COLORADO
Office of State Planning & Budgeting

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The Colorado Outlook

Economic and Fiscal Review

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Summary

- The General Fund revenue forecast for FY 2017-18 is higher by $309.3 million, or 2.8 percent relative to the December forecast. The forecast for FY 2018-19 is higher by $207.3 million, or 1.8 percent. The recent enactment of federal tax law changes under the 2017 Tax Cuts and Jobs Act, which is expected to increase Colorado tax revenue, has contributed significantly to these upward revisions. The estimated impacts of the federal law were excluded from the December forecast until they could be more refined.

- After a modest 3.1 percent increase in FY 2016-17, General Fund revenue is forecast to increase at a much stronger rate of 12.9 percent in FY 2017-18 due to strong economic growth, a rebound in corporate income tax receipts, robust investment income gains, and the federal tax changes. General Fund revenue is projected to increase at a modest 3.2 percent in FY 2018-19 due to lower employment growth in a tight labor market and as income tax revenue grows more slowly. This forecast assumes that the combination of factors that are generating robust revenue growth in FY 2017-18 is mostly one-time in nature. However, it is possible that revenue in FY 2018-19 will increase at a higher rate with continued economic expansion.

- Under the Governor's budget request, the General Fund reserve is projected to be $492.0 million above the required statutory reserve amount of 6.5 percent of appropriations in FY 2017-18. The Governor's budget request raises the reserve requirement to 8.0 percent in FY 2018-19. Under this forecast and the Governor's budget request, the General Fund reserve is projected to be $548.1 million above the higher required reserve amount in FY 2018-19. This is net of the proposed transfers to transportation ($248.2 million) and the Capital Construction Fund (additional $35.6 million above the November 1, 2017 budget request).

- Cash fund revenue is projected to decrease by 19.4 percent in FY 2017-18 as the Hospital Provider Fee is replaced with the Healthcare Affordability and Sustainability Fee program, which is a TABOR-exempt enterprise in accordance with SB 17-267. The forecast for FY 2017-18 is $30.1 million, or 1.4 percent, higher compared with projections in December due primarily to stronger severance tax revenue year-to-date. FY 2018-19 cash fund revenue is expected to grow 5.1 percent.

- TABOR revenue is projected to be below the cap by $74.9 million in FY 2017-18 and $276.8 million in FY 2018-19. TABOR revenue is expected to remain below the cap by $206.5 million in FY 2019-20.

- Colorado's economy is on solid footing with strong employment growth and expectations of an ongoing expansion. New business formation continues to grow, while Colorado oil production is at record levels. Stabilizing farmland values and increases in energy prices and production have recently supported Colorado's rural areas. Looking forward, higher costs of living and tighter labor market conditions are expected to constrain further growth through the forecast period.

- Economic fundamentals remain supportive of continued expansion and recession risk appears low. However, recent price data indicate possible inflation risk, which could lead to tighter federal monetary policy if tight labor markets and strong stock market returns are perceived as a potential overheating of the economy. Although expectations of investors, businesses, and households for future economic prospects currently remain positive, such expectations could reverse with the development of large enough adverse events.

The Economy: Issues, Trends, and Forecast

The following section discusses overall economic conditions in Colorado, nationally, and around the world. The economy has performed as expected in recent months with continued stable expansion. However, the OSPB forecast for U.S. economic conditions has been slightly revised from the December 2017 Colorado Outlook, primarily to reflect recent stronger economic momentum and a modest boost to economic growth expected from the enactment of the federal Tax Cuts and Jobs Act. This section includes an analysis of:

- Economic and labor market conditions in Colorado (page 5)
- Economic and labor market conditions for the nation (page 12)
- International economic conditions (page 16)

Trends and forecasts for key economic indicators ― A summary of key economic indicators with their recent trends and statistics, as well as forecasts, is provided at the end of this section. The summary of indicators is intended to provide a snapshot of the economy's performance and OSPB's economic projections, which are informed by the following analysis of the economy.

Summary ― Colorado's economy is on solid footing with strong employment growth and expectations of an ongoing expansion. New business formation continues to grow, while Colorado oil production is at record levels. Although much of the state's economic growth has occurred along the Front Range, stabilizing farmland values and increases in energy prices and production have recently supported rural areas as well. Looking forward, higher costs of living and tight labor market conditions are expected to constrain further growth through the forecast period.

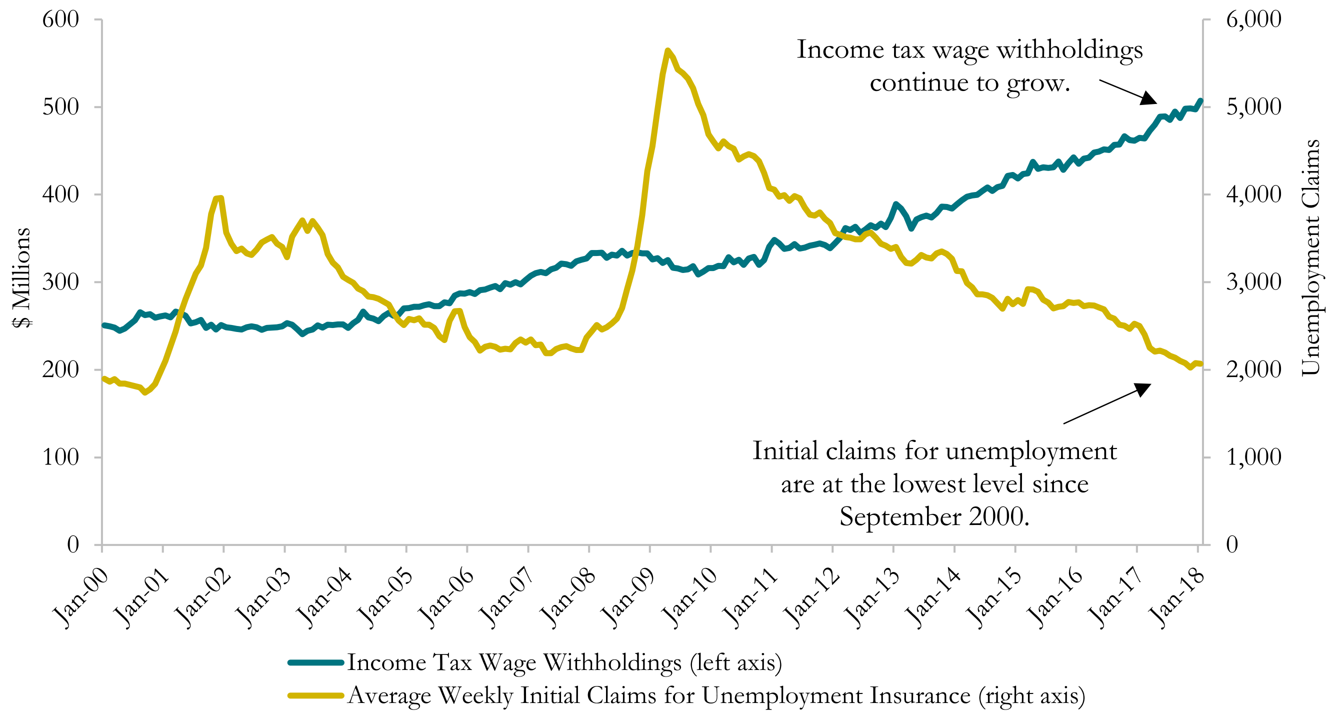
Nationally, economic expansion is expected to continue, aided by the recent enactment of federal tax law changes under the 2017 Tax Cuts and Jobs Act. The labor market is expected to continue to grow at an accelerated rate with slight improvements to the labor force participation rate. Manufacturing and international trade activity have picked up in recent months and are expected to benefit from the federal tax changes. Further, the housing market looks poised to experience increasing activity in the coming year through more homebuilding and sales, which will contribute to further economic growth. Importantly, financial and monetary conditions remain supportive of continued expansion. However, tightening labor market conditions with slower labor force growth will constrain the U.S. economic expansion in the latter years of the forecast period.

Economic risks ― Economic fundamentals remain supportive of continued expansion and recession risk appears low. The tax changes enacted at the federal level are expected to bolster business investment in the near term with slight increases to overall economic growth. Recent price data indicate possible inflation risk as tight labor markets and strong stock market returns may begin to overheat the economy, which could trigger the Federal Reserve to tighten monetary policy more than currently expected. It is prudent to keep in mind that conditions that are difficult to foresee in advance may emerge that could weaken economic growth. Although expectations of investors, businesses, and households for future economic prospects currently remain positive, such expectations could reverse with the development of large enough adverse events. For example, international trade tensions may escalate and hinder trade flows and investment, which could slow the economy.

Colorado Economic Conditions

Colorado's economy continues to expand, but at a slightly slower rate – Figure 1 shows the trends in initial unemployment insurance claims and income tax withholdings, two near real-time indicators of the health of the economy. Colorado income tax wage withholdings have continued to climb, growing 72 percent since the Great Recession. Income tax withholdings have been particularly strong, increasing 9.1 percent over the last twelve-month period. Initial claims for unemployment fell in November to their lowest level since September 2000, indicating a very tight labor market with fewer layoffs as economic expansion continues.

Figure 1. Indicators of Colorado's Recent Economic Performance*



*Seasonally adjusted, three-month moving average

Source: Colorado Department of Revenue and Colorado Department of Labor and Employment, OSPB calculations

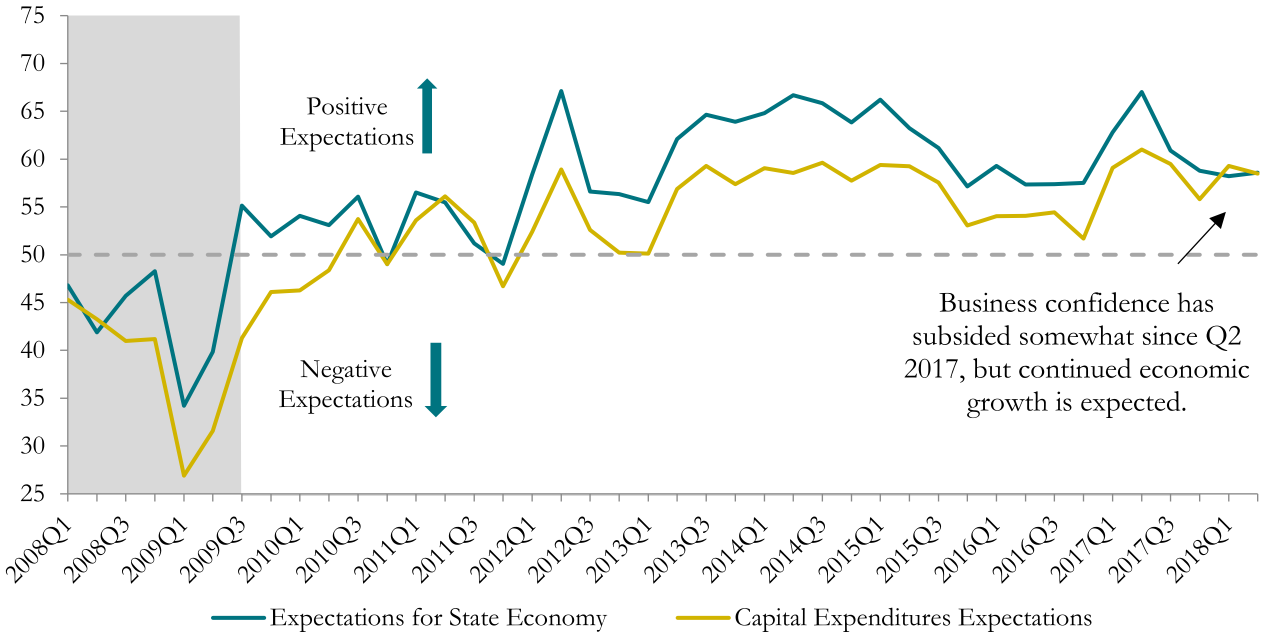
Expectations for the state economy have lessened, but remain positive – The Leeds Business Confidence Index, published by the University of Colorado at Boulder's Leeds School of Business, measures business expectations for the current and upcoming quarters. Figure 2 shows the index for business expectations for the overall state economy as well as for capital expenditures since the Great Recession and through the second quarter of 2018.

Businesses' expectations for the economy remain positive and supportive of continued growth.

In recent quarters, expectations for Colorado's economic growth have moved sideways after rebounding at the end of 2016 following slower economic conditions in 2015 and 2016. Energy price improvements and a stronger global economy have contributed to the confidence seen in the first half of 2017, which has been tempered in more recent quarters by slower employment gains and higher housing prices.

Expectations for the economy are a key factor for future performance. When expectations for the economy are positive, businesses are more likely to hire and invest, which in turn facilitates economic growth. The recent trend in the index suggests that economic growth will likely remain positive in the near term.

Figure 2. CU Leeds Business Confidence Index*



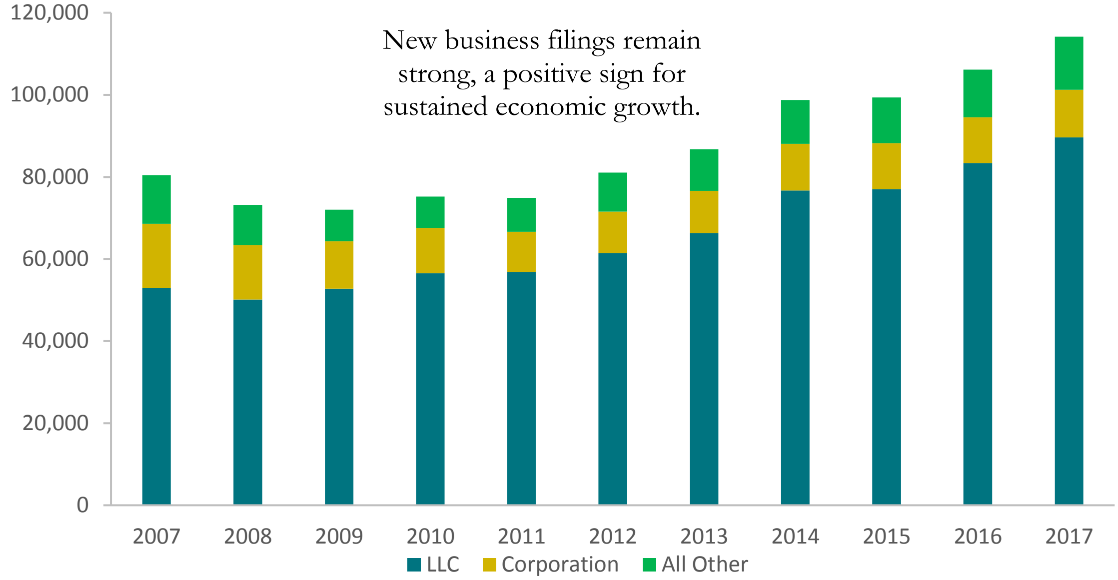
* Readings above 50 indicate positive expectations, with higher readings signifying greater business confidence, while readings below 50 represent negative expectations.
Source: CU Leeds School of Business, Business Research Division

***New business formation continues to grow, led by increases in limited liability companies* —** Trends in business formation are important to gauge for assessing the underlying momentum in the economy. Increased levels of business formation indicate that individuals are seeing more opportunities in the economy. Since most new jobs in the economy are created by new businesses, business formation is also an important indicator of future job growth.

Filings for new businesses continue to grow, which will help foster sustained economic and job growth in the near term.

Data from the Colorado Secretary of State indicate that a total of 114,150 new business filings were recorded in the 12 months ending in the 4th Quarter 2017, marking six years of continuous growth. This higher level of new business activity will foster continued economic and employment growth for the state. The bulk of the increase is attributable to limited liability companies (LLCs), while the annual increase in corporations and other business entities, including foreign-owned and nonprofits, has remained fairly constant. There were 28,217 more new business filings for LLCs in 2017 relative to 2012, whereas the increase in the number of new business filings for corporations was only 1,478 during that same time period. However, the 2017 Tax Cuts and Jobs Act may be incentivizing businesses to restructure to take advantage of certain tax changes.

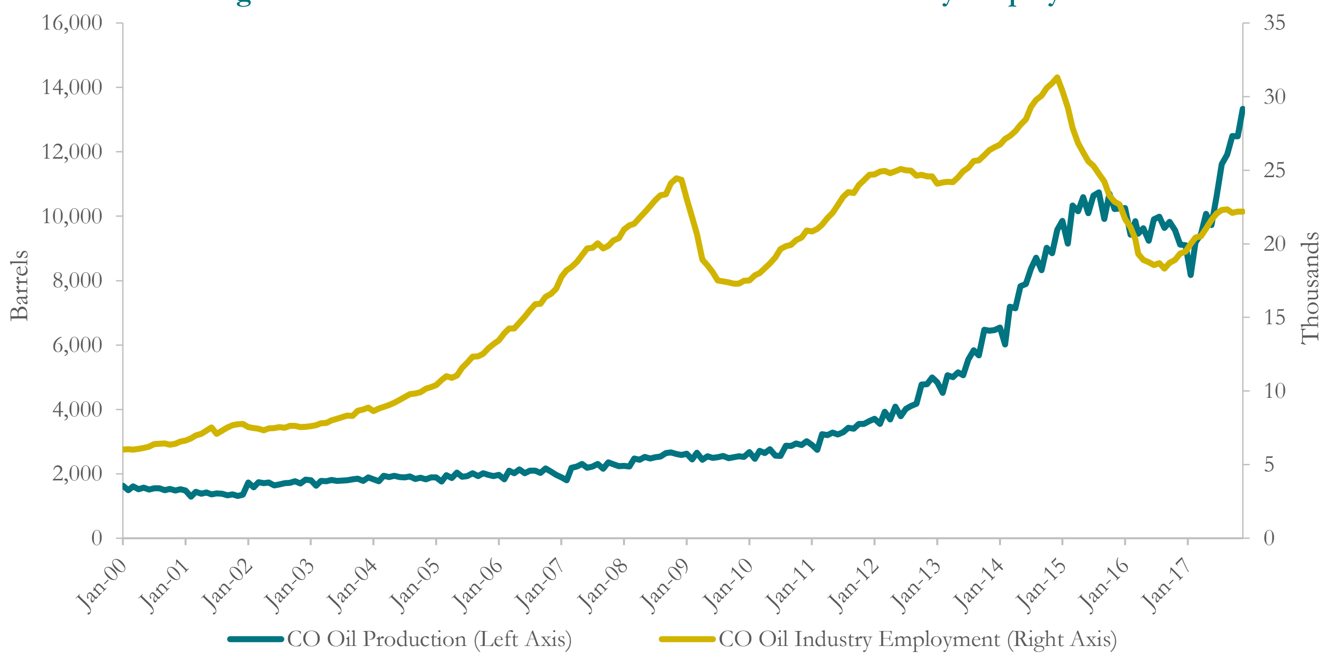
Figure 3. New Entity Filings to Do Business in Colorado



Source: Colorado Secretary of State

Colorado oil production is at record levels and is likely to continue to increase – Colorado oil production has been rising rapidly throughout 2017 and is currently at its highest level on record, as seen in Figure 4. Production has been increasing since early 2017, when OPEC's (the Organization of Petroleum Exporting Countries) production cuts went into effect. According to the Federal Reserve Bank of Kansas City's January 2018 survey of regional energy firms, regional oil producers expected to substantially increase drilling activity once oil prices exceeded $62 per barrel. With the price of West Texas Intermediate crude oil currently around $60 per barrel and expected to range between $55 and $70 per barrel in 2018, oil production and new drilling activity are likely to continue to increase.

