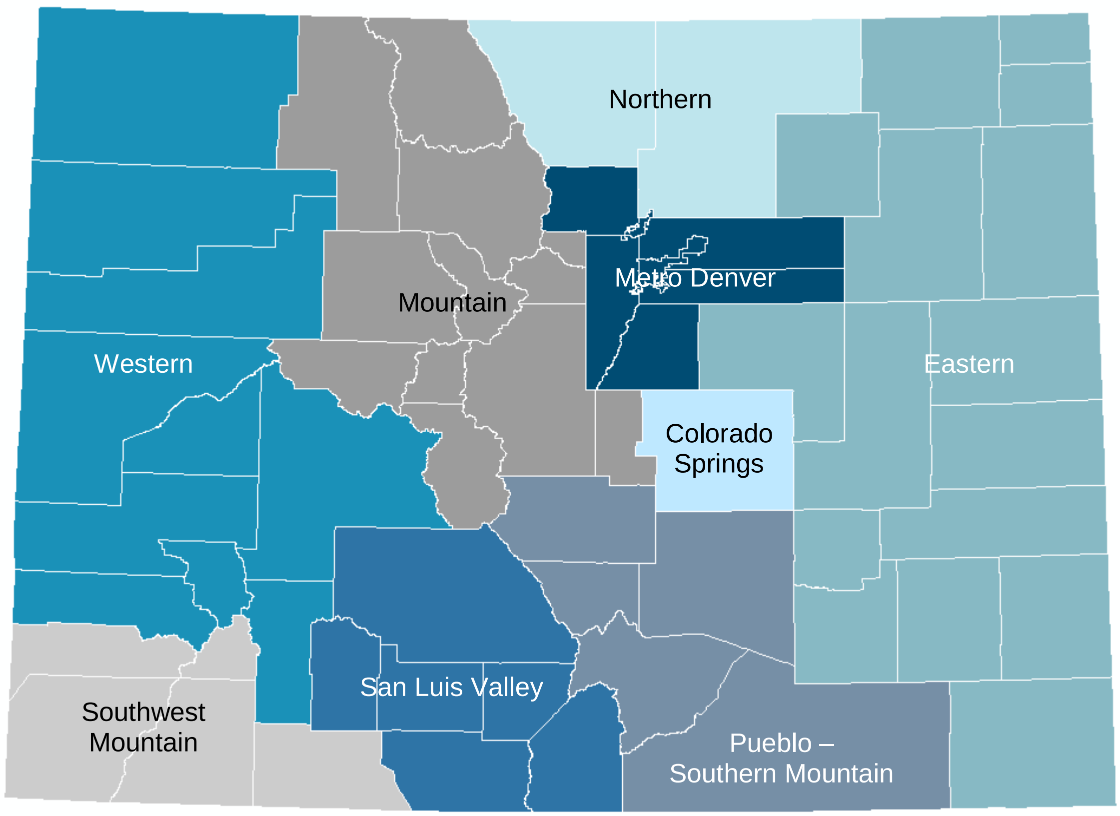
Sources
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas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

Table 15
Colorado Economic Indicators

Calendar Years	2016	2017	2018	2019	2020	2021	2022	2023
						Legislative Council Staff Forecast		
Population (*Thousands, as of July 1*)[1]	5,539.2	5,611.9	5,691.3	5,758.7	5,807.7	5,860.0	5,918.6	5,977.8
Percent Change	1.6%	1.3%	1.4%	1.2%	0.9%	0.9%	1.0%	1.0%
Nonfarm Employment (*Thousands*)[2]	2,601.5	2,660.2	2,727.1	2,789.9	2,645.9	2,727.9	2,815.2	2,882.8
Percent Change	2.4%	2.3%	2.5%	2.3%	-5.2%	3.1%	3.2%	2.4%
Unemployment Rate[2]	3.1%	2.6%	3.0%	2.7%	7.3%	5.3%	4.2%	3.8%
Personal Income (*Millions*)[3]	$290,670	$312,046	$335,196	$352,185	$369,794	$389,023	$394,081	$406,691
Percent Change	2.1%	7.4%	7.4%	5.1%	5.0%	5.2%	1.3%	3.2%
Wage and Salary Income (*Millions*)[3]	$151,086	$160,848	$170,323	$182,087	$184,454	$196,812	$209,605	$220,085
Percent Change	3.1%	6.5%	5.9%	6.9%	1.3%	6.7%	6.5%	5.0%
Housing Permits (*Thousands*)[1]	39.0	40.7	42.6	38.6	46.8	51.6	47.9	47.3
Percent Change	22.3%	4.4%	4.8%	-9.4%	21.3%	10.1%	-7.2%	-1.1%
Nonresidential Building (*Millions*)[4]	$5,987.8	$6,159.6	$8,141.0	$5,069.1	$4,857.3	$4,497.9	$4,318.0	$4,577.0
Percent Change	20.0%	2.9%	32.2%	-37.7%	-4.2%	-7.4%	-4.0%	6.0%
Denver-Aurora-Lakewood Inflation[5]	2.8%	3.4%	2.7%	1.9%	2.0%	2.7%	2.5%	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 2020.
[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 are revised in March of each year. This annual revision may affect one or more years of data values.

Like the employment data, residential housing permits and 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 share of the state's population and workforce of the nine economic regions identified in this forecast. The impacts of the COVID-19 pandemic and related recession continue to heavily influence the region's labor market, which weakened at the end of 2020. In response to the downturn in tourism and business travel and shifts in consumer activity away from in-person services, many businesses reduced their workforce or shuttered their doors in 2020. The distribution of multiple COVID-19 vaccines poses promise for a labor market recovery in 2021—in particular for travel-related and leisure and hospitality industries. Reflecting ongoing elevated demand, low inventories, and low interest rates, area home prices continue to appreciate supporting additional residential construction activity. Nonresidential construction activity, however, continues to weaken. 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

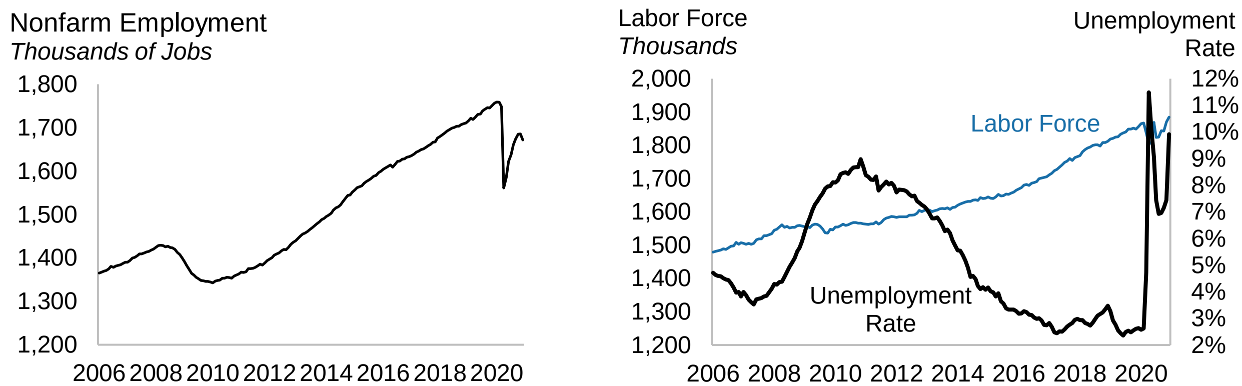
	2016	2017	2018	2019	YTD 2020
Employment Growth[1]	2.6%	1.9%	2.5%	2.2%	-3.7%
Unemployment Rate[2]	3.0%	2.7%	3.0%	2.6%	7.2%
Housing Permit Growth[3]					
Denver-Aurora MSA Single Family	12.2%	3.8%	7.9%	-6.1%	1.5%
Boulder MSA Single Family	10.2%	-4.3%	15.7%	-9.5%	-6.2%
Nonresidential Construction Growth[4]					
Value of Projects	27.9%	-10.9%	46.4%	-38.8%	-25.9%
Square Footage of Projects	6.9%	-14.8%	-11.0%	-8.9%	-9.1%
Level (*Millions*)	22,624	19,274	17,149	15,631	14,205
Number of Projects	9.9%	-23.8%	-18.4%	-12.6%	-5.3%
Level	1,242	946	772	675	639

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

Labor market. Data published by the U.S. Bureau of Labor Statistics for the metro Denver region suggest a 3.7 percent decline in nonfarm employment in 2020 relative to year-ago levels. Between January and April, the region lost 197,800 jobs (more than one in every ten jobs), about 56 percent of which were recovered by the end of the year (Figure 21, left). The labor market reversed its upward trend in December as COVID-19 cases rose and public health restrictions tightened, through state-level estimates suggest that this trends may be revised out and that unemployment rates held steady at the end of the calendar year. On a seasonally adjusted basis, the region lost 13,800 jobs in December, and the unemployment rate spiked to 9.9 percent (Figure 21, right). The region's labor market is expected to recover further in 2021 with the easing of COVID-19-related restrictions and distribution of multiple effective vaccines. In particular, the area's leisure and hospitality industries, including restaurants, hotels, and bars, are expected to benefit from growing consumer confidence with in-person services.

Recovery in the travel and tourism industries have a long road ahead. The metro Denver region is home to a wide range of tourism-related and business travel activities, with Denver International Airport (DIA) serving as the main air transit hub in and out of Colorado. Total passengers traveling through DIA were down 51.1 percent in 2020 from year-ago levels, while total operations—including air carriers and taxis, general aviation and military aviation—were down 30.9 percent. Passenger traffic continues to improve, but remains well below pre-pandemic levels. As of January 2021, passenger traffic was down 45.6 percent from levels the same month last year.

