Colorado Legislative Council Staff

June 2021 | Economic & Revenue Forecast

June 18, 2021

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Contributors

Kate Watkins, Chief Economist
Marc Carey
Louis Pino
Greg Sobetski
Elizabeth Ramey
Jeff Stupak
David Hansen
Anna Gerstle
Christina Van Winkle
Debbie Grunlien

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

This report presents the budget outlook based on current law and the June 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 2020-21

General Fund revenue collections well exceeded March 2021 forecast expectations, and are projected to grow 11.4 percent in FY 2020-21. The General Fund is projected to end the year with a 26.5 percent reserve, $2.6 billion above the required 2.86 percent reserve. This amount incorporates legislation passed during the 2021 session, which increased General Fund appropriations and transfers. On higher revenue collections, revenue subject to TABOR is expected to exceed the Referendum C cap by $551.4 million, requiring TABOR refunds in FY 2021-22.

FY 2021-22

The ongoing economic rebound from the COVID-19 recession will increase General Fund revenue collections by a projected 3.7 percent above year-ago levels. The General Fund is projected to end the year with a 27.9 percent reserve, $1.8 billion above the required 13.4 percent reserve. This amount incorporates legislative actions during the 2021 legislative session, including passage of the FY 2021-22 budget package, an increased reserve requirement, and increased General Fund transfers. Revenue subject to TABOR is expected to exceed the Referendum C cap by $658.2 million.

FY 2022-23 Unbudgeted

The General Assembly is projected to have $3.2 billion, or 22.1 percent, more to spend or save in the General Fund than what is budgeted to be spent and saved in FY 2021-22. As a budget has not yet been adopted for FY 2022-23, this amount holds current appropriations for FY 2021-22 constant and assumes current law transfers, and the 15.0 percent General Fund reserve requirement. The $3.2 billion amount does not incorporate caseload growth, inflationary, or other budgetary pressures. As revenue continues to grow in an expanding economy, revenue subject to TABOR is expected to exceed the Referendum C cap by $908.5 million.

Risks to the forecast. FY 2020-21 tax collections data provide valuable insights on the impacts of the pandemic and federal stimulus on state revenue. To date, upside risks have materialized as collections have far exceeded expectations in forecasts published over the course of the past year. Yet, recent policy changes and unusual tax collection patterns will continue to contribute to ongoing forecast risks throughout the forecast period. While the pandemic appears to be easing, the trajectory of the COVID-19 virus poses an ongoing downside risk to collections should cases rise and public health restrictions be reestablished. Additionally, while lasting economic damage ("scarring") from the pandemic appears limited to date, it may prove more severe than expected once federal stimulus effects fade.

Cash Fund Revenue

After decreasing 8.3 percent, or $203.1 million, in FY 2019-20, cash fund revenue subject to TABOR is expected to decline an additional 0.7 percent in the current FY 2020-21 before rebounding by 3.8 percent in FY 2021-22. The crude oil market rout, drop in 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 to pre-pandemic levels by FY 2022-23. Relative to the March forecast, revenue expectations were increased $78.0 million in FY 2020-21, $44.9 million in FY 2021-22, and $74.0 million in FY 2022-23.

Unemployment Insurance Trust Fund insolvency. The Unemployment Insurance Trust Fund is expected to end FY 2020-21 with a deficit of $996 million due to an unprecedented increase in unemployment benefits paid during the COVID-19-related recession and continued elevated unemployment. 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 $2.0 billion in the current FY 2020-21. The fund became insolvent in August 2020, when benefits exceeded available funds. As of June 14, 2021, the state had $1,014.2 million in federal loans outstanding. 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

The economy continues to recover from the pandemic recession, with public health restrictions and COVID-19 concerns easing amid the ongoing vaccine rollout. Even as a return to normalcy appears imminent, the economy continues to face challenges. Rather than the hoped-for strong and steady recovery accompanying the ebbing of the pandemic, economic activity has instead been choppy. Many households and businesses are still bearing the brunt of lingering distress, while others have emerged unscathed or even better off than before. Spending and employment in sectors tied to in-person services still lag pre-pandemic levels.

Economic indicators point to supply and demand mismatches throughout the economy. While unemployment remains high in many service sector industries impacted most by the pandemic, employers in other industries report difficulty finding workers. The inventory of homes for sale remains stubbornly low and demand for the limited number of homes on the market high, causing housing prices skyrocket. Supply chain bottlenecks plague the manufacturing and homebuilding sectors, and transportation and energy prices have surged, while inflationary pressures across many other goods and services remain low. Consumers are emboldened with stimulus cash and ready to spend again, particularly on in-person services. Yet, businesses in many sectors need time to ramp up operations to meet the pent-up demand. Most of these mismatches are expected to abate during 2021 as health concerns continue to wane and businesses catch up with demand.

While uncertainty remains elevated, many of the downside risks associated with the COVID-19 pandemic have eased over the past year. Discussion of the economic outlook begins on page 37, and summaries of expectations for the U.S. and Colorado economies are presented, respectively, in Tables 16 and 17 on pages 55 and 56.

General Fund Budget Overview

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

- a summary of changes in expectations relative to the March 2021 forecast (Table 2);
- statutory transfers to transportation and capital construction funds (Table 3);
- transfers to the State Education Fund (Figure 1);
- the disposition of fiscal policies dependent on revenue collections;
- General Fund rebates and expenditures (Table 4); and
- cash fund transfers to and from the General Fund (Table 5).

Legislative Adjustments

This forecast is based on current law, including changes from legislation passed during the 2021 regular legislative session and federal legislation enacted to date. State legislation that has been adopted by both chambers and that has been signed or awaits signature by the Governor is incorporated into this forecast. This includes:

- changes to General Fund appropriations under the supplemental package for FY 2020-21 (Senate Bill 21-041 through Senate Bill 21-052), the Long Bill (Senate Bill 21-205), the mid-year adjustment for the school finance act (Senate Bill 21-053), and other legislation affecting appropriations;
- increases to the General Fund reserve requirement under Senate Bill 21-226;
- adjustments to the Referendum C cap under Senate Bill 21-260 (see page 15);
- changes to transfers to and from the General Fund (see Tables 3 and 5); and
- legislative impacts to General Fund revenue (see Table 7) and cash funds revenue (see discussion beginning on page 27).

Legislative adjustments may be subject to change. Due to the unusual timing of the 2021 legislative session, which ended June 8, 2021, legislative adjustments incorporated in this forecast may be subject to higher than usual corrections in future forecasts as additional information becomes available.

Federal ARPA funds. Based on legislation enacted to date, this forecast assumes that state allocation of funds from the federal American Rescue Plan Act (ARPA) of 2021 will not be deposited into the General Fund. Therefore, these funds are not included in amounts shown in the General Fund budget overview.

FY 2020-21

The General Fund is expected to end the current fiscal year with a 26.5 percent reserve, $2.6 billion higher than the statutorily required 2.86 percent reserve (Table 1, line 19). The projected year-end reserve is $350 million lower than what was expected in March, as increased revenue expectations were more than offset by the TABOR refund obligation and increased appropriations and transfers.

Legislation passed since the March 2021 forecast increased appropriations by $393.7 million and increased net transfers from the General Fund by $1.1 billion. General Fund revenue is projected to grow 11.4 percent in FY 2020-21 relative to year-ago levels, reflecting surprisingly strong income tax collections given the economic impacts of the pandemic. Relative to the March forecast, revenue expectations were increased by $1.6 billion. Most revenue sources exceeded expectations, though individual income taxes reflected the largest share of the increase on stronger-than-expected 2020 regular filing payments.

The TABOR limit is expected to restrict the amount of revenue the state can retain and spend beginning in FY 2020-21. On higher revenue expectations for both General Fund revenue and cash funds revenue subject to TABOR, revenue is projected to exceed the Referendum C cap by $551.4 million in FY 2020-21. The TABOR surplus amount is set aside in the year in which it is collected and refunded in the following year. Because the state overrefunded the FY 2018-19 surplus by an estimated $111.2 million, $440.2 million will be refunded to taxpayers in FY 2021-22.

FY 2021-22

The General Fund is expected to end FY 2021-22 with a 27.9 percent reserve, $1.8 billion higher than the statutorily required 13.4 percent reserve (Table 1, line 19). This amount incorporates the passage of the FY 2021-22 budget package and other bills impacting appropriations, as well as legislative increases to net transfers from the General Fund totaling $693.0 million, and the SB 21-226 increase in the reserve requirement from 2.86 percent to 13.4 percent.

The ongoing economic expansion from the COVID-19 recession will increase General Fund revenue collections by a projected 3.7 percent above year-ago levels. Relative to the March forecast, revenue expectations were increased by $1.1 billion on higher than expected collections year-to-date in FY 2020-21. Revenue is projected to exceed the Referendum C cap by $658.2 million in FY 2021-22, resulting in a TABOR refund of an equal amount in FY 2022-23.

FY 2022-23

Because a budget has not yet been enacted for FY 2022-23, Table 1 (line 21) shows the amount of revenue available in FY 2022-23 relative to the amount budgeted to be spent or saved in FY 2021-22. Based on this forecast, the General Assembly will have $3.2 billion, or 22.1 percent, more to spend or save than in FY 2021-22. This amount assumes current law obligations for FY 2022-23, including transfers and rebates and expenditures (Table 1, lines 8 through 12), as well as a 15.0 percent reserve requirement under SB 21-226. The $3.2 billion amount is a cumulative amount based on prior year revenue expectations and the budget situation in FY 2021-22. Any changes in revenue expectations or changes made to the budget for FY 2021-22 will carry forward into FY 2022-23. The $3.2 billion amount holds FY 2021-22 appropriations constant and therefore does not reflect any caseload, inflationary, or other budgetary pressures.

Changes between the March 2021 and June 2021 Forecasts

Table 2 summarizes the changes to the General Fund budget outlook between the March 2021 and this June 2021 forecast for FY 2020-21 and FY 2021-22. While revenue expectations were increased significantly on higher-than-expected collections in FY 2020-21, higher revenue estimates are more than offset by the constraints of the TABOR limit and increased General Fund obligations from 2021 legislative changes.

Table 1
General Fund Overview
Dollars in Millions

	Funds Available	**FY 2019-20 Actual**	**FY 2020-21 Estimate**	**FY 2021-22 Estimate**	**FY 2022-23 Estimate**
1	Beginning Reserve	$1,262.6	$1,825.7	$2,911.0	$3,427.0
2	General Fund Revenue	$12,868.0	$14,336.5	$14,868.4	$15,704.3
3	Transfers from Other Funds *(Table 5)*	$248.0	$337.0	$19.5	$18.6
4	**Total Funds Available**	**$14,378.6**	**$16,499.2**	**$17,798.9**	**$19,150.0**
5	Percent Change	2.9%	14.7%	7.9%	7.6%
	Expenditures	**Actual**	**Budgeted**	**Budgeted**	**Estimate**
6	General Fund Appropriations Subject to Limit[1]	$11,868.5	$10,980.5	12,294.8	*
7	TABOR Refund Obligation Under Art. X, §20, (7)(d)	$0.0	$440.2	$658.2	$908.5
8	Rebates and Expenditures *(Table 4)*	$145.7	$293.7	$138.3	$138.4
9	Transfers to Other Funds *(Table 5)*	$210.9	$1,563.9	$638.8	$651.2
10	Transfers to the State Education Fund[2]	$40.3	$113.0	$123.0	$0.0
11	Transfers to Transportation Funds *(Table 3)*	$300.0	$154.0	$170.0	$115.0
12	Transfers to Capital Construction Funds *(Table 3)*	$213.6	$43.0	$348.8	$20.0
13	**Total Expenditures**	**$12,778.9**	**$13,588.2**	**$14,371.9**	*
14	Percent Change	-0.6%	6.3%	5.8%	*
15	Accounting Adjustments[3]	$226.1	*	*	*
	Reserve	**Actual**	**Estimate**	**Estimate**	**Estimate**
16	Year-End General Fund Reserve	$1,825.7	$2,911.0	$3,427.0	*
17	Year-End Reserve as a Percent of Appropriations	15.4%	26.5%	27.9%	*
18	Statutorily Required Reserve[4]	$364.4	$314.0	$1,647.5	*
19	**Amount in Excess or (Deficit) of Statutory Reserve**	**$1,461.4**	**$2,596.9**	**$1,779.5**	*
20	Excess Reserve as a Percent of Expenditures	11.4%	19.1%	12.4%	*
	Perspectives on FY 2022-23 (Unbudgeted)				**Estimate**
	Scenario: Hold FY 2021-22 Appropriations Constant[5]				
21	Amount in Excess or (Deficit) of Statutory Reserve Requirement				$3,177.9
22	As a Percent of Prior-Year Expenditures				22.1%
	Addendum	**Actual**	**Estimate**	**Estimate**	**Estimate**
23	Percent Change in General Fund Appropriations	5.4%	-7.5%	12.0%	*
24	5% of Colorado Personal Income Appropriations Limit	$15,602.3	$16,759.8	$17,609.2	$18,446.0
25	Transfers to State Education Fund per Amendment 23	$646.7	$874.6	$835.9	$889.4

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

[1]Includes appropriations for bills passed by both chambers during the 2021 legislative session.

[2]Includes transfers pursuant to SB 19-246, HB 20-1420, and SB 21-208.

[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, 13.4 percent in FY 2021-22, and 15 percent each year thereafter.

[5]This scenario holds appropriations in FY 2022-23 equal to appropriations in FY 2021-22 (line 6) to determine the total amount of money available relative to FY 2021-22 expenditures, net of the obligations in lines 7 through 12.

Table 2
Changes in the General Fund Budget Situation Relative to the March 2021 Forecast
Dollars in Millions, Positive Amounts Reflect an Increase Relative to March

	Components of Change	2020-21	2021-22	Description of Changes
1	**Funds Available**	**$1,618.9**	**$730.8**	
2	Beginning Reserve	$0.0	-$338.8	Carries the lower FY 2020-21 end balance into FY 2021-22 beginning balance.
3	General Fund Revenue	$1,615.0	$1,063.9	Reflects higher revenue forecast on stronger than expected collections to date.
4	Transfers from Other Funds	$3.9	$5.7	See Table 5. Primarily reflects forecast-driven changes to transfer amounts.
5	**Expenditures**	**$1,968.9**	**$4,245.9***	
6	Operating Appropriations	$393.7	$1,708.0*	Reflects 2021 legislation, including the FY 2020-21 supplemental package and FY 2020-21 budget package.
7	TABOR Refund Obligation	$440.2	$658.2	Reflects higher revenue forecast on stronger than expected collections to date.
8	Rebates and Expenditures	$1.5	-$163.8	In FY 2021-22, property tax exemption reimbursements to local governments are refunded from the FY 2020-21 TABOR surplus.
9	SEF Transfers	$0.0	$100.0	SB 21-208.
10	Transportation Transfers	$124.0	$170.0	See Table 3. Reflects SB 21-260.
11	Capital Construction Transfers	$0.0	$328.8	See Table 3. Reflects SB 21-224.
12	Other Cash Fund Transfers	$998.3	$99.9	See Table 5. Reflects 2021 legislation.
13	Required Reserve	$11.3	$1,344.7*	Reflects increased reserve under SB 21-226 and change in appropriations.
14	**Surplus Relative to Required Reserve**	**-$350.0**	**-$3,515.1***	

**Because a budget for FY 2021-22 had not yet been adopted in March, March forecast amounts were based on a scenario that held FY 2020-21 appropriations constant. The amount shown in this table reflect the difference between the March budget scenario and actual budgeted amounts as of the date of this June forecast.*

General Fund Transfers to Transportation and Capital Construction

Statutory transfers from the General Fund to transportation and capital construction funds are shown in Table 3. 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 5, and shown on lines 3 and 9 of Table 1.

Table 3
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			
SB 19-262	$100.0			
SB 21-110		$30.0		
SB 21-260			$170.0	$115.0
SB 21-265		$124.0		
Total	**$300.0**	**$154.0**	**$170.0**	**$115.0**

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			
HB 20-1378	-$19.7	$3.0		
HB 20-1261	$7.5			
SB 21-112		$20.0		
SB 21-224			$328.8	
Total	**$213.6**	**$43.0**	**$348.8**	**$20.0**

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

General Fund contributions to transportation. Legislation enacted in 2021 directed one-time transfers totaling $154.0 million from the General Fund to the State Highway Fund for FY 2020-21. **Senate Bill 21-260** directs an additional $170.0 million transfer to the State Highway Fund in FY 2021-22.

For FY 2022-23 through FY 2025-26, SB 21-260 requires transfers from the General Fund to the State Highway Fund and the Multimodal Transportation and Mitigation Options Fund depending on the amount of revenue retained as a result of the TABOR limit adjustment in the bill. This forecast projects that the entire $115 million transfer will be made in FY 2022-23, with no additional transfer requirement thereafter. The bill also repealed an ongoing obligation for $50 million annual transfers from the General Fund to the State Highway Fund beginning in FY 2022-23. Finally, the bill creates new blocks of ongoing transfers to begin in FY 2024-25, beyond the current forecast period.

State Education Fund

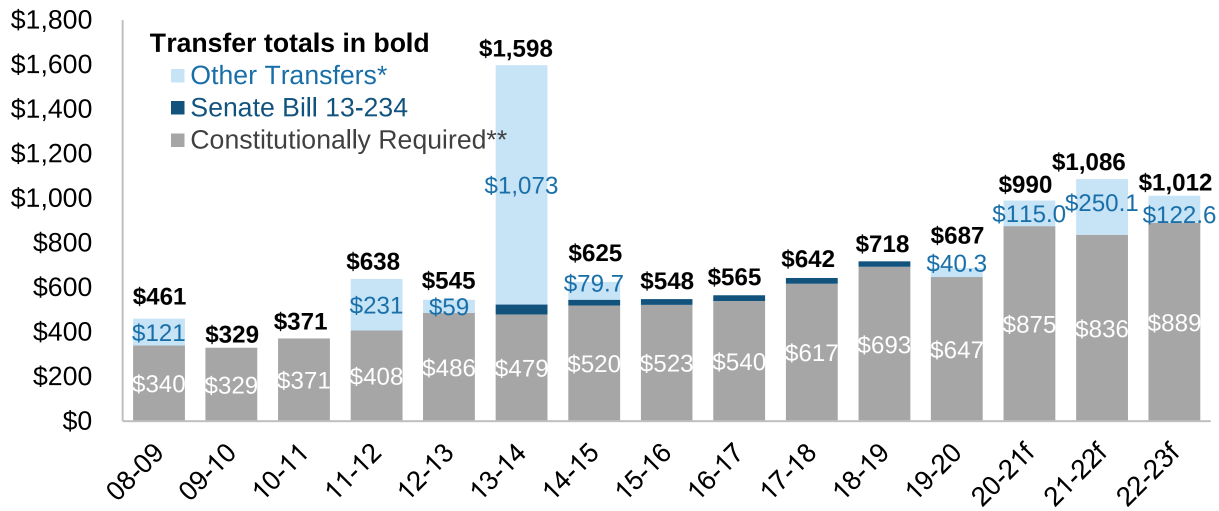
Figure 1 shows revenue to the State Education Fund. The Colorado Constitution requires the State Education Fund to receive one-third of 1 percent of taxable income. In FY 2020-21, the State Education

Fund is expected to receive $875 million as a result of this requirement, with higher amounts in the following year resulting from growth in taxable income among Colorado taxpayers.

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 a transfer of $113 million in FY 2020-21 and $23 million in FY 2021-22 to the State Education Fund, and Senate Bill 21-208 includes a transfer of $100 million in FY 2021-22.

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 $2.0 million in FY 2020-21, $127.1 million in FY 2021-22, and $122.6 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.

Figure 1
Revenue to the State Education Fund
Dollars in Millions



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

Fiscal Policies Dependent on Revenue Conditions

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

Partial refundability of the conservation easement tax credit is expected to be available for tax years 2021 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. The state did not collect a TABOR surplus in FY 2019-20. This forecast expects a TABOR surplus in each of FY 2020-21, FY 2021-22, and FY 2022-23. Therefore, partial refundability of the credit is expected to be available for tax years 2021, 2022, and 2023.

Contingent transfers for transportation. Senate Bill 21-260 created conditional General Fund transfers for transportation between FY 2022-23 and FY 2025-26. The transfer amount each year is limited to one-half of the amount of revenue retained as a result of the Referendum C cap adjustment in the bill, and total transfers across all four years are limited to $115.0 million. Based on this forecast, the state is expected to retain $240.5 million as a result of the Referendum C cap adjustment in FY 2022-23, enough to fully fund the $115.0 million transfer. Of the transfer amount, 94 percent is credited to the Multimodal Transportation and Mitigation Options Fund, and 6 percent is credited to the State Highway Fund.

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 well above the cutoff amount.

Table 4
General Fund Rebates and Expenditures
Dollars in Millions

Category	Actual FY 2019-20	Percent Change	Actual 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%	$157.9	4.4%	$163.8	3.8%	$165.1	0.8%
TABOR Refund Mechanism[1]	-$151.2		$0.0		-$163.8		-$165.1	
Cigarette Rebate	$8.9	-5.0%	$8.6	-3.5%	$8.1	-5.3%	$7.9	-2.5%
Old Age Pension Fund	$84.8	-2.3%	$74.8	-11.8%	$70.7	-5.4%	$69.1	-2.3%
Aged Property Tax and Heating Credit	$5.8	5.3%	$6.5	10.6%	$6.2	-4.8%	$5.9	-3.5%
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	-80.6%	$3.7	192.4%	$4.6	24.3%
Firefighter Pensions	$4.3	1.5%	$4.3	1.3%	$4.4	1.5%	$4.5	1.5%
Amendment 35 Distributions	$0.8	-1.7%	$0.8	0.0%	$0.8	-1.8%	$0.8	-0.8%
Marijuana Sales Tax Transfer to Local Governments	$24.5	27.4%	$31.5	28.5%	$34.4	9.0%	$35.6	3.5%
Total Rebates and Expenditures	**$145.7**	**-41.7%**	**$293.7**	**101.6%**	**$138.3**	**-52.9%**	**$138.4**	**0.1%**

Totals may not sum due to rounding.

[1]Pursuant to SB 17-267, local government reimbursements for these property tax exemptions are the first TABOR refund mechanism used to meet the prior year's refund obligation.

Table 5
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	$42.5	$12.3	$13.8
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]			
SB 21-209	Repealed Cash Funds		$0.05	
Total Transfers to the General Fund		**$337.0**	**$19.5**	**$18.6**

Transfers from the General Fund		2020-21	2021-22	2022-23
SB 11-047	Bioscience Income Tax Transfer to OEDIT	$23.1	$23.5	$25.0
SB 14-215	Marijuana Tax Cash Fund	$204.0	$222.3	$230.1
SB 15-244 & SB 17-267	State Public School Fund	$35.7	$39.0	$40.3
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	$42.9	$114.0
HB 19-1245	Housing Development Grant Fund	$15.0	$54.0	$56.4
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	$46.1	$183.8	$184.3
HB 20-1427	Preschool Programs Cash Fund[2]	$0.3	$1.2	$0.9
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		

[1]Requires the balance of the Debt Collection Fund to be transferred to the General Fund on June 30, 2021.
[2]HB 20-1427 requires the transfer of 73% of additional sales tax revenue due to the imposition of the minimum cigarette price to the Preschool Programs Cash Fund on June 30th in 2021, 2022, and 2023.