Figure 4. Colorado Oil Production and Oil and Gas Industry Employment



Source: U.S. Energy Information Administration, Colorado Department of Labor and Employment

Oil and gas industry employment continues to improve, but has yet to fully recover from the 2015 downturn– As seen in Figure 4, employment in the oil and gas sector has been growing since late 2016, but remains well below its December 2014 high despite record levels of production. Improved technology and more efficient drilling techniques are allowing oil producers to produce more oil with fewer employees. This lowers costs and allows producers to remain profitable even at lower price levels. According to the Federal Reserve Bank of Kansas City's survey of regional energy producers, 34 percent of regional energy firms expect to employ more workers in 6 months compared to today, whereas only 14 percent of producers expect to employ fewer workers.

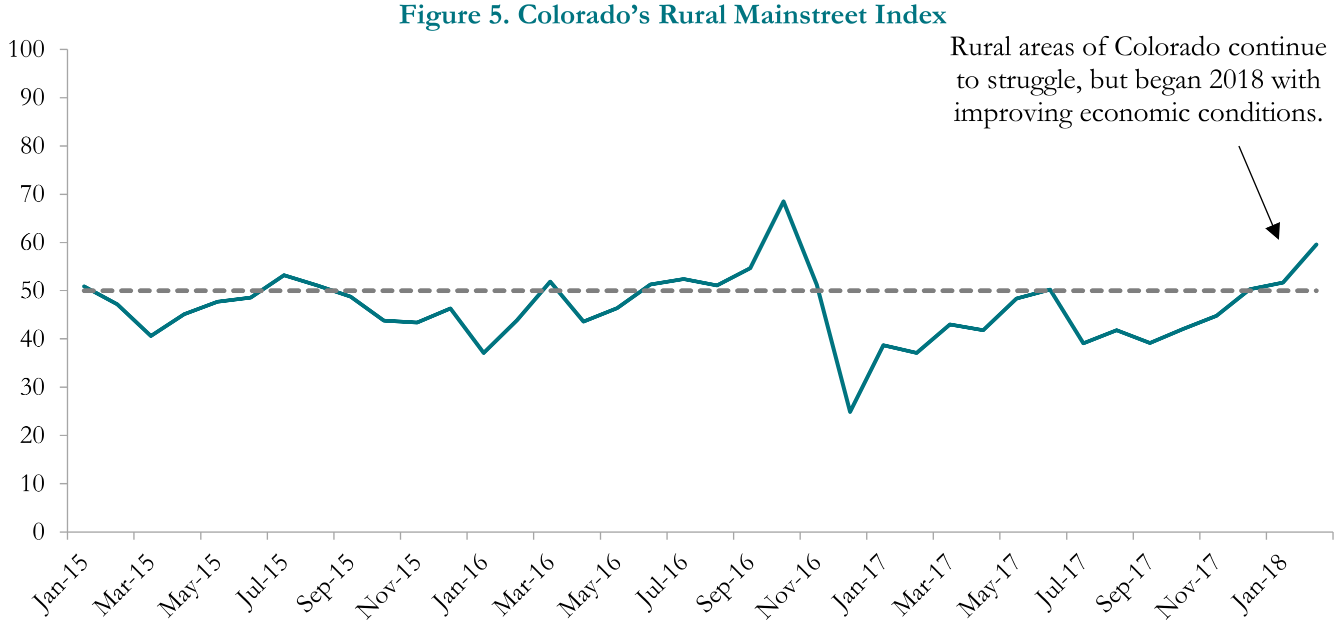
Thirty-four percent of regional energy firms expect to employ more workers in 6 months, while only 14 percent expect to employ fewer workers.

The Colorado agricultural industry experienced slight improvement in recent months — Stable farmland values and a slowing decline in farm income have somewhat mitigated the challenges faced by state agricultural producers in recent months. Credit conditions remain weak, but a relative improvement in farmland values has somewhat offset the negative impact of low commodity prices. Rural agricultural economies continue to struggle under the prolonged downturn, particularly in regions dominated by corn and wheat production, markets which are especially depressed. However, the outlook for the agricultural industry looks more positive with expectations that increases in revenues for livestock and livestock products would offset decreases in revenue from crop production.

Stable farmland values and a slowing decline in farm income has somewhat mitigated the challenges faced by the agricultural sector.

Colorado's rural economies, as measured by Colorado's Rural Mainstreet Index published by Creighton University, are experiencing expanding economic conditions for the first time since 2016, as shown in Figure 5. The index measures economic activity in rural areas by surveying community banks on current economic conditions and their economic outlooks. Index readings above 50 signify growth. Since a reading of 39.2 in September, the index climbed to a 16-month high of 59.6 in February.

Figure 5. Colorado's Rural Mainstreet Index



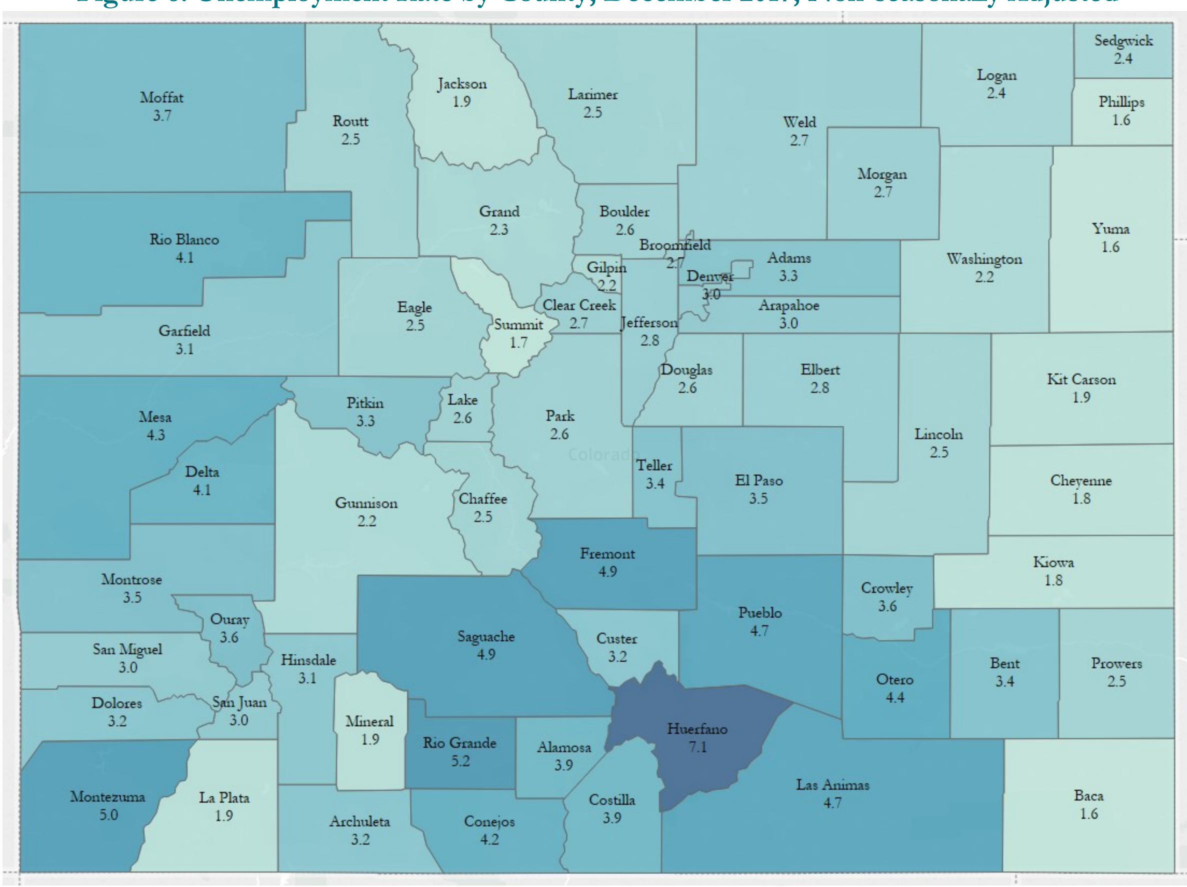
Source: Creighton University

Colorado's labor market remains tight – Unemployment in Colorado remains low, at 3.1 percent in December. The "U-6" rate – which is the broadest measure of unemployment as it counts individuals who would like to work but have not looked for a job in the prior four weeks as well as part-time workers who would like full-time employment – was at 6.3 percent in the fourth quarter of 2017, more than 1 percentage point lower than the year before and also below the pre-recession low of 7.2 percent in 2007. While this creates a positive environment for job seekers, the state's low unemployment is likely acting as a constraint on economic growth by making it difficult for employers to find qualified candidates to fill open positions.

The broadest measure of unemployment was at 6.3 percent in the fourth quarter of 2017, 0.9 percentage point lower than it was before the Great Recession.

At the county level, the highest unemployment rates are in the counties of south-central Colorado and along the western slope, as shown in Figure 6. (Darker shades denote a higher unemployment rate.) Only three of Colorado's 64 counties had a non-seasonally adjusted unemployment rate above 5 percent in December.

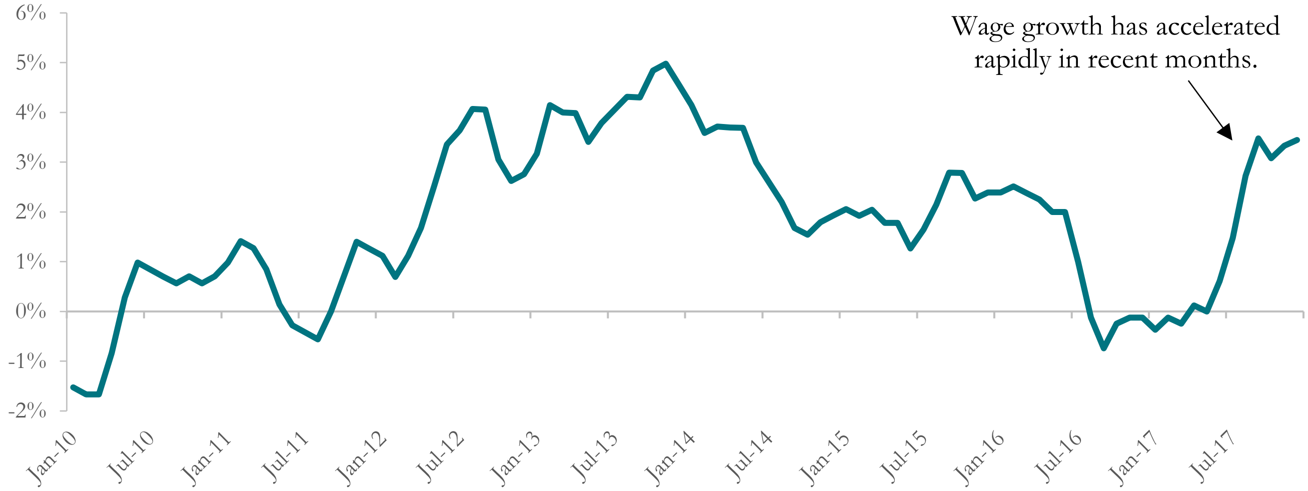
Figure 6. Unemployment Rate by County, December 2017, Non-seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Colorado's robust economy and tight labor market are leading to higher wage growth – Colorado's year-over-year wage growth was 4.1 percent in December, its highest level since March 2014. This increase is likely at least partially explained by a lack of available workers, as there were 28 percent more online job postings than job seekers in Colorado in December. As employers struggle to fill positions, they are often forced to raise wages in order to recruit and retain talented workers. Colorado's strong economy with many industries experiencing rising sales and expansion is also bolstering wage growth.

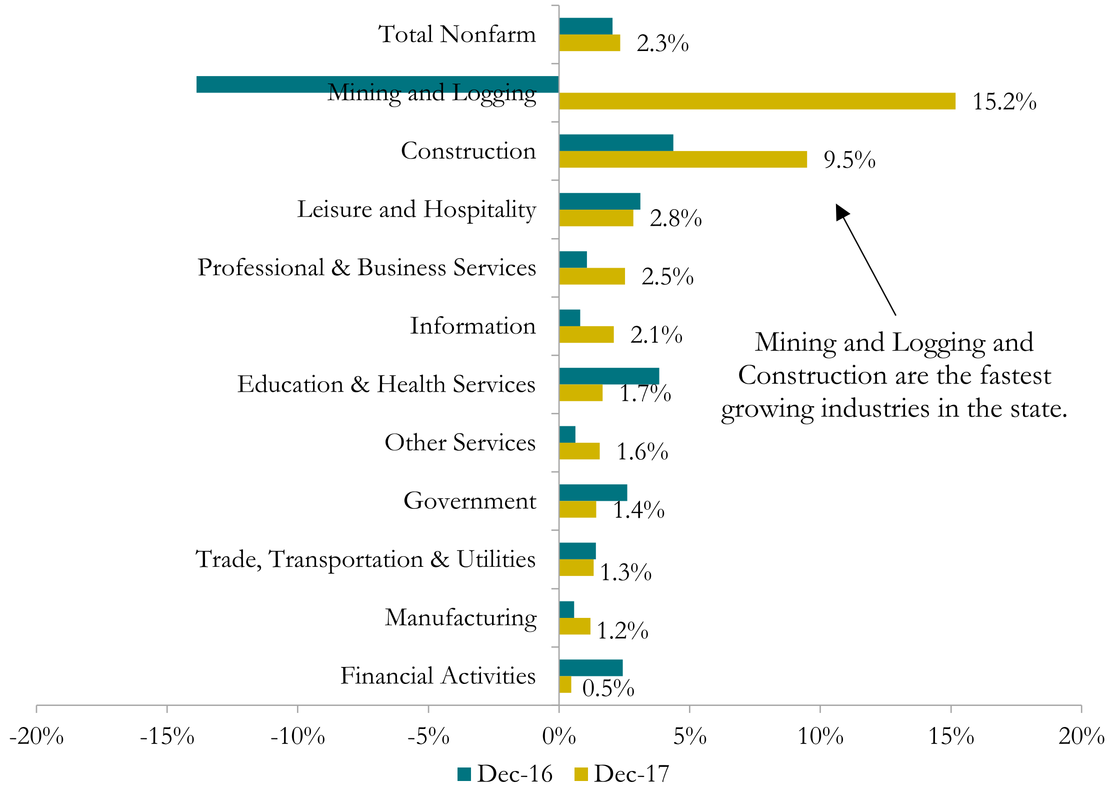
Figure 7. Colorado Average Hourly Earnings Year-over-Year Growth (3 month moving average)



Source: U.S. Bureau of Labor Statistics

Colorado job growth has accelerated with strong gains in the oil and gas industry – As seen in Figure 8, the state's sustained economic expansion is generating employment gains across all industries. The mining and logging sector, which includes oil and gas, registered the fastest growth in 2017 at 15.2 percent after contracting by 13.9 percent the year before. Construction experienced the second-fastest growth despite reports that construction industry employers are struggling to find enough workers.

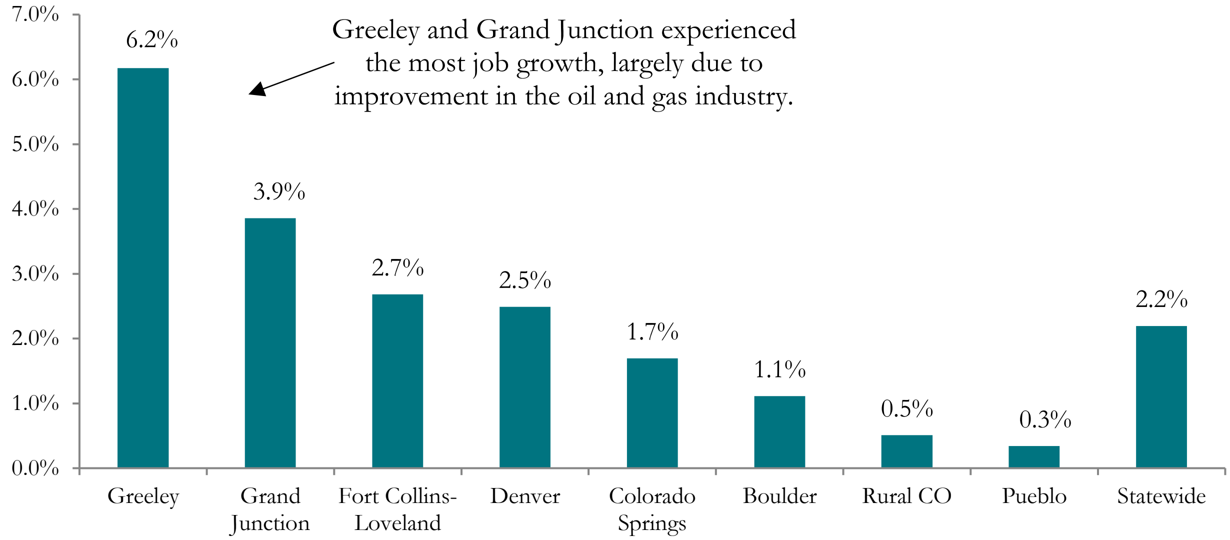
Figure 8. Colorado Year-over-Year Job Growth by Industry



Source: Colorado Department of Labor and Employment modified estimates

Among metro areas, Greeley and Grand Junction experienced the most job growth over the last twelve months, at 6.2 percent and 3.9 percent, due largely to the recovery in the oil and gas industry. Fort Collins and Denver also experienced above-statewide average job growth, while other metro areas gained jobs at a slower rate.