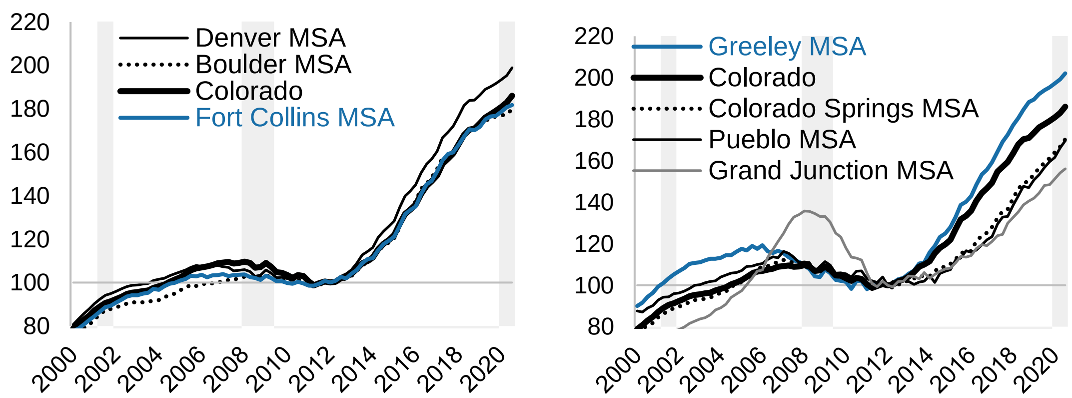
Figure 21
Metro Denver Region Labor Market Activity



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

Home prices. Along with other regions of the state, home price appreciation in the metro Denver region accelerated at the end of 2020 (Figure 22). Historically low interest rates propped up demand, while pandemic-related uncertainty kept homeowners from putting their homes on the market. Home prices are expected to remain elevated as demand for housing in the metro Denver area continues to outstrip the limited supply. According to data from the Denver Metro Association of Realtors, the average single family detached home reached a record $632,581 in February, a 23.2 percent gain over year-ago prices. Active listings across residential property types was down 58.1 percent from year-ago levels in February.

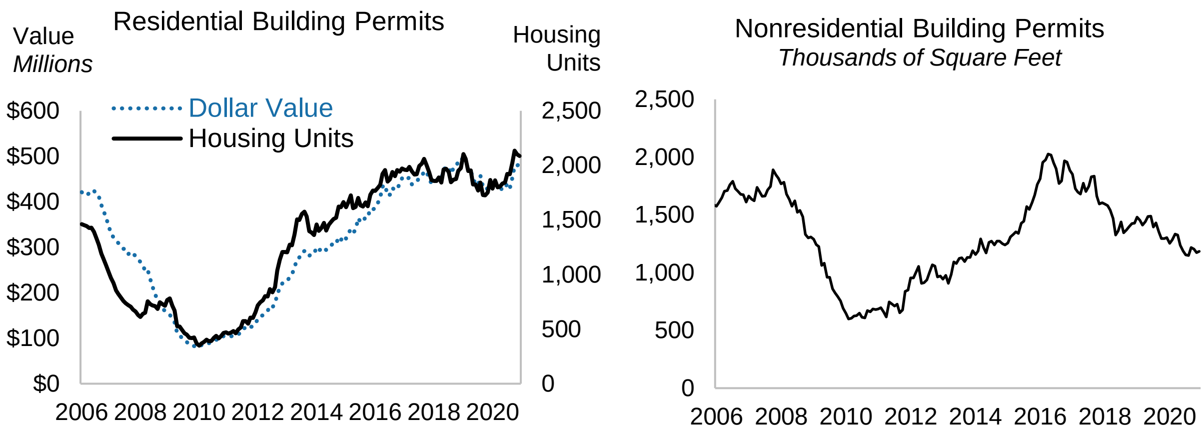
Figure 22
FHFA All-Transaction Home Price Indices
Index 100 = 2012Q1 (Recessionary Trough in Grey Bars)



Source: Federal Housing Finance Agency (FHFA). Data are seasonally adjusted and through 2020Q4.

Residential construction. Metro Denver residential construction activity accelerated in the last quarter of the year (Figure 23, left). The region is coming off a multi-year residential construction boom. Permits for new single-family residential construction activity in the Denver-Aurora metropolitan statistical area (MSA) rose 1.5 percent in 2020, slightly exceeding 2019 levels, while the Boulder MSA saw a 6.2 percent decline in new single-family residential units. While demand remains high, the availability of labor and land may constrain additional growth in 2021.

Figure 23
Metro Denver Region Construction Activity



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

Nonresidential construction. Metro Denver nonresidential building activity continues to slow. In 2020, the value (Figure 23, right), square footage, and number of projects declined, continuing a downward trend from 2016 highs. The shift toward remote work and business impacts of the pandemic are expected to put downward pressure on demand for commercial real estate in the region, slowing nonresidential construction activity in the years ahead. Future nonresidential building is expected to shift from office space and new commercial storefronts or brick-and-mortar retail establishments to favor nonresidential development that supports e-commerce, such as warehousing space. The impact of the federal stimulus spending on public sector infrastructure projects poses an upside risk to the nonresidential construction outlook.

Northern Region

Larimer and Weld counties comprise the diverse economies 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 faced significant headwinds in 2020 resulting from low oil prices and reduced global demand for oil and gas, which threatened both the private sector through industry income and the public sector through property and sales taxes. The price of oil and gas has been on the rise in recent months, as positive news around vaccine distribution has increased economic growth expectations in the medium term, which could drive a rebound in oil and gas production. The region's labor market has historically been one of the tightest in the state, but may face stronger headwinds than other regions if oil and gas production remain subdued. The construction industry showed resilience throughout 2020, with strong residential and nonresidential construction activity. Table 17 shows economic indicators for the northern region.

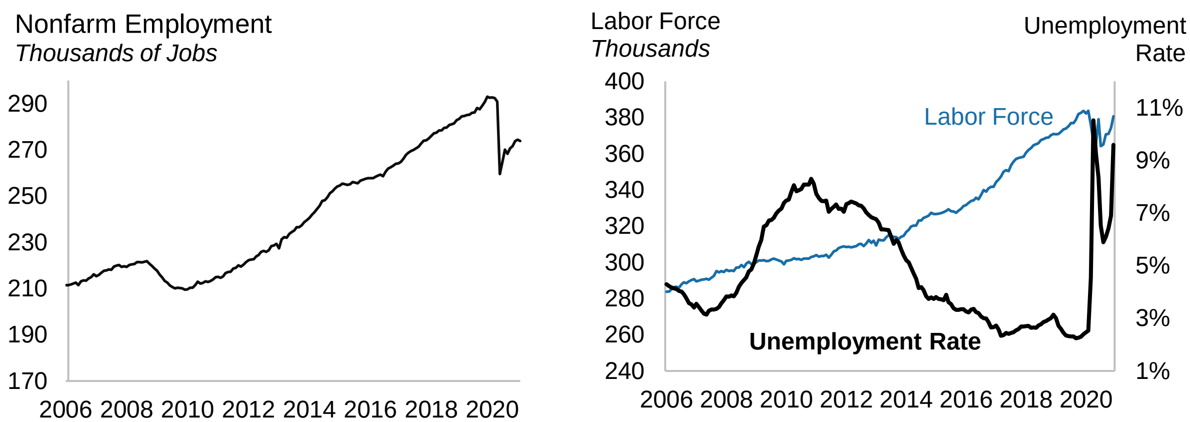
Table 17
Northern Region Economic Indicators
Weld and Larimer Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth[1]					
Fort Collins-Loveland MSA	3.8%	3.7%	2.7%	2.5%	-4.4%
Greeley MSA	-0.3%	-0.4%	2.4%	1.3%	-2.0%
Unemployment Rate[2]					
Fort Collins-Loveland MSA	2.8%	2.4%	2.7%	2.34	6.2%
Greeley MSA	3.4%	2.7%	2.9%	2.6%	6.8%
State Cattle and Calf Inventory Growth[3]	1.0%	6.7%	2.6%	8.0%	1.9%
Natural Gas Production Growth[4]	14.6%	5.6%	18.9%	19.2%	10.5%
Oil Production Growth[4]	-7.3%	13.5%	36.0%	4.9%	-9.9%
Housing Permit Growth[5]					
Fort Collins-Loveland MSA Total	47.9%	-18.2%	8.4%	-18.2%	-0.3%
Fort Collins-Loveland MSA Single Family	-2.9%	21.0%	-14.1%	-4.9%	34.7%
Greeley MSA Total	-7.8%	23.1%	24.6%	-2.2%	9.1%
Greeley MSA Single Family	-9.9%	16.4%	32.1%	-8.4%	28.1%
Nonresidential Construction Growth[6]					
Value of Projects	-0.5%	32.2%	64.5%	-71.5%	61.0%
Square Footage of Projects	-14.8%	17.8%	-29.0%	-14.4%	-4.6%
Level (*Thousands*)	3,393	3,996	2,838	2,428	2,317
Number of Projects	11.3%	2.9%	13.0%	-16.8%	-16.1%
Level	276	284	321	267	224

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2020.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through December 2020.
[3]National Agricultural Statistics Service. Cattle and calves on feed through December 2020.
[4]Colorado Oil and Gas Conservation Commission. Data through November 2020.
[5]U.S. Census Bureau. Growth in the number of residential building permits. Data through December 2020.
[6]F.W. Dodge. Data through December 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 (Figure 24). Even accounting for significant layoffs in March, the unemployment rate averaged 6.2 percent in Fort Collins-Loveland and 6.8 percent in Greeley in 2020, maintaining some of the lowest unemployment rates in the state. In 2020, nonfarm employment in both the Fort Collins and Greeley areas remained about 4 percent below 2019 levels, similar to the employment recovery seen in Colorado broadly. Oil production remains stagnant, delaying employment growth in Weld County that will resume with the industry's recovery. Employment, still down around 20,000 jobs in the region, is not expected to fully recover until vaccine distribution becomes more widespread and energy markets return to pre-crisis levels.