Table 5 (Cont.)
Cash Fund Transfers
Dollars in Millions

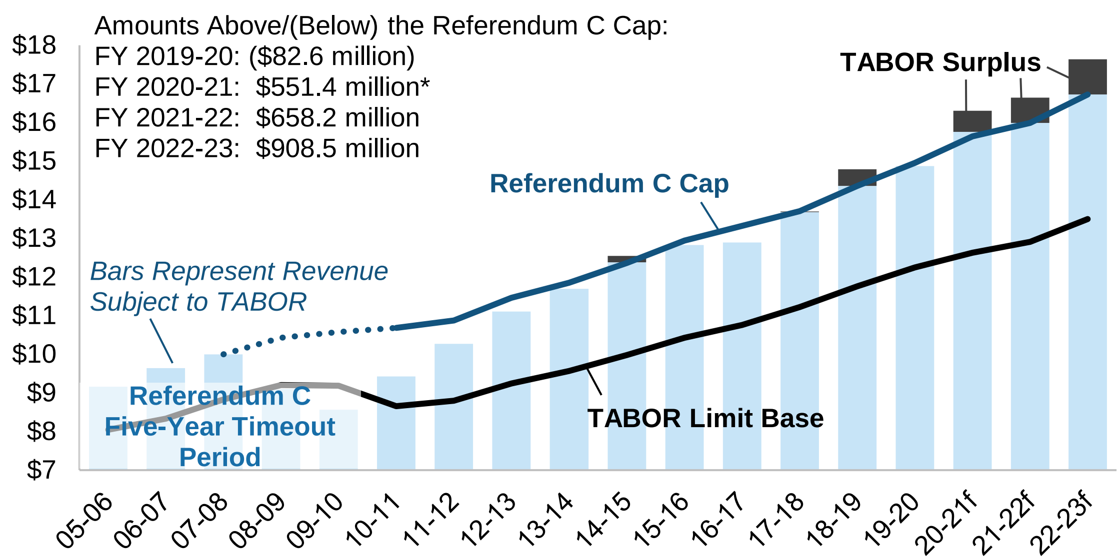
Transfers to the General Fund (Cont.)		2020-21	2021-22	2022-23
HB 21-1149	Energy Sector Career Pathway in Higher Education		$5.0	
HB 21-1215	Expansion of Justice Crime Prevention Initiative	$3.5		
HB 21-1253	Renewable & Clean Energy Project Grants	$5.0		
HB 21-1260	Implement State Water Plan	$20.0		
HB 21-1262	Money Support Agricultural Events Organization	$5.0		
HB 21-1263	Meeting & Events Incentive Program	$10.0		
HB 21-1285	Funding to Support Creative Arts Industries		$5.0	
HB 21-1288	Colorado Startup Loan Program	$31.4		
HB 21-1290	Additional Funding For Just Transition	$15.0		
HB 21-1326	Support DNR Programs	$25.0		
SB 21-054	Wildfire Mitigation & Response	$13.0		
SB 21-113	Firefighting Aircraft Wildfire Mgmt & Response	$30.8		
SB 21-202	Public School Air Quality Improvement Grants	$10.0		
SB 21-211	Adult Dental Benefit	$1.1	$2.3	
SB 21-225	Repay Cash Funds For 2020 Transfers		$10.0	
SB 21-227	State Emergency Reserve	$101.0		
SB 21-228	PERA Payment Cash Fund	$380.0		
SB 21-229	Rural Jump-start Zone Grant Program		$3.0	
SB 21-230	CO Energy Office Energy Fund	$40.0		
SB 21-231	Energy Office Weatherization Assistance Grants	$3.0		
SB 21-234	Agriculture & Drought Resiliency	$3.0		
SB 21-235	Stimulus Funding Dept of Ag Efficiency Programs	$3.0		
SB 21-240	Watershed Restoration Grant Program Stimulus	$20.0		
SB 21-242	Housing Devt Grants Hotels Tenancy Support	$15.0		
SB 21-243	CDPHE Appropriation Public Health Infrastructure		$16.0	
SB 21-248	Loan Program for Colorado Agriculture	$30.0		
SB 21-251	Loan Family Medical Leave Program		$1.5	
SB 21-258	Wildfire Risk Mitigation	$25.0		
SB 21-281	Severance Tax Trust Fund Allocation	$9.5	$9.5	
SB 21-283	Cash Fund Solvency	$3.1	$4.3	
SB 21-286	Home- & Community-based Services	$260.7		
SB 21-290	Security For Colorado Seniors		$15.0	
Total Transfers from the General Fund		**$1,563.9**	**$638.8**	**$651.2**
Net General Fund Impact		**-$1,226.9**	**-$619.3**	**-$632.6**

TABOR Outlook

The state TABOR outlook is presented in Table 6 and illustrated in Figure 2, which also provides a history of the TABOR limit base and the Referendum C cap.

State revenue fell short of the TABOR limit for FY 2019-20, and no refund is required in the current FY 2020-21. State revenue is projected to **exceed the Referendum C cap** in each of FY 2020-21, FY 2021-22, and FY 2022-23, creating a state obligation for **TABOR refunds** to taxpayers in each of FY 2021-22, FY 2022-23, and FY 2023-24.

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



Source: Office of the State Controller and Legislative Council Staff. f = Forecast.
**Refunds for the FY 2021-22 surplus will be adjusted for overrefunds in prior years.*

FY 2020-21. State revenue subject to TABOR is projected to total $16.19 billion, $551.4 million more than the Referendum C cap. Relative to the March forecast, expectations for General Fund and cash fund revenue subject to TABOR were increased by a total of $1.72 billion. Expectations for the Referendum C cap were increased by $225.0 million following the passage of **Senate Bill 21-260**, which reversed a reduction made to the FY 2017-18 Referendum C cap in Senate Bill 17-267.

Through May 2021, the State Controller reports that the state has **overrefunded** prior TABOR surpluses by $111.2 million. The most recent TABOR surplus was collected in FY 2018-19 and triggered a temporary income tax rate reduction for the 2019 tax year. Because taxable income for 2019 exceeded forecasts used to estimate the cost of the rate reduction, more revenue was refunded than required. Under current state law, any outstanding overrefund reduces the amount required to be refunded when the state next collects a TABOR surplus. Accordingly, the TABOR refund obligation for FY 2020-21 is estimated at **$440.2 million**.

FY 2021-22. State revenue subject to TABOR is projected to total $16.65 billion, $658.2 million more than the Referendum C cap. Relative to the March forecast, expectations for state revenue subject to TABOR were increased by $1.12 billion. Expectations for the Referendum C cap were increased by $137.4 million, reflecting the partially offsetting impacts of SB 21-260, explained above, and the lower-than-expected Colorado population count in the 2020 decennial census. Following each decennial census, the census population counts are used instead of population estimates for purposes of calculating the growth factors for the TABOR limit. In the March forecast, the population growth estimate used for calendar year 2020 was 0.9 percent based on available estimates at that time. As shown in Table 6, the 2020 decennial census count for Colorado's population exceeded the 2019 estimate by only 0.3 percent. Therefore, the population contribution to the FY 2021-22 TABOR limit growth factor was reduced accordingly, relative to the March forecast.

The state TABOR refund obligation for FY 2021-22 is estimated at **$658.2 million**, the same amount as the TABOR surplus. The actual refund obligation will incorporate any over- or underrefund of the FY 2020-21 TABOR surplus.

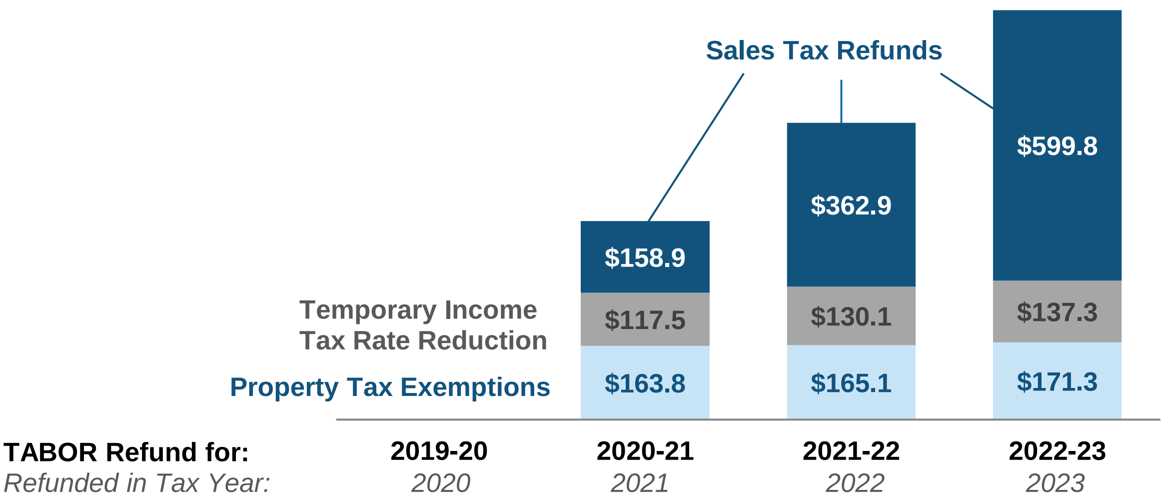
FY 2022-23. State revenue subject to TABOR is projected to total $17.63 billion, $908.5 million more than the Referendum C cap. The state TABOR refund obligation is estimated at **$908.5 million**, the same amount as the TABOR surplus. The actual refund obligation will incorporate any over- or underrefund of the FY 2020-21 and FY 2021-22 TABOR surpluses.

Volatile estimates. Estimates of the TABOR surplus and TABOR refund obligation represent the amount by which state revenue subject to TABOR is expected to exceed the Referendum C cap. Therefore, any error in the revenue forecast will result in error of an equal amount in the TABOR refund forecast. For example, if actual FY 2021-22 revenue subject to TABOR exceeds this forecast by $500 million, then the TABOR surplus will likewise exceed this forecast by $500 million.

TABOR refund mechanisms. Current state law includes three TABOR refund mechanisms: property tax exemptions for seniors and disabled veterans, a temporary reduction in the income tax rate from 4.55 percent to 4.50 percent, and the six-tier sales tax refund mechanism based on taxpayers' incomes. Based on this forecast, all three refund mechanisms are expected to be triggered on for each of tax years 2021, 2022, and 2023, as shown in Figure 3.

Refunds made via property tax exemptions reduce an obligation that would otherwise be paid from current year General Fund revenue, as shown in Table 9 on page 25. Refunds made via the income tax rate reduction and sales tax refund are paid to taxpayers when they file their state income tax returns. These mechanisms are accounted as an offset against the amount of surplus revenue restricted to pay TABOR refunds, rather than as a revenue reduction. Therefore, the General Fund revenue forecast does not incorporate downward adjustments as a result of these refund mechanisms being activated.

Figure 3
TABOR Refunds Forecast Through 2023
Dollars in Millions



Source: Legislative Council Staff June 2021 forecast.

Table 6
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	$13,974.9	$14,340.8	$15,164.2
2	Cash Funds[1]	$2,244.2	$2,221.4	$2,306.5	$2,468.9
3	**Total TABOR Revenue**	**$14,873.8**	**$16,196.3**	**$16,647.3**	**$17,633.1**
	Revenue Limit				
4	Allowable TABOR Growth Rate	4.1%	3.1%	2.2%	4.6%
5	Inflation (*from Prior Calendar Year*)	2.7%	1.9%	2.0%	3.1%
6	Population Growth (*from Prior Calendar Year*)	1.4%	1.2%	0.3%	1.5%
7	TABOR Limit Base	$12,249.0	$12,628.7	$12,906.6	$13,500.3
8	Voter Approved Revenue Change (Referendum C)	$2,624.8	$3,016.3	$3,082.6	$3,224.4
9	Total TABOR Limit / Referendum C Cap	$14,956.4	$15,645.0	$15,989.2	$16,724.7
10	**TABOR Revenue Above** (Below) **Referendum C Cap**	**($82.6)**	**$551.4**	**$658.2**	**$908.5**
	Retained/Refunded Revenue				
11	Revenue Retained under Referendum C[2]	$2,624.8	$3,016.3	$3,082.6	$3,224.4
12	Fiscal Year Spending (*revenue available to be spent or saved*)	$14,873.8	$15,645.0	$15,989.2	$16,724.7
13	Outstanding Overrefund Amount[3]		($111.2)		
14	**Revenue Refunded to Taxpayers**	**$0.0**	**$440.2**	**$658.2**	**$908.5**
15	TABOR Reserve Requirement	$446.2	$469.3	$479.7	$501.7

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.*

[2]*Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget.*

[3]*This amount represents the excess refunded from the General Fund as part of the TABOR refund obligation for FY 2018-19.*

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 9 on page 25 summarizes actual General Fund revenue collections for FY 2019-20 and projections for FY 2020-21 through FY 2022-23.

FY 2020-21. With eleven months of collections data now available for FY 2020-21, General Fund revenue is expected to increase 11.4 percent and total $14.3 billion in the current fiscal year. About 75 percent of the year-on-year increase is attributable to individual and corporate income tax revenue. For both income tax streams, tax year 2020 filings remitted in March, April, and May significantly exceeded March forecast expectations, which were prepared with minimal data on actual 2020 final payments. The remainder of the increase is attributable to sales, retail marijuana, and tobacco excise taxes.

FY 2021-22. Revenue is expected to increase by 3.7 percent and total $14.9 billion, with most of the increase in individual income, tobacco, and insurance premium taxes. Growth in the largest revenue streams – income and sales taxes – is expected to moderate. The tobacco tax increase is attributable to full-year implementation of the additional voter-approved taxes in **Proposition EE**, which are initially credited to the General Fund and then distributed to various cash funds. The insurance premium tax increase is attributable in part to tax policy changes enacted in **House Bill 21-1312**.

FY 2022-23. Revenue growth is expected to return to trend levels, growing 5.6 percent to total $15.7 billion. Most of the increase is expected to arise in individual income and sales tax revenue.

Upward revisions. The revenue outlook was increased by $1.6 billion, or 12.7 percent, for the current FY 2020-21 and by $1.1 billion, or 7.7 percent, for FY 2021-22. Increases are overwhelmingly in expectations for individual and corporate income tax collections. Due dates for tax year 2020 final payments were delayed by a month, such that data on these payments were unavailable at the time of the March forecast. As discussed below, final payments indicate that income taxes sustained less significant losses than expected in 2020. Revisions for FY 2021-22 and FY 2022-23 reflect growth from this higher base amount, as well as revisions to the economic outlook and the fiscal impacts of legislation enacted during the 2021 session.

Risks to the forecast. Risks to the forecast remain significant for both FY 2021-22 and FY 2022-23. Potential fallout (or "scarring") from the pandemic recession on businesses, employment, and wages elevates downside risk, while a year-long pattern of revenue collections in excess of forecast expectations raises upside risk. In particular, a critical mass of challenges including recent economic volatility, changes to federal and state tax policy and income tax withholding forms, and delayed tax filing deadlines continue to pose unique challenges in the process of translating tax tracking data into a revenue forecast.

Legislative adjustments. This forecast incorporates the estimated fiscal impacts of legislation enacted by the General Assembly during the 2021 legislative session, including legislation that now awaits the Governor's signature or veto. Legislative impacts on the General Fund revenue outlook are presented in Table 7.

Table 7
General Fund Revenue Impacts of 2021 Legislation
Dollars in Millions

		FY 2020-21	FY 2021-22	FY 2022-23
HB 21-1002	Income Tax Liability	($24.3)	($24.0)	($21.5)
HB 21-1069	Exploitation of Children	-	$0.0	$0.1
HB 21-1214	Record Sealing	-	$0.1	$0.1
HB 21-1233	Conservation Easements	($11.5)	($23.1)	($23.1)
HB 21-1261	Beetle Kill Wood Sales Tax Exemption	-	($0.5)	($0.5)
HB 21-1265	Sales Tax Retention	-	($45.1)	-
HB 21-1311	Income Taxes	-	$11.0	$34.5
HB 21-1312	Insurance Premium Taxes	-	$97.2	$141.2
SB 21-229	Rural Jump Start Program	-	($0.1)	($0.5)
SB 21-257	Mobile Machinery Registration	-	($0.1)	($0.1)
	Total	**($35.8)**	**$15.4**	**$130.2**

Source: Legislative Council Staff fiscal notes.

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.

Individual income tax expectations have been revised upward significantly on much stronger than expected final payments for tax year 2020 alongside upward revisions to the economic outlook. Individual income tax revenue before application of the SEF transfer is expected to close FY 2020-21 at nearly $9.7 billion, an 11.9 percent increase from FY 2019-20, and to grow to $9.9 billion in FY 2021-22 and $10.5 billion in FY 2022-23.

FY 2020-21. For most taxpayers, final payments for tax year 2020 were due on May 15, 2021. While data on final payments are incomplete, available data suggest that net tax receipts for the 2020 tax year exceeded nominal net tax receipts for the 2019 tax year, despite the pandemic recession. Table 8 presents net tax receipts for tax years 2019 and 2020, including forecast expectations for the remaining final payments for tax year 2020.

Table 8
Individual Income Tax Receipts by Source, Tax Years 2019 and 2020[1]
Dollars in Billions

	Tax Year 2019	Tax Year 2020	Percent Change
Tax Rate	4.63 percent[2]	4.55 percent	-1.7%
Withholding	$6.76 billion	$7.53 billion	+11.3%
Estimated Payments	$1.70 billion	$1.57 billion	-7.9%
Cash With Returns[3]	$1.43 billion	$1.34 billion	-6.2%
Refunds[3]	($1.21 billion)	($1.49 billion)	+23.2%
Total	**$8.68 billion**	**$8.95 billion**	**+3.0%**

Source: Office of the State Controller; Department of Revenue; and June 2021 Legislative Council Staff forecast.

[1]To accommodate accrual adjustments, withholding and estimated payments for a tax year show receipts between February of that year and January of the following year to correspond to calendar year collections, which are generally collected about a month after income is earned. Cash with returns and refunds for a tax year show transactions between January and December of the following year. Tax received during these time periods may be for the current or any prior tax year, but are assumed to be representative of the tax years indicated.

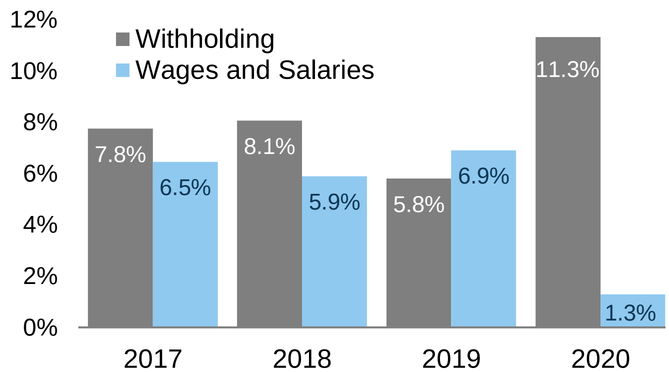
[2]The state refunded a portion of the FY 2018-19 TABOR surplus via a reduction in the 2019 income tax rate to 4.50 percent. This is accounted as an expenditure of the restricted FY 2018-19 TABOR surplus, rather than a reduction in revenue. The amounts shown for tax year 2019 do not include the impact of the rate reduction.

[3]Cash with returns and refunds for tax year 2020 include preliminary data for May 2021 and forecasted transactions for June through December 2021.

As shown in Table 8, reduced estimated tax payments, reduced final cash payments, and a significant increase in state income tax refunds were more than offset by the increase in income tax withholding during the 2020 tax year. The rapid increase in wage withholding is inconsistent with estimated wage and salary income, which the U.S. Bureau of Economic Analysis's preliminary estimates suggest grew by just 1.3 percent during 2020 (Figure 4). This forecast attributes the disproportionate increase in tax withholding to:

- much less severe job losses among high-wage earners, for whom both greater amounts and larger percentages of wage income are taxable;
- withholding from unemployment insurance benefit payments, which added about $193 million above what would be expected had pre-pandemic levels of withheld benefits persisted over the full year; and
- changes to the Department of Revenue's wage withholding instructions to employers, which resulted in a higher share of state income tax withheld from wages for most taxpayers.

Figure 4
Change in Income Tax Withholding vs. Wage and Salary Income, Tax Years 2017 through 2020[1]
Percent Growth from Prior Tax Year



Source: Office of the State Controller and Department of Revenue (withholding); U.S. Bureau of Economic Analysis (wage and salary income).

[1]Withholding for a tax year shows receipts between February of that year and January of the following year to correspond to calendar year collections, which are generally collected about a month after income is earned.

With eleven months of data now available, risks to the FY 2020-21 income tax outlook have mostly dissipated. However, revenue may be greater or less than forecast depending on estimated payments for the second quarter of 2021, which are due in June, and on accrual adjustments made after the end of the year.

FY 2021-22. Individual income tax revenue is expected to approach $9.9 billion before application of the SEF transfer. Expectations were revised up by about $830 million relative to the March forecast, mostly on the strength of 2020 final payments and year-to-date payments for 2021. In particular, because 2020 payments show much shallower recessionary impacts on income tax receipts than feared, tax collections are expected to grow from a higher base level than previously forecast.

Some changes in collections observed during the current fiscal year are now expected to persist through the forecast period. The share of wage and salary income represented in withheld tax payments is expected to remain elevated, such that the withholding and refunds components of income tax revenue are both expected to be larger than historical transactions. These changes contribute to forecast risk, as they cause data to differ from historical monthly revenue tracking records used to prepare the forecast and are less indicative of final payments. Therefore, the outlook for FY 2021-22 contains sizable risks to both the upside and the downside.

FY 2022-23. Revenue is expected to increase 6.1 percent and reach nearly $10.5 billion before application of the SEF transfer. Expectations for the year have been upgraded by about $850 million relative to the March forecast, mostly on the strength of 2020 final payments and year-to-date payments for 2021. As for FY 2021-22, the outlook for FY 2022-23 contains risks to both the upside and the downside.

Tax rate. This forecast expects the state TABOR refund obligation for each of FY 2020-21 through FY 2022-23 to be sufficient to trigger a temporary reduction in the income tax rate from 4.55 percent to 4.50 percent for each of tax years 2021, 2022, and 2023. The cost of the rate reduction is accounted as a debit against restricted prior year TABOR surpluses, rather than a reduction in current year revenue. Therefore, the forecast for all fiscal years reflects the application of a 4.55 percent tax rate for budget purposes.

Legislative adjustments. The General Assembly passed several bills with impacts on income taxes during the forecast period. **House Bill 21-1311** expanded the state earned income tax credit and activated the state child tax credit, while also restricting the application of federal itemized deductions and qualified business income deductions for the purpose of determining Colorado taxable income. **House Bill 21-1233** is expected to increase claims of the tax credit for conservation easement donations, thereby decreasing state revenue. On net, legislation enacted during 2021 is expected to reduce income tax revenue by between $25 million and $45 million annually, because large impacts of legislation in both directions are mostly expected to offset one another.

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 held back oil and gas industry activity, causing decreases in tax payments.

As of FY 2020-21, the negative impact of the pandemic on corporate income tax revenue broadly appears to have dissipated based on strong year-to-date collections. However, the apparent strength may obscure important differences between industries with some thriving and some continuing to struggle in the pandemic economy. Corporate tax revenue is expected to rebound strongly by 41.8 percent in FY 2020-21 to just over $1.0 billion as the economy emerges from the COVID-19 pandemic. In FY 2021-22, revenue is expected to decrease modestly from this record high as federal stimulus wears off.

Corporate income tax revenue expectations have been continually revised upwards in each quarterly forecast since the COVID-19 pandemic began in March 2020. Revenue expectations for FY 2020-21 were revised upwards by about 45 percent compared to the March forecast, and expectations for FY 2021-22 were revised upwards by 26 percent. Collections have repeatedly exceeded expectations despite the depth of the economic recession, resulting in upward revisions to FY 2021-22 and FY 2022-23. Corporate income tax revenue is volatile, and to the extent that economic performance falls short of or exceeds expectations, 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 6.9 percent to total $3.4 billion during FY 2020-21, after growing by 4.7 percent during FY 2019-20. Revenue growth will slow to 2.2 percent in FY 2021-22 on legislative adjustments and as federal stimulus wears off, and will normalize to trend growth in FY 2022-23, growing by 6.4 percent.

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. Rising COVID-19 case counts and restricted activity for many businesses impacted retail sales in the last two months of the calendar year, dampening collections from December to January. Following federal stimulus in December 2020 and March 2021, along with improved pandemic conditions and loosened restrictions, sales tax collections surged in April and May. The spring surge put collections on track for the fastest growth posted since FY 2017-18.

Heading into FY 2021-22, growth will be supported by improved activity for many large contributors to the tax base, including restaurants, bars, and accommodations. However, recent legislative changes allowing businesses that provide food and drinking services to retain a portion of collections for COVID-19 recovery will partially offset anticipated growth. Further, personal income growth is expected to slow in FY 2021-22 as the effects of federal stimulus fade and transfer payments to households decrease, muting growth in consumer activity. In FY 2022-23, continued economic expansion is expected to support strong revenue growth, in combination with legislative changes that will further boost sales tax collections.

Out-of-state sales. Legislative and rule changes made during 2019 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 exceeds 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 0.3 percent in FY 2020-21, before growing a modest 2.9 percent in FY 2021-22 and 2.1 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 growth lower than its 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. However, legislative changes passed in the 2021 session will slightly boost growth rates in FY 2021-22 and FY 2022-23.