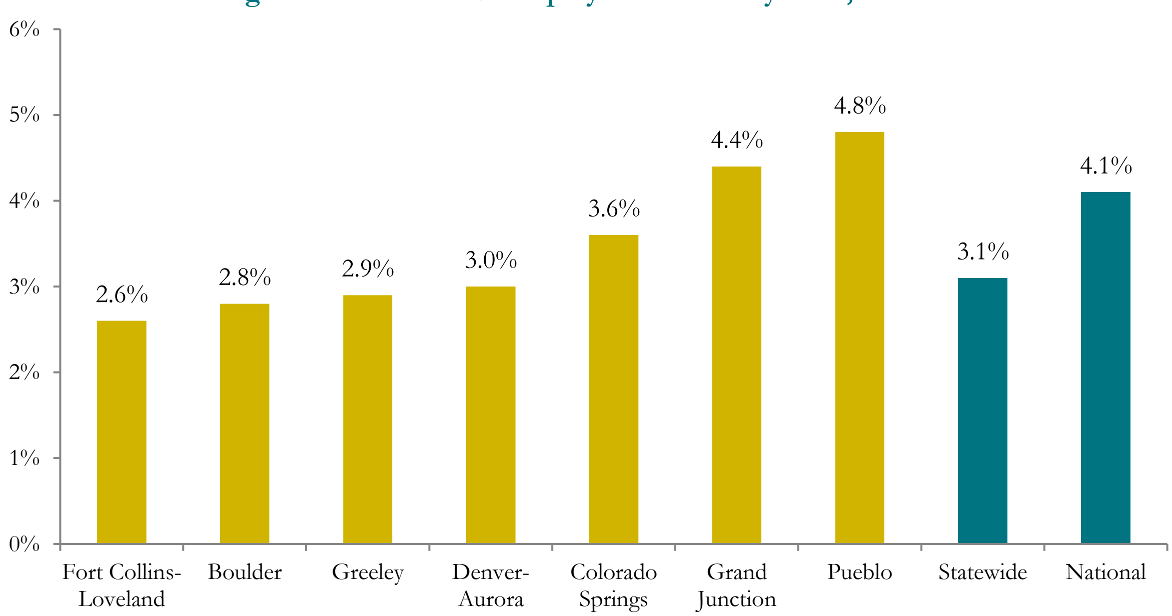
Figure 9. Year-over-Year Job Growth by Metro Area, December 2017



Source: Colorado Department of Labor and Employment modified estimates

Pueblo, which experienced the slowest annual job growth in the state, also had the highest unemployment rate, at 4.8 percent in December. Despite the second-fastest rate of job growth, Grand Junction had the second-highest unemployment rate. Pueblo and Grand Junction were the only metro areas with unemployment rates above the national average of 4.1 percent in December. Fort Collins, Boulder, and Greeley all had unemployment rates below 3.0 percent.

Figure 10. Colorado Unemployment Rates by MSA, December 2017



Source: U.S. Bureau of Labor Statistics

U.S. Economic Conditions

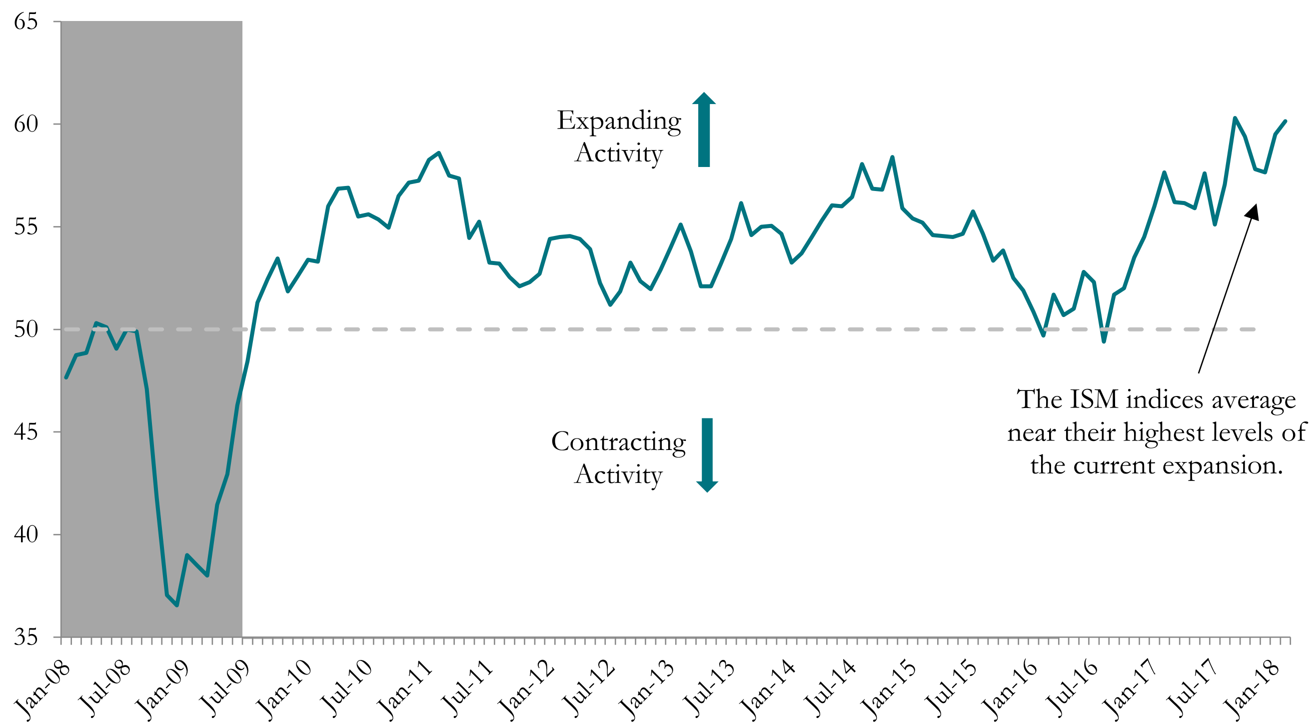
U.S. economic momentum remains strong – The Manufacturing Composite Index and the Non-Manufacturing Composite Index, both published by the Institute for Supply Management (ISM), report the momentum of economic activity as assessed by businesses across the country and in most industries. The February indices show continued solid expansion across both the manufacturing and non-manufacturing sectors. These indices use data collected from business surveys that gauge activity by tracking key behaviors such as placing new orders, increasing production volume, hiring new employees, and making deliveries. An average of the two indices, reported in Figure 11, provides a reliable barometer of overall U.S. economic activity.

The ISM manufacturing index reached the highest level in 13 years in February with a large increase in the employment component.

The non-manufacturing index, which tracks the largest portion of economic activity in the U.S., covering wide ranging industries such as agriculture, professional, scientific, and technical services, retail, and construction, registered 59.5 in February, representing 97 consecutive months of growth. A reading above 50 indicates improving conditions. Survey respondents continue to express confidence in business conditions and the national economy.

The ISM manufacturing sector index registered 60.8 in February, the highest level seen in 13 years, with only two of the 16 manufacturing industries surveyed reporting decreased production activity from the prior month. Employment experienced the largest increase of the components, climbing 5.5 points to 59.7, suggesting continued growth in manufacturing production. However, purchasing managers have expressed concern that tight labor markets are constraining hiring.

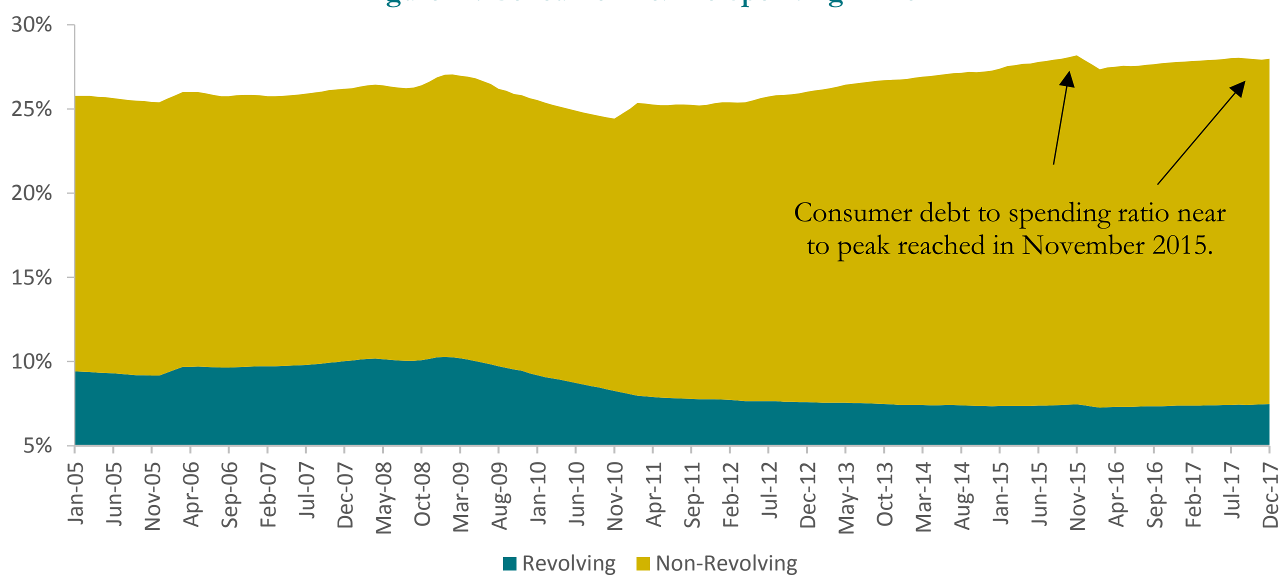
Figure 11. Average of ISM Manufacturing and Non-Manufacturing Indices*



*Readings above 50 indicate expansion in the industry while readings below 50 indicate contraction.
Source: Institute for Supply Management

Consumer debt to spending ratio moves upward – As shown in Figure 12., consumer debt (excluding loans secured by real estate) as a percentage of total consumer spending has crept higher in recent months; the ratio in December was just shy of the peak reached in November 2015. The ratio of consumer debt to spending has remained fairly constant since 2003, constituting 25 to 30 percent of total consumer spending despite credit tightening that occurred following the Great Recession. However, since that time the share of consumer debt devoted to non-revolving loans, such as car and business loans, has increased relative to revolving or credit card debt. Moderate levels of consumer debt can be a sign of a healthy economy, providing businesses and households funding to expand and invest. However, a higher debt to spending ratio could indicate that debt payments are eroding consumers' purchasing power, which could slow economic growth and become unsustainable in the event of an economic slowdown.

Figure 12. Consumer Debt to Spending Ratio*



*Excluding loans secured by real estate
Source: Federal Reserve Bank of St. Louis and U.S. Federal Reserve Board of Governors, OSBP calculations

Financial markets are signaling expectations for continued economic growth **—** U.S. financial conditions continue to be supportive of expansion. Financial indicators are generally signaling expectations for stronger economic growth over the past few months, due mainly to strong global economic growth and changes in federal tax policy.

Financial markets are signaling expectations for stronger economic growth. Expectations are an important factor in how the economy will actually perform.

Figure 14, on page 15, shows trends in key financial indicators that tend to be associated with future economic growth – the S&P 500 stock market index, five-year Treasury inflation-protected securities (TIPS) spreads, copper prices, three-month Treasury bill yields, two-year Treasury yields, the U.S. dollar index, and oil price futures.

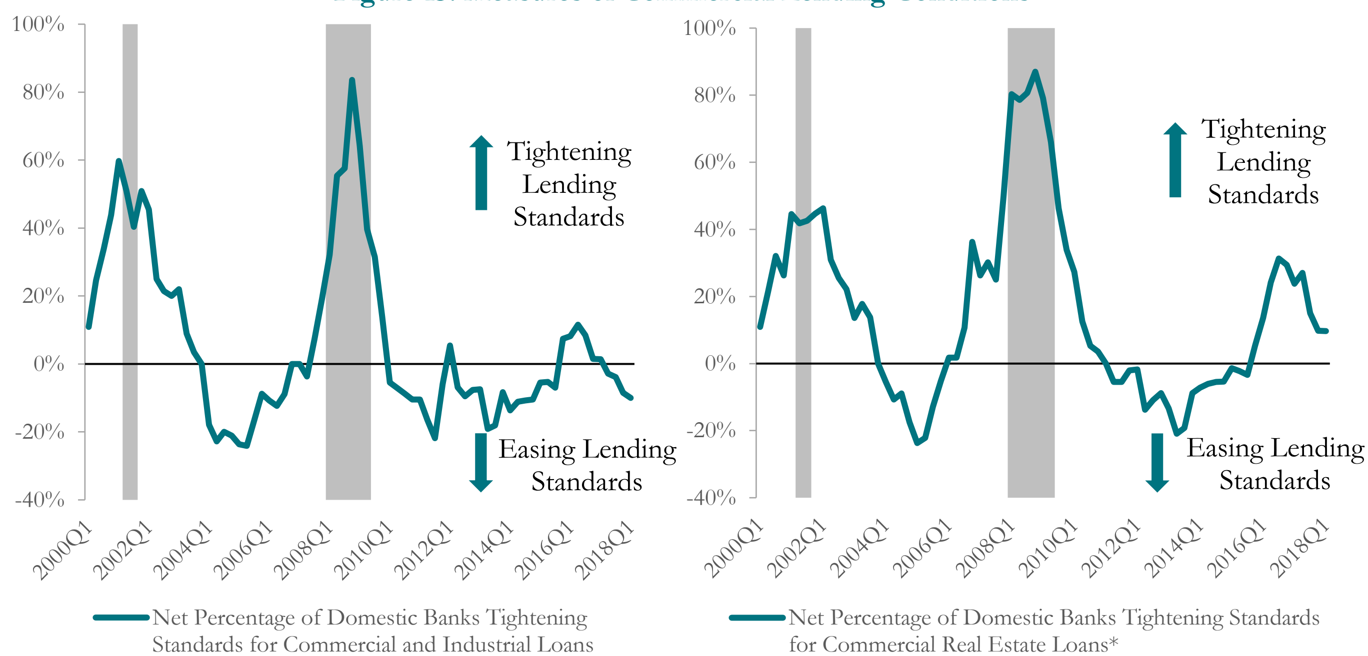
The combination of high equity values, rising interest rates, higher expected inflation, rising commodity prices, and the weaker value of the dollar currently signal expectations for stronger economic growth. However, this signal can change quickly based on new information and updated assessments on economic conditions.

OSPB utilizes financial market information to help inform its forecast. Financial markets are forward-looking, reflecting expectations for the future path of the economy **—** which are an important factor in determining how the economy will actually perform. In addition, financial conditions determine businesses' access to funding to meet their needs for operations and expansion. Further, financial markets incorporate sound forecasting principles. They reflect the many different perspectives of investors and risk managers who are evaluating a large amount of information, and as such financial markets are powerful aggregators of information on the condition of the economy. Moreover, financial market indicators are continually updated based on new information, and investors have an incentive to make accurate assessments.

The stance of monetary policy is supportive of continued expansion **—** Indications from financial markets can also be used to determine the appropriate stance of monetary policy. Monetary policy can have a large influence on economic conditions by helping ensure a stable flow of money in the economy and by setting expectations for future nominal growth. Monetary policy has tightened recently as the U.S. Federal Reserve raised its target for the federal funds rate three times in 2017. It also signaled that gradual tightening is likely to continue, dependent upon future economic data. Continued positive financial conditions amidst the recent monetary policy tightening would seem to indicate that the stance of policy has generally been appropriate given current and expected economic conditions.

Lending standards for businesses are mixed, with loosening lending practices for business operations, but tightening standards for commercial real estate **—** Lending standards for business operations overall have continued to loosen since the middle of 2016. This indicates that lenders see more positive growth prospects and less risk for businesses, which will help fuel continued expansion. However, banks continue to tighten lending standards for commercial real estate development, though few banks have been tightening standards since the end of 2016. Lending standards are important to monitor to assess economic conditions and the prospects for continued growth. They provide information on the economic expectations of banks and risk assessment managers as well as the availability of funding for businesses. Bank lending standards for commercial real estate loans are shown in Figure 13.