Figure 24
Northern Region Labor Market Activity

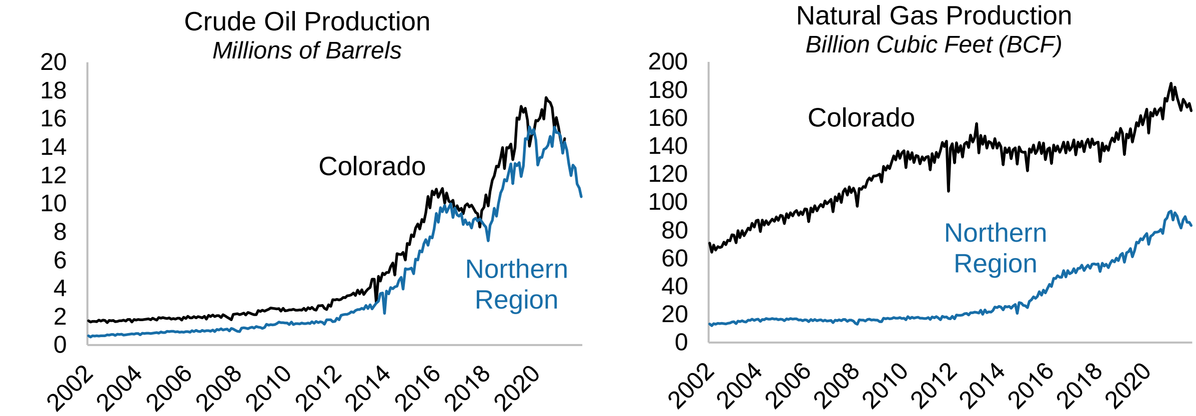


Source: U.S. Bureau of Labor Statistics; CES (left) and LAUS (right). Data are seasonally adjusted and are through December 2020.

Agriculture. The northern region produces about a quarter of Colorado's agricultural value due to the heavy concentration of the livestock industry in Weld County. Colorado's agricultural sector faced significant headwinds in 2020, with supply chain disruptions, COVID-19 outbreaks in meat processing facilities, wildfires, and severe drought. The region's cattle and calf inventory grew only 1.9 percent through 2020, a slowdown from 8.0 percent growth during 2019. Slower growth is the result of poor or very poor pasture and range conditions and low commercial demand. Restaurant closures and remote learning will likely subdue demand through the early portions of 2021.

Energy sector. Oil production in the northern region, particularly in Weld County, has dominated statewide production for over a decade (Figure 25, left). Oil and gas production climbed through April 2020, increasing 5.0 percent and 21.1 percent, respectively, over year-ago levels. However, the significant fall in oil prices last spring combined with the drop in demand due to COVID-19-related shut downs led to reductions in oil and gas production as well as capital expenditures, as evidenced by the drop in Colorado rig counts through the summer. After remaining around $40 per barrel for much of the latter half of 2020, oil prices began rising in December and exceeded $60 per barrel in early 2021.Prices are expected to average about $50 per barrel through 2021.

Figure 25
Colorado Energy Production

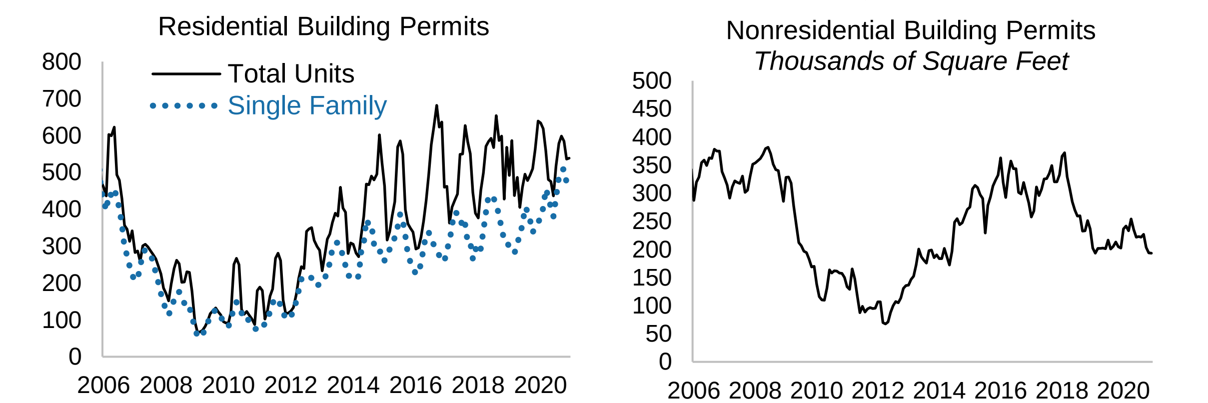


Source: Colorado Oil and Gas Conservation Commission. Monthly data through November 2020.

Housing. Following softer demand in 2019, single family housing permits in the region accelerated through December 2020 (Figure 26, left). Sustained demand combined with reduced mortgage rates have pushed single family housing permits up 34.7 percent in the Fort Collins-Loveland area and 28.1 percent in Greeley compared with 2019 levels. Sales of single family homes in 2020 grew significantly in the region, with the number of sales increasing by 11.5 percent in Larimer County and 7.5 percent in Weld County, according to the Colorado Association of Realtors. This strong demand pushed the median sales price of single family homes up 4.8 percent in Larimer County and 7.2 percent in Weld County. Total housing permit growth in 2020, however, has been more moderate, particularly in the Fort Collins area, as the pandemic has put downward pressure on demand for multi-family housing units.

Nonresidential construction. In spite of COVID-19, nonresidential construction activity increased substantially in 2020 in this region, increasing by 61.0 percent over 2019 levels. Future commercial construction activity will depend in part on the oil and gas industry, with a stronger recovery in energy prices and production translating into more commercial projects in 2021.

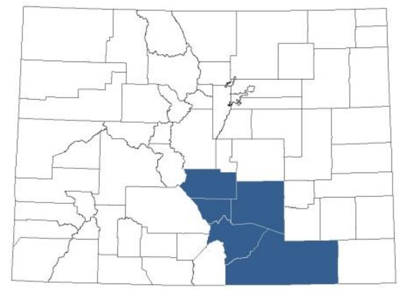
Figure 26
Northern Region Construction Activity



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

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

Pueblo – Southern Mountains Region



The Pueblo – Southern Mountains region encompasses five counties along the eastern slope of the Sangre de Cristo Mountains, and includes the City of Pueblo. The region was hit hard by the pandemic-induced recession, posting the highest unemployment rate of any region in Colorado in 2020. While nonresidential construction is expected to cool after a banner year, a strengthening housing market and the return of eager workers to the labor force offer hope for a faster recovery than those following previous recessions. 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%	-5.1%
Pueblo MSA[2]	1.8%	1.1%	0.1%	1.0%	-3.2%
Unemployment Rate[1]	4.9%	4.3%	4.8%	4.2%	8.2%
Housing Permit Growth[3]					
Pueblo MSA Total	6.0%	14.9%	45.1%	3.8%	18.4%
Pueblo MSA Single Family	29.9%	16.2%	52.6%	-6.2%	31.1%
Nonresidential Construction Growth[4]					
Value of Projects	-22.6%	-64.5%	222.9%	45.2%	25.8%
Square Footage of Projects	-3.8%	-52.6%	145.1%	-19.7%	49.1%
Level (*Thousands*)	341	162	397	318	475
Number of Projects	50.0%	-72.2%	50.0%	23.3%	86.5%
Level	72	20	30	37	69

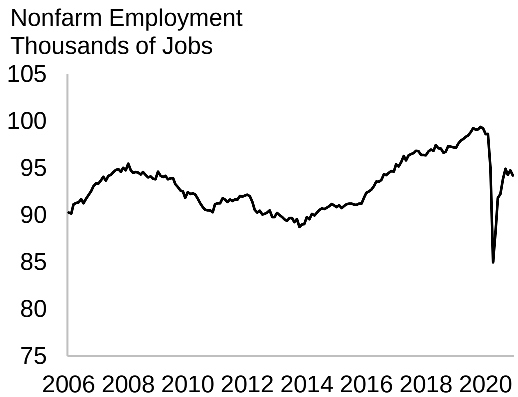
MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through December 2020.
[2]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2020.
[3]U.S. Census. Growth in the number of residential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

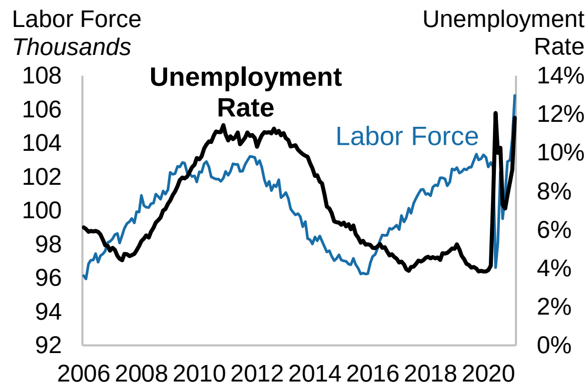
Labor market. The pandemic hit hard in southern Colorado. Surveys of households in the five-county Pueblo – Southern Mountains region revealed an 8.2 percent average unemployment rate during 2020, tying the Mountain region for the highest in the state (Figure 27). As of December 2020, about 5,000 fewer people were employed than at the pre-pandemic peak in November 2019, when the regional unemployment rate was 3.8 percent. However, the regional labor force grew by about 3,500 people over the same period, with the fastest growth occurring during the third and fourth quarters of 2020 as some industries began to reopen.

The return of workers to the labor force exacerbates the statistical unemployment rate, which stood at 11.8 percent in December 2020, but offers some hope for the region. A high number of job-seekers may expedite hiring when employers are ready to do so, helping the region to avoid the multi-year slump that marked the labor market's recovery following the Great Recession. In contrast, if workers again become discouraged and stop looking for jobs, the road ahead could be a long one.