Proposition EE Cigarette, Tobacco, and Nicotine Taxes

Table 9 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 9 shows expected revenue collections, and equivalent transfers from the General Fund to the 2020 Tax Holding Fund are shown in Table 5 on page 13. This forecast estimates that Proposition EE taxes will total $46.1 million in FY 2020-21 and increase to $183.8 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 9
General Fund Revenue Estimates
Dollars in Millions

	Category	Actual 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	$3,416.7	6.9	$3,492.8	2.2	$3,717.6	6.4
2	Use	$210.5	-39.1	$209.9	-0.3	$216.1	2.9	$220.7	2.1
3	Retail Marijuana Sales	$245.5	27.0	$315.4	28.5	$343.8	9.0	$355.8	3.5
4	Cigarette	$32.5	-0.1	$30.5	-6.1	$28.9	-5.3	$28.2	-2.5
5	Tobacco Products	$24.4	9.5	$29.9	22.8	$25.2	-15.8	$26.9	6.7
6	Liquor	$50.1	3.7	$53.6	7.1	$55.3	3.2	$57.1	3.2
7	Proposition EE Tobacco Taxes	$0.0	NA	$46.1	NA	$183.8	298.3	$184.3	0.3
8	**Total Excise**	$3,759.0	1.7	$4,102.3	9.1	$4,346.0	5.9	$4,590.7	5.6
	Income Taxes								
9	Net Individual Income	$8,644.9	4.8	$9,674.2	11.9	$9,877.5	2.1	$10,481.5	6.1
10	Net Corporate Income	$728.3	-20.8	$1,032.5	41.8	$982.6	-4.8	$980.6	-0.2
11	Total Income Taxes	$9,373.2	2.3	$10,706.7	14.2	$10,860.1	1.4	$11,462.0	5.5
12	Less: Portion Diverted to the SEF	-$646.7	-6.7	-$874.6	35.2	-$835.9	-4.4	-$889.4	6.4
13	**Income Taxes to the General Fund**	$8,726.5	3.0	$9,832.1	12.7	$10,024.2	2.0	$10,572.7	5.5
	Other Sources								
14	Estate	$0.0	NA	$0.0	NA	$0.0	NA	$0.0	NA
15	Insurance	$337.4	7.2	$327.1	-3.1	$426.5	30.4	$470.3	10.3
16	Pari-Mutuel	$0.4	-23.7	$0.2	-36.1	$0.4	70.0	$0.5	9.0
17	Investment Income	$31.1	17.2	$41.6	33.6	$37.5	-9.7	$35.3	-5.9
18	Court Receipts	$3.9	-6.7	$3.8	-1.2	$4.0	3.2	$3.9	-1.4
19	Other Income	$9.7	-80.2	$29.4	203.5	$29.8	1.4	$31.0	3.9
20	**Total Other**	$382.5	-3.1	$402.1	5.1	$498.2	23.9	$541.0	8.6
21	**Gross General Fund Revenue**	**$12,868.0**	**2.4**	**$14,336.5**	**11.4**	**$14,868.4**	**3.7**	**$15,704.3**	**5.6**

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

Cash Fund Revenue

Table 10 summarizes the forecast for cash fund revenue subject to TABOR. Typically, 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. Audited 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 $201.3 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 10
Cash Fund Revenue Subject to TABOR
Dollars in Millions

	Actual FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Transportation-Related	$1,198.2	$1,184.7	$1,226.6	$1,317.9	
Percent Change	-6.1%	-1.1%	3.5%	7.4%	3.2%
Severance Tax	$131.7	($4.8)	$54.9	$109.9	
Percent Change	-48.4%	-103.6%	1243.0%	100.2%	-5.9%
Gaming Revenue[1]	$69.1	$97.6	$107.3	$110.9	
Percent Change	-35.4%	41.2%	10.0%	3.3%	17.1%
Insurance-Related	$24.9	$21.5	$21.3	$21.9	
Percent Change	10.5%	-13.8%	-0.9%	2.8%	-4.3%
Regulatory Agencies	$81.1	$85.4	$84.0	$85.0	
Percent Change	2.9%	5.3%	-1.6%	1.2%	1.6%
Capital Construction Related - Interest[2]	$6.3	$3.0	$2.1	$1.7	
Percent Change	33.6%	-52.7%	-30.5%	-19.6%	-35.8%
2.9% Sales Tax on Marijuana[3]	$13.3	$16.5	$17.7	$18.2	
Percent Change	24.0%	23.6%	7.5%	2.5%	10.9%
Other Cash Funds[4]	$712.0	$817.5	$792.5	$803.4	
Percent Change	4.2%	14.8%	-3.1%	1.4%	4.1%
Total Cash Fund Revenue[4]	**$2,236.8**	**$2,221.4**	**$2,306.5**	**$2,468.9**	
Subject to the TABOR Limit	-8.3%	-0.7%	3.8%	7.0%	3.3%

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]For FY 2019-20 through FY 2021-22, includes transfers from the Unclaimed Property Trust Fund to the General Fund per SB 19-261 and HB 20-1381. Revenue to this fund is TABOR exempt, but becomes subject to TABOR when transferred out of the fund.

Table 11
Transportation Revenue by Source
Dollars in Millions

	Actual 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	$592.9	$632.0	$645.5	1.1%
Percent Change	-4.6%	-5.1%	6.6%	2.1%	
Road Usage Fees	NA	NA	NA	$58.6	NA
Percent Change				NA	
Total Registrations	$381.8	$414.2	$382.4	$366.4	-1.4%
Percent Change	-0.2%	8.5%	-7.7%	-4.2%	
Registrations	*$227.0*	*$242.1*	*$238.8*	*$237.8*	
Road Safety Surcharge	*$134.0*	*$143.9*	*$108.5*	*$91.2*	
Late Registration Fees	*$20.9*	*$28.2*	*$35.1*	*$37.5*	
Other HUTF Receipts[1]	$63.0	$53.8	$66.9	$86.4	11.1%
Percent change	-11.5%	-14.5%	24.3%	29.1%	
Total HUTF	**$1,069.3**	**$1,060.9**	**$1,081.2**	**$1,157.0**	2.7%
Percent Change	-3.6%	-0.8%	1.9%	7.0%	
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	$100.3	$119.8	$134.3	9.8%
Percent Change	-20.4%	-1.1%	19.5%	12.1%	
Aviation Fund[3]	*$26.2*	*$17.7*	*$28.9*	*$31.7*	
Multimodal Transportation Options Fund[4]	*NA*	*NA*	*NA*	*$6.8*	
Law Enforcement-Related[5]	*$7.7*	*$7.8*	*$7.2*	*$6.1*	
Registration-Related[6]	*$67.5*	*$74.7*	*$83.7*	*$89.7*	
Total Transportation Funds	**$1,198.2**	**$1,184.7**	**$1,226.6**	**$1,317.9**	3.2%
Percent Change	-6.1%	-1.1%	3.5%	7.4%	

Totals may not sum due to rounding. NA = Not applicable.

**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 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]Retail delivery fee revenue credited to the fund under SB 21-260.

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

[6] Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and POST Board registration fees.

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 total $2.22 billion, a further 0.7 percent decline from FY 2019-20. Expectations relative to the March 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 3.8 percent and 7.0 percent in FY 2021-22 and FY 2022-23, respectively.

Transportation-related revenue subject to TABOR is projected to end FY 2020-21 down 1.1 percent relative to already-low FY 2019-20 levels. Fuel tax revenue sustained a significant blow during 2020 as shifts to remote work depressed commuter traffic, while vehicle registrations recovered as motor vehicle offices reopened. Revenue is expected to increase by 3.5 percent in FY 2021-22 and add another 7.4 percent in FY 2022-23. The forecast for transportation-related revenue is presented in Table 11.

Most fuel taxes and vehicle registration fees are credited to the **Highway Users Tax Fund** (HUTF) and disbursed to the Department of Transportation, the State Patrol, the Division of Motor Vehicles, and to county and municipal governments for transportation purposes. HUTF revenue decreased 3.6 percent in FY 2019-20 and is expected to fall by an additional 0.8 percent in FY 2020-21 on sagging fuel consumption during the pandemic. Fuel tax receipts are expected to rebound in FY 2021-22, but to remain below pre-pandemic peak levels through the forecast period on improving vehicle fuel efficiency and permanent shifts to remote work for some. DMV office closures during the spring of 2020 shifted a portion of FY 2019-20 vehicle registration fee revenue into FY 2020-21, and registrations are expected to fall from this elevated level.

Along with other legislation enacted during the 2021 session, this forecast incorporates **Senate Bill 21-260**, which awaits the Governor's signature. The bill has impacts on state revenue subject to and exempt from TABOR, and only its impacts on state revenue subject to TABOR are included in the forecast. Notably, the bill temporarily reduces the road safety surcharge in 2022 and 2023, creates a road usage fee on gasoline and diesel fuel beginning in FY 2022-23, and creates retail delivery fees credited to each of the Highway Users Tax Fund and the Multimodal Transportation and Mitigation Options Fund beginning in FY 2022-23. The bill's other revenue impacts occur in state enterprises, which are exempt from TABOR.

The forecast also incorporates **House Bill 21-1254**, which requires holders of temporary registration permits to pay late fees if they fail to register their vehicles by the appropriate deadlines. The bill will increase HUTF revenue from late vehicle registration fees beginning in 2022.

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 negative $4.8 million, before rebounding to $54.9 million in FY 2021-22 and $109.9 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 12.

Table 12
Severance Tax Revenue Forecast by Source
Dollars in Millions

	Actual FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Oil and Gas	$111.9	($18.2)	$41.8	$95.9	-5.0%
Percent change	-52.5%	-116.3%	-329.9%	129.4%	
Coal	$2.6	$1.8	$1.7	$1.6	-16.0%
Percent change	-26.1%	-29.9%	-5.1%	-10.8%	
Molybdenum and Metallics	$2.4	$2.0	$2.1	$2.2	-2.8%
Percent change	-3.2%	-13.9%	3.5%	3.0%	
Total Severance Tax Revenue	**$116.8**	**-$14.3**	**$45.7**	**$99.6**	-5.2%
Percent change	-51.7%	-112.2%	-419.1%	118.2%	
Interest Earnings	$14.8	$9.5	$9.2	$10.2	-11.6%
Percent change	10.1%	-35.9%	-3.0%	11.1%	
Total Severance Tax Fund Revenue	**$131.7**	**($4.8)**	**$54.9**	**$109.9**	-5.9%
Percent change	-48.4%	-103.6%	-1243.0%	100.2%	

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

Severance tax collections from **oil and natural gas** totaled $111.9 million in FY 2019-20 and are forecast to decline 116.3 percent in FY 2020-21 to negative $18.2 million as refunds eclipse collections. 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 as property taxes for 2019 were 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.

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 and have remained above $60 since mid-April. However, production in Colorado, and the United States, remains subdued. Wells are shut and only 10 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. Oil prices are forecast at $61.85 per barrel in 2021, and natural gas prices are forecast at $3.19 per thousand cubic feet in 2021.

Coal severance tax revenue declined 26.1 percent in FY 2019-20 and will decline 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 29.9 percent in FY 2020-21 to $1.8 million and decline by an additional 5.1 percent to $1.7 million in FY 2021-22.

Metal and molybdenum mines are expected to pay $2.0 million in severance taxes on the value of minerals produced in FY 2020-21, a decrease of 13.9 percent over FY 2019-20, and $2.1 million in FY 2021-22. The Climax Mine outside Leadville announced plans in 2020 to cut production by 50 percent going forward. Additionally, the Henderson Mine outside Empire is also expected to reduce production based on lower demand for steel and other products that use molybdenum.

Finally, **interest earnings** on severance tax revenue are expected to total $9.5 million in FY 2020-21 and $9.2 million in FY 2021-22.

Legislation passed in the 2021 legislative session is expected to increase severance tax revenue beginning in FY 2021-22, with changes to tax expenditures for oil and gas producers and coal producers. **HB 21-1312** modified the netback deduction for oil and gas producers, which will increase severance tax revenue by an indeterminate amount beginning in FY 2021-22. Additionally, the quarterly coal tonnage exemption and tax credit for underground mine coal production will be phased out between tax year 2022 and 2026. These changes are expected to result in increased severance tax collections beginning in FY 2021-22.

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 began on May 1, 2021.

Limited gaming revenue subject to TABOR declined by 35.4 percent to $69.1 million in FY 2019-20, and is expected to grow by 41.2 percent in FY 2020-21 before growing by 10 percent and 3.3 percent in FY 2021-22 and FY 2022-23, respectively. Following closures, most casinos remitted little tax revenue during the last quarter of FY 2019-20. Gaming revenue gradually improved over the latter half of calendar year 2020. In April 2021, revenue surged and was up 17.5 percent year-to-date. Loosening restrictions combined with the passage of Amendment 77 will help to increase casino revenue over the last two months of 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 the new bet limits and games take effect. Additionally, a large expansion of the Monarch Casino and Resort recently opened in anticipation of Amendment 77, further boosting the revenue outlook.

House Bill 20-1400 changes the formula used to calculate gaming revenue subject to TABOR. The new formula was created to keep distributions to limited and extended gaming 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-pandemic levels. The forecast predicts that revenue will exceed FY 2018-19 levels in FY 2021-22.

Sports betting was legalized in the state after the passage of Proposition DD during the November 2019 election. Betting launched on May 1, 2020, growing rapidly through the latter half of 2020 and into 2021. A forecast of sports betting revenue will be available in future forecasts, once tax collections data for several months become available.

As voter approved revenue, sports betting tax revenue is not subject to the TABOR limit; however, fee revenue is subject to TABOR. A Sports Betting Operations Fee was set at $77,000 for internet operators and $17,900 for retail operators and master licensees to cover a portion of administrative costs. License fees, the sports betting operations fee, and other miscellaneous fees collected during FY 2019-20 totaled $0.6 million, and sports betting taxes totaled $0.3 million. Sports betting activity is growing rapidly and tax collections more than quintupled from the third quarter of 2020 to the first quarter of 2021, totaling $6.3 million in April 2021. Through April, nonexempt FY 2020-21 license and application fees, sports betting operations fees, and other revenue totaled nearly $2.3 million. Sports betting operations fees comprised about 88 percent of this revenue. Sports betting revenue subject to TABOR is included in the Other Cash Funds forecast.

Audited 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 $467.3 million in FY 2020-21 and $513.2 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 13.

Table 13
Tax Revenue from the Marijuana Industry
Dollars in Millions

	Actual FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	CAAGR*
Proposition AA Taxes					
Special Sales Tax	$245.5	$315.4	$343.8	$355.8	13.2%
State Share of Sales Tax	$220.9	$283.9	$309.4	$320.3	
Local Share of Sales Tax	$24.5	$31.5	$34.4	$35.6	
15% Excise Tax	$88.5	$135.4	$151.6	$167.7	23.7%
Total Proposition AA Taxes	**$334.0**	**$450.8**	**$495.5**	**$523.5**	**16.2%**
2.9 Sales Tax (Subject to TABOR)					
Medical Marijuana	$11.7	$14.4	$15.7	$16.1	11.2%
Retail Marijuana	$1.3	$1.7	$1.7	$1.7	
TABOR Interest	$0.3	$0.4	$0.4	$0.4	
Total 2.9% Sales Tax	**$13.3**	**$16.5**	**$17.7**	**$18.2**	10.9%
Total Taxes on Marijuana	**$347.3**	**$467.3**	**$513.2**	**$541.7**	**16.0%**

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

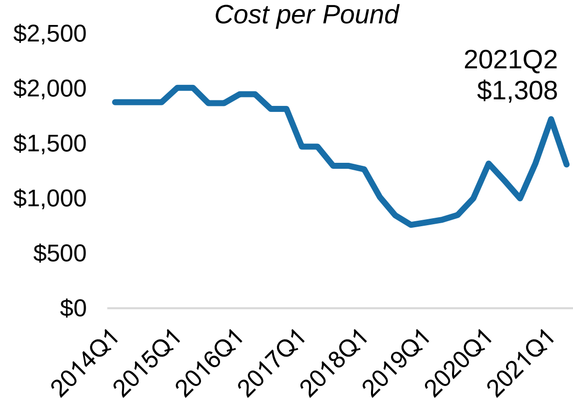
The special sales tax is the largest source of marijuana revenue and is imposed at a rate of 15 percent of the retail price of marijuana. Special sales tax revenue generated $245.5 million in FY 2019-20. Revenue from the special sales tax has been strong since the beginning of calendar year 2020 and is expected to reach $315.4 million in FY 2020-21, a 28.5 percent increase from the prior year. Revenue is expected to grow through the forecast period, reaching $343.8 million in FY 2021-22 and $355.8 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 $135.4 million in FY 2020-21 and $151.6 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 $1,308 per pound in the second quarter of 2021 as shown in Figure 5. The wholesale price has faced upward pressure over the past year, as demand for marijuana has increased and supply was negatively affected by the wildfires during 2020. 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 5
Calculated Average Wholesale Rate
Cost per Pound



Source: Colorado Department of Revenue.

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 $16.5 million in FY 2020-21 and $17.7 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 in FY 2021-22. 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.

As shown in Table 14, 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 will reduce distributions to Colorado.

In FY 2020-21, FML revenue is forecast to increase 16.9 percent to $73.3 million. The forecast was revised upward from March as a result of strong collections in recent quarters. Producers are expected to increase production modestly in 2021 due to higher natural gas prices and increased expectations for demand. Natural gas prices fell in 2020, but are expected to increase in 2021 to around $3.19 per thousand cubic feet, up from $2.11 in 2020. Alongside rising natural gas production, FML revenue is forecasted to grow modestly in FY 2021-22 to $74.9 million, before declining to $73.7 million in FY 2022-23.

Table 14
Federal Mineral Lease Revenue Distribution
Dollars in Millions

	Actual FY 2019-20	Estimate FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23
Total FML Revenue	**$62.7**	**$73.3**	**$74.9**	**$73.7**
Bonus Payments (portion of total FML revenue)	**$1.9**	**$2.2**	**$2.3**	**$2.2**
Local Government Perm Fund	$0.9	$1.1	$1.1	$1.1
Higher Ed FML Revenues Fund	$0.9	$1.1	$1.1	$1.1
Other (non-bonus) **FML Revenue**	**$60.9**	**$71.2**	**$72.6**	**$71.5**
State Public School Fund	$29.4	$34.4	$35.1	$34.5
Colorado Water Conservation Board	$6.1	$7.1	$7.3	$7.2
DOLA Grants	$12.2	$14.2	$14.5	$14.3
DOLA Direct Distribution	$12.2	$14.2	$14.5	$14.3
School Districts	$1.0	$1.2	$1.2	$1.2
Total Higher Education FML Rev Fund	$0.9	$1.1	$1.1	$1.1

DOLA = Department of Local Affairs.

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

The **Unemployment Insurance (UI) Trust Fund** is expected to end FY 2020-21 with a deficit of $996 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 15. Revenue to the UI Trust Fund is not subject to TABOR and is therefore excluded from Table 10. 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 10.

UI benefits paid remain elevated after seeing 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 June 14, 2021, the state had $1,014.2 million in federal loans outstanding, up from $932.4 million in March.

The amount of UI benefits paid is expected to grow further in FY 2020-21, to $2.0 billion. Benefits paid are expected to fall back to $886 million in FY 2021-22 and to $621 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.

Table 15
Unemployment Insurance Trust Fund
Revenues, Benefits Paid, and Fund Balance
Dollars in Millions

	Actual 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	$598.3	$763.1	$977.0	22.40%
Solvency Surcharge	$0.0	$0.0	$0.0	$124.6	
Interest	$25.9	$0.8	$0.0	$0.0	
Total Revenues	$558.7	$599.1	$763.1	$1,101.6	25.39%
Percent Change	2.3%	7.2%	27.4%	44.4%	
Less Benefits Paid	$1,268.5	$2,007.1	$886.0	$620.5	-21.21%
Percent Change	247.1%	58.2%	-55.9%	-30.0%	
Accounting Adjustment	$18.0	$0.0	$0.0	$0.0	
Ending Balance	$412.2	($995.8)	($1,118.8)	($637.7)	
Solvency Ratio					
Fund Balance as a Percent of Total Annual Private Wages	0.30%	-0.71%	-0.76%	-0.41%	

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

Economic Outlook

Broad measures of U.S. and Colorado economic activity indicate continued recovery from the pandemic-induced recession. COVID-19 case counts are declining across the U.S. and Colorado, vaccination rates are climbing, and public health restrictions are easing. Even as a return to normalcy appears increasingly imminent, the economy continues to face challenges. Rather than the hoped-for strong and steady recovery accompanying the ebbing of the pandemic, economic activity has instead been choppy and uneven. Many households and businesses are still bearing the brunt of lingering distress, while others have emerged unscathed or even better off. Spending and employment in sectors tied to in-person services still lag their pre-pandemic levels.

Economic indicators point to supply and demand mismatches throughout the economy. Unemployment remains high, yet many employers report difficulty finding workers. The inventory of homes for sale remains low, even as housing prices skyrocket. Supply chain bottlenecks plague the manufacturing and homebuilding sectors, and transportation and energy prices have surged, while inflationary pressures across many other goods and services remain low. Consumers are emboldened with stimulus cash and ready to spend again, particularly for in-person services. Yet, businesses in many sectors need time to ramp up operations to meet the pent-up demand. Most of these mismatches are expected to abate during 2021 as health concerns continue to wane and businesses catch up with demand.

Economic expectations in this June forecast are generally consistent with those included in the March 2021 forecast. Relative to March expectations, minor upward revisions were made to indicators of economic activity and inflation based on year-to-date growth. Labor market expectations, however, were revised downward slightly.

Even as the pandemic abates, we remain in unprecedented economic times, with shifting but still elevated economic risks. There have been surprisingly few signs of lasting scarring from the pandemic-related recession, but there is still a great deal of uncertainty about how much of the shifts in consumer, business, and worker behavior will persist and whether short-term disruptions will have long-lasting ripple effects. As the boost from government stimulus recedes, there may be lags if momentum supporting wage and business incomes does not offset the pull-back in public assistance. While inflationary pressures remain low by historical standards, financial markets have signaled concerns about rising prices. Finally, the trajectory of COVID-19 remains an ongoing risk to economic activity—posing a lingering threat should cases rise again.

Tables 16 and 17 on pages 55 and 56 present histories and expectations for key indicators for the U.S. and Colorado economies, respectively.

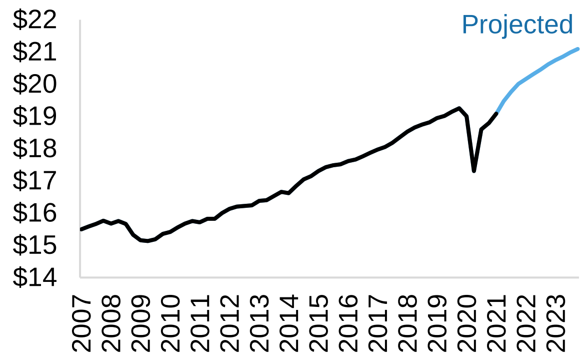
Gross Domestic Product

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 data from the U.S. Bureau of Economic Analysis. Economic activity grew by 4.3 percent in the fourth quarter of 2020 and 6.4 percent in the first quarter of 2021, a return to more typical, albeit above average, quarterly growth rates (Figure 6).

- After contracting 3.5 percent in 2020, real U.S. GDP is expected to expand 6.3 percent in 2021, reaching pre-COVID-19 levels, and to rise an additional 4.1 percent in 2022.

Consumption of services nearly reaches pre-pandemic levels. 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 decline in GDP in the second quarter of 2020. As of the first quarter of 2021, personal consumption expenditures have nearly recovered to pre-recession levels. However, the overall recovery in consumer spending masks a significant divergence between the goods and services-producing sectors. Consumer spending on services remains 5.7 percent below its pre-recession levels, while spending on goods has increased 13.0 percent as of the first quarter of 2021. Consumption of services is expected to remain subdued until the U.S. experiences widespread distribution of COVID-19 vaccines and social distancing restrictions are fully relaxed. Until that time, consumption of goods is expected to remain above trend.

Figure 6
U.S. Real Gross Domestic Product
Trillions of Dollars



Source: U.S. Bureau of Economic Analysis and Legislative Council Staff June 2021 forecast. Data reflect seasonally adjusted annual rates.

Business investment returns to pre-recession levels. After declining for three consecutive quarters, business investment, as measured by gross private domestic investment, rebounded sharply and exceeded pre-recession levels by the fourth quarter of 2020. After increasing by 86.3 percent and 27.8 percent in the third and fourth quarter of 2020 respectively, business investment declined by 4.7 percent in the first quarter of 2021. Business investment is often a volatile series, and one negative quarter does not necessarily portend a sustained downturn in investment. Among its underlying components, investment in nonresidential equipment, intellectual property, and residential property continued their strong growth in the first quarter of 2021. Investment in nonresidential structures shrunk for the sixth consecutive quarter, with recent declines likely representing a shift toward more employees working from home and less need for office space. The reduction of private inventories in the first quarter of 2021 further contributed to the decline in business investment, likely resulting from sales exceeding current production capacities.

Export activity remains weak. Net exports continued to be a drag on economic activity in the first quarter of 2021. Exports of U.S. goods to foreign consumers decreased modestly and remain well below pre-pandemic levels. Alternatively, imports of foreign goods have risen for three consecutive quarters, and have returned to pre-recession levels. Ongoing impacts of the COVID-19 pandemic on economies across the globe are expected to mute demand for U.S. goods for a significant portion of 2021.

Federal stimulus continues to prop up economic activity. Government spending rose precipitously again in the first quarter of 2021 with an additional injection of federal stimulus. In the wake of the federal Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security Act (CARES), and a number of smaller spending packages, the federal American Rescue Plan Act of 2021 was signed into law in March 2021. This act included direct payments to households, extended unemployment benefits, individual tax relief and financial assistance, business assistance, public health spending, and aid to state and local governments amounting to approximately $1.9 trillion. The increased government spending in the first quarter of 2021 accounted for one-quarter of real GDP growth in that quarter. As this forecast goes to print, Congress is considering additional federal spending as part of an infrastructure-related bill.

This forecast assumes that as the current stimulus expires, the recovery will continue but lose some momentum. Additional federal spending through the infrastructure bill poses an upside risk to the forecast. As a risk to the downside, the expiration of stimulus could give way to lower levels of economic activity than assumed in this forecast.