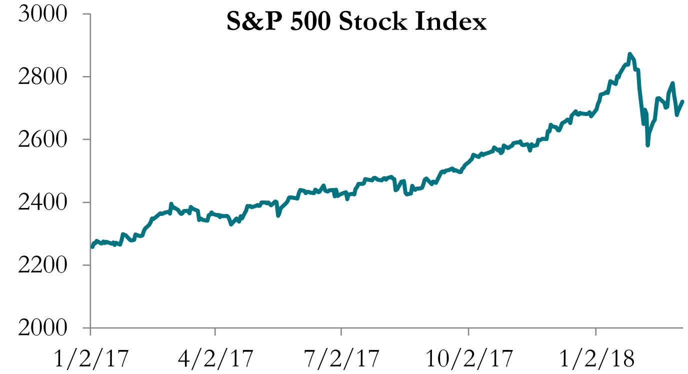
Figure 13. Measures of Commercial Lending Conditions



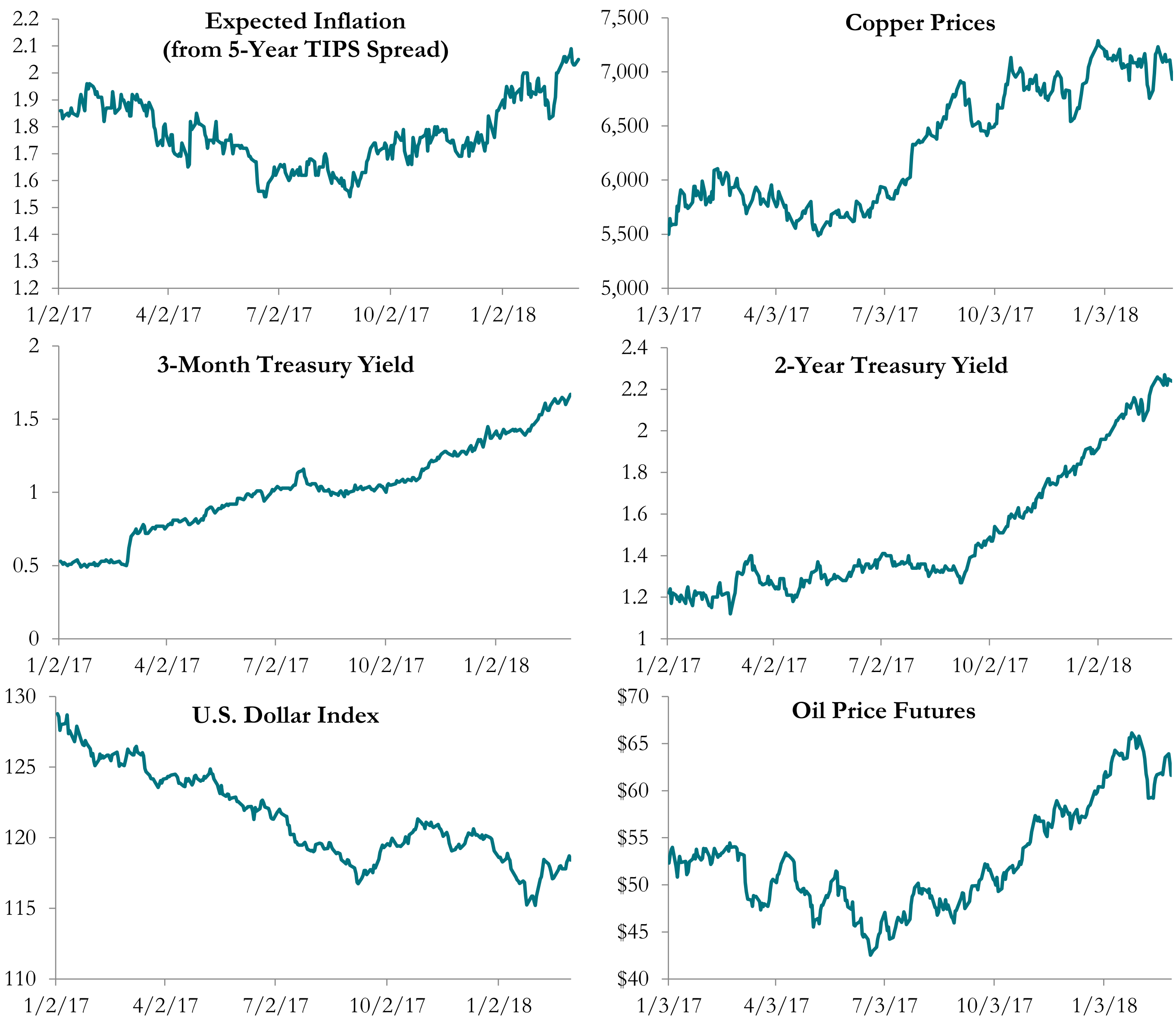
*Data on lending standards for commercial real estate loans overall were discontinued in 2013, thus the data in the figure starting in the last quarter of 2013 represent an average of bank lending standards for loans with construction and land development purposes, loans secured by nonfarm nonresidential structures, and loans secured by multifamily residential structures.

Source: Board of Governors of the Federal Reserve System

Figure 14. Key Financial Market Indicators on Expectations for Economic Growth, Daily since January 2017



Trends in financial market indicators currently signal expectations for strengthening nominal economic growth, as indicated by rising equity values, commodity prices, and bond yields. Combined, these indicators can be reliable predictors of future economic activity.



Source: Board of Governors of the Federal Reserve System and Bloomberg

In 2017, U.S. companies exceeded earnings expectations at the highest rate since 2011.

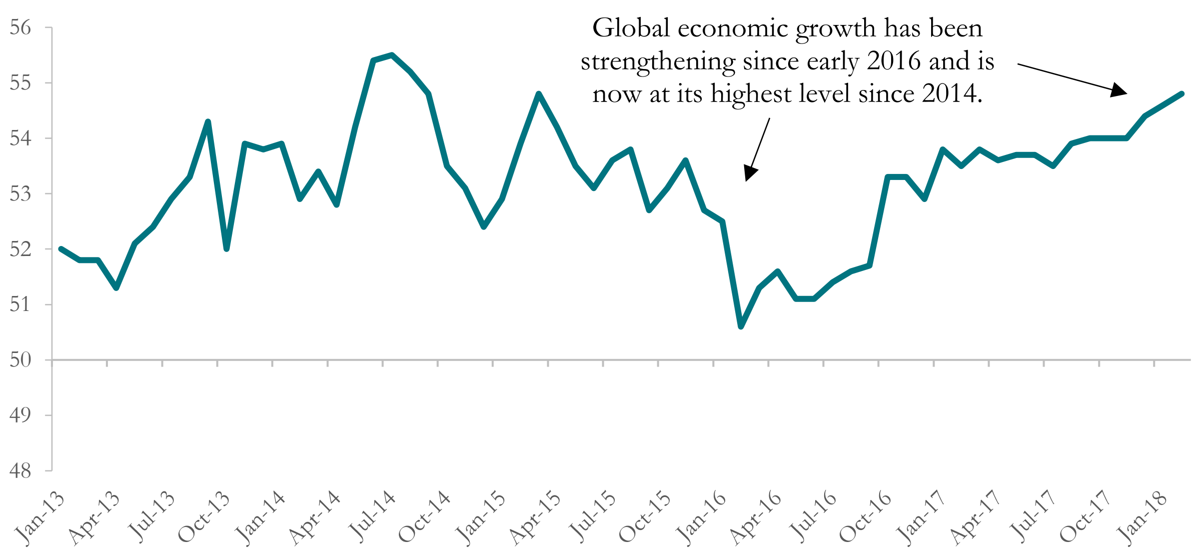
Corporate earnings continue to exhibit strength **–**According to Bloomberg, as of February, 81 percent of U.S. companies have exceeded their earnings expectations, the highest level since 2011, with 8 of 11 sectors reporting double-digit growth in profits. In addition, 78 percent of companies have beaten their revenue estimates, the best rate since JPMorgan began tracking the data in 2009. Improving expectations for corporate earnings are driven by a weaker dollar, a strong global economy, energy price improvement, and the impact of the lowered corporate tax rate.

International Economic Conditions

A broad-based improvement in global economic conditions is driving sustained growth across countries and industries.

The global economy continues to strengthen – Global economic improvement is continuing into the first quarter of 2018 as broad-based growth occurs across countries and industries. According to the JP Morgan Global Composite PMI, almost all nations experienced an increase in economic output in February, with the exception of a mild contraction in India. Output is also rising across all six subsectors measured, with the fastest growth occurring in business services, consumer goods, and financial services. Nearly every business component of the survey improved in February, with the exception of order backlogs, which are growing at a slightly slower rate than in January. Overall, global economic expansion is at its highest level in three and a half years.

Figure 15. JP Morgan Global Composite PMI



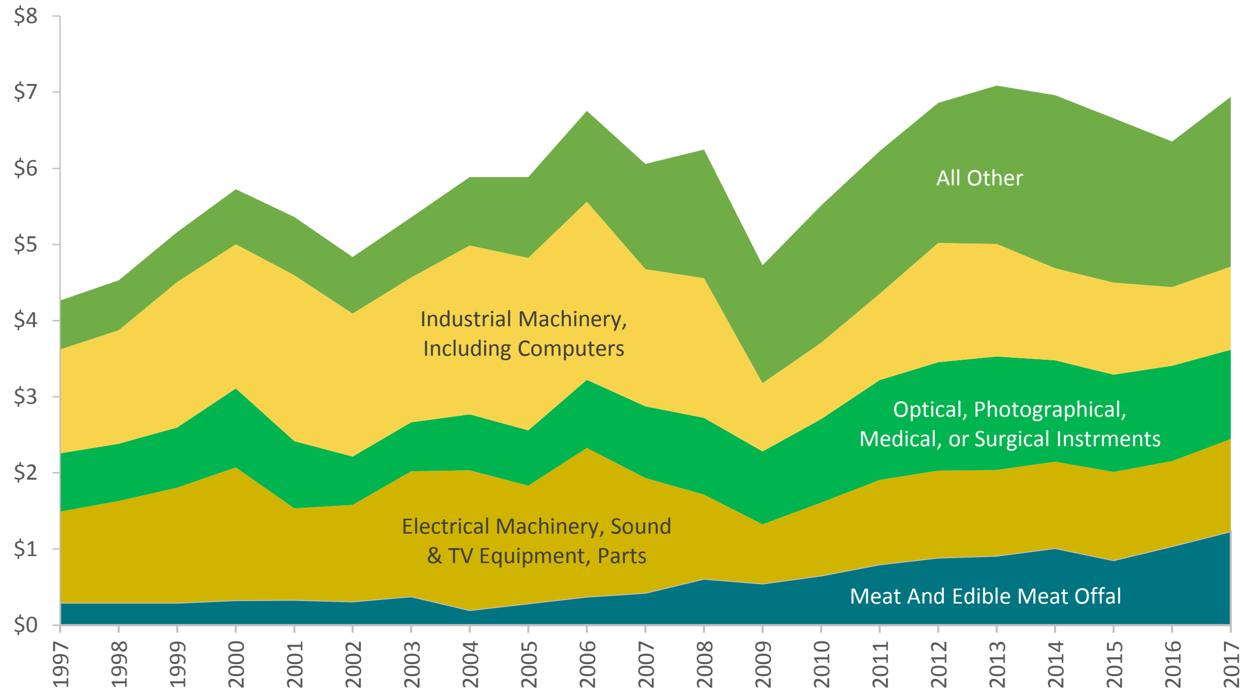
Source: IHS Markit

Colorado exports continue to grow across most industries **–** In 2017, Colorado's international exports of goods grew 6.4 percent over the prior year with the largest increases in glass and glassware as well as cereals. After a slight decrease in 2016, goods export values in 2017 were near the prior peak of $8.17 billion reached in 2012.

Trade contributes to the Colorado economy by expanding the market for Colorado-produced goods and services, thereby supporting jobs and bringing more investment into the state. In the last two decades, Colorado's commodity exports grew at an average 57 percent, with many sectors growing at a much higher rate. As shown in Figure 16, four key sectors continue to dominate Colorado's exports – industrial machinery, optic and medical instruments, electronic machinery and meat or offal – with many variations within these broad categories.

The main risk to trade growth is uncertainty regarding the direction of U.S. trade policy. Higher tariffs on imports could lead to retaliation by trading partners, which may slow trade flows. In Colorado, the agriculture, manufacturing, and natural gas industries are the most export-dependent industries. While Colorado natural gas producers do not export directly to Mexico, the country imports significant amounts of U.S. natural gas. If Mexico raises trade barriers, excess supply will cause U.S. natural gas prices to fall and reduce natural gas-related industry activity in the state.

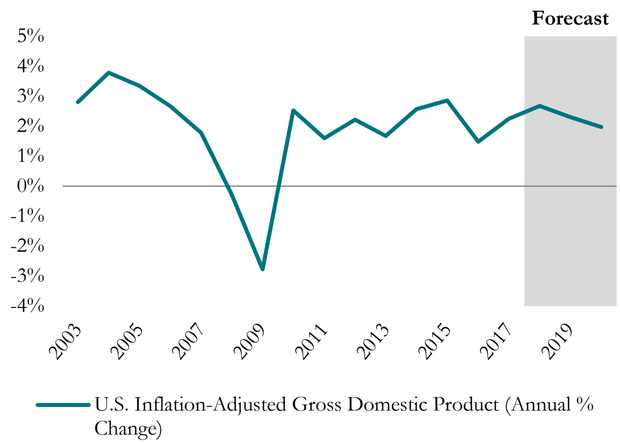
Figure 16. Colorado Exports by Commodity, $ in Billions



Source: WISERTrade

Summary of Key Economic Indicators
Actual and Forecast

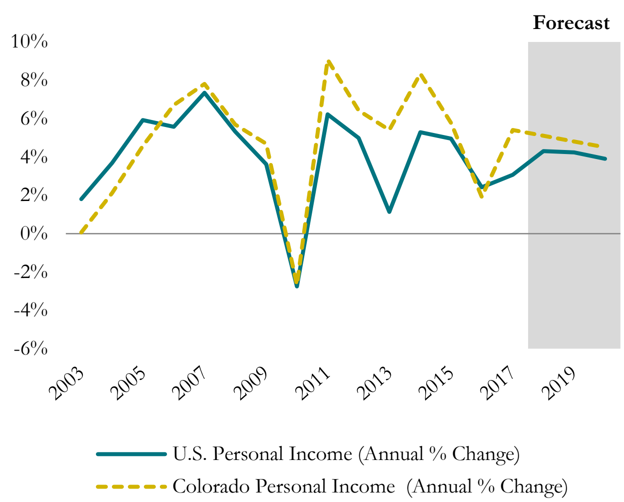
U.S. Gross Domestic Product (GDP)



- GDP is a standard barometer for the economy's overall performance and reflects the value of final output produced in the U.S.

- The U.S. economy grew at a stronger rate in 2017, increasing 2.3 percent from the prior year. Growth is expected to reach 2.7 percent in 2018 and 2.3 percent in 2019 as the global economic expansion continues and as the 2017 Tax Cuts and Jobs Act provides a modest boost to growth. GDP growth will slow further in 2020 with reduced labor force growth.

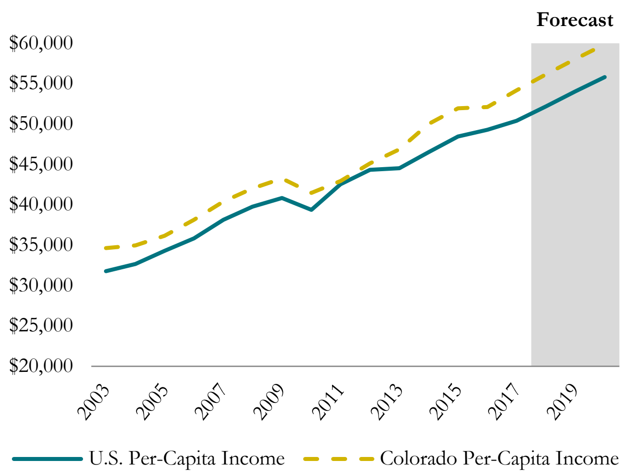
U.S. and Colorado Personal Income



- Colorado personal income growth is expected to have rebounded to 5.4 percent in 2017. Personal income growth is expected to slow slightly to 5.1 percent in 2018 and 4.8 percent in 2019 with an expected slowdown in employment growth due to tight labor market conditions and less in-migration.

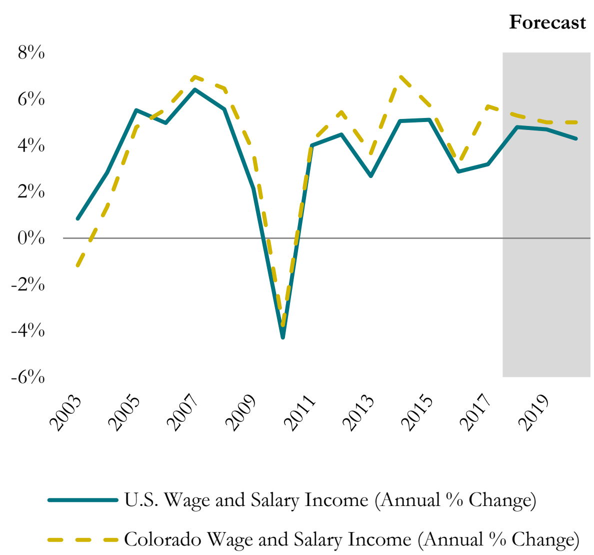
- Preliminary estimates suggest U.S. personal income grew 3.1 percent in 2017 due to stronger employment growth. Personal income is expected to grow 4.3 percent in 2018. A tighter labor market and gradual wage increases will bolster personal income growth over the rest of the forecast period.

U.S. and Colorado Per-Capita Income



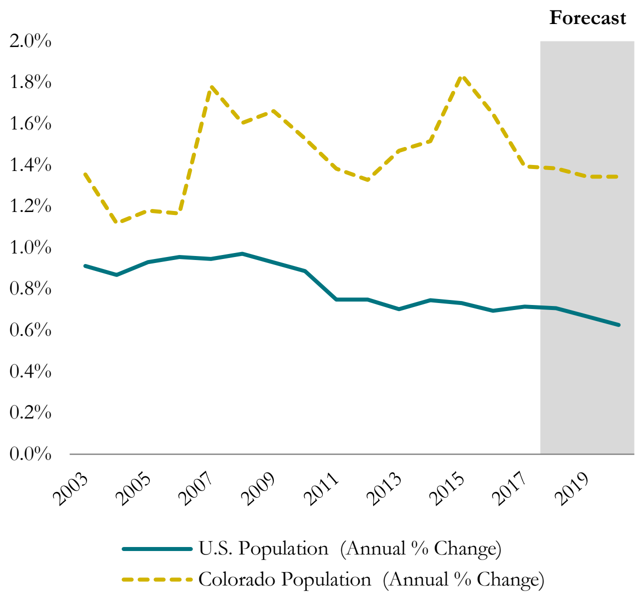
- Colorado per-capita income is growing faster than the nation overall, increasing to a projected $54,156 in 2017. It is expected to grow 3.7 percent to $56,141 in 2018 and by 3.4 percent to $58,055 in 2019.
- U.S. per-capita income increased to a preliminary $50,402 in 2017 and is expected to grow to $52,200 in 2018 and to $54,050 in 2019.

U.S. and Colorado Wage and Salary Income



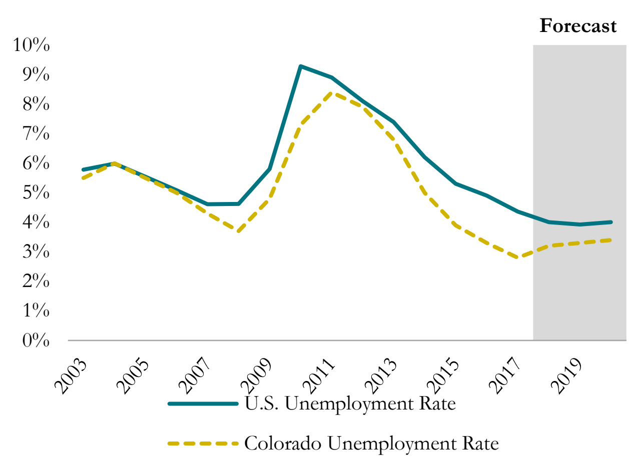
- Colorado wage and salary growth accelerated to an expected 5.7 percent in 2017. Wage and salary growth is expected to slightly slow to 5.3 percent in 2018 and 5.0 percent in 2019.
- Wage and salary income for the nation increased 3.2 percent in 2017. Wage and salary growth is expected to reach 4.8 percent in 2018 and 4.7 percent in 2019 as a tighter labor market puts upward pressure on wages.