Job losses in the Pueblo Metropolitan Statistical Area, i.e. Pueblo County, were significant, but a little less severe than for other urban areas in the state. Pueblo establishments reported cutting employment by 3.2 percent in 2020, less than other Colorado cities besides Grand Junction and Colorado Springs. As illustrated, establishments reported having restored roughly 62 percent of job losses as of December 2020, with employment in Pueblo County remaining below pre-pandemic peak levels by about 2,700 jobs.

Figure 27
Pueblo – Southern Mountains Region Labor Market Trends



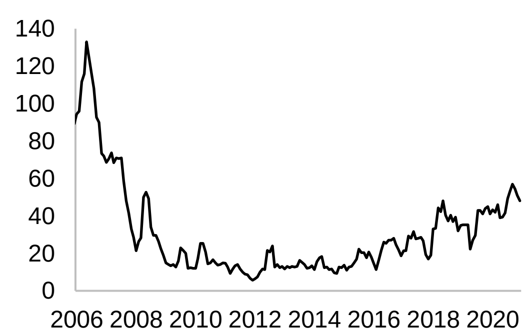


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through December 2020.

Housing. Homebuilding in Pueblo remains on the upswing. Despite pandemic conditions, Pueblo County homebuilders increased residential building permits by 18.4 percent during 2020, with the increase heavily concentrated in single family units (Figure 28). To this point, it appears that the pandemic-induced recession will not apply downward pressure to Pueblo home construction, which is expected to continue apace through 2021 and into 2022.

An affordable housing market compared with neighboring Colorado Springs has drawn consumer interest in Pueblo. The median sales price for a single-family home in Pueblo County was $267,000 in January 2021, compared to $385,550 in El Paso County, according to data from the Colorado Association of Realtors. The low inventory of homes for sale in Pueblo County is also buoying the residential real estate market. In January, the county reported 166 single family homes for sale, down more than 60 percent from the same month in 2020. Despite rising prices, home values in the region are expected to remain below those further north, sustaining interest from would-be buyers.

Figure 28
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 December 2020.

Prices in Fremont County, which includes Cañon City, increased by 18 percent between 2019 and 2020 and remain slightly higher than prices in Pueblo County. Further south, median single family sales prices in Las Animas County, which includes Trinidad, surged up by over 50 percent last year.

Home prices in the region are expected to moderate only slightly relative to pre-pandemic trends, consistent with expectations published in the December 2020 forecast for assessed values. For school districts and other local governments, appreciation in home values will moderate the fiscal impacts of depreciating nonresidential property.

Nonresidential construction. Despite the pandemic, 2020 was a banner year for the region's builders. Nonresidential construction in the region grew across all indicators, with both the value and square footage of nonresidential projects reaching their highest levels since 2008. After beginning 2020 with moderate growth, the region closed the year on a high note, with the addition of a $285 million solar energy project and a $58 million healthcare project, both in Pueblo County, to headline the fourth quarter.

The outlook for nonresidential building, however, is cloudier than for housing. Permanent closures of restaurants and retailers, as well as a shift toward remote work, is expected to reduce demand for commercial real estate. Government projects may be more of a mixed bag, as tight budgets limit investment opportunities while low interest rates continue to offer attractive financing.

Colorado Springs Region

The Colorado Springs region encompasses El Paso County, home to the state's second-largest city. Colorado Springs withstood the effects of the recession better than the state's other major cities, and both residential and nonresidential builders appear well-positioned to contribute to the recovery. Nevertheless, job losses were significant, and the labor market faces a multi-year path to recovery. Indicators for the Colorado Springs regional economy are presented in Table 19.

Table 19
Colorado Springs Region Economic Indicators
El Paso County

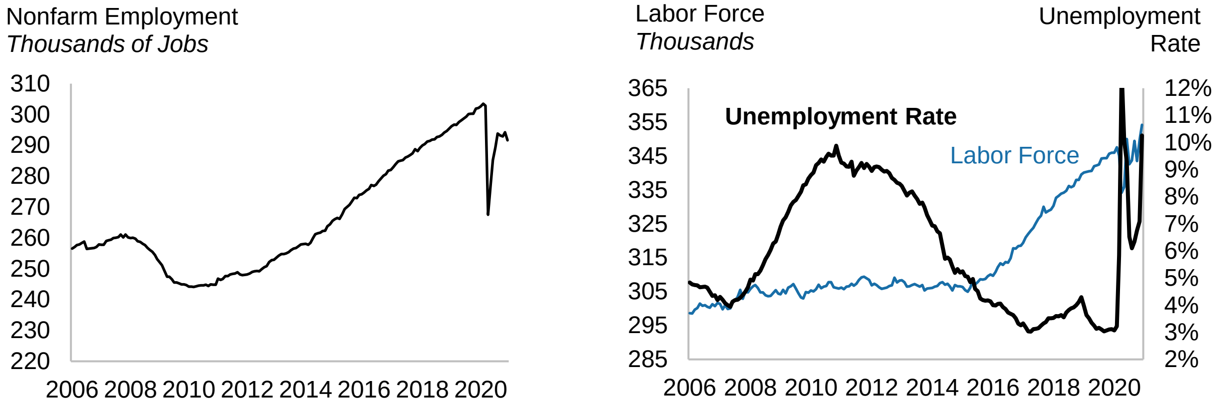
	2016	2017	2018	2019	YTD 2020
Employment Growth[1]					
Colorado Springs MSA	2.9%	1.8%	2.2%	2.2%	-2.6%
Unemployment Rate[2]	3.7%	3.3%	3.8%	3.3%	7.1%
Housing Permit Growth[3]					
Total	41.3%	-3.9%	15.4%	-3.8%	25.7%
Single Family	19.7%	6.7%	9.6%	-4.1%	24.4%
Nonresidential Construction Growth[4]					
Value of Projects	48.9%	-22.6%	20.8%	0.5%	41.8%
Square Footage of Projects	26.1%	10.5%	9.2%	5.1%	113.8%
Level (*Thousands*)	2,353	2,599	2,838	2,984	6,378
Number of Projects	11.6%	30.0%	-1.5%	-31.0%	16.6%
Level	423	550	542	374	436

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

Labor market. Pandemic-induced job losses in El Paso County were significant but less severe than for the state as a whole. The Bureau of Labor Statistics' survey of regional employers indicated losses of 2.6 percent during 2020 compared with 2019 (Figure 29, left). The rate of job loss was less steep than for any other Colorado metropolitan area, save for Grand Junction (down 2.0 percent). As of December 2020, employers reported having restored about two-thirds of jobs lost at the height of pandemic closures last April.

The regional unemployment rate averaged 7.1 percent during 2020, roughly the same rate as for the Metro Denver region (Figure 29, right). Household surveys indicate that the number of employed persons ended the year down 18,550 from pre-pandemic peak levels, suggesting a deep need for jobs to recover from the recession. Encouragingly, however, the regional labor force has already surpassed pre-pandemic peak levels, perhaps signaling a rapid recovery once employers are ready to rehire.

Figure 29
Colorado Springs Labor Market Activity



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

Housing. The Colorado Springs housing market is heating up, and demand is driving even more homebuilding. The Colorado Association of Realtors reports that median single family sales prices in El Paso County reached $380,000 in December 2020, up more than 15 percent from year-ago levels. Low inventory contributed to the sellers' market. With the number of homes for sale down nearly 60 percent on the year, homes remained on the market for an average of just 17 days before sale.

Builders responded to robust demand with a surge in construction. Firms pulled permits for over 6,900 homes in 2020, the most since 2005 (Figure 30, left). Among the state's major cities, Colorado Springs posted the fastest growth in total housing permits issued by a comfortable margin. Permit issuances rose 25.7 percent, comfortably outpacing both Denver (up 1.5 percent) and second-place Pueblo (up 18.4 percent).

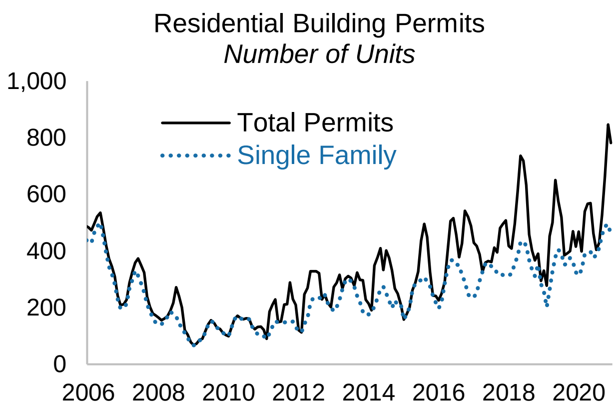
A tight housing market is expected to drive more construction activity through the forecast period. The I-25 Gap project between Monument and Larkspur in Douglas County is slated for completion in 2022 and will alleviate some congestion between Colorado Springs and Denver, making the region even more attractive as a comparatively low-cost option for those priced out of markets further north.

Nonresidential construction. Colorado Springs is in the midst of a construction boom. The region added nearly $1 billion in nonresidential projects during 2020, falling just short of 2005's record level. The region also added over 6 million square feet of nonresidential space, the most since at least 2000 (Figure 30, right).

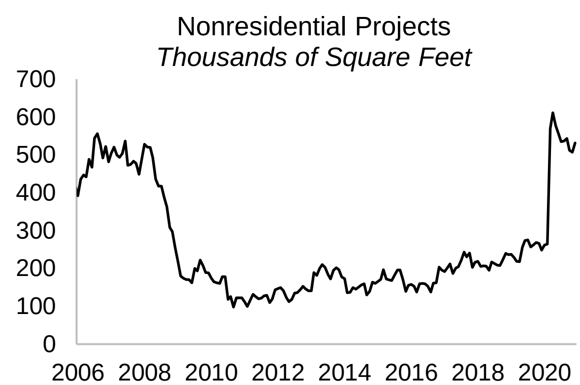
Amazon's massive fulfillment center near the Colorado Springs airport was last year's headline endeavor. The $370 million project is on schedule for completion this summer and promises to employ 1,000 workers. A second major project launched in the fall of 2020, with California-based Aerospace breaking ground on a $100 million facility dedicated to space warfighting, scheduled for completion by summer 2022.