Labor Markets

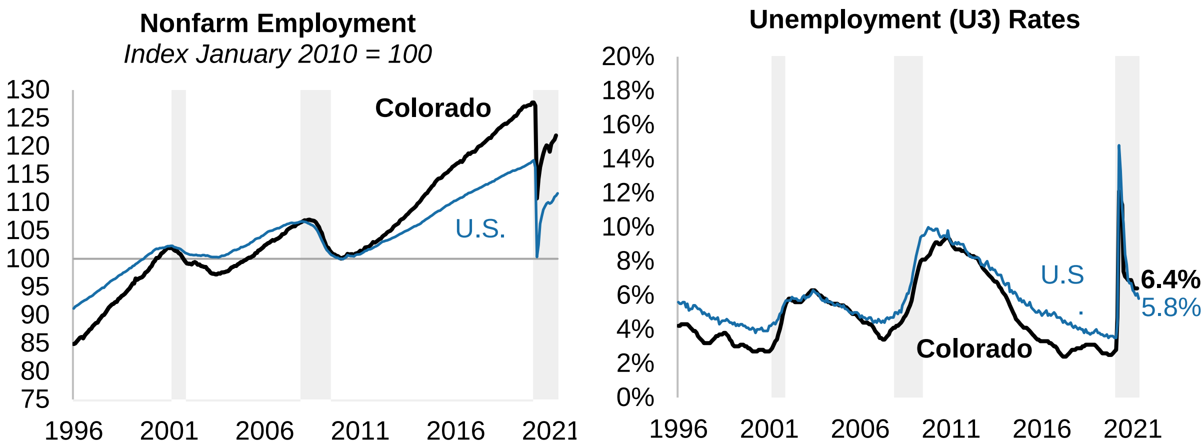
The labor market has seen a choppy recovery in 2021, with inconsistent job gains disappointing expectations for a strong and steady resurgence accompanying the vaccine rollout and business reopening. Unemployment is still high, but many employers are reportedly unable to find workers. The mismatch between supply and demand is expected to wane, particularly in the latter months of the year, as constraints such as caregiving responsibilities or health concerns weigh less heavily on workers' availability and additional unemployment benefits expire. Some mismatches may persist, however, depending on the lasting impact of some pandemic-related shifts, such as the increased pace of early retirement, or workers' shifting priorities and preferences. At the current rate, employment levels are not expected to reach pre-pandemic levels until sometime in 2022.

- After decreasing 5.7 percent in 2020, U.S. nonfarm employment is expected to increase by 2.4 percent in 2021 and 3.2 percent in 2022. The U.S. unemployment rate is expected to decline from 8.1 percent in 2020 to 5.7 percent in 2021 and 4.9 percent in 2022.

- In Colorado, nonfarm employment declined by 5.2 percent in 2020 and is expected to grow by 2.8 percent in 2021 and 3.5 percent in 2022. The Colorado unemployment rate is expected to decline slowly, from 7.3 percent in 2020 to 6.0 percent in 2021 and 4.2 percent in 2022.

Job growth is uneven in 2021. The U.S. economy added 559,000 jobs in May, following gains of 785,000 and 278,000 in March and April, respectively (Figure 7, left). Significant gains were seen in leisure and hospitality, which added 292,000 jobs in May. Other notable gains came in public and private education, reflecting the continued resumption of in-person learning and other school activities, and in health care and social assistance, especially in ambulatory health care services and child day care services. The U.S. economy is still down 7.6 million jobs since the pandemic began. The unemployment rate fell below 6 percent in May, to 5.8 percent, for the first time since the pandemic began, after edging up to 6.1 percent in April (Figure 7, right). Of all unemployed individuals, the share of long-term unemployed, those out of work for 27 weeks or more, remains elevated at 40.9 percent in May.

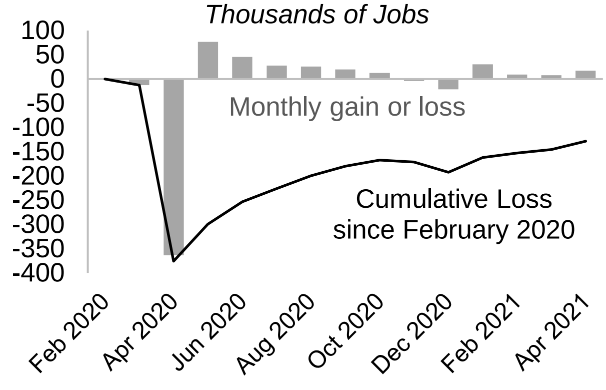
Figure 7
Selected U.S. and Colorado Labor Market Indicators



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

Colorado's labor market recovery, like that of the nation as a whole, has been uneven, with the unemployment rate holding steady in April at 6.4 percent for the third month in a row, reflecting job gains along with growing labor force participation (Figure 7, right). Among the states with the lowest unemployment rates, Colorado ranks 35th among the 50 states, just behind Rhode Island and equal to Delaware. The lowest rates belong to Nebraska, New Hampshire, South Dakota, and Utah at 2.8 percent, and the highest rate belongs to Hawaii at 8.5 percent. Nonfarm employment increased by 17,000 jobs in April, following meager gains of 9,200 and 6,600 jobs in February and March, respectively (Figure 8). Leisure and hospitality led the gains with 9,900 new jobs, with notable gains in private education and health services (up 2,900 jobs), other services (up 1,800 jobs) and government (up 1,800 jobs). Colorado has recovered 247,700 of the 375,800 nonfarm jobs lost since the pandemic began, for a job recovery rate of 65.9 percent (Figure 8).

FIgure 8
Change in Colorado Nonfarm Employment
Thousands of Jobs

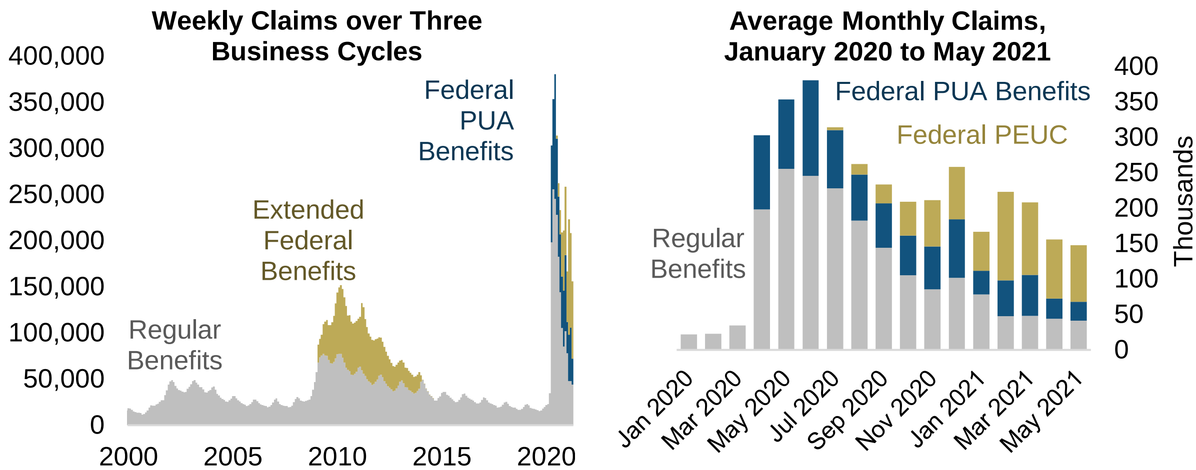


Source: U.S. Bureau of Labor Statistics. Data are

The jobs recovery varies across the state. Mountain resort counties have seen a notable turnaround in labor market indicators, and for the most part are no longer among the hardest-hit as they were early in the pandemic. Counties in the Pueblo and southern mountain region and in the Denver metropolitan area are still experiencing relatively high rates of unemployment. In April 2021, the state's highest unemployment rates were in San Miguel (10.0 percent), Huerfano (8.6 percent), Pueblo (8.6 percent), Gilpin (7.6 percent), Costilla (7.2 percent), Fremont (7.2 percent), Adams (7.1 percent), and Las Animas (7.1 percent). Cheyenne (2.5 percent) and Baca (2.6 percent) counties in the eastern plains region had the state's lowest unemployment rates.

Unemployment insurance claims in the state have declined significantly and, compared to previous recessions, relatively rapidly, from post-pandemic peaks, but remain elevated, as shown in Figure 9. Continued claims for regular state benefits have declined steadily in 2021, reaching a weekly average of 41,196 in May, still more than twice the 2019 weekly average of 18,600 claims. Notably, the composition of claims has shifted, from regular state benefits to Pandemic Emergency Unemployment Compensation (PEUC), which provides up to 13 additional weeks of unemployment benefits once the initial 13 weeks of regular state benefits are exhausted. These claims are also declining in 2021, to a weekly average of 79,802 in May, and account for about 54 percent of total weekly average claims. Claims for regular state benefits account for about 28 percent of continued weekly average claims, while Pandemic Unemployment Assistance (PUA), for self-employed and other workers not usually covered by unemployment insurance, account for the remaining 18 percent of weekly average claims.

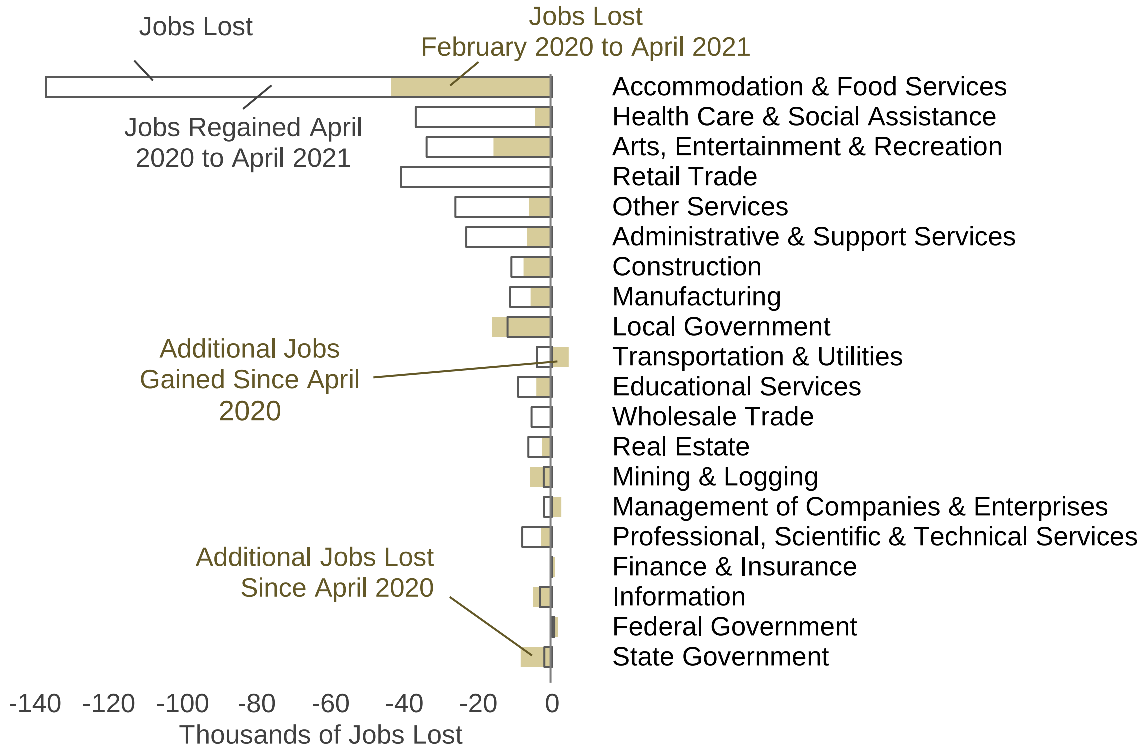
Figure 9
Colorado Unemployment Insurance Claims



Source: Colorado Department of Labor and Employment. Data through the week of May 15, 2021.

Leisure and hospitality still slow to recover jobs. As shown in Figure 10, private industry sectors that have recovered more jobs than were initially lost at the beginning of the pandemic include transportation and utilities (up 4,500 jobs), management of companies and enterprises (up 2,500 jobs), and finance and insurance (up 800 jobs). The mining and logging sector has continued to shed jobs, as have information (which includes movie theaters), and state and local government sectors. The accommodation and food services sector remains the biggest loser in number of jobs, down 43,700 jobs since April 2020, for a 68.1 percent recovery rate. Sectors in which fewer than half of jobs lost have been recovered include construction (30.0 percent) and manufacturing (49.1 percent). Arts, entertainment, and recreation, as well as private educational services sectors, also continue to recover jobs more slowly than other sectors, with recovery rates of 53.2 percent and 53.3 percent, respectively.

Figure 10
Colorado Job Losses, April 2020 to April 2021



Source: U.S. Bureau of Labor Statistics with Legislative Council Staff calculations. Data are seasonally adjusted.

Personal Income

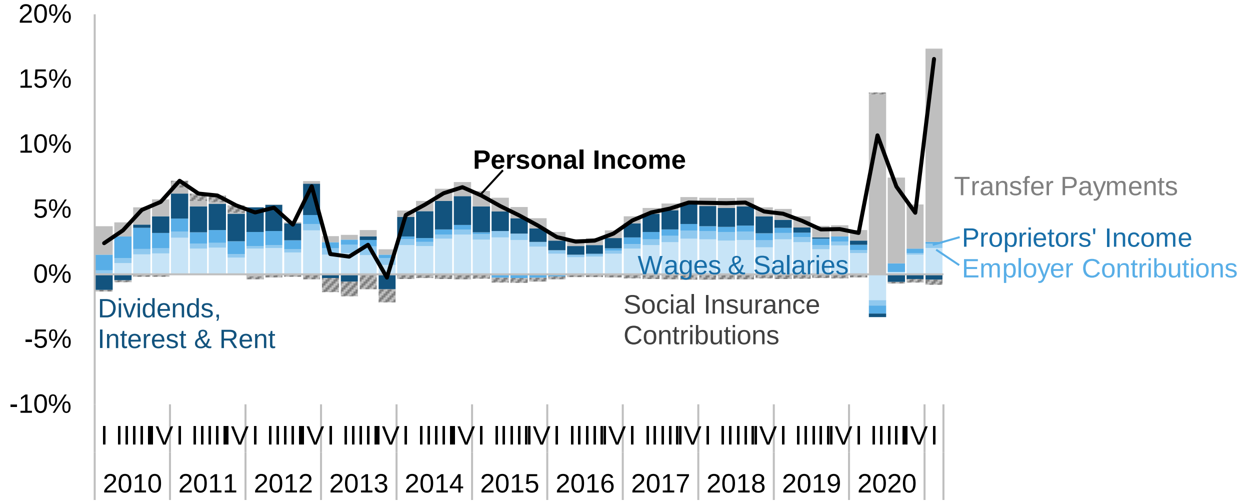
Personal income serves as an aggregate measure of most sources of household and non-corporate business income. The federal policy response to the pandemic resulted in a record-breaking boost to personal income in 2020 and at the start of 2021. Specifically, the boost from direct economic assistance payments to households and unemployment insurance benefits more than offset pandemic-related declines.

- Government transfer payments will continue to foster growth in personal income during 2021, when U.S. and Colorado personal incomes are expected to increase 6.1 percent and 6.0 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 1.1 percent in Colorado.

- Wages and salaries will resume their role as the primary driver in personal income through the remainder of 2021 and into 2022. U.S. and Colorado wages and salaries are projected to grow 8.3 percent and 7.8 percent, respectively, in 2021. In 2022, national and state wages and salaries will grow 5.3 percent and 6.0 percent, respectively.

Incomes are on the rise across most major components. Year-to-date personal income data for the U.S. suggest that nearly all major sources of personal income are on the rise in 2021. Figure 11 illustrates the major contributors to U.S. personal income growth over the past decade. On job gains and a tight labor market for many industries, wage and salary growth continues to build momentum. Proprietors' income and employer contributions also contributed to growth at the start of the year, signaling an ongoing recovery in business incomes. While most components showed growth, the start of the year saw some ongoing weakness in dividends and rental income, reflecting ongoing pandemic-related impacts in these areas.

Figure 11
U.S. Personal Income and Its Contributions
Contributions to Percent Change, Year-over-Year

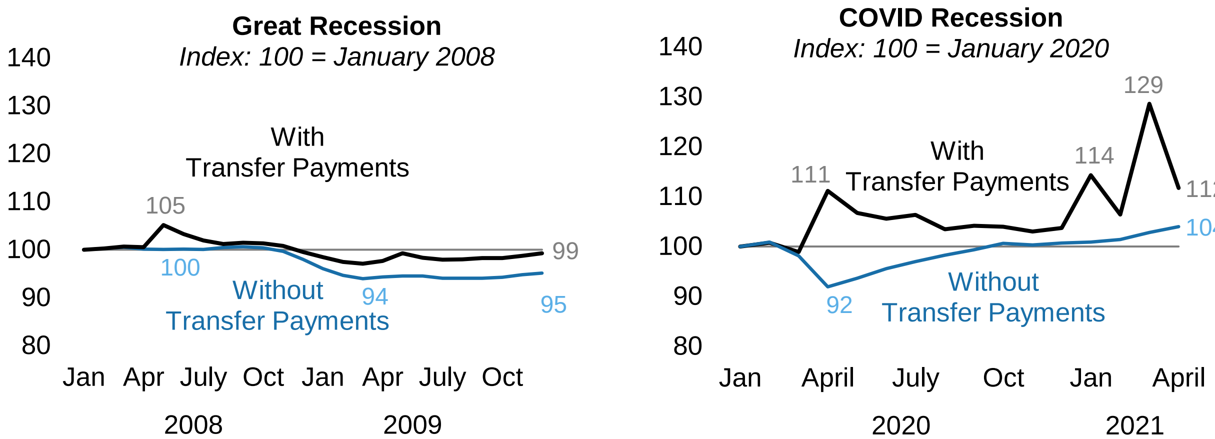


Source: U.S. Bureau of Economic Analysis. Data shown at seasonally adjusted annualized rates.

Unprecedented federal stimulus continues to bolster personal incomes. Transfer payments, which include government payments to households in the form of income support, continued to dominate growth in personal income at the start of 2021. In particular, the additional rounds of direct economic stimulus payments to households and expanded and extended unemployment insurance benefits were a strong boost to growth. During the pandemic to date, transfer payments more than offset declines in other sources of income. Figure 12 compares personal income growth with and without transfer payments during the Great Recession and COVID-19-related recession. This figure illustrates the relative magnitude of declines in economic activity and the relative magnitude of the income support from state and federal policy responses to combatting each economic downturn.

In the current recovery from the pandemic recession, as labor markets improve, and the stimulus comes to an end, the boost from transfer payments will recede. Personal income growth will slow as a result, until economic momentum supporting wage and business incomes more than offsets the pull-back in public assistance.

Figure 12
Personal Income, With and Without Transfer Payments, During Recessions



Source: U.S. Bureau of Economic Analysis.

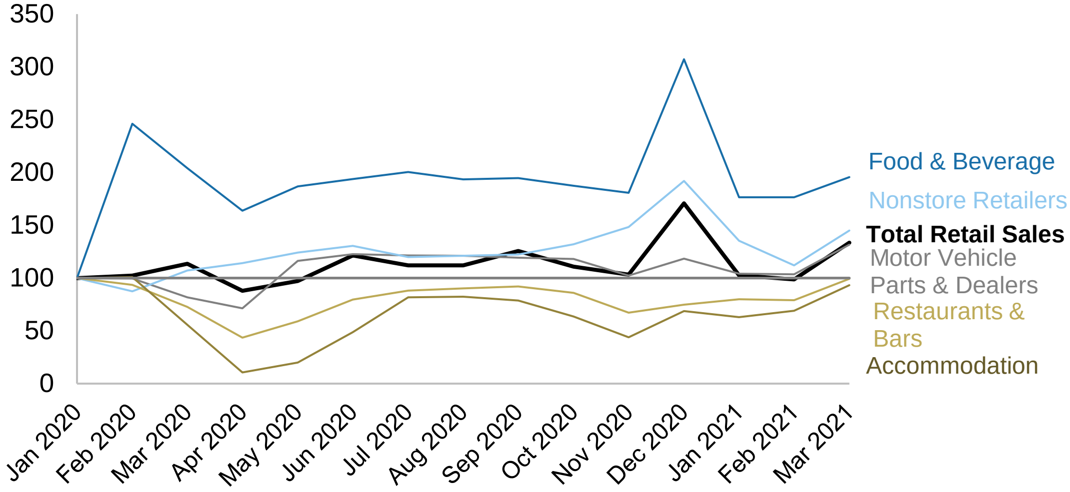
Consumer Activity

Consumer activity is the main driver of the U.S. economy and accounts for roughly 70 percent of all economic activity. In early 2020, the COVID-19 pandemic suffocated consumer activity. While goods consumption rebounded quickly, any in-person service industry continued 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.

Robust retail sales growth to start 2021, with leisure and hospitality closer to pre-pandemic levels. According to data published by the Department of Revenue, Colorado retail sales jumped 17.6 percent year-over-year in March. The surge in sales coincided with federal stimulus along with more typical seasonal factors. March's jump followed fairly flat year-over-year growth in January and February following December's surge. March marked strong sales growth for nearly every industry, except food and beverage store sales that are likely returning to more normal levels as demand shifts back to restaurants and drinking places. Sales at nonstore retailers, including online sellers, also appear to be moderating with a return of consumers to brick-and-mortar stores. It should be noted that online sales remain well above pre-pandemic levels.

Figure 13 presents monthly Colorado retail sales indexed to pre-pandemic January 2020 levels. These amounts are not seasonally adjusted. In March, sales at Colorado's restaurants and bars and accommodations industries approached levels not seen since before the pandemic. By the end of the first quarter, sales at restaurants and bars were just 0.8 percent below January 2020 levels, and sales at hotels and motels were about 7 percent below.

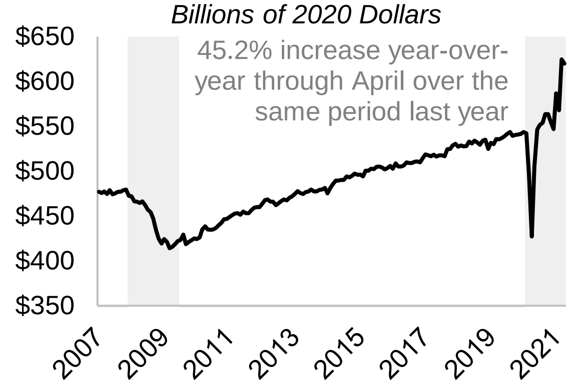
Figure 13
Colorado Retail Sales
Index January 2020 = 100



Source: Colorado Department of Revenue.

Rapid growth in U.S. retail spending in 2021. Advance estimates indicate that inflation-adjusted (real) U.S. retail and food service sales have surged through the first four months of the year. In April, sales rose slightly month over month after a 10.7 percent jump in March. Year-over-year, sales were up 45.2 percent (Figure 14) as strong spring sales combined with growth from year-ago recession lows. The surge comes on the heels of the federal stimulus packages passed in December 2020 and March 2021. Amid declining COVID-19 case counts, fewer public health restrictions, and improving economic conditions, strong sales activity was recorded for all the major retail categories compared to April 2020.

Figure 14
Real U.S. Retail and Food Service Sales
Billions of 2020 Dollars



Source: U.S. Census Bureau. Adjusted for inflation using the CPI-U index for all U.S. urban areas. Seasonally adjusted data through April 2021.

Over the past 12 months, motor vehicle sales comprised about one-third of the growth in retail sales. Growth was also boosted by recovering activity for several retail trade categories that struggled during the pandemic, including gasoline stations, electronics stores, clothing stores, department stores, and restaurants and bars. In April, restaurants and bars posted their highest monthly sales since February 2020. April's sales for the industry were nearly 98 percent of the pre-pandemic peak. As sales improve for the industry through the forecast period, it will help offset the expected moderation in sales at food and beverage stores and non-store retailers.

Consumer sentiment and expectations for spending show improvement. Consumer sentiment continues to trend upward since April 2020 lows and expectations for spending continue to grow. Despite a dip in May 2021, the University of Michigan's Consumer Sentiment Index remains well above lows posted in April 2020. May's reading followed two months of strong improvement from March to April. The New York Federal Reserve's April 2021 Survey of Consumer Expectations (SCE) recorded continued improvement in households' outlook through the beginning of 2021. The survey found broad-based growth in monthly spending across age, education, and income groups and a higher share reporting large purchases such as home repair, furniture, or vehicles. Additionally, expected household spending for essential and non-essential goods and services grew since December 2020. Notably, households in April reported 4.1 percent expected growth in non-essential spending, up from 1.6 percent in December and marking the highest level in the series history. The move to more non-essential spending indicates healthy household financial situations and improved economic conditions.

Overall, consumer activity in Colorado is expected to improve over the next year. The federal stimulus packages 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.

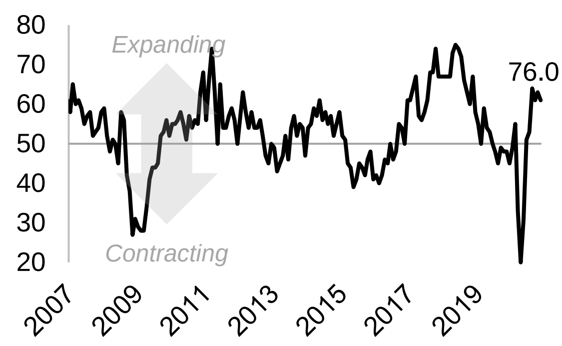
Business Activity

Following the resurgence of COVID-19 at the end of 2020, many indicators suggested a weakening in business activity as pandemic-related restrictions were re-imposed. In recent months, however, business activity has resurged, buoyed in part by the March 2021 federal stimulus, which included support for small businesses and additional fiscal assistance for individuals. Notably, for much of the pandemic-related recession, the manufacturing sector outshone the non-manufacturing sector as consumers shifted from spending for in-person services to purchasing goods for use at home. In recent months indicators suggest that activity in the service industry has strengthened significantly, likely resulting from increased vaccinations and the easing of public health restrictions on in-person services.