U.S. and Colorado Population



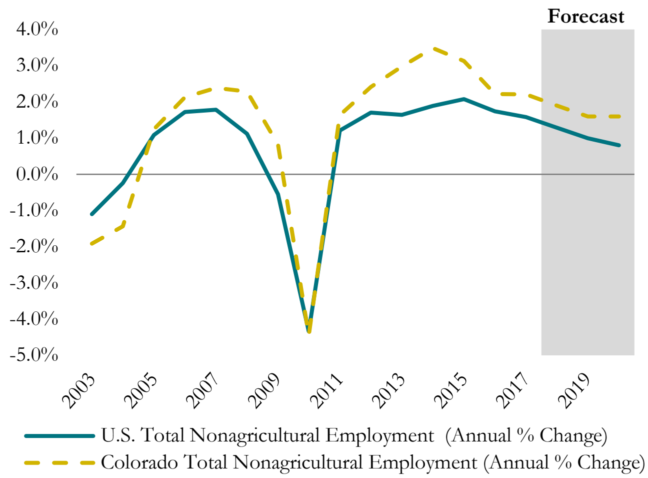
- Colorado's population growth rate fell to 1.4 percent in 2017, as net migration decreased from earlier levels. The state's population growth is expected to moderate over the forecast period, reaching 5.8 million by 2020.
- The nation's population growth rate will remain steady at about 0.7 percent per year, with the population reaching 330.0 million by 2019.

U.S. and Colorado Unemployment



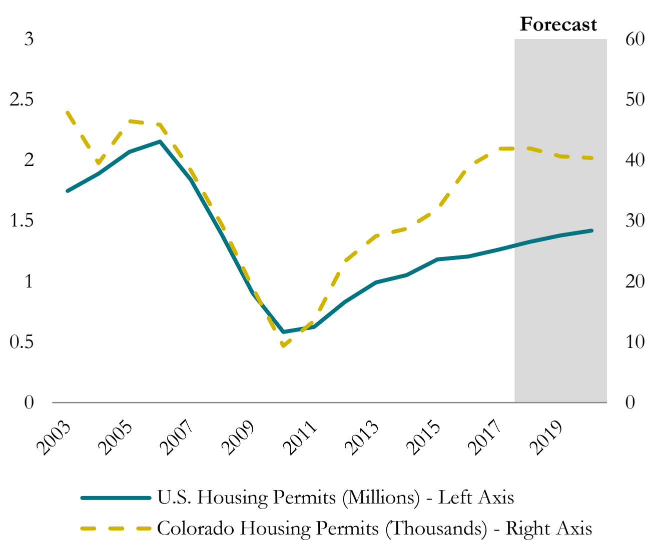
- Colorado's unemployment rate continued to fall in 2017, averaging 2.8 percent for the year. The unemployment rate is expected to move upward slightly to 3.2 percent in 2018 and 3.3 percent in 2019. Colorado will continue to experience unemployment rates among the lowest in the nation.
- The national unemployment rate followed a similar trend in 2017, falling to 4.4 percent. Despite the decline, the U.S. unemployment rate remained more than 1.5 percentage points higher than in Colorado. Continued tightening in the labor market will cause the rate to drop to 4.0 percent in 2018 and 3.9 percent in 2018.

U.S. and Colorado Total Nonagricultural Employment



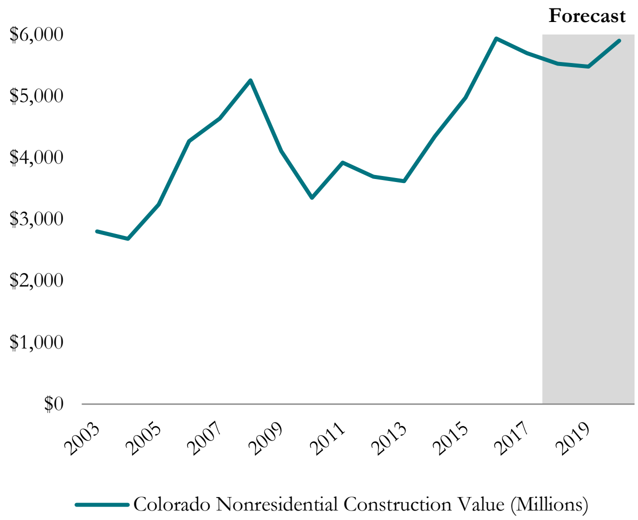
- Total employment in Colorado grew by 2.2 percent in 2017. Job growth will slow slightly in 2018 and again in 2019 as the tight labor market and slower in-migration constrain further growth.
- Total U.S. nonfarm payroll job growth slowed in 2017. Job growth will continue to slow nationwide as the labor market approaches full employment, with expected growth of 1.3 percent in 2018 and 1.0 percent in 2019.

U.S. and Colorado Housing Permits Issued



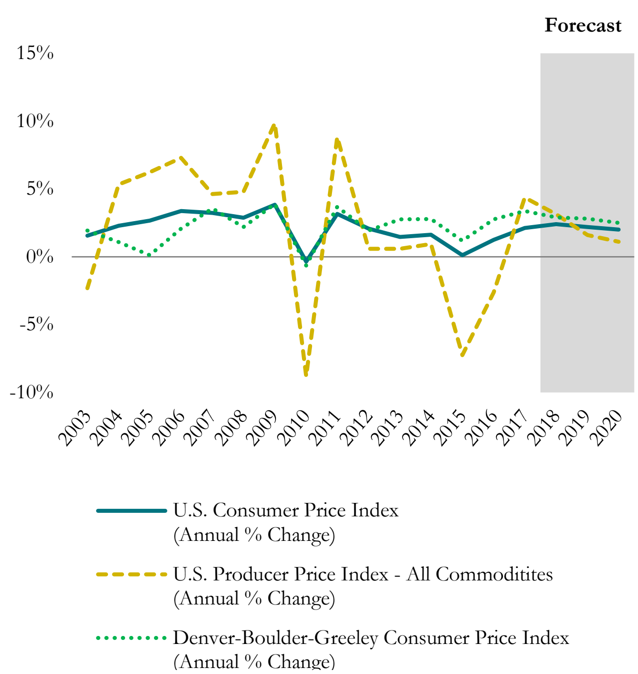
- In 2017, Colorado housing permits increased 7.5 percent, with 41,911 permits issued; 42,000 permits are projected for 2018 with a slight decline in 2019 to 40,700. The strong growth continues to be driven by strong economic and population growth especially in the state's metro areas.
- U.S. housing permits grew by 4.8 percent in 2017, but are expected to grow by 5.1 percent in 2018 and 3.8 percent in 2019.

Colorado Nonresidential Construction Value



- Colorado's nonresidential construction value fell by 4.0 percent in 2017 following three years of double-digit growth. Nonresidential construction value is expected to decline slightly over the forecast period. The forecast projects a decline of 3.0 percent in 2018 and 0.8 percent in 2019. The slowdown in nonresidential construction will be slightly offset by the $937 million in construction projects authorized through the Denver bond package approved by voters last November.

Consumer Price Index and Producer Price Index

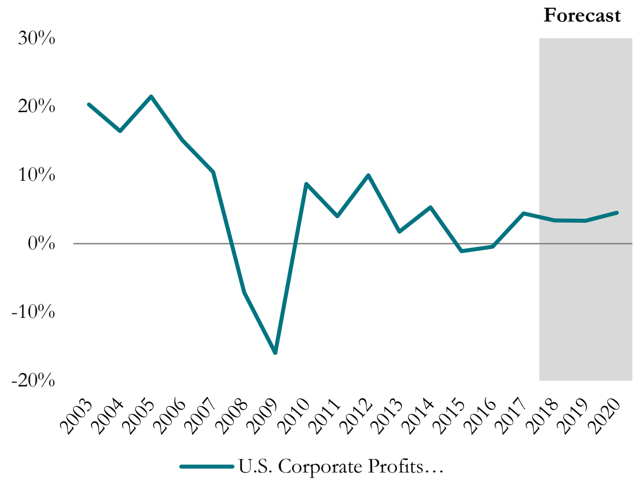


- National consumer prices increased by 2.1 percent in 2017. U.S. CPI is expected to rise 2.4 percent in 2018 and 2.2 percent in 2019.

- Producer prices rose 4.4 percent in 2017, mostly due to a rebound in fuel prices. The index is expected to increase 3.1 percent in 2018 before moderating to 1.6 percent growth in 2019.

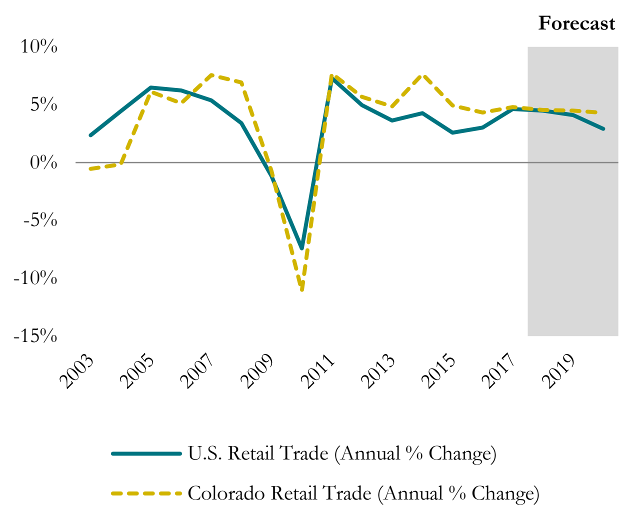
- The Denver-Aurora-Lakewood CPI (formerly the Denver-Boulder-Greeley CPI) grew by 3.4 percent in 2017. Inflation will remain above the national average in 2018 at 2.9 percent and again in 2019 at 2.8 percent.

U.S. Corporate Profits



- U.S. corporate profits grew by a preliminary 4.4 percent in 2017 as global economic growth and stronger energy prices increased earnings.
- Profit growth is expected to continue in coming years with forecasted growth rates of 3.4 percent in 2018 and 2019.

Retail Trade



- Colorado retail sales grew by an estimated 4.8 percent in 2017 and are expected to increase 4.6 percent in 2018 and 4.5 percent in 2019 as sales growth moderates over the forecast period.
- Nationwide retail trade increased a preliminary 4.6 percent in 2017. Sales are expected to grow 4.5 percent in 2018 and 4.1 percent in 2019 as the economic expansion continues.

General Fund and State Education Fund Revenue Forecast

Relative to the December projections, the FY 2017-18 General Fund revenue forecast is higher by $309.3 million, or 2.8 percent. The forecast for FY 2018-19 is higher by $207.3 million, or 1.8 percent. A significant portion of these upward revisions is due to the federal Tax Cuts and Jobs Act (TCJA), which is expected to increase tax revenue for Colorado. In the December forecast, we provided a preliminary estimate of revenue from the TCJA, but excluded that revenue from the baseline forecast. The March 2018 baseline forecast includes the TCJA revenue. After modest increases of just 1.7 percent in FY 2015-16 and 3.1 percent in FY 2016-17, General Fund revenue is forecast to increase at a much stronger rate of 12.9 percent in FY 2017-18, and then moderate in FY 2018-19.

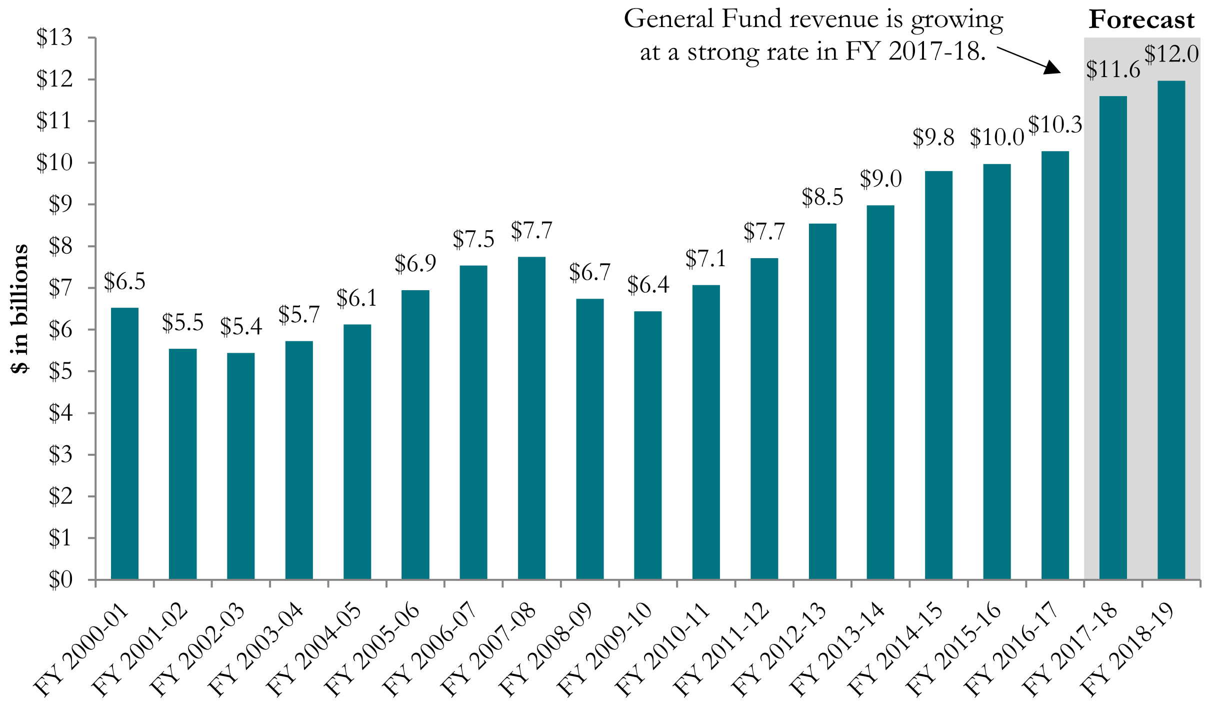
General Fund revenue is accelerating in FY 2017-18 due to strong economic growth, a rebound in corporate income tax collections, robust gains in investment income, and federal tax changes.

Individual income taxes and sales and use taxes are growing at a faster rate as the economy has rebounded following a period of slower growth and weak energy prices. In addition, the delay of some investment income gains from 2016 to 2017, combined with a burgeoning stock market, is bolstering income tax revenue growth. Further, corporate income tax revenue growth is returning after revenue declines each fiscal year since FY 2013-14. The 2017 Tax Cuts and Jobs Act enacted at the federal level is also expected to increase individual and corporate income tax revenue at the state level.

As we look ahead to the revenue forecast for FY 2018-19 and FY 2019-20, there is uncertainty about how much of the robust FY 2017-18 collections should be considered one-time in nature. This forecast takes the cautious position of assuming that the combination of high equity prices, tax policy changes, and deferred tax liabilities from earlier years result in some amount of revenue that is one-time in nature. Therefore, FY 2018-19 General Fund revenue is projected to increase very modestly. However, there are past economic situations and statistical relationships that suggest that a larger portion of the FY 2017-18 growth is base-building. As such, under the assumption that the economy continues to expand, there is some upside risk to this projection.

Figure 17 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2018-19. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix. For more details on the economy, the main determinant of General Fund revenue, see "The Economy: Issues, Trends, and Forecast" section of this forecast, which starts on page 4.

Figure 17. General Fund Revenue

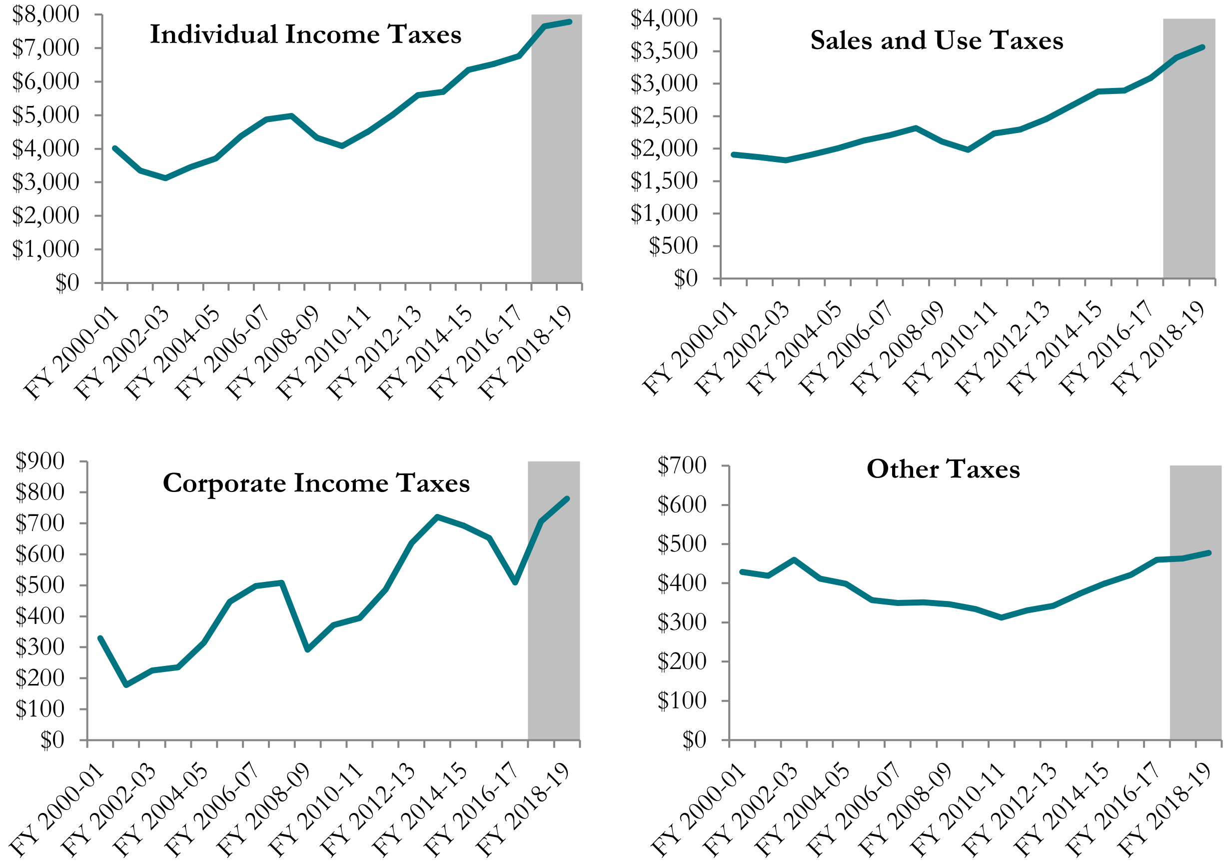


Source: Office of the State Controller and OSPB forecast

Discussion of Forecasts for Major General Fund Revenue Sources

The following section discusses the forecasts for the three major revenue sources that together make up 95 percent of total General Fund revenue: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the other remaining General Fund sources ─ such as interest earnings, taxes paid by insurers on premiums, and excise taxes on tobacco products and liquor ─ will grow modestly over the forecast period. Figure 18 shows actual revenue collections as well as the forecast for General Fund revenue.