While nonresidential construction indicators may recede after completion of the Amazon facility, activity is expected to continue at a strong pace during 2021. The *Colorado Springs Gazette* reports that Penrose-St. Francis will soon begin construction of a $150 million hospital on the north side of Colorado Springs. Weidner Field, the new home of the Colorado Springs Switchbacks soccer team, is expected to open in April 2021, while Colorado College's Robson Arena is on target for completion in the fall. Suspended hotel projects at the Colorado Springs airport and in downtown are also expected to resume, though timing for completion may depend on the pace at which business travel resumes.

Figure 30
Colorado Springs Construction Activity

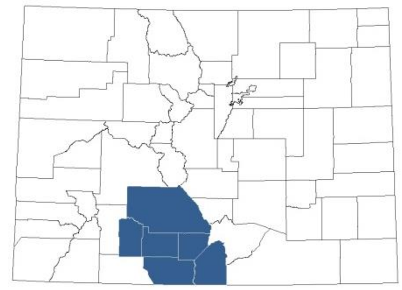


Source: U.S. Census Bureau. Data are shown as three-month moving averages. Data are not seasonally adjusted and are through December 2020.



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through December 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. The COVID-19 crisis, which continues to roil labor markets, has been compounded by drought conditions threatening the region's agricultural production. 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%	3.2%	2.4%	-8.3%
Unemployment Rate[1]	4.5%	3.9%	4.2%	3.8%	6.8%
San Luis Valley Agriculture District[2]					
Barley	75,000	68,000	53,000	52,000	NA
Acres Harvested	$685	$607	$660	$672	NA
Crop Value ($/Acre)					
Potatoes					
Acres Harvested	51,500	51,500	51,600	48,400	NA
Crop Value ($/Acre)	$3,696	$3,506	$3,892	$4,636	NA
Housing Permit Growth[3]	-1.1%	16.8%	16.3%	-11.1%	14.4%
National Park Recreation Visits[4]	29.6%	25.4%	-9.0%	19.1%	-12.5%

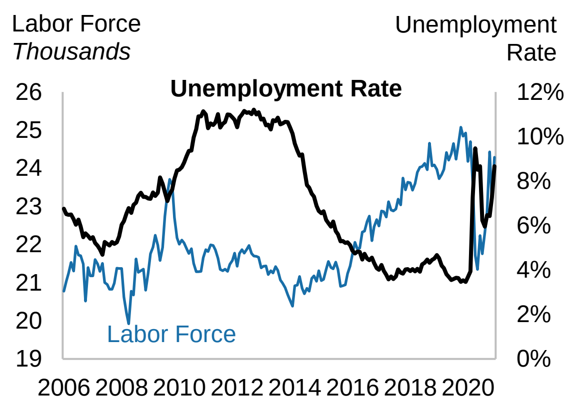
NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through December 2020.
[2]National Agricultural Statistics Service. San Luis Valley Region. Data through 2019.
[3]F.W. Dodge. Data through December 2020.
[4]National Park Service. Data through December 2020. Recreation visits for Great Sand Dunes National Park and Preserve.

Agricultural industry. With over 70 varieties grown in the region, potatoes are a key San Luis Valley crop. Other principal crops include head lettuce, wheat, and barley, with hemp and quinoa acreages on the upswing. Grazing and alfalfa hay are important in areas lacking sufficient access to water rights. Agricultural markets have rebounded since the pandemic-induced disruptions earlier in the year, although weather remains a significant concern for Colorado producers. After plummeting during statewide COVID-related shutdowns in 2020, year-to-date potato shipments through February 25, 2021 are 4 percent above 2020 levels through the same period, and average prices for yellows and russets, which accounted for 92 percent of the potato crop, finished the year up. Since December, drought conditions have moderated in the Rio Grande Basin, which spans the San Luis Valley, with extreme drought conditions receding in some areas with recent snowfall, according to the U.S. Drought Monitor. Unusually dry conditions will continue to threaten crop irrigation and pasture forage in the region.

Labor market. In addition to the agricultural industry, tourism, a regional medical center, a large retirement community, and government services, including Adams State University, support the San

Luis Valley economy. The arts community has a growing regional economic presence, as well. Labor market conditions have improved, albeit somewhat inconsistently, since declining sharply with statewide shutdowns. Employment is down 8.3 percent in 2020 (Figure 31, left). By December, the San Luis Valley had regained 63.1 percent of jobs lost since the pandemic began, compared with a statewide recovery rate of 55.9 percent. With unemployment on the rise in recent months and labor force participation recovering, at times more quickly than employment in the region, unemployment rates have remained elevated. The region saw an 8.7 percent unemployment rate in December 2020, well above both the post-pandemic low of 5.9 percent in August 2020 and the pre-pandemic rate of 3.5 percent in December 2019 (Figure 31, right).

Figure 31
San Luis Valley Labor Market Activity

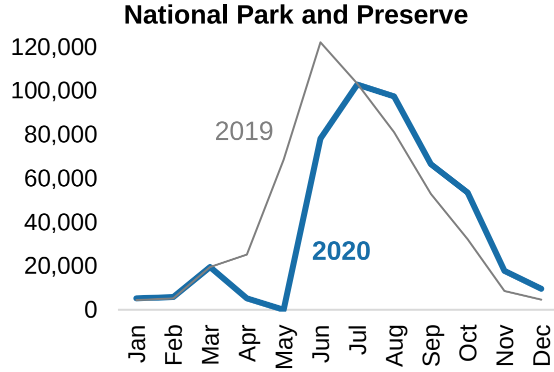


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through December 2020.

Housing and population growth. After two consecutive years of strong growth, housing permits issued in the San Luis Valley region declined by 11.1 percent in 2019, and rebounded in 2020 to 14.4 percent growth. The region's population is expected to grow over the next ten years, albeit more slowly than the state as a whole. After declining by 3.1 percent through April 2020, single family home prices in Alamosa County finished the year up 13.7 percent over 2019. At $235,000, median home prices remain at about half of the statewide median of $435,000, according to the Colorado Association of Realtors, making this region an attractive destination for retirees.

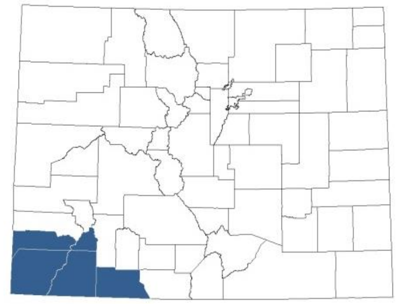
Tourism. Visits to the Great Sand Dunes National Park and Preserve recovered rapidly during the summer months to surpass year-ago monthly levels, although with park closures visits were down 12.5 percent in 2020 after increasing by 19.1 percent in 2019. The park closed in April due to the pandemic, and remained closed until early June when a phased reopening began. After dropping to zero in May, park visits quickly recovered and in December, were more than two times year-ago levels. (Figure 32).

Figure 32
Visits to Great Sand Dunes National Park and Preserve



Source: National Park Service. Data through December 2020.

Southwest Mountain Region



The southwest mountain region comprises five counties in the southwest corner of the state. The area's diverse economy receives significant contributions from agriculture, tourism, and natural gas extraction, as well as typical regional services like health care and social assistance. Like many regions of the state with heavier concentrations of employment supported by tourism, the COVID-19 pandemic significantly impacted southwest mountain economic activity. Local government budgets were also impacted by the pandemic, further dampening employment in the region. 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

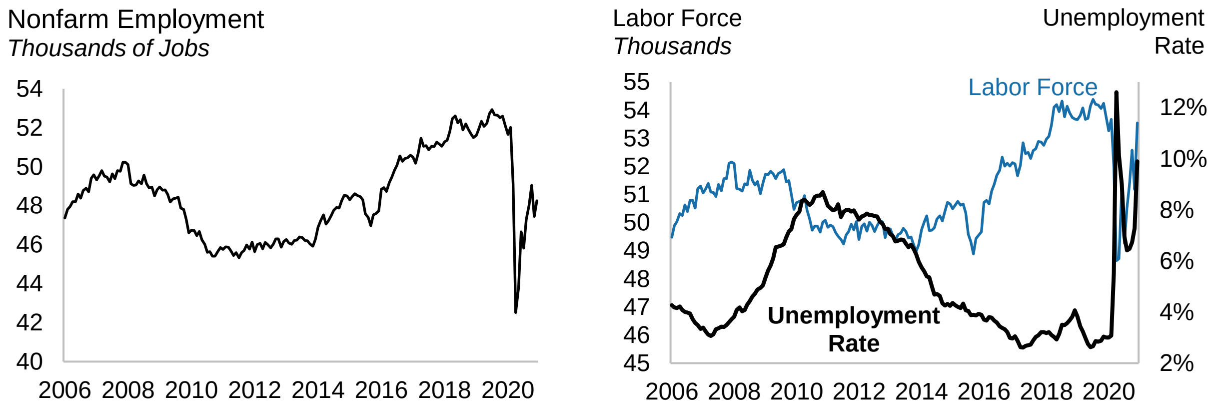
	2016	2017	2018	2019	YTD 2020
Employment Growth[1]	3.8%	2.3%	2.0%	0.8%	-9.0%
Unemployment Rate[1]	3.5%	2.9%	3.4%	3.0%	7.2%
Housing Permit Growth[2]	-4.6%	29.8%	24.1%	-33.9%	6.3%
National Park Recreation Visits[3]	7.5%	4.4%	-7.6%	-2.1%	-48.1%

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

Labor market. Among the regions, the southwest mountain region posted the largest employment contraction in the state in 2020. From February to April 2020, seasonally adjusted regional employment fell by nearly 10,000 and the unemployment rate peaked at 13.2 percent (Figure 33). While employment steadily rebounded through October, employment contracted in November and remained about 3,800 below February levels in December. After falling as low as 6.2 percent in August, the unemployment rate rose to 9.9 percent through the end of the year.