Business indicators improve, but output remains subdued. The Kansas City Federal Reserve produces a monthly index of Tenth District manufacturing business activity based on a survey of firms, with values above 50 representing expansion.[1] After falling 60 percent in April 2020 to a value of 20, the index registered 76 in March 2021 (Figure 15).

Some sectors face sweeping structural change. Businesses tied to the goods sector began recovering sooner than those that offer in-person services. Work-from-home orders and public health restrictions boosted demand for housing-related items such as wood products for remodeling or new home construction, and supermarket-related items like laundry detergent and toiletries, while businesses tied to in-person

Figure 15
Tenth District*
Manufacturing Activity
Diffusion Index



Source: Kansas City Federal Reserve Manufacturing Survey.
**The Tenth District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico.*

[1]The Tenth District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico.

services such as transportation or live entertainment have lagged behind and only recently begun to recover. This disparity is expected to shrink throughout 2021 as government restrictions continue to ease and health concerns with in-person services abate with rising vaccination rates.

Business dissolutions in Colorado. The pandemic has taken a toll on businesses in Colorado, with nearly 38,000 businesses dissolved over the past year, a year-over-year increase of about 6.2 percent, according to the Colorado Secretary of State. However, some entrepreneurs are finding opportunities within the changing landscape, with the number of new business filings with the Secretary of State up by 32.2 percent over the past year.

Monetary Policy and Inflation

Monetary policy remains expansionary, with some emergency programs expiring. Beginning in early March 2020, the Federal Reserve (the Fed) made a number of monetary policy changes in response to the unusual economic impacts of the COVID-19 pandemic. The Fed began by cutting the federal funds rate to zero, implementing a new $700 billion round of large scale asset purchases (also known as quantitative easing), expanding or establishing a number of emergency lending facilities, and easing a number of 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 near zero through 2022.

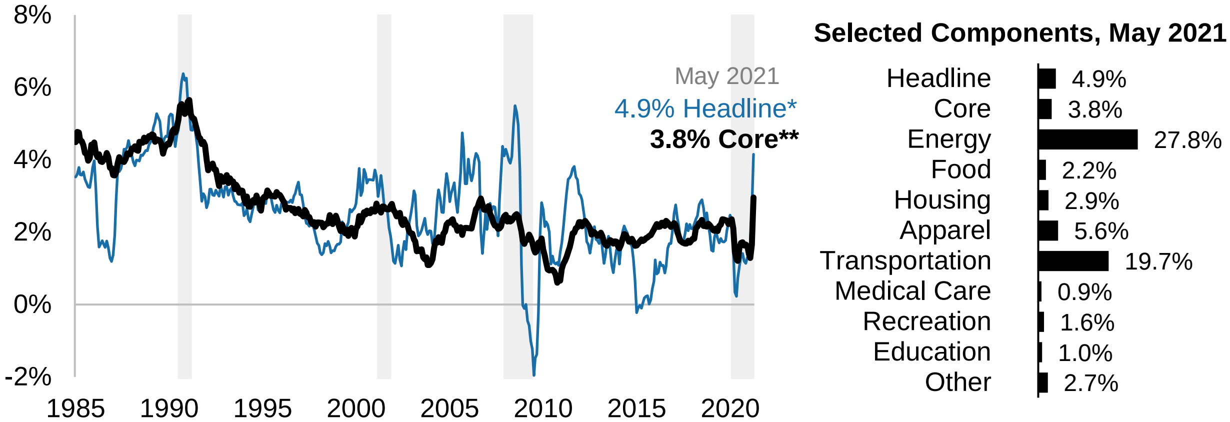
Beginning in late March 2020, the CARES Act made additional funding available to the Fed for further monetary policy support, including the creation of the Paycheck Protection Program Liquidity Facility, the Main Street Business Lending Program, and the Municipal Liquidity Facility. These programs were 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. Additional emergency programs expired at the end of March 2021, including the Primary Dealer Credit Facility and the Money Market Mutual Fund Liquidity Facility.

Inflation shoots above Federal Reserve target, but is expected to moderate throughout 2021. At the national level, inflationary pressures spiked in April and May 2021, rising to 4.9 percent in May over year-ago prices. The recent rise in year-over-year prices reflects growth from pandemic lows, and price pressures remain below historical inflation, as shown in Figure 16. Key drivers of the increase were energy prices and vehicle costs, which boosted the transportation component to 19.7 percent above year-ago prices. The increase in energy prices largely reflects the recovery from the sharp drop in energy prices at the outset of the COVID-19 crisis, as well as temporary supply disruptions. Higher vehicle costs have resulted from curtailed vehicle production during the COVID-19 crisis, a shortage of computer chips required for new vehicles, and increased fuel prices. These price increases are expected to moderate in future months as supply and demand mismatches abate in both sectors.

Bi-monthly data for the Denver-Aurora-Lakewood combined statistical area suggest a similar trend as that of the U.S. city average.

- Headline inflation for U.S. urban consumers is expected to rise by 2.9 percent in 2021 and 1.8 percent in 2022. Similarly, headline inflation in the Denver-Aurora-Lakewood combined statistical area is forecast at 3.1 percent in 2021 and 2.0 percent in 2022.

Figure 16
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.*

A shift to average inflation targeting will likely result in more dovish monetary policy in the near future. In August 2020, the Fed announced it would adopt a new policy framework of average inflation targeting to guide future interest rate decisions. 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 next expansion. Relatedly, the Fed announced that it will be more responsive to periods where employment falls below full employment, compared to periods where employment is in excess. Taken together, these decisions suggest that the Fed will place greater near-term emphasis on the full employment portion than the stable prices portion of its dual mandate.

Real Estate and Construction Activity

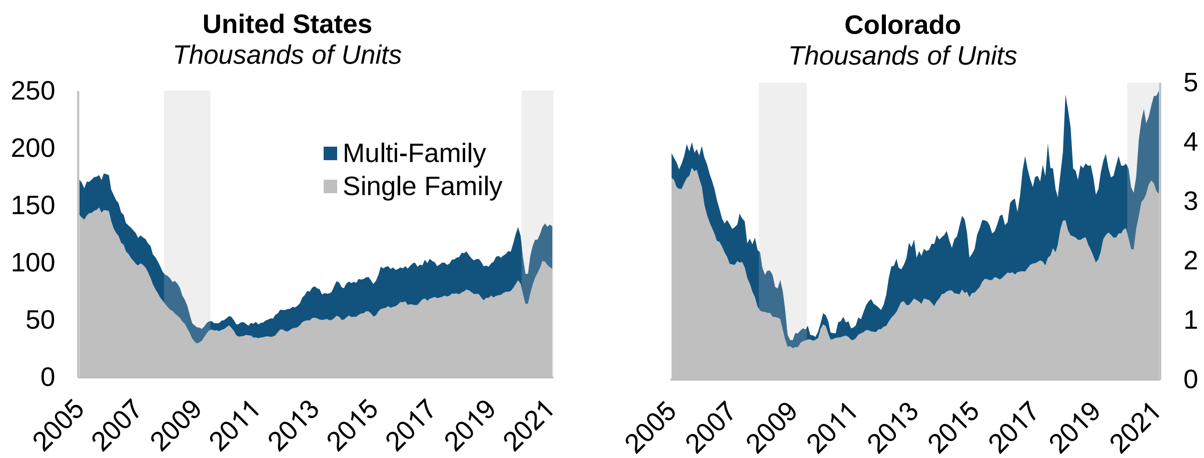
Residential real estate remains red hot in many areas. Extremely low housing inventories and ongoing demand continue to push home prices higher in many areas of the U.S., including most areas in Colorado. Pandemic-related uncertainty has held many homeowners back from selling, resulting in a shortage of homes for sale. New home construction, as measured by the number of residential housing permits, continues to rise (Figure 17). Yet, in most areas of the state and nation, the new inventory continues to fall short of demand. For additional information on housing prices and construction across regions of the state, see the regional sections beginning on page 57.

Population growth and residential construction activity are coming into balance. In recent years, new construction activity has started to catch up with population growth in Colorado. Housing permits, including both single and multi-family units, averaged about 45,000 units over the past three years. Net migration to the state is expected to average about 44,000 new residents per year over the next three years, and natural population growth (births minus deaths) to average 22,500 people per year. This equates to a ratio of about 1.5 additional people for each new housing unit. Over the past decade, the ratio was closer to 2.6 new people for each new unit. The average household size in Colorado is 2.5 people per home, suggesting that new construction activity may begin to better satisfy elevated demand for homes in the state.

- Ongoing demand and favorable financing conditions will sustain strong residential construction activity throughout the forecast period. The number of residential permits is expected to increase 14.5 percent in 2021 and 0.3 percent in 2022. Homebuilding in Colorado is expected to remain weighted toward single family units.

- While home prices are expected to rise in 2021, housing prices are expected to level off in most areas of the state in coming years, as additional inventory comes online, and demand wanes with higher interest rates and home prices.

Figure 17
Monthly Residential Construction Permits



Source: U.S. Census Bureau.

Nonresidential construction activity faces an uphill climb. U.S. nonresidential construction activity receded during 2020 and worsened through the first quarter of 2021. In March, nonresidential construction spending was down 7.4 percent from year-ago levels. Sectors that were directly impacted by the pandemic continued to fare the worst, with double-digit declines recorded for lodging (down 23.3 percent) and amusement and recreation (down 13.8 percent). Spending on educational (down 6.4 percent), health care (down 5.2 percent), commercial (down 9.3 percent), and office (down 3.7 percent) structures was also down. The pandemic-related economic slowdown has impacted private construction more than public activity, but public construction spending was also down by 5.1 percent from March 2020 to March 2021. 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 15.5 percent in 2021 before growing 5.3 percent in 2022. Low demand and cautious behavior among investors will keep activity below pre-pandemic levels throughout the forecast period.

Global Economy and International Trade

The global economy continues to improve, with the impacts of the pandemic much less severe than initially expected as nations across the globe adopted unprecedented economic policies to offset the pandemic impacts. Despite better than expected performance in 2020, the pandemic increased economic disparities between many advanced and developing countries.

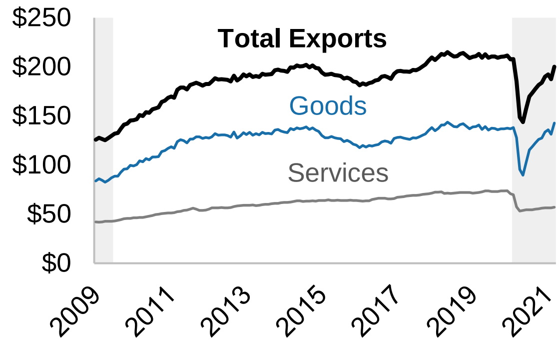
Pandemic-related patterns of economic performance in the U.S. have been seen in many other countries. For instance, labor force participation has significantly decreased in both advanced and developing economies. Further, consumers globally shifted spending away from many services, while maintaining demand for goods. Like many areas within the U.S., tourism-based economies were severely affected by the pandemic, and countries that rely on commodity exports faced challenges from supply-chain disruptions. As nations emerge from the pandemic at different times, they will likely experience a similar array of challenges to those currently posed for the U.S., such as volatile commodity and asset prices, structural shifts in labor markets, and changing consumer behavior.

According to the International Monetary Fund (IMF), global growth continues to exceed expectations, leading to upward revisions to expectations once again in the latest April 2021 World Economic Outlook. The IMF also revised its 2020 estimate up, reflecting a 3.3 percent contraction. The global growth projection improved, to 6.0 percent and 4.4 percent for 2021 and 2022, respectively. Additionally, the IMF now views risks to the forecast as balanced in the near term, with more upside risk in later years. In addition to COVID-19 related risks, downside risks include risks to financial markets as central banks reassess policy support, extended damage and slow productivity growth emerging from the pandemic, and renewed trade protectionism. Upside risks include faster than expected vaccine production and rollout and a larger than expected impact from the strong policy responses around the globe.

U.S. and global trade volumes increasing, while trade in services still lags. In April 2021, the IMF reduced its estimate of the magnitude of the contraction in world trade volume for 2020, to 8.5 percent from 9.6 percent in January. The IMF still anticipates only a partial recovery in 2021 as trade volumes are forecast to increase 8.4 percent. Global trade volumes are expected to improve further in 2022, growing by another 6.4 percent. Trade growth will be fueled mainly by shipments of goods while trade in services lags. Ongoing travel restrictions, reduced tourism, and reduced business travel will continue to weigh on trade in services.

U.S. trade volumes improved over the latter half of 2020 and the first quarter of 2021 (Figure 18). According to data from WiserTrade, exports were up by 1.9 percent year-to-date and imports increased by nearly 12 percent. Trade volumes in the first quarter were up for most of the nation's largest trade partners, including Mexico, Canada, China, and South Korea. However, trade volumes were down and continued to lag for several partners including Japan, Germany, and the United Kingdom. The boost to U.S. trade activity was largely due to resurging activity with China. In the first quarter, imports from China were up more than 49 percent year-to-date and exports were up more than 58 percent over the same period. In total, about 68 percent of improved U.S. trade volume year-to-date was attributable to trade with China.

Figure 18
U.S. Monthly Exports
Billions of Dollars



Source: U.S. Bureau of Economic Analysis (balance of payments basis). Data are through March 2021 and are seasonally adjusted but not adjusted for

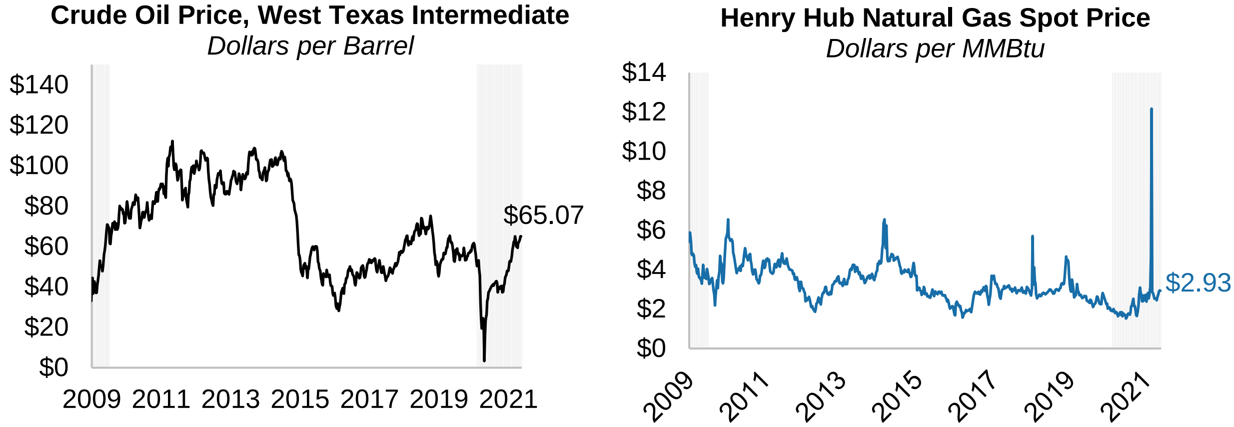
Colorado imports up significantly, while exports start the year down. In the first quarter of the year, Colorado's imports were up significantly, rising by 11.5 percent year-to-date over year-ago levels. Nearly two-thirds of the increase in import volume was due to rebounding activity from Canada and China. Colorado's largest import commodity is crude oil from Canada. A return to work and travel boosted crude oil imports by 19 percent through the first quarter, year-to-date. Other commodities contributing to the increase in the state's imports were electronic integrated circuits and spacecraft, aircraft, and launch vehicles.

Colorado's exports contracted in the first quarter, down more than 18 percent year-to-date. Weak first quarter results followed a strong year in which Colorado's exports grew 2.3 percent, in contrast to nationwide trends. A key factor in the state's increased exports was the more than $500 million in spacecraft and launch vehicles exported in 2020, the volume of which offset contractions from many other sectors and from Colorado's North American trade partners. As spacecraft and launch vehicles fell back to levels more indicative of 2019, increases in exports to large trade partners such as Mexico and Canada, and for many commodities that were impacted by the recession, have not offset the contraction. It may take time for a complete recovery of the state's exports. The IMF anticipates GDP growth in Canada will not recover until 2022, and the timeline is even longer for Mexico where the contraction was particularly severe, with an estimated decline of 8.2 percent in 2020 GDP.

Energy Markets

Rising economic activity puts upward pressure on energy prices. The continued rise in economic activity and the easing of COVID-19-related public health restrictions have led to increased demand in energy markets. Crude oil prices have risen consistently over the past six months, with the price of West Texas Intermediate increasing from about $38 dollars per barrel in November 2020 to $65 per barrel in mid-May 2021 (Figure 19, left). Crude oil stocks have been relatively stable through 2021, after declining sharply in the second half of 2020 as demand outspent supply and drove an increase in oil prices. Natural gas prices spiked in late 2020 as a result of an intense cold snap that drove up demand for heating while interrupting supply lines. Henry Hub natural gas prices, excluding the spike in February, have been relatively flat, rising marginally in May to $2.93 per million Btu. Prices are expected to increase further in 2021, averaging $3.17 per million Btu in 2021.

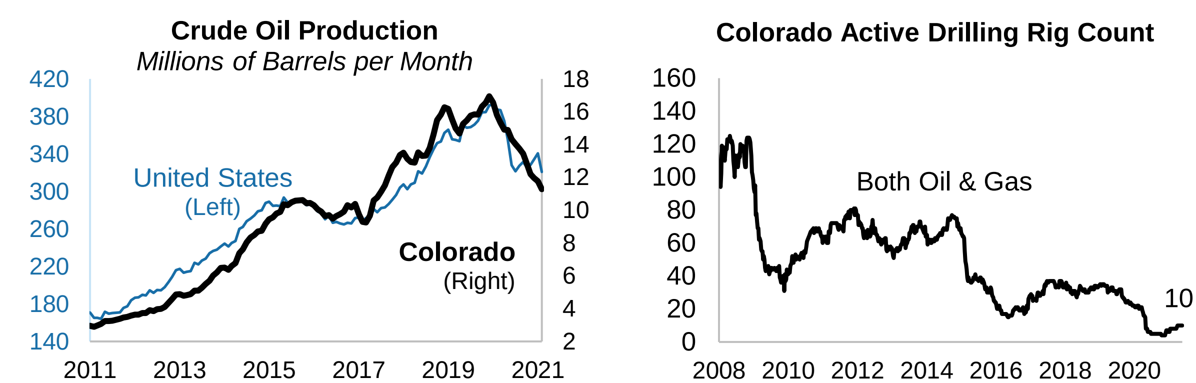
Figure 19
U.S. Energy Prices



Source: U.S. Energy Information Administration. Weekly average prices. Data are not seasonally adjusted. Oil price data are through the week of May 21, 2021; natural gas price data are through the week of May 14, 2021.

Oil production levels off nationally, continues to decline in Colorado. Oil production in both the U.S. and Colorado remain well below 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 20, left). Despite the recent uptick in prices, U.S. production is expected to remain subdued in 2021, before beginning to increase again in 2022. The oil and gas drilling rig count in Colorado remains about one-half of the count in January 2020, although six rigs have recently come online (Figure 20, 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 2021 before picking back up on stronger demand and prices, while associated natural gas production will rise along with oil production.

Figure 20
Select 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 February 2021.

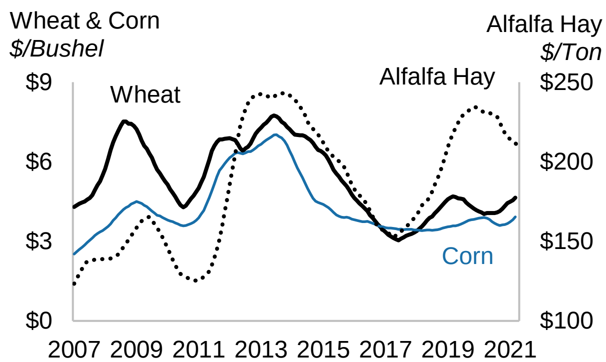
Source: Baker Hughes. Data are not seasonally adjusted. Data are through May, 2021.

Agriculture

Conditions in Colorado's agricultural economy continue to improve, buoyed by surging crop prices, receding drought in much of the state, and continued government aid, although the pace of recovery was notably slower for livestock producers and for producers in areas still impacted by severe drought. Farm income and agricultural credit conditions strengthened for the second consecutive quarter in the Federal Reserve's Tenth District, which includes Colorado,[2] supported by record-low farm loan interest rates.

Grain prices surge while livestock prices lag. Grain prices, led by corn, have surged to multi-year highs early in 2021, while livestock prices are still below pre-pandemic levels. In Colorado, corn prices reached a seven-year high of $4.95 per bushel in March, pushing 12-month average prices up 26.1 percent on a year-to-date basis. Similarly, wheat prices reached a six-year high of $5.15 per bushel as of March, pushing average prices up 19.7 percent on a year-to-date basis (Figure 21).

Figure 21
Prices Received for Colorado Crops



Source: U.S. Department of Agriculture, National Agriculture Statistics Service. Data shown as a 12-month moving average for corn and wheat through March 2021, alfalfa hay through April 2021.

Drought conditions recede, but the Western Slope remains dry. The southwestern United States, including Colorado's Western Slope, continues to suffer from drought, while spring precipitation brought substantial relief to the eastern half of the state. In February 2021, 100 percent of the state suffered from moderate to exceptional drought, according to the U.S. drought monitor. That area shrunk to 49 percent of the state by June 2021, but much of the western half of the state is still in extreme to exceptional drought. The continued dry conditions have contributed to record-low stream flows and high risk of fire, following a 2020 fire season in which three of the largest wildfires in Colorado history burned in the state.

Government aid supports farm income. U.S. farm income hit a nine-year high in 2020, largely due to record levels of government payments to farmers. The Coronavirus Food Assistance Program (CFAP 1 and CFAP 2) provided $30 billion in financial assistance to agricultural producers facing market disruptions and losses due to COVID-19. In March 2021, the USDA announced the Pandemic Assistance for Producers Initiative to address gaps in previous aid and assist socially disadvantaged farmers and ranchers. CFAP 2 was reopened in April 2021, with Colorado producers receiving $215.2 million by June 2021. Top supported commodities in Colorado included cattle; corn; sales commodities including specialty crops, aquaculture, nursery, and floriculture; wheat; and milk.

Summary

The economy continues to recover from the pandemic-recession, with public health restrictions and COVID-19 concerns easing amid the ongoing vaccine rollout. The economic recovery remains uneven as spending and employment in sectors tied to in-person services remain subdued. Supply and

[2]The Tenth District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. Data for Colorado are generally combined along with that of Wyoming and northern New Mexico into the category "mountain states" due to limited survey responses.

demand mismatches are expected to be temporary, but signal a recovery marked by fits and stimulus-supported starts. While uncertainty remains elevated, many of the downside risks associated with the COVID-19 pandemic have eased over the past year.

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 shifted since the March forecast on ongoing vaccinations, continued support from federal stimulus, and the reawakening of consumer demand for pre-pandemic activities.

Downside risks. The most sizeable downside risk to the economic outlook concerns the course of the ongoing recovery. To the extent that emerging supply and demand mismatches lead to more lasting disruptions, the recovery may continue to be choppy and subdued in some areas for longer than expected. Rising energy and other prices and unprecedented stimulus coupled with accommodative monetary policy pose upside inflationary risks, raising the potential for financial market volatility, economic overheating, and earlier-than-expected interest rate hikes by the Fed to snuff out inflationary pressures. The vaccine rollout may stall well below the hoped-for threshold for herd immunity in many areas. It remains unclear to what extent or whether the slow-down in vaccination rates will impede economic activity, particularly once colder weather returns. 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. Additionally, recent cybersecurity incidents have disrupted operations at several high-profile firms. These attacks pose an ongoing threat to key U.S. industries.

Upside risks. The most sizeable upside risk to the current forecast is the passage of a federal infrastructure spending package, which could accelerate the recovery, boosting job growth and incomes. While spending and employment in industries hardest hit by shutdowns remain below pre-pandemic levels, a faster rebound in these sectors could accelerate the recovery. A post-pandemic boom in spending on services could promote business expansion and lift economic growth more quickly back to or above pre-recession trend levels. Pandemic-related shifts toward remote work, technological change, and simpler, more localized supply chains could result in stronger productivity gains and economic growth in the longer term.