Figure 18. General Fund Revenue Sources, $ in Millions



Source: Office of the State Controller and OSPB forecast

Individual income tax – Individual income tax collections grew 3.6 percent in FY 2016-17. Collections are forecast to increase at a more robust rate of 13.1 percent in FY 2017-18 and then slow to 1.7 percent growth in FY 2018.

Individual income tax collections are increasing at a higher rate this fiscal year due to a combination of unique factors. Colorado's high demand for labor has led to continued increases in employment and upward wage pressure, contributing to stronger growth in wage withholdings. In addition, revenue is expected to increase as a result of a delayed realization of capital gains in 2016 as investors postponed sales in anticipation of federal tax changes. This forecast assumes that most of these deferred gains were realized in tax year 2017, which is a main cause of the strong income tax growth in FY 2017-18.

Growth in business income, rental income, and oil and gas royalties, along with robust stock market gains achieved in 2017 are also contributing to the strong forecasted increase this fiscal year. Individual income tax revenue is expected to grow at a slower pace in FY 2018-19 due to lower employment growth in a tight labor market and as capital gains moderate following the surge that is expected this fiscal year.

Strong economic growth and large anticipated gains in investment income are accelerating individual income tax collections in FY 2017-18.

There is a high degree of uncertainty surrounding the forecast for individual income tax collections. The amount of investment gains that were delayed and that will be realized in the future is unknown and difficult to predict. Further, the robust increase in investment income expected this year may be followed by a decline in such income in subsequent years, and thus produce weaker income tax collections in ensuing years than currently forecast. Additionally, as discussed in more detail at the end of this section, provisions in new federal tax legislation are expected to increase Colorado income tax collections because Colorado's state taxable income is tied to federal taxable income, which is expected to increase as a result of the federal tax changes. The estimated state revenue impacts of the federal tax legislation are also highly uncertain.

Corporate income tax – Corporate income tax collections are projected to increase 38.6 percent in FY 2017-18 after falling 21.9 percent in FY 2016-17. The forecasted growth in FY 2017-18 is the first increase in corporate income tax collections since FY 2013-14.

Corporate income tax revenue is among the most volatile General Fund revenue sources as it is influenced by special economic factors and the structure of the corporate income tax code. Trends in corporate profits are the primary determinant of corporate income tax collections.

Corporate income tax collections are projected to rebound with 38.6 percent growth in FY 2017-18, the first increase since FY 2013-14.

Corporate earnings weakened starting in 2015, leading to a decline in corporate income taxes. Sluggish global economic conditions, the decline in commodity prices, and the strong appreciation in the dollar weighed on the profits of multinational corporations. Despite the recovery in corporate profits beginning in the second half of 2016, corporate income tax revenue continued to decline as corporations appear to have deferred tax liabilities in anticipation of federal tax law changes.

With the passage of the Tax Cuts and Jobs Act in December 2017, state corporate income tax payments rebounded and are expected to continue to grow with higher corporate earnings and the ongoing economic expansion. Although renewed growth in corporate income tax collections is expected, future increases will be constrained by higher business costs, especially for employee compensation, which will reduce profit margins and result in lower tax liabilities.

Sales and use tax – Sales tax revenue increased 6.5 percent in FY 2016-17 and is expected to increase an additional 9.6 percent in FY 2017-18 and 4.8 percent in FY 2018-19.

Sales tax revenue is growing at an increasing rate as Colorado's strong economy provides consumers with more disposable income and business spending has picked up. Auto sales, a major source of sales tax revenue, have flattened in recent months, however, but remain at a high level. In addition, the composition of auto sales is shifting from cars towards more expensive light trucks, SUVs, and minivans, which results in more sales tax revenue to the state.

A portion of FY 2017-18's 9.6 percent projected increase is due to the higher tax rate for the special sales tax on retail marijuana sales pursuant to SB 17-267. This legislation increased the tax rate from 10 percent to 15 percent starting July 1, 2017. However, SB 17-267 also exempted retail marijuana from the state's 2.9 percent sales tax, making the net tax rate increase 2.1 percentage points.

Sales tax revenue is forecast to increase 9.6 percent in FY 2017-18. This growth is being driven by increased consumer activity and an increase in the special sales tax rate on retail marijuana.

The use tax is a companion to the sales tax and is paid by Colorado residents and businesses on purchases that did not include a Colorado sales tax. Use taxes bring in a much smaller amount of revenue than sales taxes and are often more volatile. Much of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers.

Use tax collections are increasing 17.0 percent in FY 2017-18 and are projected to increase another 4.6 percent in FY 2018-19. Much of the increase in use tax collections is due to stronger economic growth and the rebound in the oil and gas industry. However, a portion of the FY 2017-18 increase is due to the implementation of reporting requirements on online sales, pursuant to House Bill 10-1193. This law requires out-of-state retailers that do not collect Colorado sales tax to notify the purchasers of their tax liability as well as the Colorado Department of Revenue. Implementation of this law was delayed due to litigation that has now been resolved. Implementation begins in FY 2017-18 and is estimated to increase use tax collections by approximately $6 million.

State Education Fund Revenue Forecast

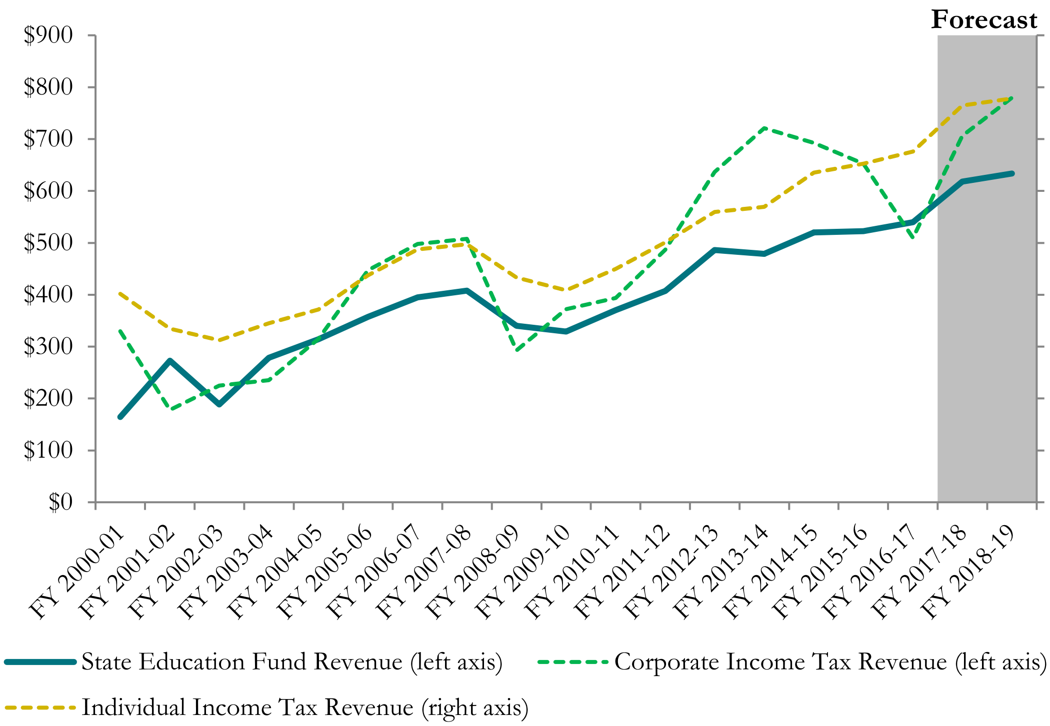
Tax revenue to the State Education Fund will increase 14.5 percent and 2.5 percent in FY 2017-18 and FY 2018-19, respectively.

The Colorado Constitution requires that one-third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. In addition to this revenue, policies enacted over the past several years have transferred other General Fund money to the State Education Fund.

Tax revenue to the State Education Fund will increase 14.5 percent and 2.5 percent in FY 2017-18 and FY 2018-19, respectively.

Because State Education Fund revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections discussed above. The strong growth rate this fiscal year is due largely to higher individual income tax collections driven by the strong economy and labor market, as well as the robust stock market and deferral of investment gains from last year, as discussed above. The revenue impact of federal tax changes discussed below is also contributing to the growth expected in FY 2017-18. Continued economic expansion and the ongoing impact of the federal tax legislation will allow for State Education Fund revenue growth to continue in FY 2018-19, though at a slower rate.

Figure 19. State Education Fund Revenue from One-Third of One Percent of Taxable Income, $ in Millions



Source: Office of the State Controller and OSPB forecast

Estimated Impact of Federal Tax Legislation on Colorado Income Tax Revenue

In late December, the federal Tax Cuts and Jobs Act was passed by Congress and signed into law. This legislation reduced individual and corporate income tax rates and significantly modified tax exemptions and deductions, particularly those claimed under the individual income tax, resulting in a broader federal tax base. Because Colorado's income tax uses federal taxable income in the calculation of Colorado tax liability, changes under the proposed legislation that increase federal taxable income will result in increased tax revenue for the State.

While the net effect of the legislation is a reduction in federal tax revenue due to the lowering of federal tax rates, at the current state rates, Colorado's state tax revenue is expected to increase due to the larger Colorado tax base. Shown in the table below are the estimates of state revenue increases for individual and corporate income taxes. There is a high degree of uncertainty with these estimates due to possible delays in timing or potential taxpayer responses to the changes that may be unforeseen at this time.

Figure 20. Federal Tax Legislation Impacts on Colorado Income Tax Revenue, $ in Millions

	FY2017-18	FY2018-19	FY2019-20
Individual Income Tax	$67.1	$191.6	$257.4
Corporate Income Tax	-$12.8	$16.5	$61.1
Total	**$54.4**	**$208.1**	**$318.5**

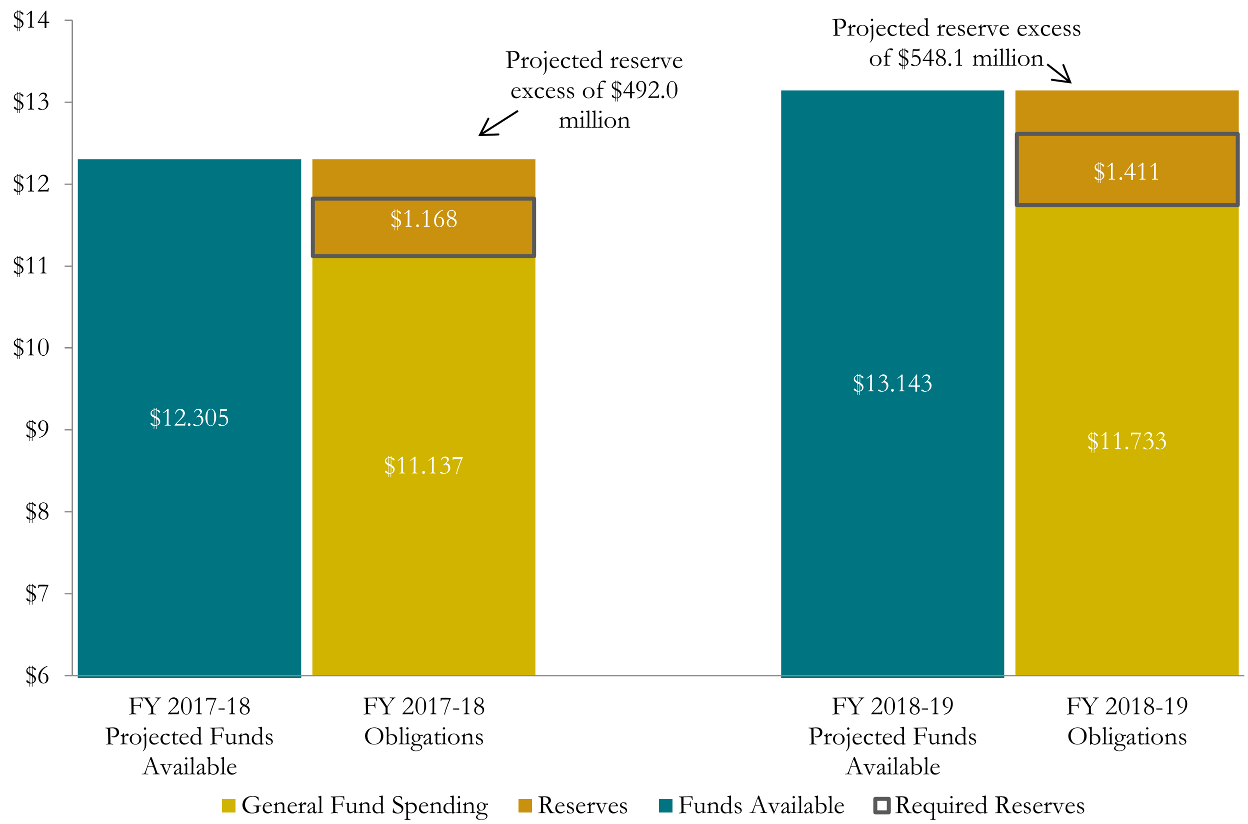
General Fund and State Education Fund Budget

General Fund – As discussed in the "General Fund and State Education Fund Revenue Forecast" section starting on page 24, the General Fund revenue forecast for FY 2017-18 is higher by $309.3 million, or 2.8 percent, compared to the December 2017 forecast. The forecast for FY 2018-19 is higher by $207.3 million, or 1.8 percent. A significant portion of these upward revisions is due to the federal Tax Cuts and Jobs Act, which is expected to increase tax revenue for Colorado.

With the Governor's budget request, the State's General Fund reserve is projected to be $492.0 million above the required statutory reserve amount of 6.5 percent of appropriations in FY 2017-18. The Governor's budget request raises the reserve requirement to 8.0 percent of appropriations in FY 2018-19 and then to 8.5 percent in FY 2019-20. Under this forecast and the Governor's budget request, the State's General Fund reserve is projected to be $548.1 million above the 8.0 percent required statutory reserve amount in FY 2018-19. A forthcoming proposal will provide a formula for distributions of the newly projected resources to certain state priorities with a focus on infrastructure and education.

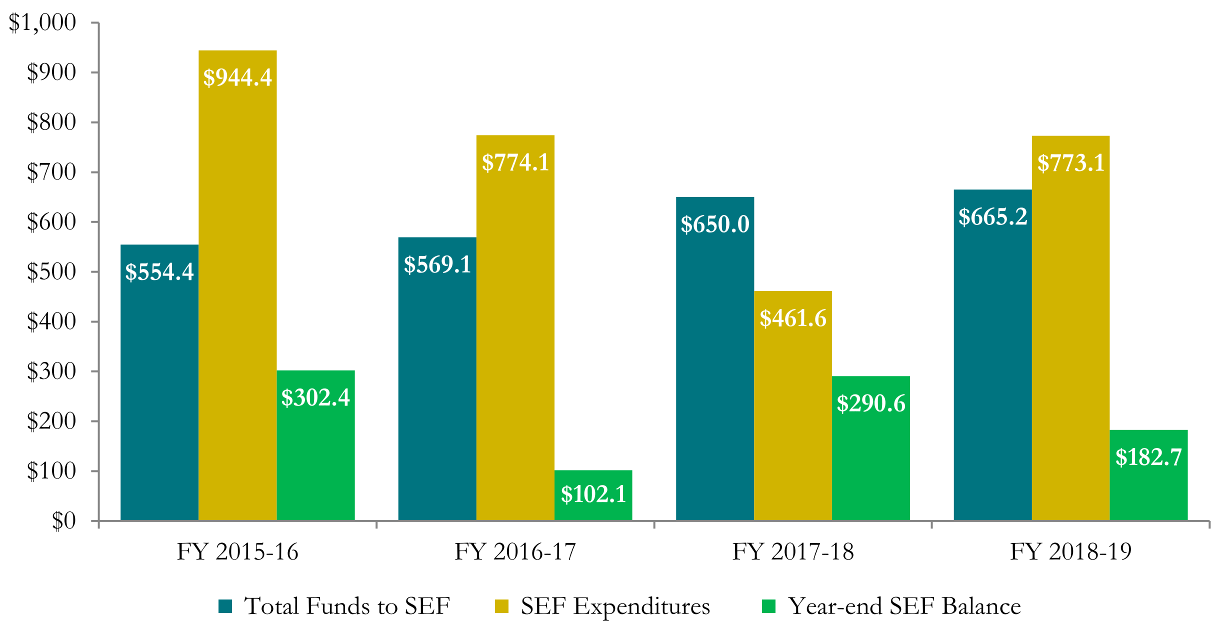
Figure 21 summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2017-18 and FY 2018-19 under the Governor's budget request.

Figure 21. General Fund Available, Obligations, and Reserves under the Governor's Budget Request, $ in Billions



State Education Fund – The State Education Fund has been able to support a larger share of education funding in recent years than it has historically because it received large transfers of unspent General Fund revenue in the early years of the current economic expansion. However, these increased transfers to the State Education Fund were accompanied by increases in appropriations from the fund, resulting in a lower fund balance. In FY 2017-18, however, the year-end fund balance is expected to increase from its level in FY 2016-17 to approximately $290.6 million. This increase is the result of a lower level of State Education Fund expenditures and greater General Fund and local property tax funding for K-12 education in FY 2017-18. Figure 22 summarizes total State Education Fund revenue available, total spending, and ending balance levels from FY 2015-16 through FY 2018-19 under the Governor's budget request.