Households and businesses were impacted by rising COVID-19 cases in the final months of 2020. However, falling case counts and easing restrictions should help employment in the region improve through 2021. The impact of the winter surge in cases will likely influence the region's first quarter activity, but activity should rise in the second quarter. Warming weather and vaccine rollout through the summer is expected to improve the outlook further over the latter half of 2021.

Figure 33
Southwest Mountain Region Labor Market Activity

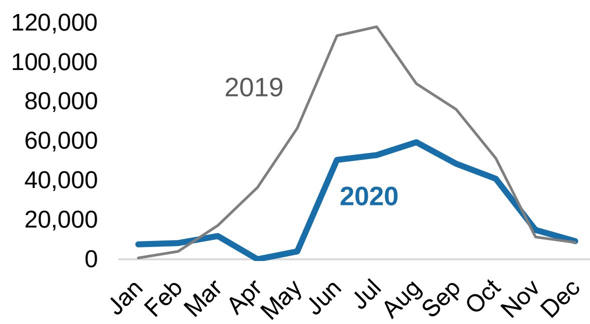


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through December 2020.

Housing. The regional residential real estate market improved over the past year. In 2020, data indicate that home sales activity grew in the southwest region and building activity increased. In 2020, there were 540 units permitted, 6.3 percent higher than 2019. However, permit activity remained about 30 percent below the peak recorded in 2018. Permit activity has varied within the region. The City of Durango recorded about 31 percent fewer permits for new housing units in 2020 compared with 2019. The Colorado Association of Realtors reported home sales and median prices increased in each of the five counties in 2020.

Tourism. Visits to Mesa Verde National Park and nearby Hovenweep National Monument were down more than 48 percent in 2020. Figure 34 compares monthly visits to both parks for 2019 and 2020. The pandemic significantly impacted visitations through the second and third quarters. However, visitations in the fourth quarter were down just 4.6 percent compared with 2019 levels.

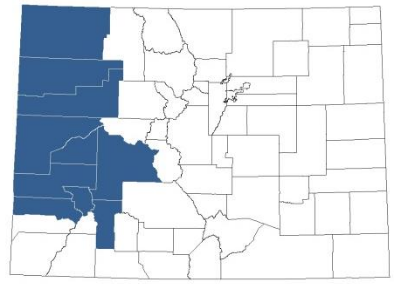
Figure 34
Visits to Mesa Verde National Park and Hovenweep National Monument



Source: National Park Service. Data through December 2020.

In 2020, passenger traffic was down more than 50 percent at the Durango-La Plata County airport, consistent with the broad reach of the pandemic on travel nationwide. In addition to the pandemic, extreme fire danger also influenced tourist activity in the region over the past year. Travel cancellations over the winter will likely continue to weigh on tourism and regional activity through the first quarter of 2021. Similar to other parts of the state, below average snowfall in the southwest mountain region has likely dampened skier visits and winter visitation.

Western Region



The ten-county western region has a diverse economy. Key industries in the more northern counties of Mesa, Garfield, Moffat, and Rio Blanco 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. Compounding the negative impacts of the COVID-19 crisis in the spring of 2020, summer wildfires engulfed large swathes of the region, shutting down popular tourist destinations altogether. Economic indicators for the region are summarized in Table 22.

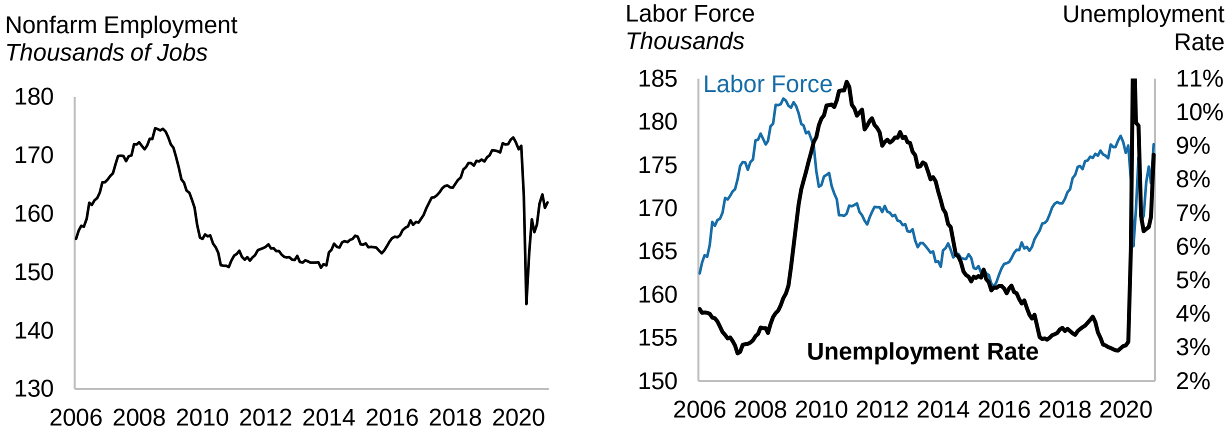
Table 22
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2016	2017	2018	2019	YTD 2020
Employment Growth					
Western Region[1]	2.1%	3.6%	2.9%	2.1%	-6.2%
Grand Junction MSA[2]	-0.3%	-0.4%	2.4%	1.3%	-2.0%
Unemployment Rate[1]	4.5%	3.4%	3.6%	3.1%	7.0%
Natural Gas Production Growth[3]	-6.7%	-2.1%	1.3%	2.2%	1.8%
Housing Permit Growth[4]	6.7%	42.8%	15.5%	-15.0%	34.8%
Nonresidential Construction Growth[4]					
Value of Projects	16.4%	-33.1%	4.5%	54.5%	-69.8%
Square Footage of Projects	-3.9%	-17.6%	30.4%	-0.6%	-19.2%
Level (*Thousands*)	579	477	622	618	500
Number of Projects	41.1%	-36.7%	20.0%	16.7%	24.3%
Level	79	50	60	70	87
National Park Recreation Visits[5]	-5.8%	6.5%	-5.8%	2.3%	-0.1%

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through December 2020.
[2]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through December 2020.
[3]Colorado Oil and Gas Conservation Commission. Data through November 2020.
[4]F.W. Dodge. Data through December 2020.
[5]National Park Service. Data through December 2020. Recreation visits for Dinosaur National Monument, Colorado National Monument, Black Canyon of the Gunnison, and Curecanti National Recreation Area.

Labor market. After suffering a steep decline in March and April, employment grew steadily for the remainder of 2020, yet remains approximately 5.6 percent below pre-recession employment levels. (Figure 35, left). In spite of job gains in the second half of 2020, the unemployment rate has been rising in recent months, due largely to individuals rejoining the labor force after dropping out rather than individuals losing employment (Figure 35, right). The tourism and energy sectors were hit hardest by the COVID-19-induced economic downturn. The Grand Junction area has fared better than other areas within the region, with employment recovering to pre-recession levels by late 2020, due to its more diverse employment options.

Figure 35
Western Region Labor Market Activity

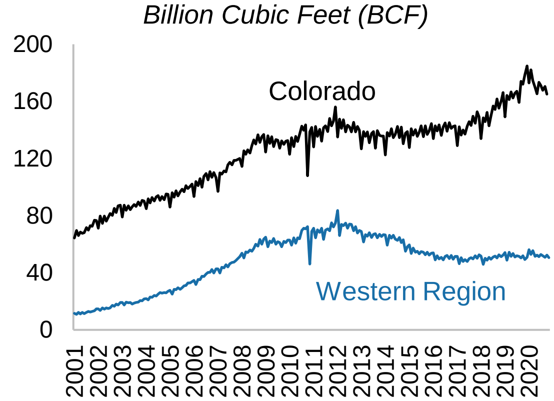


Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through December 2020.

Construction. After a 2019 decline in residential construction activity, as measured by housing permits, permit activity rebounded in 2020, growing by 34.8 percent over 2019 levels. This about-face in the housing sector coincided with a shift in demand toward more rural areas and to houses with more space. Nonresidential construction activity, however, has weakened. After two large projects drove up the value of nonresidential construction during 2019, the value of projects experienced a 69.8 percent decrease in 2020. Nonresidential construction activity is expected to remain at lower levels through a portion of 2021, 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 1.8 percent year-to-date through November 2020 compared with 2019 levels (Figure 36). The recent cold snap has pushed natural gas prices higher, increasing from $2.71 in January to $4.63 per million Btu in the second week of February as measured by the Henry Hub Natural Gas Spot Price, as demand spiked and supply was constrained due to the extreme weather. Natural gas prices are expected to moderate in 2021 but remain above 2020 prices, leading to decreased demand for natural gas and a shift to other fuels, unless increased production can offset the price increase.

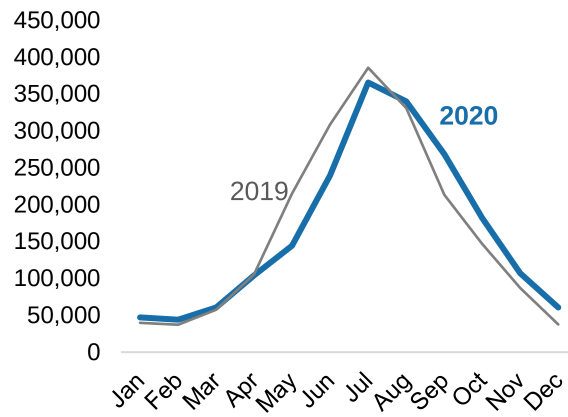
Figure 36
Natural Gas Production
Billion Cubic Feet (BCF)



Source: Colorado Oil and Gas Conservation Commission. Monthly data through November 2020.