Table 16
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	$18,426.1	$19,586.9	$20,390.0	$20,920.1
Percent Change	1.7%	2.3%	3.0%	2.2%	-3.5%	6.3%	4.1%	2.6%
Nonfarm Employment (*Millions*)[2]	144.3	146.6	148.9	150.9	142.3	145.7	150.3	154.7
Percent Change	1.8%	1.6%	1.6%	1.3%	-5.7%	2.4%	3.2%	2.9%
Unemployment Rate[2]	4.9%	4.4%	3.9%	3.7%	8.1%	5.7%	4.9%	4.6%
Personal Income (*Billions*)[1]	$16,160.7	$16,948.6	$17,851.8	$18,551.5	$19,727.9	$20,931.3	$20,973.2	$21,707.2
Percent Change	2.8%	4.9%	5.3%	3.9%	6.3%	6.1%	0.2%	3.5%
Wage and Salary Income (*Billions*)[1]	$8,089.1	$8,471.5	$8,894.2	$9,309.3	$9,370.5	$10,148.3	$10,686.1	$11,284.5
Percent Change	2.9%	4.7%	5.0%	4.7%	0.7%	8.3%	5.3%	5.6%
Inflation[2]	1.3%	2.1%	2.4%	1.8%	1.2%	2.9%	1.8%	2.2%

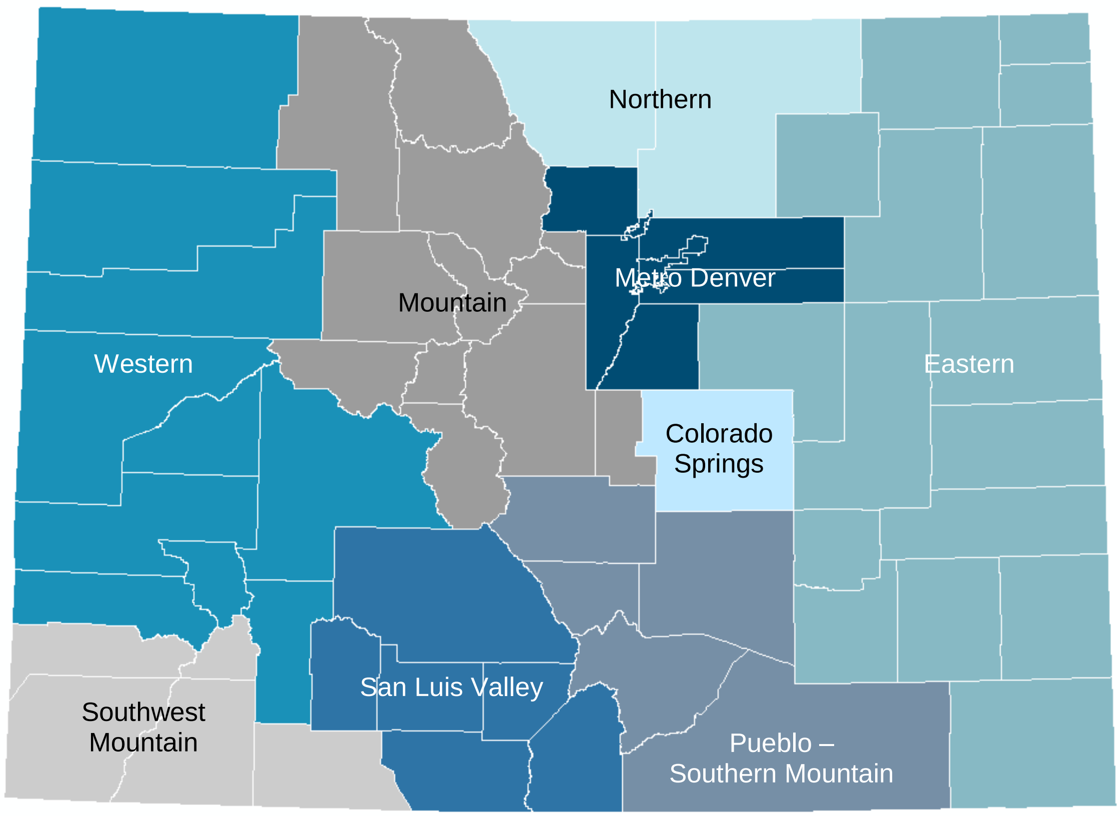
Sources:
[1]U.S. Bureau of Economic Analysis. Real gross domestic product (GDP) is adjusted for inflation. Personal income and wages and salaries not adjusted for inflation.
[2]U.S. Bureau of Labor Statistics. Inflation shown as the year-over-year change in the consumer price index for all urban areas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

Table 17
Colorado Economic Indicators

Calendar Years	2016	2017	2018	2019	2020	Legislative Council Staff Forecast 2021	2022	2023
Population (*Thousands, as of July 1*)[1]	5,543.8	5,617.4	5,697.2	5,758.5	5,807.7	5,860.0	5,918.6	5,977.8
Percent Change	1.6%	1.3%	1.4%	1.1%	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	2,720.0	2,815.2	2,888.4
Percent Change	2.4%	2.3%	2.5%	2.3%	-5.2%	2.8%	3.5%	2.6%
Unemployment Rate[2]	3.1%	2.6%	3.0%	2.7%	7.3%	6.0%	4.2%	3.5%
Personal Income (*Millions*)[3]	$290,670	$312,046	$335,196	$352,185	$368,920	$391,055	$395,356	$408,008
Percent Change	2.1%	7.4%	7.4%	5.1%	4.8%	6.0%	1.1%	3.2%
Wage and Salary Income (*Millions*)[3]	$151,086	$160,848	$170,323	$182,087	$184,441	$198,827	$210,757	$219,398
Percent Change	3.1%	6.5%	5.9%	6.9%	1.3%	7.8%	6.0%	4.1%
Housing Permits (*Thousands*)[1]	39.0	40.7	42.6	38.6	40.5	46.3	46.5	47.1
Percent Change	22.3%	4.4%	4.8%	-9.4%	4.8%	14.5%	0.3%	1.4%
Nonresidential Building (*Millions*)[4]	$5,987.8	$6,154.9	$8,141.4	$5,059.0	$5,250.4	$4,436.6	$4,671.7	$5,419.2
Percent Change	20.0%	2.8%	32.3%	-37.9%	3.8%	-15.5%	5.3%	16.0%
Denver-Aurora-Lakewood Inflation[5]	2.8%	3.4%	2.7%	1.9%	2.0%	3.1%	2.0%	2.3%

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.
[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 influence the region's labor market, as many service sector positions are slow to reopen. Leisure and hospitality industries continue to be most impacted by the lasting effects of the pandemic. 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 18.

Table 18
Metro Denver Region Economic Indicators
Adams, Arapahoe, Broomfield, Boulder, Denver, Douglas, and Jefferson Counties

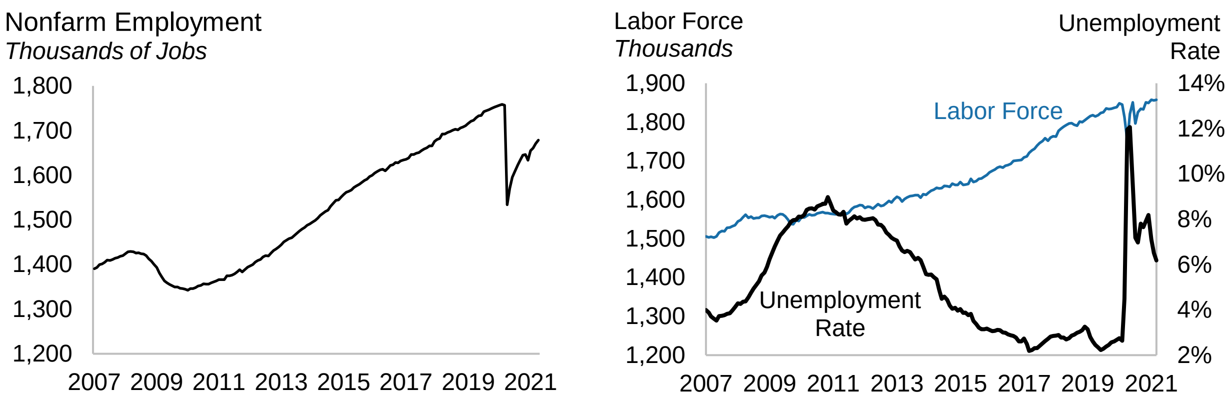
	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	1.9%	2.5%	2.2%	-3.7%	-2.1%
Unemployment Rate[2]	2.5%	2.9%	2.5%	7.4%	6.6%
Housing Permit Growth[3]					
Denver-Aurora MSA Single Family	3.8%	7.9%	-6.1%	1.5%	29.9%
Boulder MSA Single Family	-4.3%	15.7%	-9.5%	-6.2%	21.5%
Nonresidential Construction Growth[4]					
Value of Projects	-10.9%	46.4%	-38.7%	-11.6%	-26.3%
Square Footage of Projects	-14.8%	-11.0%	-8.8%	0.3%	-32.8%
Level (*Millions*)	19,274	17,149	15,645	15,700	3,788
Number of Projects	-23.8%	-18.4%	-12.4%	-3.1%	-1.3%
Level	946	772	676	655	224

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2021.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2021.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through March 2021.
[4]F.W. Dodge. Data through April 2021.

Labor market. After declining 3.7 percent in 2020, nonfarm employment remains well below pre-pandemic levels (Figure 21, left). As of April, the region recovered 66 percent of the jobs lost in April 2020, during the depths of the pandemic recession when stay at home orders were in effect. Consistent with statewide and national trends, job losses remain concentrated in leisure and hospitality industries. Vaccine distributions and the relaxation of public health orders are expected to foster additional job growth. Yet, the pandemic is expected to have a lingering impact on these and many other sectors. Unemployment rates remain elevated, averaging 6.6 percent year-to-date through March (Figure 21, right). The unemployment rate is elevated in part because labor force participation has improved, as many workers are seeking work again as the uncertainty of the pandemic eases.

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. Passenger traffic continues to improve from 2020 lows, but remains well below pre-pandemic levels. Year-to-date through March, passenger traffic was down 26.8 percent from year-ago levels. Spring and summer travel activity are expected to continue to rise as tourists depart for delayed vacations and businesses resume a higher share of meetings in person.

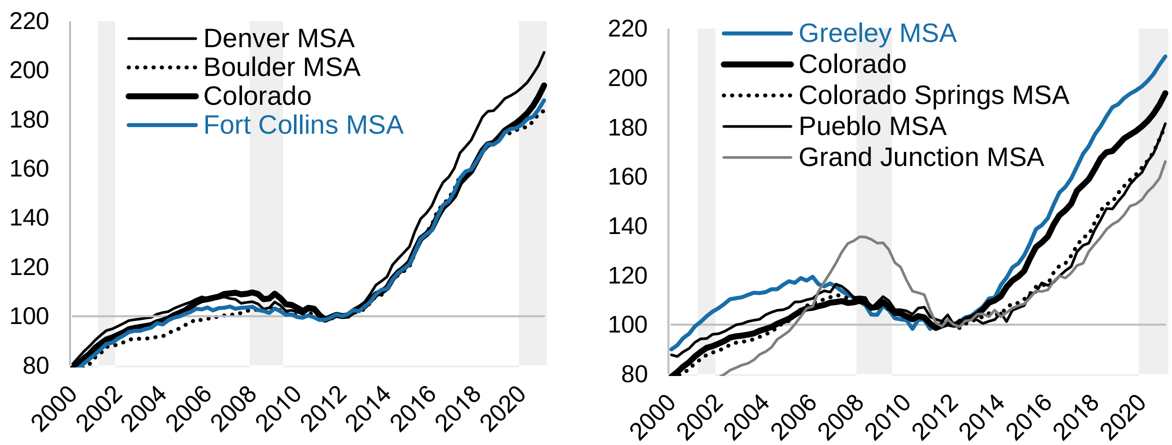
Figure 21
Metro Denver Region Labor Market Activity



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted and shown through April 2021 (left) and March 2021 (right). 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 and start of 2021 (Figure 22). Historically low interest rates have propped up demand, while pandemic-related uncertainty has 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 limited supply. According to data from the Denver Metro Association of Realtors, the median sales price for a single family detached home was up more than 20 percent in each county in the region, with Boulder and Denver up more than 30 percent over year-ago levels. In May, the active inventory of single family homes was down in excess of 70 percent in each county in the region relative to year-ago levels.

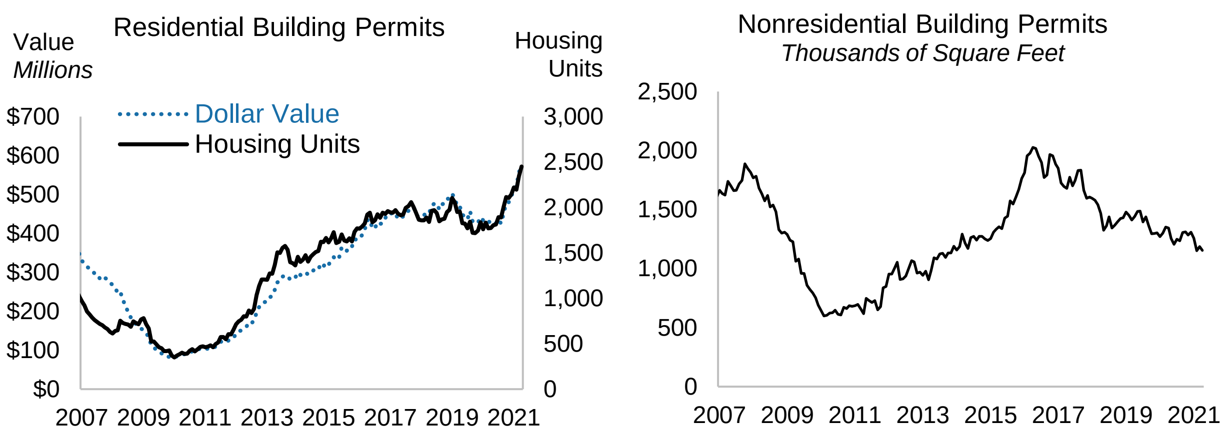
Figure 22
FHFA All-Transaction Home Price Indices
Index 100 = 2012Q1 (Recessionary Trough in Grey Bars)



Source: Federal Housing Finance Agency (FHFA). Data are seasonally adjusted and through 2021Q1.

Residential construction. Metro Denver residential construction activity continued to accelerate through the first quarter of 2021 (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 29.9 percent year-to-date in the first quarter, and the Boulder MSA saw a 21.5 percent increase in new single family residential units. While demand remains high, the availability of labor and land may constrain 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 April 2021.

Nonresidential construction. Metro Denver nonresidential building activity continues to slow. The value (Figure 23, right), square footage, and number of projects declined, continue a downward trend from 2016 highs through the start of 2021. 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 perform above most regions in the state, supported by population growth, 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 economic news 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 remains subdued. After a robust performance in 2020, the construction industry has suffered as of early 2021 in portions of the Northern region. Residential housing in Weld County has continued its strong growth, with Larimer County suffering a decline in 2021. Table 19 shows economic indicators for the northern region.

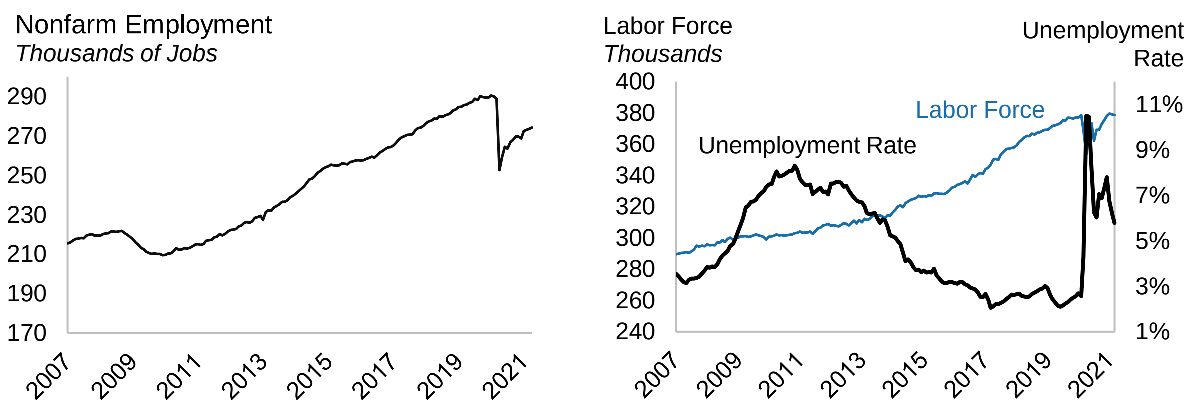
Table 19
Northern Region Economic Indicators
Weld and Larimer Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth[1]					
Fort Collins-Loveland MSA	3.7%	2.7%	2.5%	-4.4%	-1.0%
Greeley MSA	-0.4%	2.4%	1.3%	-2.0%	-1.4%
Unemployment Rate[2]					
Fort Collins-Loveland MSA	2.3%	2.6%	2.3%	6.3%	5.8%
Greeley MSA	2.5%	2.8%	2.5%	7.0%	6.8%
State Cattle and Calf Inventory Growth[3]	6.7%	2.6%	8.0%	1.9%	5.4%
Natural Gas Production Growth[4]	5.6%	18.9%	19.2%	8.6%	-10.7%
Oil Production Growth[4]	13.5%	36.0%	4.9%	-11.7%	-29.1%
Housing Permit Growth[5]					
Fort Collins-Loveland MSA Total	-18.2%	8.4%	-18.2%	-0.3%	-8.7%
Fort Collins-Loveland MSA Single Family	21.0%	-14.1%	-4.9%	34.7%	-9.8%
Greeley MSA Total	23.1%	24.6%	-2.2%	9.1%	19.0%
Greeley MSA Single Family	16.4%	32.1%	-8.4%	28.1%	26.8%
Nonresidential Construction Growth[6]					
Value of Projects	32.2%	64.5%	-71.5%	60.7%	-44.8%
Square Footage of Projects	17.8%	-29.0%	-14.4%	-2.4%	-56.6%
Level (*Thousands*)	3,996	2,838	2,428	2,370	532
Number of Projects	2.9%	13.0%	-16.8%	-13.5%	-44.9%
Level	284	321	267	231	54

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2021.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2021.
[3]National Agricultural Statistics Service. Cattle and calves on feed through May 2021.
[4]Colorado Oil and Gas Conservation Commission. Data through January 2021.
[5]U.S. Census Bureau. Growth in the number of residential building permits. Data through March 2021.
[6]F.W. Dodge. Data through April 2021.

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 2020, the unemployment rate averaged 6.3 percent in 2020 in the Fort Collins-Loveland area, and averaged 7.0 percent in Greeley, maintaining some of the lowest unemployment rates in the state. Year-to-date through March 2021, the unemployment rate has fallen in both regions, to 5.8 percent in the Fort Collins-Loveland area and 6.8 percent in the Greeley area. Nonfarm employment in the northern region remains 15,200 jobs below the peak pre-pandemic level of 289,400 seen in January 2020. Employment is not expected to fully recover until vaccination rates increase and energy markets return to pre-crisis levels.

Figure 24
Northern Region Labor Market Activity



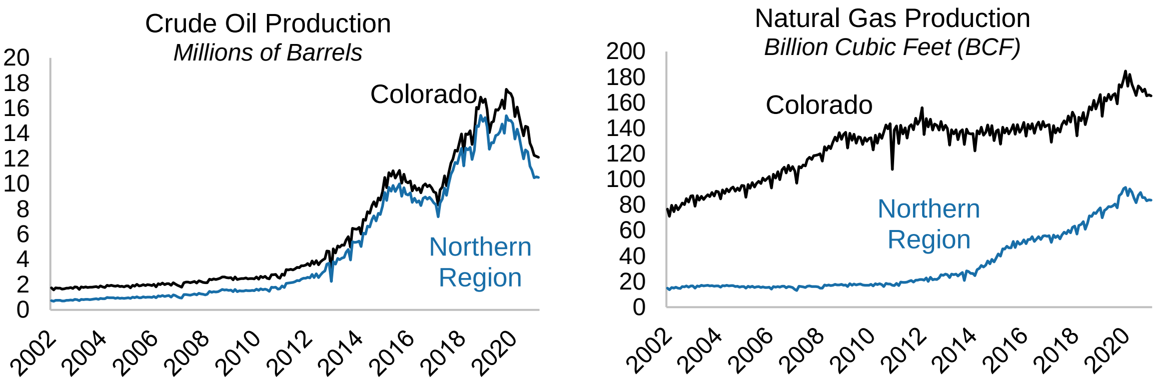
Source: U.S. Bureau of Labor Statistics; CES. Data are seasonally adjusted and are through April 2021.

Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2021.

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. As the negative effects of COVID-19 have begun to abate and pasture conditions in the northeastern part of the state have improved, cattle and calf inventory has rebounded, growing 5.4 percent in 2021 on a year-to-date basis. Increased commercial demand, resulting from restaurant openings and the return to in-person learning at area universities, is expected to spur additional growth throughout 2021.

Energy sector. Oil production in the northern region, particularly in Weld County, has dominated statewide production for over a decade. Oil and gas production climbed through April 2020, increasing 5.0 percent and 21.1 percent, respectively, over year-ago levels (Figure 25). However, the significant fall in oil prices last spring combined with the drop in demand due to COVID-19-related shutdowns led to reductions in oil and gas production and capital expenditures as evidenced by the drop in Colorado rig counts through the summer. Oil and gas production in January 2021 was down 10.7 percent and 29.1 percent respectively, compared to January 2020. After remaining around $40 per barrel for much of the latter half of 2020, oil prices began rising in December and have been above $60 per barrel since mid-April 2021. Prices are expected to remain around $58 per barrel for the remainder of 2021, based on estimates from the Energy Information Administration. Increased demand for oil and gas in the near and midterm, alongside rising prices, is expected to spur additional production.

Figure 25
Colorado Energy Production

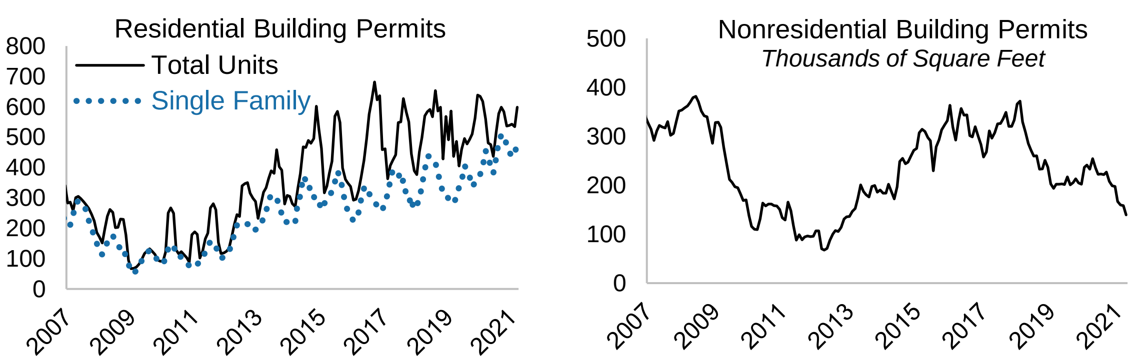


Source: Colorado Oil and Gas Conservation Commission. Monthly data through January 2021.

Housing. Following a strong year in 2020, new single family housing permits in the Greeley area have increased by 26.8 percent in 2021 on a year-to-date basis, while declining by 9.8 percent in the Fort Collins-Loveland area. Despite this divergence, both areas have experienced a sharp increase in demand for single family units. Median prices for single family units in Weld County rose 13.8 percent in 2021 year-to-date through May, and prices in Larimer County are up 13.6 percent, according to the Colorado Association of Realtors. Additionally, as further evidence of the increased demand for single family units, the time that listings spend on the market has declined significantly, falling 21.7 percent in Weld County, and 25.0 percent in Larimer County in on a year-to-date basis. Total housing permit growth in 2020 and 2021, however, has moderated, particularly in the Fort Collins area, as the pandemic has put downward pressure on demand for multi-family housing units.

Nonresidential construction. After sustaining moderate nonresidential construction activity in 2020, the negative effects of COVID-19 appear to have materialized for this industry in 2021. On a year-to-date basis, nonresidential construction has decreased significantly, with the number and value of new projects declining by nearly 45 percent, and new square footage declining by 57 percent in 2021 (Figure 26, right). Future commercial construction activity will depend in part on the recovery in energy prices and production, which may translate into more commercial projects in later 2021 and 2022.

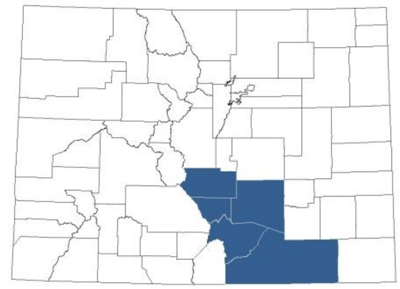
Figure 26
Northern Region Construction Activity



Source: U.S. Census Bureau. Data shown as three-month moving averages. Data are not seasonally adjusted and are through March 2021.

Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2021.

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 second-highest unemployment rate of any region in Colorado in 2020 based on revised data. While nonresidential construction started the year strong, challenges in the commercial real estate market will limit growth through 2021. However, indicators for residential real estate remain strong, and combined with an improving labor market, the area is expected to continue its economic recovery. Indicators for the regional economy are presented in Table 20.