Figure 22. State Education Fund Money, Spending, and Reserves under the Governor's Budget Request, $ in Millions*



****FY 2017-18 and FY 2018-19 expenditures represent the Governor's budget request.***

Detailed Overview Tables – A detailed overview of the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves under the Governor's budget request is provided in the overview tables (Tables 4 and 5) in the Appendix at the end of this document beginning on page 42. A discussion of the information presented in these tables can be found on the Office of State Planning and Budgeting's website at this link: https://goo.gl/d63Ys2.

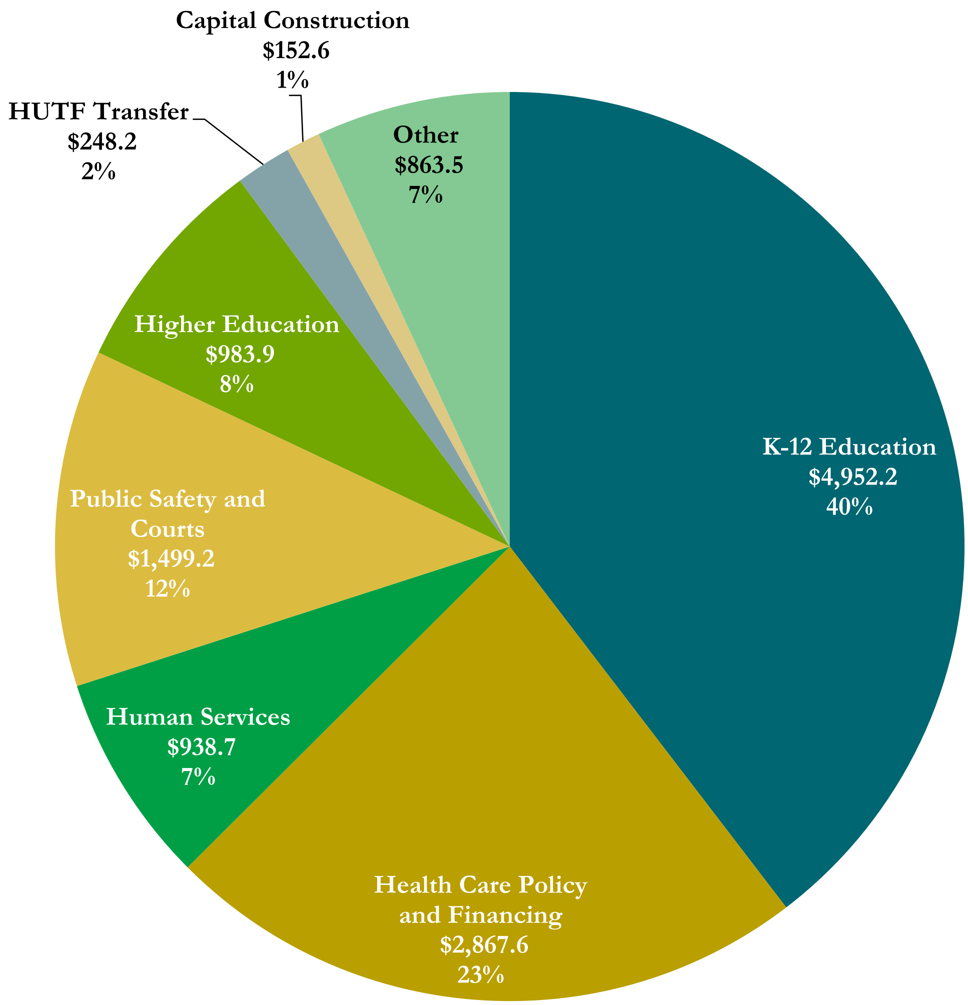
Spending by Major Department or Program Area

The General Fund provides funding for the State's core programs and services, such as preschool through 12th grade education, higher education, services for low-income populations, including the disabled and elderly, courts, and public safety. It also helps fund capital construction and maintenance needs for State facilities and, in some years, transportation projects. Under the state constitution, the State Education Fund helps fund preschool through 12th grade education and annually receives one-third of one percent of taxable income. In some years, it has also received supplemental money from the General Fund as authorized by statute.

In Figure 23, the major areas of the General Fund as reflected in the Governor's budget request and their share of the FY 2018-19 budget are noted. The figure incorporates updated information provided on February 15th from the Department of Health Care Policy and Financing which reduced General Fund obligations for the Medicaid program by $135.6 million over FY 2017-18 and FY 2018-19. The Governor's budget request proposes to use this money for additional transfers to the Highway Users Tax Fund ($100 million) and the Capital Construction Fund ($35.6 million) in FY 2018-19.

Some 92 percent of General Fund and State Education Fund spending is found in the following areas: K-12 education, Medicaid and related costs at the Department of Health Care Policy and Financing, human services, public safety, the correctional system, courts, and higher education. As shown in Figure 23, the Governor's request transfers $152.6 million to the Capital Construction Fund and $248.2 million to the Highway Users Tax Fund in FY 2018-19. More detail on the Governor's budget request can be found on the Office of State Planning and Budgeting's website.

Figure 23. Composition of FY 2018-19 General Fund and State Education Fund Budget under the Governor's Budget Request, $ in Millions



Risks to the Outlook and Budget Implications

This budget outlook is based on OSPB's economic analysis and forecast, discussed in more detail in the section titled "The Economy: Issues, Trends, and Forecast," beginning on page 4. Changes to the Colorado economy determine revenue to the General Fund and State Education Fund. In addition to revenue, changes in economic conditions impact the budget outlook through associated changes in the use of many state services, such as higher education and Medicaid.

Colorado's economy is on solid footing with strong employment growth and expectations of an ongoing expansion. Nationally, economic expansion is expected to continue and the labor market continues to grow at an accelerated rate. Although recession risk appears minimal, a large adverse shock could reduce business and household spending and investment, precipitating an economic downturn. A large enough downturn would cause a decline in General Fund revenue, while increasing the demand for State services.

In addition, there is uncertainty about the degree to which the projected robust FY 2017-18 General Fund revenue collections should be considered one-time in nature. This forecast takes the cautious position of assuming that the combination of high equity prices, tax policy changes, and deferred tax liabilities from earlier years result in some amount of revenue that is one-time in nature. Therefore, FY 2018-19 General Fund revenue is projected to increase very modestly. However, there are past economic situations and statistical relationships that suggest that a larger portion of the FY 2017-18 growth is base-building. As such, under the assumption that the economy continues to expand, there is some upside risk to this projection.

Furthermore, as discussed in more detail in the "General Fund and State Education Fund Revenue Forecast" section starting on page 24, the passage of federal tax legislation is expected to increase Colorado General Fund revenue. This is the case because the legislation on balance increases federal taxable income, on which Colorado taxable income is based. Our analysis estimates that the legislation will increase General Fund revenue by approximately $54.4 million in FY 2017-18 and $208.1 million in FY 2018-19. However, there is a high degree of uncertainty surrounding these estimates.

Cash Fund Revenue Forecast

A wide array of state programs collect taxes, fees, fines, and interest to fund services and operations. When fees or other revenue sources are designated for a particular program, they are typically directed to a cash fund for that program. OSPB's forecast of cash fund revenue subject to TABOR and the Referendum C cap on revenue to the State is shown in Table 6 in the Appendix.

Cash fund revenue is projected to decrease by 19.4 percent in FY 2017-18 as the Hospital Provider Fee is replaced with the Healthcare Affordability and Sustainability Fee program, which is a TABOR-exempt enterprise in accordance with SB 17-267. The forecast for FY 2017-18 is $30.1 million, or 1.4 percent, higher compared with projections in December. In addition to the change in the Hospital Provider Fee, the exemption of retail marijuana sales from the 2.9 percent state sales tax pursuant to SB 17-267 will also reduce cash fund revenue in relation to FY 2016-17.

Transportation-related cash funds **—** Transportation-related cash fund revenue is forecast to grow 3.4 percent in FY 2017-18 and 2.1 percent in FY 2018-19. The forecast is 0.3 percent, or $3.9 million, lower than the December forecast for FY 2017-18.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a number of smaller cash funds including emissions fees and professional licenses. HUTF collections are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol. The primary revenue sources for the HUTF cash funds are motor fuel taxes and registration fees, but also include special transport permits and DUI fines.

State gasoline taxes, which have been 22 cents per gallon in Colorado since they were last increased in 1991, represent more than 75 percent of motor fuel tax revenue. Fuel tax revenue to the HUTF has averaged 2.0 percent growth per year during the current economic expansion. Growth is expected to continue at a modest rate, as increasingly fuel-efficient vehicles consume fewer gallons of gasoline and temper fuel tax collections.

Colorado gasoline taxes have been 22 cents per gallon since 1991. Increasingly fuel-efficient vehicles result in less HUTF revenue per mile driven.

Vehicle registration revenue growth is driven by auto sales and in-migration to the state. Auto sales grew steadily from the end of the Great Recession in 2009 through 2017. As the pent-up demand experienced since the Great Recession in 2008-09 decreases, new auto sales are leveling off nationally. Colorado vehicle sales are expected to remain stronger than nationwide sales due to higher economic growth and population gains, though sales growth is expected to slow over the forecast period.

Because registration fees are based largely on vehicle age and weight, the continuing shift in consumer preference towards SUVs and light trucks partially offsets weaker registration revenue from lower growth in new vehicle sales. This trend is also expected to contribute to increased revenue from vehicle fuel taxes.

Figure 24. Transportation Funds Forecast by Source, $ in Millions

Transportation Funds Revenue	Actual FY 16-17	Forecast FY 17-18	Forecast FY 18-19	Forecast FY 19-20
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	**$626.0**	**$649.2**	**$658.3**	**$669.2**
Change	2.7%	3.7%	1.4%	1.7%
Total Registrations	**$249.6**	**$262.0**	**$271.9**	**$279.0**
Change	2.9%	5.0%	3.8%	2.6%
Other HUTF Receipts	**$182.7**	**$186.9**	**$194.4**	**$200.0**
Change	2.7%	2.3%	4.0%	2.9%
Total HUTF	**$1,058.3**	**$1,098.1**	**$1,124.6**	**$1,148.2**
Change	2.7%	3.8%	2.4%	2.1%
State Highway Fund	**$38.4**	**$49.3**	**$46.2**	**$47.4**
Change	-26.4%	28.4%	-6.4%	2.6%
Other Transportation Funds	**$118.8**	**$115.2**	**$119.0**	**$120.5**
Change	16.1%	-3.0%	3.3%	1.2%
Total Transportation Funds	**$1,221.3**	**$1,262.6**	**$1,289.7**	**$1,316.1**
Change	3.1%	3.4%	2.1%	2.0%

Limited gaming revenue — Revenue from gaming will grow $11.0 million, or 9.2 percent, to $130.2 million in FY 2017-18 and will reach $134.3 million in FY 2018-19.

Of the $130.2 million total expected limited gaming revenue in FY 2017-18, $107.0 million will be subject to TABOR, as reflected in Figure 25. Of this amount, $105.0 million is classified as "base limited gaming revenue" in accordance with Amendment 50. In FY 2018-19, $110.2 million will be subject to TABOR with $108.2 million classified as "base limited gaming revenue". This revenue is distributed by statutory formula to the State General Fund, the State Historical Society, cities and counties affected by gaming activity, and economic development-related programs.

Gaming revenue attributable to Amendment 50 is not subject to TABOR. This revenue is distributed mostly to community colleges, with a smaller portion going to local governments with communities affected by gaming. These distributions grow along with overall gaming revenue and will total $19.2 million in FY 2017-18 and $20.6 million in FY 2018-19. Figure 25 shows the distribution of limited gaming revenue in further detail.

Figure 25. Distribution of Limited Gaming Revenues, $ in Millions

Distribution of Limited Gaming Revenues	Actual FY 16-17	Forecast FY 17-18	Forecast FY 18-19	Forecast FY 19-20
A. Total Limited Gaming Revenues	**$119.2**	**$130.2**	**$134.3**	**$137.5**
Annual Percent Change	0.9%	9.2%	3.2%	2.4%
B. Base Limited Gaming Revenues (max 3% growth)	**$102.0**	**$105.0**	**$108.2**	**$110.8**
Annual Percent Change	1.0%	3.0%	3.0%	2.4%
C. Gaming Revenue Subject to TABOR	**$103.7**	**$107.0**	**$110.2**	**$112.8**
Annual Percent Change	1.0%	3.1%	3.0%	2.4%
D. Total Amount to Base Revenue Recipients	**$90.7**	**$95.6**	**$98.4**	**$100.7**
Amount to State Historical Society	$25.4	$26.8	$27.6	$28.2
Amount to Counties	$10.9	$11.5	$11.8	$12.1
Amount to Cities	$9.1	$9.6	$9.8	$10.1
Amount to Distribute to Remaining Programs (State Share)	$45.3	$47.8	$49.2	$50.3
Amount to Local Government Impact Fund	$5.0	$5.0	$5.0	$5.0
Colorado Tourism Promotion Fund	$15.0	$15.0	$15.0	$15.0
Creative Industries Cash Fund	$2.0	$2.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.5	$0.5	$0.5	$0.5
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.1	$2.1	$2.1	$2.1
Transfer to the General Fund	$15.2	$17.7	$19.1	$20.2
E. Total Amount to Amendment 50 Revenue Recipients	**$13.4**	**$19.2**	**$20.6**	**$21.5**
Community Colleges, Mesa and Adams State (78%)	$10.5	$15.0	$16.1	$16.8
Counties (12%)	$1.6	$2.3	$2.5	$2.6
Cities (10%)	$1.3	$1.9	$2.1	$2.2

Hospital Provider Fee — Hospital Provider Fee revenue totaled $654.4 million in FY 2016-17. Hospital Provider Fee revenue is eliminated in FY 2017-18 and in subsequent years as the Hospital Provider Fee is replaced with the Healthcare Affordability and Sustainability Fee. This fee is exempt from TABOR as the program is designated as an enterprise in accordance with SB 17-267. As with the Hospital Provider Fee, this fee is paid by Colorado hospitals and is used, together with matching federal funds, to help cover the cost of the Medicaid program and enhance payments to health care providers.

Severance tax revenue— Severance tax collections continue to come in at low levels in FY 2017-18. Severance tax revenue totaled $19.5 million in FY 2016-17, after $18.9 million in revenue was collected in FY 2015-16. These low levels of collections are caused by several factors. The ad valorem tax credit for State severance taxes is a contributing factor, as were the persistently low oil and natural gas prices seen in FY 2015-16 and early FY 2016-17. Severance tax revenue has also been negatively impacted by an increase in amended returns filed in response to the 2016 Colorado Supreme Court ruling discussed below.

In FY 2017-18, collections are expected to reach $60.1 million. The forecast reflects slightly higher oil and gas prices and reduced ad valorem credits, but also anticipates ongoing claims for refunds from taxpayer amendments to prior year tax returns related to the Supreme Court ruling. Total severance tax revenue will increase to $113.0 million in FY 2018-19 as the court ruling is expected to have a lesser impact on collections.

As a result of the April 2016 Colorado Supreme Court's decision in *BP America v. Colorado Department of Revenue*, taxpayers can claim additional severance tax deductions related to certain costs incurred in their oil and gas extraction activities. In addition to lowering severance tax collections on an ongoing basis, this decision also increased the refunds being made to severance taxpayers for past tax years.

Federal Mineral Leasing revenue **—** FML revenue is expected to decrease slightly in FY 2017-18, declining 4.4 percent to $87.0 million before growing 10.0 percent to $95.7 million in FY 2018-19. The rebound in growth next fiscal year is a result of higher energy prices along with the end of refunds of FML "bonus" payments to mineral extraction leaseholders on the Roan Plateau. Note that while FML revenue is exempt from TABOR, it is included here because a portion of the money is used for the State's share of K-12 school finance.

FML royalties are derived from a percentage of the value of resources produced on leased federal lands. FML activity includes production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. The Bureau of Land Management (BLM) sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are shared with the state where production occurs.

On March 13, 2018 the U.S. Department of the interior announced that $18.2 million of previously withheld FML revenue will be disbursed to the State. If enacted, HB18-1249 would change the distribution of this disbursement. Instead of being deposited into the state's Mineral Leasing Fund, it would be distributed to the affected counties – Garfield, Rio Blanco, Mesa, and Moffat.

Figure 26. Federal Mineral Leasing (FML) Payments, $ in Millions

Fiscal Year	Bonus	Non-Bonus	Total FML	% Change
FY 2016-17	$0.6	$90.4	$91.0	-2.0%
FY 2017-18	$1.7	$85.3	$87.0	-4.4%
FY 2018-19	$1.7	$94.0	$95.7	10.0%
FY 2019-20	$1.8	$98.7	$100.5	5.0%

FY 2016-17 figures are actual collections, FY 2017-18 through FY 2019-20 are projections.
Figures do not include $18.2 million of previously withheld revenue to be disbursed as announced in March 2018.

Other cash funds **—** Cash fund revenue to the Department of Regulatory Agencies (DORA) will increase 8.9 percent to $82.2 million in FY 2017-18 and another 3.2 percent to $84.9 million in FY 2018-19. DORA regulates businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. Revenue from licensing fees and other services fund many of the Department's activities.

Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance programs. Revenue from this source will increase 54.7 percent to $16.0 million in FY 2017-18 and 21.8 percent to $19.5 million in FY 2018-19. Each year, the Division of Workers' Compensation performs a comprehensive review to determine the funding needed to operate its programs. Surcharges have increased in FY 2017-18, which is contributing to the projected increase in insurance-related revenue.

The category called Other Miscellaneous Cash Funds in Table 6 includes revenue from over 300 cash funds that generally collect revenue from fines, fees, and interest earnings. Approximately 75 percent of the revenue comes from the largest 30 of these funds, which include the Employment Support Fund, Medicaid Nursing Facility Cash Fund, and the Marijuana Tax Cash Fund.

Revenue to miscellaneous cash funds is expected to total $672.1 million in FY 2017-18, an increase of 4.0 percent. This FY 2017-18 projection is $15.9 million greater than the December forecast. The March revision reflects stronger year-to-date revenue than was previously projected. Revenue to these funds is expected to increase 3.4 percent to $694.9 million in FY 2018-19.

Marijuana-related revenue ─ Figure 27 shows revenue from the special taxes on the legal marijuana industry in the state authorized by Proposition AA in November 2013 along with revenue from the 2.9 percent sales tax collected on marijuana sales.