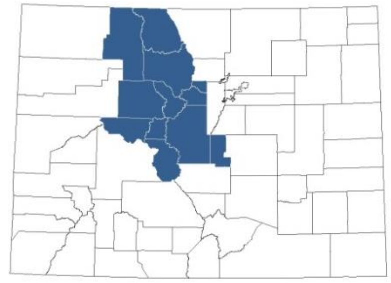
National park visitors. In addition to subdued tourism caused by COVID-19, summer wildfires in the region hampered outdoor recreation, including national park visitation (Figure 37). However, in the latter portion of 2020, national park visits in this region outpaced 2019 levels, resulting in an overall decline in visitation of only 0.1 percent compared to 2019 visitations. All but one of the national parks in the region saw a decline in visitations compared with 2019. Visitation was down 21.1 percent in Black Canyon of the Gunnison National Park, 11.6 percent in Dinosaur National Monument, and 6.9 percent in the Colorado National Monument. The Curecanti National Recreation Area, by contrast, saw a 10.2 percent increase in visitors compared to 2019 levels.

Figure 37
Regional National Park Visits*



Source: National Park Service. Data are through December 2020 and include Dinosaur and Colorado National Monuments, Curecanti National Recreation Area, and Black Canyon of the Gunnison.

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 pandemic. The labor market remains weak with the loss of tourism, travel, leisure and hospitality jobs, with many workers leaving the region in search of work elsewhere. Construction activity has also lost steam in recent months. 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%	-8.3%
Unemployment Rate[1]	2.8%	2.4%	2.7%	2.4%	8.2%
Housing Permit Growth[2]	29.0%	-10.7%	73.9%	4.8%	-29.4%
Nonresidential Construction Growth[2]					
Value of Projects	-28.9%	298.4%	-78.1%	41.6%	76.4%
Square Footage of Projects	23.0%	221.0%	-65.1%	29.2%	15.7%
Level (*Thousands*)	632	2,028	708	915	1,058
Number of Projects	57.5%	-1.6%	17.7%	-35.6%	61.7%
Level	63	62	73	47	76

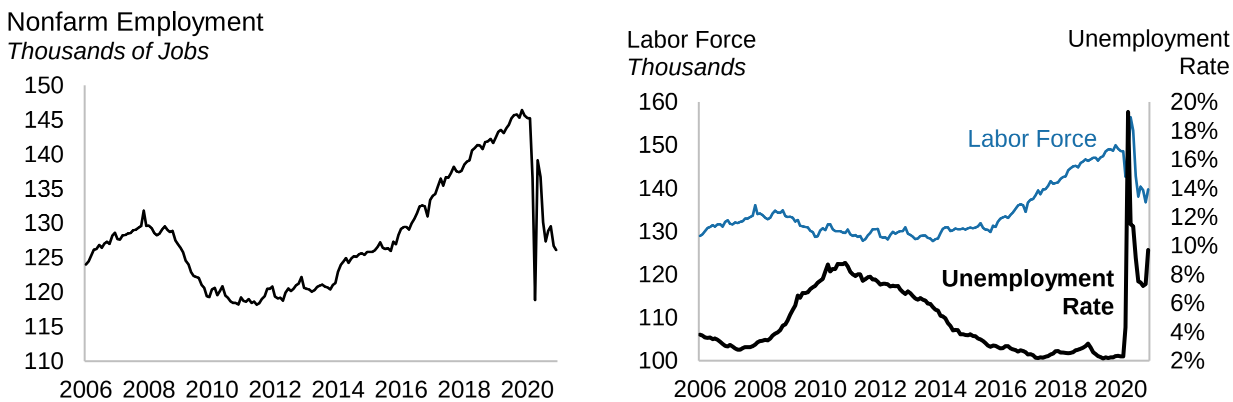
[1]U.S. Bureau of Labor Statistics, LAUS (household) survey. Seasonally adjusted. Data through December 2020.
[2]F.W. Dodge. Data through December 2020.

The mountain region economy is especially pro-cyclical, 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 has severely restricted tourist visitations, while also contributing to ongoing economic uncertainty for many households that will limit travel budgets over the next few years.

Labor market. Employment in the mountain region contracted over the latter half of 2020 after a partial rebound in the spring, and unemployment jumped as the year closed. The region continues to struggle with challenges from the pandemic, low tourism, and below average snowpack. From February to April 2020, nonfarm employment in the region fell by more than 27,000 and the unemployment rate jumped to 19.3 percent. By June, employment quickly rebounded, regaining about 68 percent of the jobs lost. However, initial gains tapered through the final six months of the year and by December regional employment remained about 19,100 lower than recorded in February (Figure 38). After initial improvements, the unemployment rate rose by 2.5 percentage points from October to December, reaching 9.7 percent by year's end. For the year, the mountain region tied with Pueblo for the highest average unemployment rate at 8.2 percent (Table 23).

Leisure and hospitality comprises a large share of employment in the mountain region. In 2019, industry data indicate 35.5 percent of all employees worked in leisure and hospitality. The sector remains depressed throughout the state and recovery in the mountain region will largely depend on this sector's performance. While unemployment in the mountain region remained elevated relative to other regions for years following the Great Recession, easing pandemic conditions could lead to rapid growth during the latter half of 2021 and into 2022.

Figure 38
Mountain Region Labor Market Activity



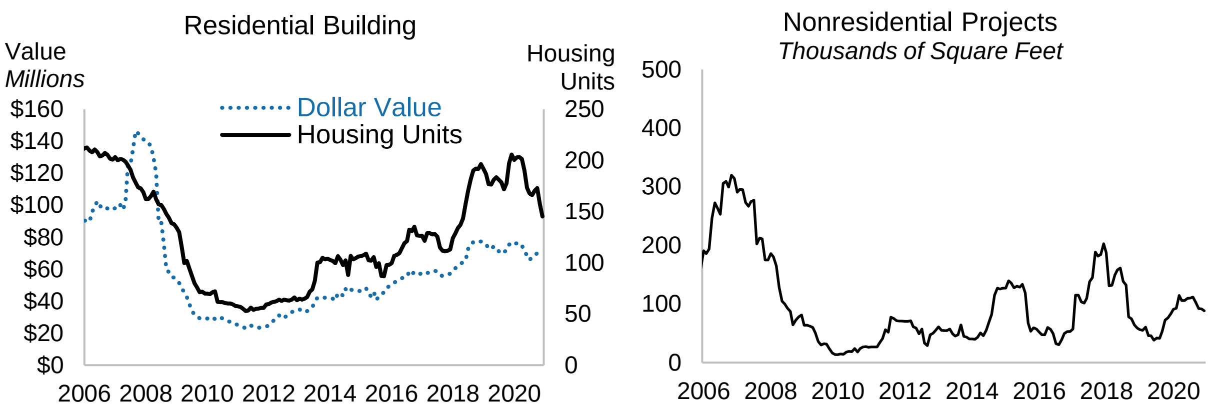
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through December 2020.

Tourism. Reduced recreational travel through the first and second quarters of 2021 is expected to be an ongoing challenge for the tourism-dependent region. The pandemic has generated both reduced consumer demand in addition to more business restrictions. High COVID-19 case counts through the end of the year resulted in several counties imposing tighter restrictions on business activity and limits on tourist activity. For example, in December Pitkin County enacted a new public health order that reduced personal gathering sizes, restaurant and retail capacity, banned indoor events, and introduced a traveler affidavit that included visitor testing and quarantine protocols. Summit County imposed tighter capacity restrictions on ski resorts in addition to short-term rentals. In January, Vail Resorts reported that its skier visits were down 16.6 percent, lift ticket revenue was down 20.9 percent, and dining revenue was down 66.2 percent. While reduced case counts along with improvement in other indicators are a source of optimism for the mountain region, the cancellation of many planned events and tourist activities prior to the season will hamper recovery.

Construction. In contrast with other regions in the state, residential construction activity in the mountain region fell in 2020. Through December 2020, permitted units were down more than 29 percent (Table 23). Permit activity fell following the onset of the pandemic and remained depressed through the summer and fall (Figure 39). A surge in permits from 2018 to 2019 may account for the decline in building activity. Other indicators of the residential real estate market show there were strong sales and price growth in many of the mountain counties over the past year. Data from the Colorado Association of Realtors indicate that home sales and prices grew in Eagle, Grand, Pitkin, Summit, and Routt counties. Additionally, limited building space and local regulations heavily influence building activity in the region's communities that could also explain part of the decline.

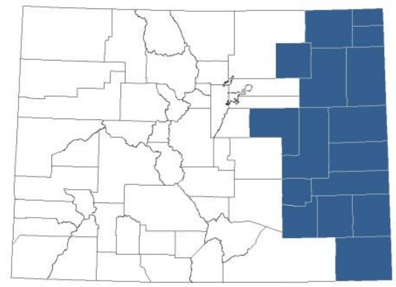
Data indicate that nonresidential construction activity increased in 2020, with gains in both value and square footage (Figure 39, right). However, the gain is attributed to strength in the first half of the year offsetting slowing activity in the latter half. The slowing number of starts will weigh on the construction industry into 2021. The region is expected to see slower nonresidential construction activity over 2021 as investors and businesses wait for more certainty.