Table 20
Pueblo Region Economic Indicators
Custer, Fremont, Huerfano, Las Animas, and Pueblo Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth					
Pueblo Region[1]	2.5%	0.6%	1.1%	-2.4%	-0.6%
Pueblo MSA[2]	1.1%	0.1%	1.0%	-3.2%	-2.5%
Unemployment Rate[1]	4.0%	4.6%	4.0%	8.1%	8.3%
Housing Permit Growth[3]					
Pueblo MSA Total	14.9%	45.1%	3.8%	18.4%	20.3%
Pueblo MSA Single Family	16.2%	52.6%	-6.2%	31.1%	20.3%
Nonresidential Construction Growth[4]					
Value of Projects	-64.5%	222.9%	45.2%	30.2%	703.1%
Square Footage of Projects	-52.6%	145.1%	-19.7%	52.8%	1,036.6%
Level (*Thousands*)	162	397	318	486	463
Number of Projects	-72.2%	50.0%	23.3%	91.9%	-4.2%
Level	20	30	37	71	23

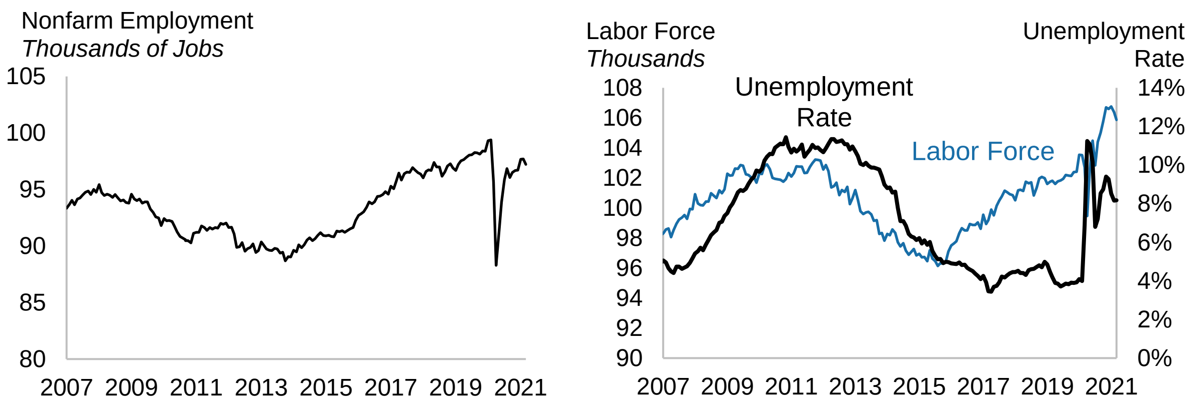
MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2021.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2021.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through March 2021.
[4]F.W. Dodge. Data through April 2021.

Labor market. Labor market indicators for the region were mixed through the first quarter of 2021. According to revised household survey data, the unemployment rate in the region averaged 8.1 percent during 2020, behind only the Mountain region (8.3 percent) for the highest in the state (Figure 27). Through the first quarter of 2021, the unemployment rate remained above the 2020 average in contrast to other regions of the state. While the unemployment rate improved between May and August last year, rising COVID-19 case counts and public health restrictions in the fall stalled employment growth and put upward pressure on the unemployment rate to close the year. The unemployment rate climbed to 9.4 percent by December 2020.

The return of workers to the labor force exacerbates the statistical unemployment rate, 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.

Pandemic-induced job losses in the Pueblo Metropolitan Statistical Area, i.e. Pueblo County, were significant, but slightly 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. Pueblo County's employment has since steadily improved, but remained below pre-pandemic peak levels by about 3,300 jobs in March 2021. Several sectors in Pueblo continue to struggle with job levels well below pre-pandemic peaks including manufacturing, education and health services, leisure and hospitality, and public schools.

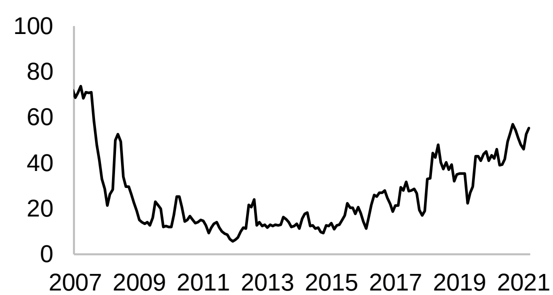
Figure 27
Pueblo – Southern Mountains Region Labor Market Trends



Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2021.

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). In fact, all of Pueblo's recorded housing permits have been for single family units since the start of 2020. Single family construction activity remained strong through the first quarter of 2021, with permits up more than 20 percent year-to-date. The robust pace of construction activity is expected to continue through 2021 and into 2022.

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 March 2021.

Despite rapid home price appreciation, Pueblo's housing market remains an affordable option compared with neighboring Colorado Springs, drawing consumer interest. In April, data from the Colorado Association of Realtors indicate the median sales price for a single-family home in Pueblo County rose 19 percent year-over-year to $285,000. Comparatively, the median price in neighboring El Paso County was $425,000. Like many parts of the state, rapid home price appreciation in Pueblo is partly due to a low inventory of homes for sale. In April, the county reported 199 single family homes for sale, down about 55 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.

Rapid price appreciation and low inventory were also recorded in other areas of the southern mountain regions. In April, the median single family home price in Fremont County, which includes Cañon City, increased by 16 percent year-over-year to $275,000. While data tends to be more volatile in less populated areas, median prices were also up significantly and inventory was down in both Las Animas and Huerfano Counties.

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. Robust activity continued through the first four months of 2021 with a reported $131 million in more than 460,000 square feet of new projects. In April, Pueblo School District 60 announced it broke ground on the new Pueblo East and Centennial high schools, part of a $218 million bond program approved by voters in 2019. Over the forecast horizon, nonresidential construction will be supported by several new projects. In addition to the two new high schools, the Pueblo School District also announced it would build a new K-8 school, slated to begin in 2022. New construction will be boosted further by the announcement that the Turkey Creek Solar Farm will begin construction in 2022.

The Pueblo region will likely have few new construction opportunities for traditional commercial real estate (office, industrial, retail) through 2021. The market will be challenged by several large retail properties that remain vacant, in addition to permanent restaurant closures and the shift toward remote work. However, the influx of new households in Pueblo may boost the market for local neighborhood-serving retail, small office, and similar projects in 2022 and 2023 that compliment household growth.

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 21.

Table 21
Colorado Springs Region Economic Indicators
El Paso County

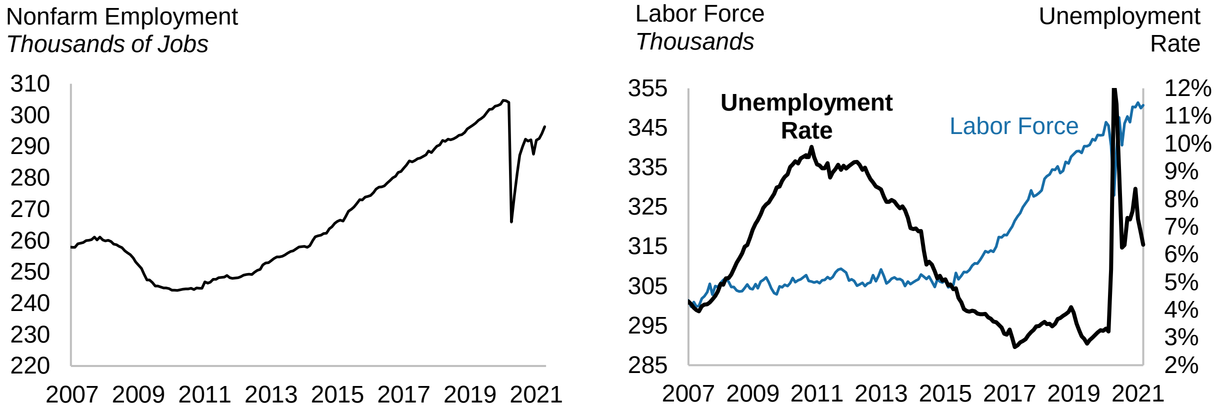
	2017	2018	2019	2020	YTD 2021
Employment Growth[1]					
Colorado Springs MSA	1.8%	2.2%	2.2%	-2.6%	-0.4%
Unemployment Rate[2]	3.1%	3.7%	3.2%	7.3%	6.8%
Housing Permit Growth[3]					
Total	-3.9%	15.4%	-3.8%	25.7%	59.1%
Single Family	6.7%	9.6%	-4.1%	24.4%	34.4%
Nonresidential Construction Growth[4]					
Value of Projects	-22.6%	20.9%	0.4%	40.8%	-59.7%
Square Footage of Projects	10.5%	9.3%	5.0%	112.0%	-77.8%
Level (*Thousands*)	2,599	2,841	2,984	6,326	1,053
Number of Projects	30.0%	-1.3%	-31.3%	16.4%	-22.6%
Level	550	543	373	434	103

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2021.
[2]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2021.
[3]U.S. Census Bureau. Growth in the number of residential building permits. Data through March 2021.
[4]F.W. Dodge. Data through April 2021.

Labor market. The rate of pandemic-induced job losses in El Paso County were severe, but less steep than for any other Colorado metropolitan area, save for Grand Junction (down 2.0 percent). Colorado Springs not only fared better than metro areas during the depths of the recession, the region posted a faster rate of job recovery through the end of 2020. In the first quarter of 2021, the region continued to add jobs and by March had recovered about 73 percent of jobs lost at the height of pandemic closures (Figure 29, left). Momentum in the region's job market is expected to build through the summer, bolstered by improved opportunities for services workers.

The regional unemployment rate improved in the first quarter of 2021, falling to 6.8 percent from 8.4 percent in December (Figure 29, right). While the unemployment rate was as low as 6.3 percent in August 2020, conditions worsened in the fourth quarter with increased COVID-19 case counts, putting upward pressure on unemployment. Encouragingly, the regional labor force solidly surpassed pre-pandemic peak levels in the fourth quarter of 2020. Sustained labor force engagement indicates households are responding to job opportunities, rising employment, and better economic conditions.

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 March 2021.

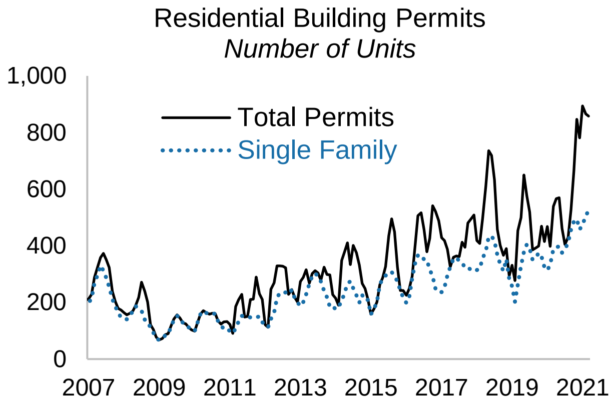
Housing. The Colorado Springs housing market has continued to heat up, and sustained demand drove even more homebuilding. The Colorado Association of Realtors reports that median single family home sales prices in El Paso County reached $425,000 in April 2021, up more than 18 percent from year-ago levels. Low inventory and strong demand have contributed to the region's rapid price appreciation. The inventory of homes for sale was down nearly 57 percent from year-ago levels and homes remained on the market for an average of 10 days, down from 19 days in April 2020.

Robust residential construction activity continued into 2021. Firms pulled permits for over 6,900 homes in 2020, the most since 2005 (Figure 30, left). In the first quarter, builders were approved for nearly 2,600 permits, up 59.1 percent year-to-date due to a surge in multi-family units. Indeed, about 1,000 multi-family units were permitted in the first quarter. Among the state's major cities, Colorado Springs continued to post the fastest growth in total housing permits. Comparatively, permit issuances rose about 38 percent in Denver and about 20 percent in Pueblo.

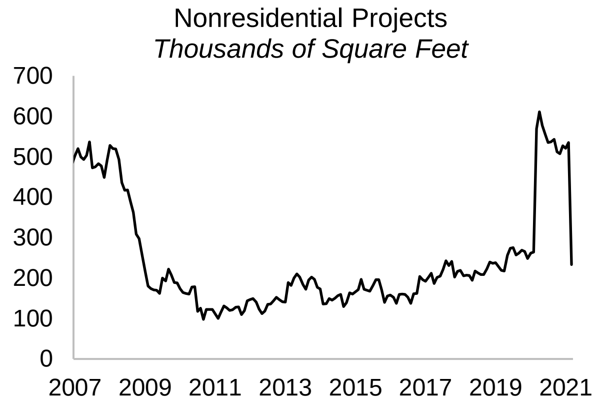
A tight housing market is expected to drive more construction activity through the forecast period. The I-25 Gap project between Monument and Larkspur in Douglas County is slated for completion in 2022 and will alleviate some congestion between Colorado Springs and Denver, making the region even more attractive as a comparatively low-cost option for those priced out of markets further north. Southwest airlines also announced it had started service between Colorado Springs and Denver in March, with fares as low as $29 one-way.

Nonresidential construction. Colorado Springs is in the midst of a construction boom. The region added nearly $1 billion in nonresidential projects during 2020 and 6.3 million square feet, boosted largely by the 3.7 million-square-foot Amazon Fulfillment Center (Figure 30, right). The project is on schedule for completion this summer and is slated to employ 1,000 workers. While first quarter data indicates that the square footage of new construction was down 78 percent year-to-date, the decline reflects post-Amazon activity and is still robust compared with the last economic expansion. Year-to-date, the market recorded over 1 million square feet of nonresidential construction activity, well above the 382,000 square feet posted through the first four months of 2019. Construction activity is expected to continue at a strong pace during 2021.

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 April 2021.



Source: F.W. Dodge. Data shown as twelve-month moving averages. Data are not seasonally adjusted and are through April 2021.

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. The region has seen a slow but consistent recovery in 2021, with both unemployment rates and drought conditions moderating. Nonfarm employers include commercial, health, and government services, as well as a small but resilient tourism sector. Economic indicators for the region are summarized in Table 22.

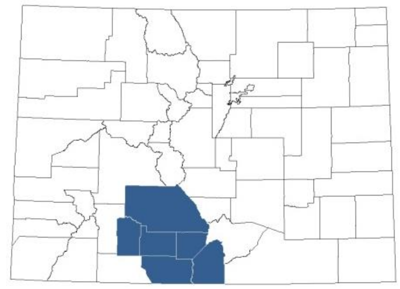


Table 22
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	4.3%	3.0%	1.0%	-4.6%	0.6%
Unemployment Rate[1]	3.6%	4.1%	3.6%	6.6%	6.3%
Barley[2]					
Acres Harvested	68,000	53,000	52,000	45,000	NA
Crop Value ($/Acre)	$607	$660	$672	$703	NA
Potatoes[3]					
Acres Harvested	51,500	51,600	48,500	NA	NA
Crop Value ($/Acre)	$3,506	$3,892	$4,636	NA	NA
Housing Permit Growth[4]	16.8%	16.3%	-11.1%	13.9%	100.0%
National Park Recreation Visits[5]	25.4%	-9.0%	19.1%	-12.5%	-16.0%

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2021.
[2]National Agricultural Statistics Service. Statewide. Data through 2020.
[3]National Agricultural Statistics Service. San Luis Valley Region. Data through 2019.
[4]F.W. Dodge. Data through April 2021.
[5]National Park Service. Data through March 2021. Recreation visits for Great Sand Dunes National Park and Preserve.

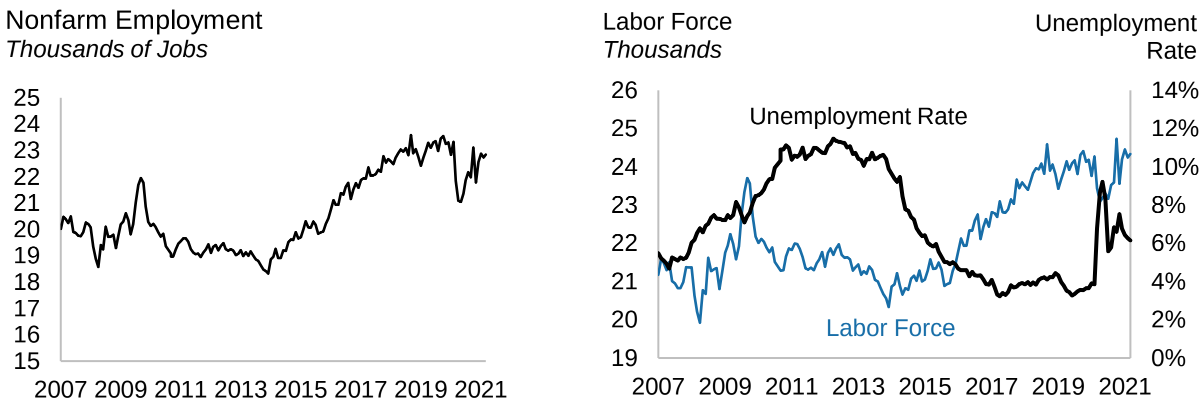
Agricultural industry. With over 70 varieties grown in the region, potatoes are a key San Luis Valley crop. Other principal crops include head lettuce, wheat, and barley, with hemp and quinoa acreages on the upswing. Grazing and alfalfa hay are important in areas lacking sufficient access to water rights. After plummeting during statewide COVID-related shutdowns in 2020, year-to-date potato shipments through May 2021 were up 2.6 percent from year-ago levels. Since March, drought conditions have substantially moderated in the Rio Grande Basin, which spans the San Luis Valley, with drought receding from eastern regions of the state, leaving moderate drought conditions in the western counties of the region, according to the U.S. Drought Monitor. Weather and access to water remain significant concerns for San Luis Valley agriculture producers.

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 in early 2020. By March 2021, the San Luis Valley had regained 77.6 percent of jobs lost since the pandemic began, and employment is up 0.6 percent from year-ago levels

(Figure 31, left). Unemployment rates have seen a gradual but slow recovery in 2021. The region saw a 6.1 percent unemployment rate in March 2021, down from 6.3 percent in February, above both the post-pandemic low of 5.9 percent in August 2020 and the pre-pandemic low of 3.5 percent in December 2019 (Figure 31, right).

Figure 31
San Luis Valley Labor Market Activity

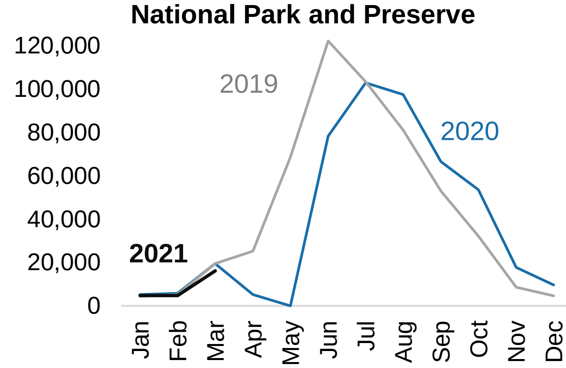


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2021.

Housing and population growth. After declining by 11.1 percent in 2019, housing permits issued in the San Luis Valley region rebounded in 2020 to 13.9 percent growth. Year-to-date, permits are up 100 percent over the same period last year through April 2021. The region's population is expected to grow over the next ten years, albeit more slowly than the state as a whole. Median single family home prices in Alamosa County are up 12.6 percent through April 2021 over the same period last year. At $227,500, median home prices remain less than half of the statewide median of $477,800.

Tourism. Visits to the Great Sand Dunes National Park and Preserve recovered rapidly during the summer months of 2020 to surpass 2019 monthly levels, although remained down by 12.5 percent compared to 2019 total visitation. Park visits through March 2021 were down 16.0 percent from the same period last year (Figure 32). The San Luis Valley is home to the historic Cumbres and Toltec Scenic Railroad, which runs between Antonito, CO and Chama, NM and re-opened on May 29, with the addition of a newly restored 140-year-old locomotive. The relaxing of social distancing measures is expected to buoy tourist activity in the region throughout the 2021 season.

Figure 32
Visits to Great Sand Dunes National Park and Preserve



Source: National Park Service. Data through March 2021.

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 economic activity in the southwest mountains. Local government budgets were also impacted by the pandemic, further dampening employment in the region. Economic indicators for the region are summarized in Table 23.

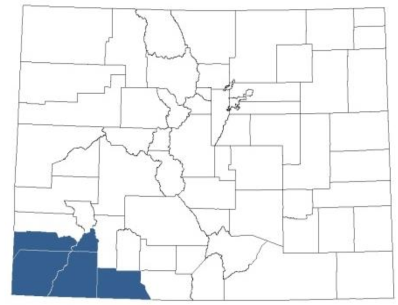


Table 23
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

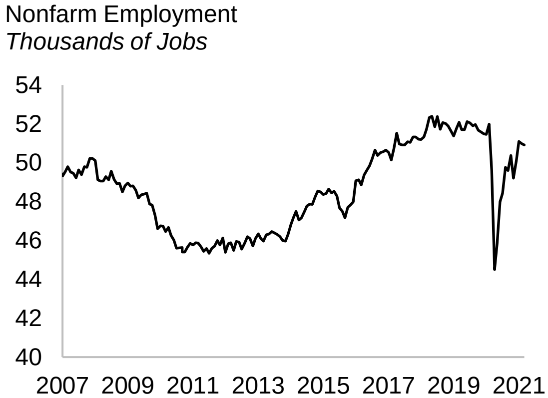
	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	2.2%	1.8%	-0.2%	-5.2%	0.0%
Unemployment Rate[1]	2.7%	3.2%	2.9%	7.1%	6.1%
Housing Permit Growth[2]	29.8%	24.1%	-33.9%	12.4%	53.0%
National Park Recreation Visits[3]	4.4%	-7.6%	-2.1%	-48.1%	128.5%

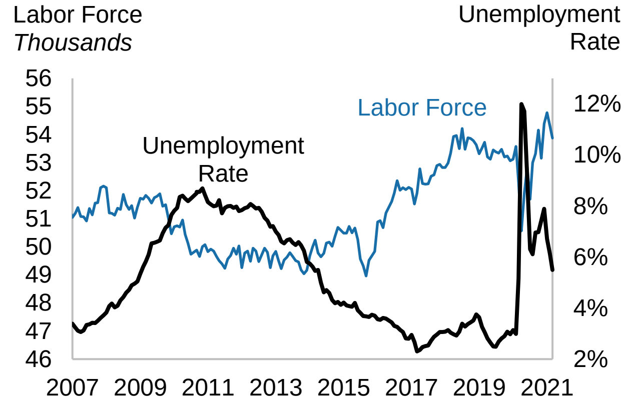
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2021.
[2]F.W. Dodge. Data through April 2021.
[3]National Park Service. Data through April 2021 Recreation visits for Mesa Verde National Park and Hovenweep National Monument.

Labor market. Recently revised data from the U.S. Bureau of Labor Statistics indicate the southwest mountain region fared better than previously reported. However, regional employment remains well below pre-pandemic levels and the unemployment rate remains elevated. From February to April 2020, seasonally adjusted regional employment fell by nearly 7,500 and the unemployment rate peaked at 12 percent (Figure 33, right). The region lost about 14.4 percent of its pre-pandemic jobs, the fourth-highest job loss recorded in the state behind the mountain, western, and Fort Collins regions. Employment has steadily trended upward since April 2020, with a short dip in November and a slight slowdown to close the first quarter of 2021. Encouragingly, the labor force has trended upward at the same time, indicating workers are ready to return to work and are finding employment opportunities. As of March 2021, the region has regained about 86 percent of the jobs lost during the recession.

In May, local public health orders remained in effect for the regions two largest counties, La Plata and Archuleta counties. While indicators such as case counts and positivity rates are trending down, consumers remain cautious and business activities restricted going into the second quarter of 2021. Businesses in Durango, the region's largest city, have reported challenges rehiring employees and ramping up workers heading into the summer, particularly for the leisure and hospitality sector. While employers, the state, and local communities are working at enticing people back to work, some employees may be reluctant to return to work or are transitioning away from the sector. Despite these challenges, warming weather and vaccine rollout through the summer are expected to improve the regional employment outlook over the latter half of 2021.

Figure 33
Southwest Mountain Region Labor Market Activity



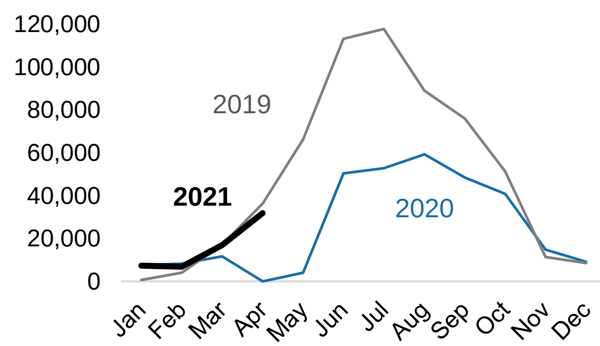


Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2021.

Housing. The region's residential real estate market improved in 2020 as building activity increased and sales activity grew. The Colorado Association of Realtors reported increases in home sales and median prices in each of the five counties in 2020. Permit activity has generally trended higher since 2011, with periodic spikes and dips in activity punctuating steady growth. Responding to increased demand, permits were up 53 percent year-to-date in the first quarter of 2021, following 12.4 percent growth in 2020. Building activity can vary widely within the region. The housing market is expected to post its second consecutive year of growth in 2021.

Tourism. Visits to Mesa Verde National Park and nearby Hovenweep National Monument were down more than 48 percent in 2020 compared to 2019. Figure 34 compares monthly visits to both parks from 2019 to 2021. Through the pandemic, visits were down significantly but began to track more closely with pre-pandemic levels by the fourth quarter of 2020. Through April 2021, visits were up more than 128 percent year-to-date, tracking closely with 2019 visits.

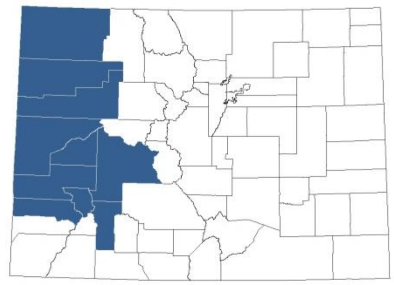
Figure 34
Visits to Mesa Verde National Park and Hovenweep National Monument



Source: National Park Service. Data through April 2021.

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. Encouragingly, the airport reported vast improvements in passenger traffic over the past few months, with April traffic at 87 percent of 2019 levels. However, most of the region remains in extreme drought conditions according to the U.S. Drought Monitor. Low rainfall and reservoir levels could impact agriculture in the region, and a second consecutive season of elevated fire risk could impact tourism in some areas.

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. While unemployment remains elevated in the region, the housing and construction industries have shown significant growth in early 2021, and outdoor recreation has also seen a boost compared to 2020. Economic indicators for the region are summarized in Table 24.

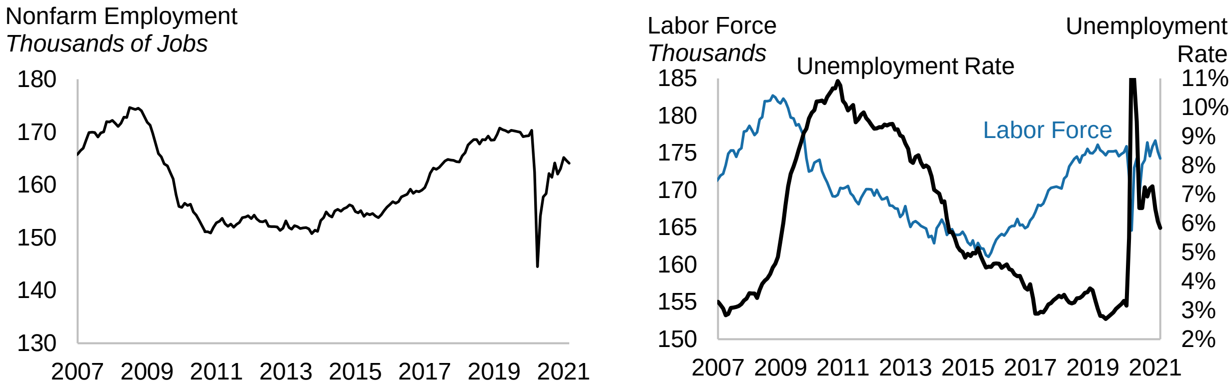
Table 24
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth					
Western Region[1]	3.4%	2.7%	1.4%	-5.3%	-1.6%
Grand Junction MSA[2]	-0.4%	2.4%	1.3%	-2.0%	-1.4%
Unemployment Rate[1]	3.2%	3.5%	3.0%	7.2%	6.1%
Natural Gas Production Growth[3]	-2.1%	1.3%	2.2%	1.8%	-10.7%
Housing Permit Growth[4]	42.8%	15.5%	-11.7%	30.3%	70.5%
Nonresidential Construction Growth[4]					
Value of Projects	-33.1%	4.5%	54.5%	-65.1%	236.2%
Square Footage of Projects	-17.6%	30.4%	-0.6%	-22.2%	-10.8%
Level (*Thousands*)	477	622	618	481	127
Number of Projects	-36.7%	20.0%	16.7%	22.9%	8.7%
Level	50	60	70	86	25
National Park Recreation Visits[5]	6.5%	-5.8%	2.3%	-0.1%	14.2%

MSA = Metropolitan statistical area.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2021.
[2]U.S. Bureau of Labor Statistics, CES (establishment survey). Seasonally adjusted. Data through April 2021.
[3]Colorado Oil and Gas Conservation Commission. Data through January 2021.
[4]F.W. Dodge. Data through April 2021.
[5]National Park Service. Data through April 2021. 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 pandemic-related decline in early 2020, employment grew steadily for the remainder of the year. However, as of April, employment growth has been relatively flat in 2021, and remains approximately 4 percent below its pre-pandemic peak (Figure 35, left). Despite relatively flat employment growth, the unemployment rate has steadily declined in the first three months of 2021, largely attributable to a decline in the labor force, which has shrunk by about 3 percent over the same time period (Figure 35, right). While still elevated, the unemployment rate for the western region is among the lowest in Colorado.

Figure 35
Western Region Labor Market Activity



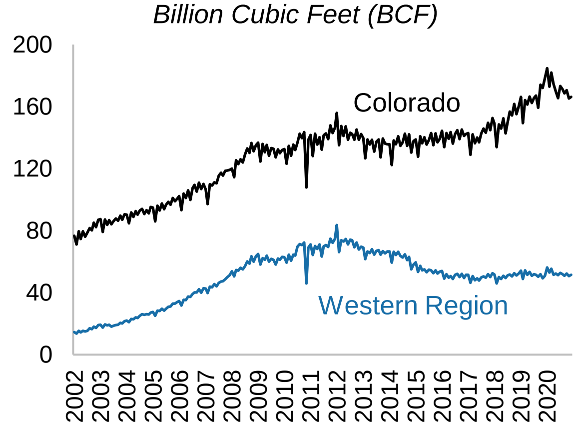
Source: U.S. Bureau of Labor Statistics; LAUS. Data prior to 2010 adjusted by Legislative Council Staff. Data are seasonally adjusted and are through March 2021

Source: U.S. Bureau of Labor Statistics; LAUS. Data are seasonally adjusted and are through March 2021.

Construction. Following a rebound in activity in 2020, the residential construction industry has further accelerated in 2021 with a 71 percent increase in construction permits over the same period in 2020. 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 suffered a slowdown in 2020, but has since bounced back, with the value of projects increasing by 236 percent on a year-to-date basis in 2021, including a new library building in Gunnison County, the expansion of the Gunnison-Crested Butte Airport, and an 80 megawatt solar project in the Delta-Montrose area. A portion of this sizable increase is due to the significant drop seen in 2020; however, it still suggests strong growth in the nonresidential construction sector.

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 in 2020 compared to 2019 levels, a relatively strong showing considering production in Colorado broadly declined in 2020 (Figure 36). The cold snap in early 2021 pushed natural gas prices up 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 have since moderated but are expected to remain above 2020 prices. This may lead to decreased demand for natural gas and a shift to other fuels, unless increased production can offset the price increase.

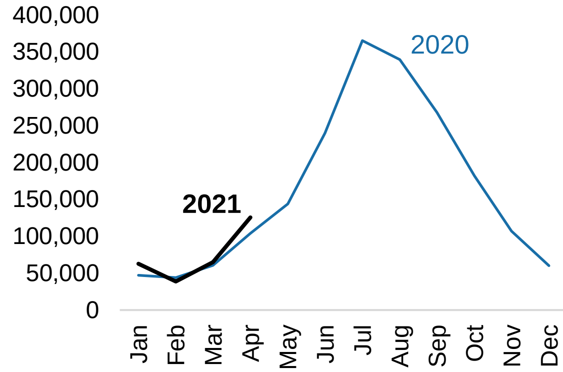
Figure 36
Natural Gas Production
Billion Cubic Feet (BCF)



Source: Colorado Oil and Gas Conservation Commission. Monthly data through January 2021.

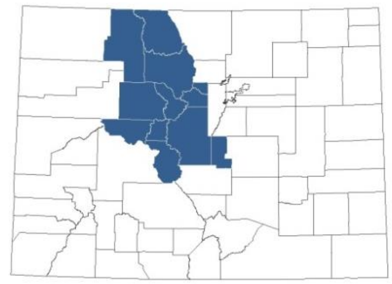
National park visitors. Subdued tourism resulting from COVID-19 and summer wildfires in 2020 led to reduced outdoor recreation and national park visitation in the region. As of April 2021, national park visits in this region are up about 14 percent compared to 2020 on a year-to-date basis (Figure 37). Visitation to the Colorado National Monument is up nearly 50 percent, and visitation to the Dinosaur National Monument is up about 44 percent compared to the same period in 2020. In contrast, visitation to the Black Canyon of the Gunnison National Park was down about 13 percent, and visitation to the Curecanti National Recreation Area was down about 17 percent compared to the same period in 2020. As concerns related to COVID-19 decrease, tourist travel and national park visitations are expected to increase for the remainder of 2021.

Figure 37
Regional National Park Visits*



Source: National Park Service.
*Data are through April 2021 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 activity, with a large share of workers typically employed in leisure and hospitality industries. The pandemic severely impacted the region as communities lost more than a quarter of February 2020 employment and the unemployment rate rose higher than any other region in the state. Regional indicators for the first quarter reflect a mixed recovery. The unemployment rate fell, although it was partly due to a shrinking labor force. Further, slowing nonresidential construction activity posted in the latter half of the year continued into the first quarter. Encouragingly, residential construction surged in the first three months of the year. Economic indicators for the mountain region are presented in Table 25.

Table 25
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	4.0%	3.0%	1.9%	-7.3%	-3.3%
Unemployment Rate[1]	2.2%	2.6%	2.3%	8.3%	6.0%
Housing Permit Growth[2]	-10.7%	73.9%	4.8%	-28.8%	98.6%
Nonresidential Construction Growth[2]					
Value of Projects	298.4%	-78.1%	41.6%	77.8%	-72.6%
Square Footage of Projects	221.0%	-65.1%	29.2%	18.7%	3.6%
Level (*Thousands*)	2,028	708	915	1,086	450
Number of Projects	-1.6%	17.7%	-35.6%	59.6%	0.0%
Level	62	73	47	75	24

NA = Not available.
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Seasonally adjusted. Data through March 2021.
[2]F.W. Dodge. Data through April 2021.

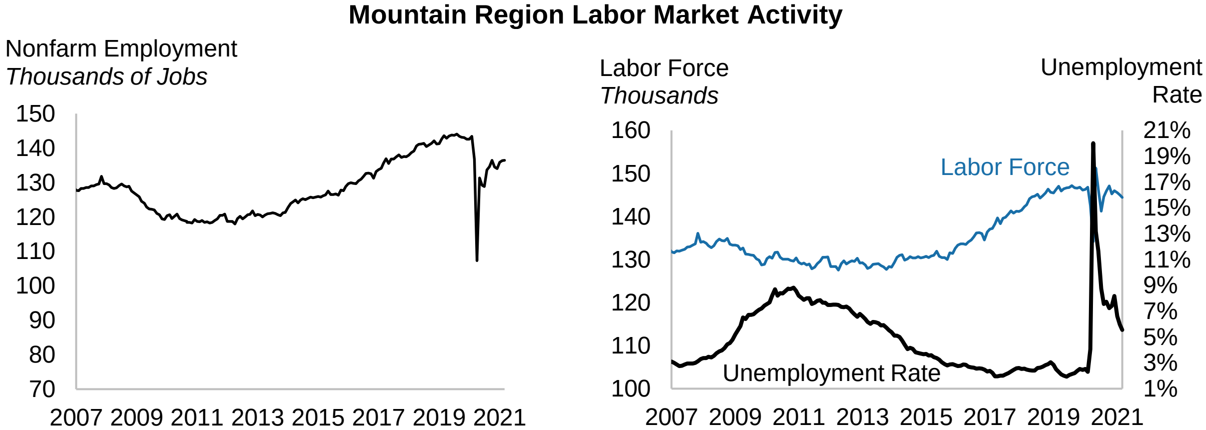
The mountain region economy is especially pro-cyclical, in that it performs better than other areas during expansions and suffers more than others during recessions. In normal economic circumstances, the mountain economy performs best when households have enough disposable income to travel on vacation to the region. The COVID-19 crisis was uniquely detrimental for the mountain economy. However, improving consumer confidence, falling unemployment, and strong household financial situations bode well for the region's recovery over the summer and fall.

Labor market. Revised data indicate the unemployment rate jumped up from 2.3 percent to 20 percent from February to April 2020, well above the 12.1 percent seasonally-adjusted statewide peak. As a share of pre-pandemic employment, the region posted the largest contraction in the state. After a partial rebound, employment contracted once again over the latter half of 2020 as COVID-19 cases spiked and snowpack was below average, causing travel to dip. By December, the unemployment rate was back up to 8.2 percent after falling as low as 7.2 percent in October (Figure 38, right).

The unemployment rate averaged 6 percent in the first quarter and by March fell as low as 5.6 percent amid the ongoing challenges of the pandemic, even lower than the state average. However, the lower rate is only partially attributed to employment growth. Indeed, an initial surge in employment of about 1,880 people from December to January was followed by an increase of about 440 workers February and just 80 workers in March (Figure 38, left). Further, employment in the mountain region increased by less than 1 percent from the fourth quarter of 2020 to the first quarter of 2021, the slowest of the 10 regions. Concurrent with slowing employment growth, the labor force declined to its lowest level since August 2020, lowering the unemployment rate as people stopped looking for work. While the cause of a drop in the regional labor force cannot be determined, people may leave the labor force for a number of reasons including school, military service, family, or disengagement.

In 2019, industry data indicate 35.5 percent of the region's employees worked in leisure and hospitality, indicating that recovery from the pandemic-induced recession will largely depend on this sector's performance. While the most recent regional data is significantly lagged, at a state level seasonally-adjusted leisure and hospitality employment increased 3.6 percent from March to April 2021, resuming the sector's track to recovery after temporarily slowing. Other positive signs for the summer travel season include steadily improving passenger air traffic, easing pandemic restrictions, and stronger household spending on services. Easing pandemic conditions could lead to rapid growth in the mountain region 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 March 2021.

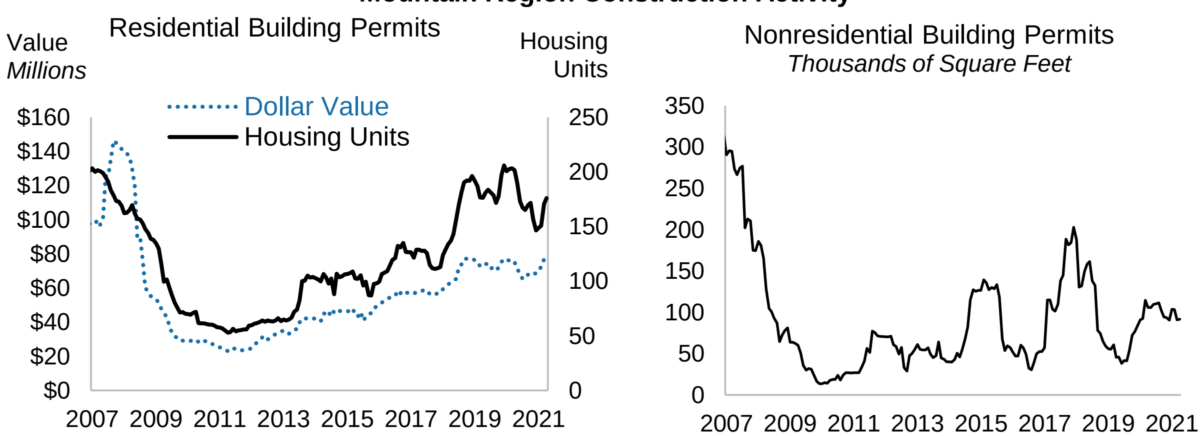
Business activity. Business restrictions eased in the second quarter for communities in the mountain region. With high vaccination rates and improved health metrics, several counties significantly relaxed or rescinded public health restrictions including in Chaffee, Gilpin, Pitkin, Routt, and Summit counties. Eagle and Summit counties announced in May they would adopt the state's public health orders and relax local restrictions. Both counties announced a move to level green on the COVID-19 dial allowing the majority of businesses to fully open. Pitkin County announced that by the end of May it would move entirely away from the state's dial recommendations and the majority of the COVID-19 public health measures would no longer be required. A similar measure was passed in Routt County, and Clear Creek County announced a "level clear" that allows businesses to operate at 100 percent capacity for a 90-day trial period.

Businesses are ramping up hiring ahead of the summer travel season and many offer wages higher than the statewide average. The average annual wage for the accommodations and food services sector in the mountain region was more than 40 percent higher in 2020 than the average for the sector statewide. The region historically depends on a large share of outside workers, and dependence grows for those adjacent to the Front Range such as Clear Creek and Gilpin counties. The dependence on outside workers and a lack of housing options in many mountain communities with supply-constrained markets may dampen the pace of hiring over the second and third quarters.

Construction. In contrast to other regions in the state, residential construction activity in the mountain region fell in 2020 despite strong sales activity and price growth. However, data indicate permitted units in the region nearly doubled through the first four months of 2021 compared with the same period in 2020 (Figure 39, left). Communities in the region continue to address workforce housing needs, and this may lead to a boost in residential construction. For instance, Breckenridge recently announced the town had approved plans for 162 new units, 105 of which will be deed-restricted workforce housing units. Although volatile due to limited building space and local regulations, residential construction is expected to remain above 2020 levels throughout the year.

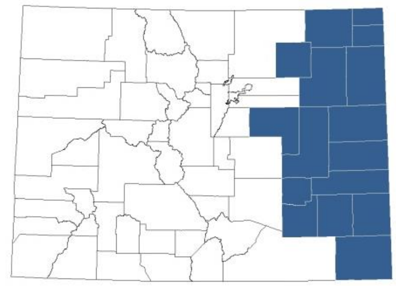
Data indicate that nonresidential construction activity increased in 2020, with gains in both value and square footage (Figure39, right). However, the gain is attributed to strength in the first half of the year offsetting slowing activity in the latter half. Based on data through April 2021, the nonresidential construction sector continued to lag as the value of permits fell 73 percent year-to-date and the number of projects and square footage permitted year-to-date plateaued. 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 April 2021.

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 local 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. Area drought conditions have substantially receded, improving the outlook for agriculture, while labor markets continue a fitful recovery. Economic indicators for the region are presented in Table 26.

Table 26
Eastern Region Economic Indicators
Baca, Bent, Logan, Cheyenne, Crowley, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma Counties

	2017	2018	2019	2020	YTD 2021
Employment Growth[1]	3.1%	2.1%	1.0%	-4.5%	1.2%
Unemployment Rate[1]	2.3%	2.7%	2.4%	4.5%	4.8%
Crop Price Changes[2]					
Wheat ($/Bushel)	-2.9%	34.6%	-7.0%	6.3%	19.7%
Corn ($/Bushel)	-3.4%	2.8%	9.3%	-4.6%	26.1%
Alfalfa Hay (Baled, $/Ton)	4.8%	23.8%	14.9%	-7.8%	-7.4%
Livestock[3]					
State Cattle and Calf Inventory Growth	6.7%	2.6%	8.0%	1.9%	5.4%
Milk Production	6.7%	8.8%	5.5%	7.1%	4.9%

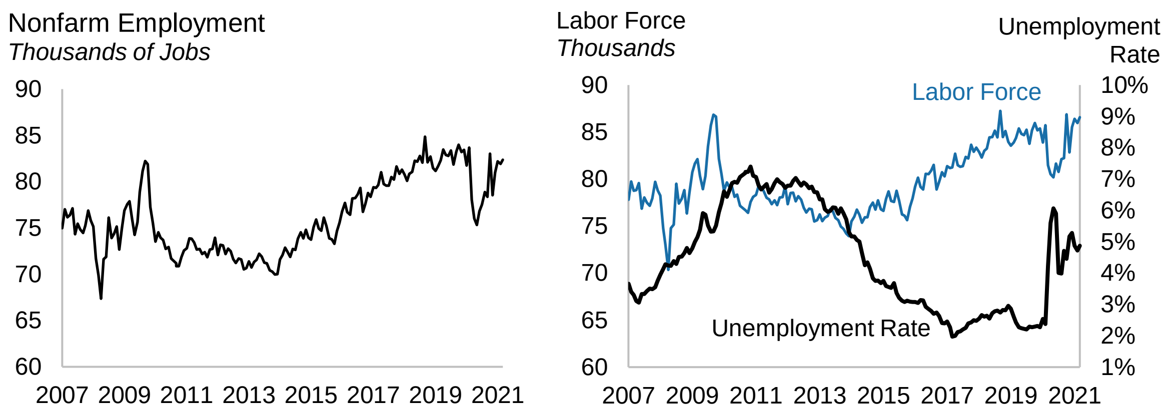
[1]U.S. Bureau of Labor Statistics, LAUS (household survey). Data through March 2021.
[2]National Agricultural Statistics Service. Data through March 2021.
[3]National Agricultural Statistics Service. Cattle and calf inventory through May 2021; milk production through April 2021.

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, led by corn, have seen a surge in 2021, driven by a global surge in demand as restaurants reopen. Colorado corn and wheat prices reached multi-year highs in March 2021, and are up 19.7 percent and 26.1 percent year-to-date compared to the same period last year.

Drought conditions in the eastern plains have receded substantially since March 2021, when much of the region was in severe to extreme drought. Substantial spring precipitation brought the entire region out of drought by June 3, 2021, improving grazing conditions for livestock producers, although cattle prices remained below pre-pandemic levels during the first quarter of 2021.

Labor market. As in other areas of the state and nation, labor market conditions in the eastern plains have seen a fitful recovery since the pandemic began. The unemployment rate saw an uptick to 4.9 percent in March 2021, up from 4.7 percent in February 2021, bringing the 2021 average to 4.8 percent year-to-date, slightly higher than the 2020 level of 4.5 percent (Figure 40, right). After declining by 4.5 percent in 2020, employment is up by 1.2 percent year-to-date through March 2021, compared to the same period last year (Figure 40, left). By March 2021, the eastern plains had regained 84 percent of jobs lost since the pandemic began.

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 March 2021.

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. Some counties neighboring metropolitan areas are seeing substantial home price appreciation in 2021. The median sales price for a single family home in Elbert County, for example, which borders the metro Denver region, has risen 22.9 percent through April 2021 compared to the same period last year, to $590,000, according to the Colorado Association of Realtors. Median home prices in Morgan County grew 4.0 percent through April 2021, to $274,600, but remain well below the statewide median of $477,800.

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	$20,936.6
Percent Change	4.6%	1.8%	-1.8%	3.8%	3.7%	4.2%	3.6%	4.4%	4.1%	2.8%	4.3%	5.5%	4.0%	-2.3%
Real GDP ($ *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	$18,426.1
Percent Change	1.9%	-0.1%	-2.5%	2.6%	1.6%	2.2%	1.8%	2.5%	3.1%	1.7%	2.3%	3.0%	2.2%	-3.5%
Unemployment Rate[2]	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%
Inflation[2]	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%
10-Year Treasury Note[3]	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.4%	2.5%	2.1%	1.8%	2.3%	2.9%	2.1%	0.9%
Personal Income ($ *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	$19,727.9
Percent Change	5.5%	3.6%	-3.1%	4.1%	6.2%	5.1%	1.2%	5.7%	4.9%	2.8%	4.9%	5.3%	3.9%	6.3%
Wage & Salaries ($ *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	$9,370.5
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%	0.7%
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%	-0.5%	-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	$368,920
Percent Change	6.5%	3.4%	-4.8%	3.3%	8.7%	6.3%	5.1%	8.8%	5.0%	2.1%	7.4%	7.4%	5.1%	4.8%
Per Capita Income ($)[2]	$42,024	$42,689	$39,982	$40,688	$43,568	$45,660	$47,295	$50,687	$52,219	$52,431	$55,550	$58,836	$61,159	$63,522
Percent Change	4.7%	1.6%	-6.3%	1.8%	7.1%	4.8%	3.6%	7.2%	3.0%	0.4%	5.9%	5.9%	3.9%	3.9%
Wage & Salary Income ($ *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	$184,441
Percent Change	6.5%	3.7%	-3.8%	1.3%	4.2%	5.5%	3.7%	7.0%	5.7%	3.1%	6.5%	5.9%	6.9%	1.3%
Retail Trade Sales ($ *Millions*)[3]	$75,329	$74,760	$66,345	$70,738	$75,548	$80,073	$83,569	$90,653	$94,920	NA	NA	NA	NA	NA
Percent Change	6.9%	-0.8%	-11.3%	6.6%	6.8%	6.0%	4.4%	8.5%	4.7%					
Residential Housing Permits[4]	29,454	18,998	9,355	11,591	13,502	23,301	27,517	28,698	31,871	38,974	40,673	42,627	38,633	40,469
Percent Change	-23.2%	-35.5%	-50.8%	23.9%	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	4.4%	4.8%	-9.4%	4.8%
Nonresidential Construction ($ *Millions*)[5]	$5,259	$4,114	$3,354	$3,147	$3,923	$3,695	$3,624	$4,351	$4,991	$5,988	$6,155	$8,141	$5,059	$5,250
Percent Change	13.3%	-21.8%	-18.5%	-6.2%	24.7%	-5.8%	-1.9%	20.1%	14.7%	20.0%	2.8%	32.3%	-37.9%	3.8%
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	5,047.5	5,121.9	5,193.7	5,270.8	5,352.6	5,454.3	5,543.8	5,617.4	5,697.2	5,758.5	5,807.7
Percent Change	1.8%	1.8%	1.7%	1.5%	1.5%	1.4%	1.5%	1.6%	1.9%	1.6%	1.3%	1.4%	1.1%	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.