Figure 39
Mountain Region Construction Activity



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

Eastern Region



The eastern region includes 16 rural counties on Colorado's eastern plains. Agriculture is the primary industry in the region, with local 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. Ongoing drought conditions will weigh on the region's outlook, compounding COVID-19-related disruptions in labor markets. 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%	-8.4%
Unemployment Rate[1]	3.0%	2.4%	2.8%	2.4%	4.6%
Crop Price Changes[2]					
Wheat ($/Bushel)	-27.9%	-2.9%	34.6%	-7.0%	6.3%
Corn ($/Bushel)	-7.7%	-3.4%	2.8%	9.3%	-4.6%
Alfalfa Hay (Baled, $/Ton)	-15.5%	4.8%	23.8%	14.9%	-7.8%
Livestock[3]					
State Cattle and Calf Inventory Growth	1.0%	6.7%	2.6%	8.0%	1.9%
Milk Production	5.2%	6.7%	8.8%	5.5%	7.1%

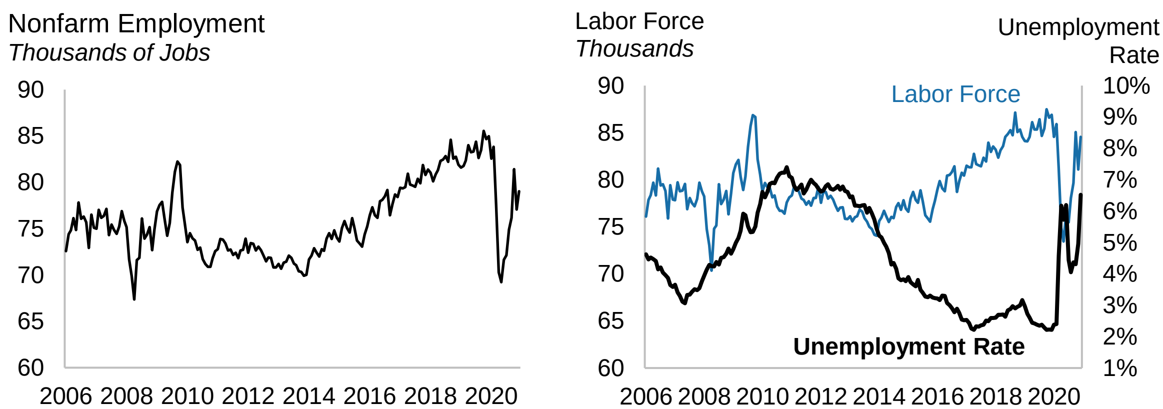
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through December 2020.
[2]National Agricultural Statistics Service. Data through December 2020.

Agriculture and livestock. The eastern plains is the largest agricultural region in the state, and the sector drives much of the region's economy. While pandemic-related disruptions roiled agricultural markets early in 2020, farm commodity prices rebounded sharply and, along with government payments, helped stabilize conditions in the second half of the year. Grain prices began trending upward in August, with wheat finishing the year at a multi-year high of $5.21 per bushel, up 6.3 percent in 2020, and corn prices finishing the year over $4.00, but still down by 4.6 percent in 2020 compared to 2019 levels. Livestock prices are still below year-ago levels, but are also improved from lows earlier in the pandemic.

Unlike farmers in many other U.S. agricultural regions, Colorado's eastern plains producers are plagued by severe weather conditions, hampering the recovery of the region's farm economy. According to the U.S. Drought Monitor, conditions across the region have improved slightly in recent weeks, with extreme drought conditions receding, but with all counties still in drought ranging from moderate to exceptional. Continued deterioration of forage and water conditions may force many ranchers to reduce cattle herd size while reducing grain production and yields.

Labor market. As in other areas of the state and nation, labor market conditions in the eastern plains have begun recovering since the pandemic-related shutdowns, albeit more slowly than their precipitous decline. The unemployment rate saw an uptick in December, as both the labor force and the number of unemployed increased with the resurgence of COVID-19 cases. At 6.5 percent, the unemployment rate is well above pre-pandemic levels, as well as the post-pandemic low of 4.0 percent seen in August 2020. Consistent with historical experience, the unemployment rate in the eastern plains is the lowest among the nine state regions (Figure 40, right). Employment is down 7.0 percent in 2020 below year-ago levels (Figure 40, left). By December, the eastern plains had regained 67.1 percent of jobs lost since the pandemic began, compared with a statewide recovery rate of 55.9 percent.

Figure 40
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 December 2020.

Housing. Despite the contraction of many rural populations, counties bordering the northern region and the Front Range are growing, as former residents of larger, more expensive metropolitan areas search for more affordable housing. This migration has contributed to home price appreciation in counties neighboring metropolitan areas. For example, the median sales price for a single-family home in Elbert County, which borders the metro Denver region, has risen from about $330,000 in 2014 to over $545,000, according to the Colorado Association of Realtors. After declining during the early months of the pandemic, home prices in the county finished the year up 6.2 percent. Median home prices in Morgan County are up 5.8 percent in 2020. Single-family home prices in Morgan County began climbing around mid-2017, rising from about $145,000 in 2014 to $275,000 in 2020, well above the median price of $153,000 in neighboring Washington County, but well below the statewide median of $435,000.

Renewable energy. Renewable energy projects, including solar and wind, have expanded rapidly in the eastern plains in recent years, bringing jobs and bolstering incomes and local tax revenues. In 2018, the region accounted for 100 percent of wind energy and 55 percent of Colorado's solar capacity, comprising 95 percent of the state's renewable energy capacity overall. By 2024, the region's renewable energy capacity is expected to expand by more than 22 percent, according to a 2020 report by The Western Way.

Appendix: Historical Data

National Economic Indicators

Calendar Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GDP ($ *Billions*)[1]	$14,451.9	$14,712.8	$14,448.9	$14,992.1	$15,542.6	$16,197.0	$16,784.9	$17,527.3	$18,238.3	$18,745.1	$19,543.0	$20,611.9	$21,433.2	$20,934.9
Percent Change	4.6%	1.8%	-1.8%	3.8%	3.7%	4.2%	3.6%	4.4%	4.1%	2.8%	4.3%	5.5%	4.0%	-2.3%
Real GDP ($ *Billions*)[1]	$15,626.0	$15,604.7	$15,208.8	$15,598.8	$15,840.7	$16,197.0	$16,495.4	$16,912.0	$17,432.2	$17,730.5	$18,144.1	$18,687.8	$19,091.7	$18,423.4
Percent Change	1.9%	-0.1%	-2.5%	2.6%	1.6%	2.2%	1.8%	2.5%	3.1%	1.7%	2.3%	3.0%	2.2%	-3.5%
Unemployment Rate[2]	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.3%	3.9%	3.7%	8.1%
Inflation[2]	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%
10-Year Treasury Note[3]	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%	0.9%
Personal Income ($ *Billions*)[1]	$12,007.8	$12,442.2	$12,059.1	$12,551.6	$13,326.8	$14,010.1	$14,181.1	$14,991.7	$15,724.2	$16,160.7	$16,948.6	$17,851.8	$18,551.5	$19,691.5
Percent Change	5.5%	3.6%	-3.1%	4.1%	6.2%	5.1%	1.2%	5.7%	4.9%	2.8%	4.9%	5.3%	3.9%	6.1%
Wage & Salaries ($ *Billions*)[1]	$6,396.8	$6,534.3	$6,248.6	$6,372.1	$6,625.9	$6,927.5	$7,113.2	$7,475.2	$7,859.5	$8,089.1	$8,471.5	$8,894.2	$9,309.3	$9,331.9
Percent Change	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%	0.2%
Nonfarm Employment (*Millions*)[2]	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	142.3
Percent Change	1.1%	-0.6%	-4.3%	-0.7%	1.2%	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.3%	-5.7%

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nonfarm Employment (*Thousands*)[1]	2,330.3	2,349.6	2,244.3	2,221.0	2,257.4	2,311.7	2,380.5	2,463.5	2,541.2	2,601.5	2,660.2	2,727.1	2,789.9	2,645.9
Percent Change	2.3%	0.8%	-4.5%	-1.0%	1.6%	2.4%	3.0%	3.5%	3.2%	2.4%	2.3%	2.5%	2.3%	-5.2%
Unemployment Rate[1]	3.7%	4.9%	7.9%	9.1%	8.7%	8.0%	6.8%	5.0%	3.7%	3.1%	2.6%	3.0%	2.7%	7.3%
Personal Income ($ *Millions*)[2]	$201,876	$208,738	$198,800	$205,372	$223,153	$237,142	$249,282	$271,308	$284,820	$290,670	$312,046	$335,196	$352,185	NA
Percent Change	6.5%	3.4%	-4.8%	3.3%	8.7%	6.3%	5.1%	8.8%	5.0%	2.1%	7.4%	7.4%	5.1%	NA
Per Capita Income ($)[2]	$42,024	$42,689	$39,982	$40,689	$43,575	$45,669	$47,311	$50,711	$52,254	$52,475	$55,604	$58,896	$61,157	NA
Percent Change	4.7%	1.6%	-6.3%	1.8%	7.1%	4.8%	3.6%	7.2%	3.0%	0.4%	6.0%	5.9%	3.8%	NA
Wage & Salary Income ($ *Millions*)[2]	$112,526	$116,710	$112,228	$113,670	$118,414	$124,947	$129,521	$138,626	$146,578	$151,086	$160,848	$170,323	$182,087	NA
Percent Change	6.5%	3.7%	-3.8%	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	5.9%	6.9%	NA
Retail Trade Sales ($ *Millions*)[3]	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569	$90,653	$94,920	NA	NA	NA	NA	NA
Percent Change	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	8.5%	4.7%					
Residential Housing Permits[4]	29,454	18,998	9,355	11,591	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	46,844
Percent Change	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	21.3%
Nonresidential Construction ($ *Millions*)[5]	$5,259	$4,114	$3,354	$3,147	$3,923	$3,695	$3,624	$4,351	$4,991	$5,988	$6,160	$8,141	$5,069	$4,857
Percent Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.9%	32.2%	-37.7%	-4.2%
Denver-Aurora-Lakewood Inflation[1]	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%	2.0%
Population (*Thousands, July 1*)[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	5,807.7
Percent Change	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%	0.9%

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.