Figure 27. Tax Revenue from the Marijuana Industry, $ in Millions

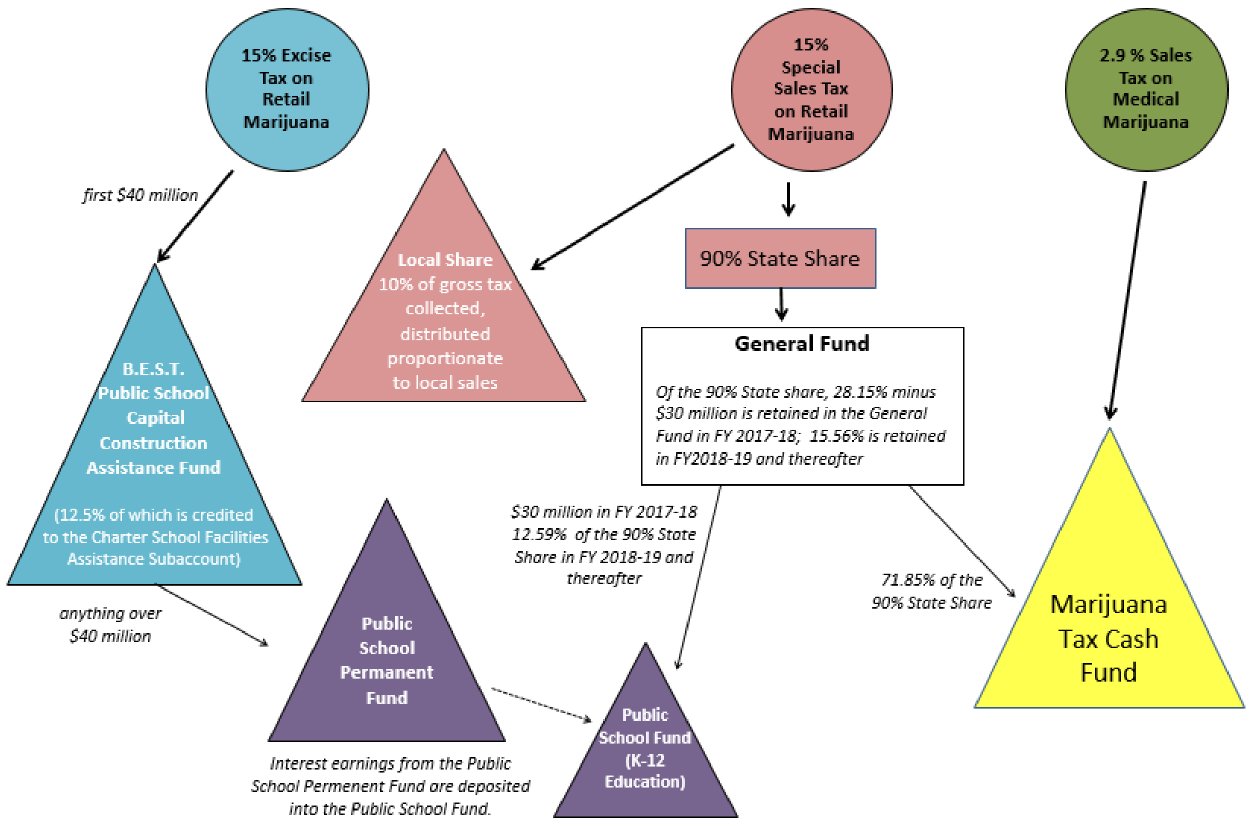
Tax Revenue from the Marijuana Industry	Actual FY 16-17	Forecast FY 17-18	Forecast FY 18-19	Forecast FY 19-20
Proposition AA Taxes				
Retail Marijuana 10%/15% Special Sales Tax	$98.3	$172.5	$199.8	$209.8
Retail Marijuana 15% Excise Tax	$71.5	$70.2	$68.1	$67.8
Total Proposition AA Taxes	**$169.9**	**$242.7**	**$267.9**	**$277.6**
2.9% Sales Tax (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$12.4	$11.1	$10.9	$10.9
Retail Marijuana 2.9% State Sales Tax	$28.1	$4.9	$1.5	$1.5
Total 2.9% Sales Taxes	**$40.6**	**$16.0**	**$12.4**	**$12.4**
Total Marijuana Taxes	**$210.4**	**$258.6**	**$280.3**	**$290.0**

SB 17-267 made changes to marijuana taxation and revenue beginning in FY 2017-18. The bill exempted retail marijuana from the 2.9 percent state sales tax, while increasing the special sales tax rate on retail marijuana from the previous 10 percent to 15 percent in FY 2017-18 and beyond.

Revenue from the 2.9 percent sales tax on marijuana, as well as fees related to regulation of the marijuana industry, are included in the miscellaneous cash funds category in Table 6. The table does not include the proceeds from marijuana taxes authorized by Proposition AA as they are not subject to TABOR.

Most of the revenue from the retail marijuana sales tax in Proposition AA goes first to the General Fund ─ and is included as sales tax revenue in Table 5 in the Appendix ─ before being transferred to the Marijuana Tax Cash Fund and the Public School Fund. The remaining amount after the transfers stays in the General Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana that is credited to public school cash funds. Figure 28 shows the distribution of marijuana tax revenue.

Figure 28. Distribution of Tax Revenue from the Marijuana Industry Starting in FY 2017-18



Taxpayer's Bill of Rights: Revenue Limit

Background on TABOR – Provisions in the Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limit the growth of a portion of State revenue to the sum of inflation and population growth. Revenue collected above the TABOR limit must be returned to taxpayers unless voters decide the State can retain the revenue.

In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10 during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 7) for each subsequent year. The passage of SB 17-267 during the 2017 legislative session reduced the Referendum C cap by $200 million in FY 2017-18. The lower cap then grows by inflation and population growth in subsequent years. More information on SB 17-267 can be found below.

Most General Fund revenue and a portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Revenue that is not subject to TABOR includes revenue exempted by Colorado voters; federal money; and revenue received by entities designated as enterprises, such as public universities and colleges. Table 7 found in the Appendix summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

SB 17-267 reduced the amount of revenue subject to TABOR – SB 17-267 had several provisions that affect the amount of TABOR revenue under the Referendum C cap. As mentioned above, SB 17-267 reduced the Referendum C cap by $200 million in FY 2017-18. The cap will grow by inflation and population growth from this lower base going forward.

Beginning in FY 2017-18, the Hospital Provider Fee has been replaced with the Healthcare Affordability and Sustainability Fee. This fee is exempt from TABOR as it is collected by a new enterprise within the Department of Health Care Policy and Financing. In addition, SB 17-267 exempted retail marijuana from the 2.9 percent state sales tax and extended and expanded the income tax credit for business personal property taxes paid. However, SB 17-267 also distributes a portion of the special sales tax on retail marijuana sales to the General Fund on an ongoing basis which offsets the revenue reduction from the business personal property tax credit.

TABOR revenue is expected to be below the Referendum C cap by $74.9 million in FY 2017-18 and $276.8 million in FY 2018-19.

Finally, SB 17-267 changed TABOR refund mechanisms. The legislation required that reimbursements paid to local governments in support of the senior homestead and disabled veterans property tax exemptions constitute the first TABOR refund mechanism in years in which a TABOR refund is owed.

TABOR revenue will remain below the limit throughout the forecast period - TABOR revenue came in $436.2 million below the cap in FY 2016-17 and is projected to be $74.9 million under the cap in FY 2017-18. TABOR revenue is expected to be below the cap by $276.8 million in FY 2018-19 and $206.5 million in FY 2019-20. This forecast includes the impact of new federal tax changes enacted under the Tax Cuts and Jobs Act, which is expected to increase General Fund revenue.

Governor's Revenue Estimating Advisory Committee

The Governor's Office of State Planning and Budgeting would like to thank the following individuals that provided valuable feedback on key national and Colorado-specific economic indices included in this forecast. All of these individuals possess expertise in a number of economic and financial disciplines and were generous with their time and knowledge.

- Alison Felix – Vice President and Denver Branch Executive, Denver Branch – Federal Reserve Bank of Kansas City
- Elizabeth Garner – State Demographer, Colorado Department of Local Affairs
- Alexandra Hall –Director, Division of Labor Standards and Statistics, Colorado Department of Labor and Employment
- David Kelly – Chief Risk Officer, FirstBank
- Ronald New – Capital Markets Executive
- Jessica Ostermick – Director, Capital Markets, Industrial and Logistics, CBRE
- Paul Rochette – Senior Partner, Summit Economics
- Patricia Silverstein – President, Development Research Partners
- Richard Wobbekind – Associate Dean, Leeds School of Business; University of Colorado, Boulder

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Appendix – Reference Tables

Table 1. History and Forecast for Key Colorado Economic Variables
Calendar Year 2012-2020

Line No.		Actual						March 2018 Forecast		
		2012	2013	2014	2015	2016	2017	2018	2019	2020
	Income									
1	Personal Income (Billions) /A /D	$234.0	$246.6	$267.2	$282.7	$288.1	$303.7	$319.1	$334.5	$349.5
2	Change	6.4%	5.4%	8.3%	5.8%	1.9%	5.4%	5.1%	4.8%	4.5%
3	Wage and Salary Income (Billions) /A /D	$125.0	$129.6	$138.7	$146.6	$151.3	$159.9	$168.4	$176.8	$185.7
4	Change	5.4%	3.7%	7.0%	5.7%	3.2%	5.7%	5.3%	5.0%	5.0%
5	Per-Capita Income ($/person) /A /D	$45,120	$46,869	$50,021	$51,956	$52,097	$54,156	$56,141	$58,055	$59,863
6	Change	5.0%	3.9%	6.7%	3.9%	0.3%	4.0%	3.7%	3.4%	3.1%
	Population & Employment									
7	Population (Thousands)	5,189.9	5,267.6	5,349.6	5,448.8	5,540.5	5,607.2	5,684.8	5,761.2	5,838.6
8	Change	1.4%	1.5%	1.6%	1.9%	1.7%	1.4%	1.4%	1.3%	1.3%
9	Net Migration (Thousands)	37.9	45.1	48.0	68.1	59.7	46.8	48.0	47.0	46.5
10	Unemployment Rate	7.9%	6.8%	5.0%	3.9%	3.3%	2.8%	3.2%	3.3%	3.4%
11	Total Nonagricultural Employment (Thousands)	2,313.0	2,381.9	2,464.9	2,541.9	2,598.3	2,655.7	2,706.2	2,749.5	2,793.4
12	Change	2.4%	3.0%	3.5%	3.1%	2.2%	2.2%	1.9%	1.6%	1.6%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	23.3	27.5	28.7	31.9	39.0	41.9	42.0	40.7	40.4
14	Change	72.6%	18.1%	4.3%	11.1%	22.3%	7.5%	0.2%	-3.1%	-0.7%
15	Nonresidential Construction Value (Millions) /B	$3,695.3	$3,624.0	$4,350.9	$4,982.2	$5,942.4	$5,704.1	$5,533.5	$5,488.0	$5,909.0
16	Change	-5.8%	-1.9%	20.1%	14.5%	19.3%	-4.0%	-3.0%	-0.8%	7.7%
	Prices & Sales Variables									
17	Retail Trade (Billions) /C /D	$80.2	$84.1	$90.5	$95.0	$99.1	$103.9	$108.6	$113.5	$118.4
18	Change	5.7%	4.8%	7.6%	4.9%	4.3%	4.8%	4.6%	4.5%	4.3%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	224.6	230.8	237.2	240.0	246.6	255.0	262.4	269.7	276.5
20	Change	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	2.9%	2.8%	2.5%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, and medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).

/C Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods/books/music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants). E-commerce retail trade and other sales by a retailer that does not have a state sales tax account are not included in these figures.

/ D 2016 and 2017 data are not final and represents OSPB's estimates.

Table 2. History and Forecast for Key National Economic Variables
Calendar Year 2012 – 2020

Line No.		Actual						March 2018 Forecast		
		2012	2013	2014	2015	2016	2017	2018	2019	2020
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$15,354.6	$15,612.2	$16,013.3	$16,471.5	$16,716.2	$17,092.7	$17,551.1	$17,954.8	$18,310.0
2	Change	2.2%	1.7%	2.6%	2.9%	1.5%	2.3%	2.7%	2.3%	2.0%
3	Personal Income (Billions) /B	$13,915.1	$14,073.7	$14,818.2	$15,553.0	$15,928.7	$16,416.9	$17,122.8	$17,847.9	$18,543.9
4	Change	5.0%	1.1%	5.3%	5.0%	2.4%	3.1%	4.3%	4.2%	3.9%
5	Per-Capita Income ($/person)	$44,316	$44,508	$46,516	$48,446	$49,253	$50,402	$52,200	$54,050	$55,808
6	Change	4.2%	0.4%	4.5%	4.1%	1.7%	2.3%	3.6%	3.5%	3.3%
7	Wage and Salary Income (Billions) /B	$6,930	$7,116.7	$7,476.8	$7,858.9	$8,085.2	$8,339.6	$8,739.9	$9,151.0	$9,544.5
8	Change	4.5%	2.7%	5.1%	5.1%	2.9%	3.2%	4.8%	4.7%	4.3%
	Population & Employment									
9	Population (Millions)	314.0	316.2	318.6	321.0	323.4	325.7	328.0	330.2	332.3
10	Change	0.7%	0.7%	0.7%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%
11	Unemployment Rate	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	4.0%	3.9%	4.0%
12	Total Nonagricultural Employment (Millions)	134.2	136.4	139.0	141.8	144.4	146.6	148.5	150.0	151.2
13	Change	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.3%	1.0%	0.8%
	Price Variables									
14	Consumer Price Index (1982-84=100)	229.6	233.0	236.7	237.0	240.0	245.1	251.0	256.5	261.7
15	Change	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	2.2%	2.0%
16	Producer Price Index - All Commodities (1982=100)	202.2	203.4	205.3	190.4	185.4	193.5	199.6	202.8	205.0
17	Change	0.6%	0.6%	0.9%	-7.3%	-2.6%	4.4%	3.1%	1.6%	1.1%
	Other Key Indicators									
18	Corporate Profits (Billions)	$1,998.2	$2,032.9	$2,140.6	$2,117.5	$2,073.5	$2,165.2	$2,238.8	$2,313.8	$2,418.2
19	Change	10.0%	1.7%	5.3%	-1.1%	-0.4%	4.4%	3.4%	3.4%	4.5%
20	Housing Permits (Millions)	0.830	0.991	1.052	1.183	1.207	1.264	1.329	1.379	1.419
21	Change	32.9%	19.4%	6.2%	12.4%	2.0%	4.8%	5.1%	3.8%	2.9%
22	Retail Trade (Billions)	$4,826.4	$5,001.8	$5,215.7	$5,350.5	$5,509.0	$5,764.4	$6,023.8	$6,270.8	$6,452.6
23	Change	5.0%	3.6%	4.3%	2.6%	3.0%	4.6%	4.5%	4.1%	2.9%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Actual FY 2016-17	% Chg	March 2018 Estimate by Fiscal Year FY 2017-18	% Chg	FY 2018-19	% Chg	FY 2019-20	% Chg
	Excise Taxes:								
1	Sales	$2,826.1	6.5%	$3,096.4	9.6%	$3,244.8	4.8%	$3,410.3	5.1%
2	Use	$259.5	7.6%	$303.7	17.0%	$317.6	4.6%	$328.9	3.5%
3	Cigarette	$36.6	-1.7%	$34.3	-6.3%	$32.3	-5.8%	$31.1	-3.6%
4	Tobacco Products	$21.2	0.6%	$21.7	2.5%	$22.9	5.2%	$23.3	2.1%
5	Liquor	$45.0	3.3%	$46.1	2.5%	$47.1	2.0%	$48.3	2.6%
6	**Total Excise**	**$3,188.4**	**6.4%**	**$3,502.2**	**9.8%**	**$3,664.7**	**4.6%**	**$3,842.0**	**4.8%**
	Income Taxes:								
7	Net Individual Income	$6,760.9	3.6%	$7,649.0	13.1%	$7,782.2	1.7%	$8,138.1	4.6%
8	Net Corporate Income	$509.3	-21.9%	$706.1	38.6%	$779.7	10.4%	$895.9	14.9%
9	**Total Income**	**$7,270.2**	**1.3%**	**$8,355.1**	**14.9%**	**$8,561.9**	**2.5%**	**$9,034.0**	**5.5%**
10	*Less: State Education Fund Diversion*	*$540.0*	*3.3%*	*$618.3*	*14.5%*	*$633.6*	*2.5%*	*$667.3*	*5.3%*
11	**Total Income to General Fund**	**$6,730.2**	**1.1%**	**$7,736.8**	**15.0%**	**$7,928.3**	**2.5%**	**$8,366.7**	**5.5%**
	Other Revenue:								
12	Insurance	$290.5	3.6%	$309.1	6.4%	$319.3	3.3%	$328.0	2.7%
13	Interest Income	$14.7	18.6%	$15.5	4.8%	$18.7	21.1%	$20.9	11.8%
14	Pari-Mutuel	$0.6	-6.6%	$0.6	-2.0%	$0.6	-2.0%	$0.5	-2.0%
15	Court Receipts	$4.1	17.5%	$4.1	-0.4%	$4.2	2.5%	$4.3	2.4%
16	Other Income	$47.3	109.7%	$31.8	-32.8%	$32.6	2.5%	$34.1	4.5%
17	**Total Other**	**$357.2**	**11.8%**	**$360.9**	**1.0%**	**$375.3**	**4.0%**	**$387.8**	**3.3%**
18	**GROSS GENERAL FUND**	**$10,275.8**	**3.1%**	**$11,600.0**	**12.9%**	**$11,968.3**	**3.2%**	**$12,596.4**	**5.2%**

Table 4. General Fund Overview under Governor's Budget Request /A
(Dollar Amounts in Millions)

Line No.		Actual FY 2016-17	March 2018 Estimate by Fiscal Year FY 2017-18	FY 2018-19	FY 2019-20
Revenue					
1	**Beginning Reserve**	**$512.7**	**$614.8**	**$1,168.3**	**$1,410.6**
2	**Gross General Fund Revenue**	**$10,275.8**	**$11,600.0**	**$11,968.3**	**$12,596.4**
3	*Transfers to the General Fund*	$44.8	$90.6	$19.9	$21.0
4	*Proposed Transfers Affecting Funds Available*	*$0.0*	$0.0	*-$13.1*	*$0.0*
5	**TOTAL GENERAL FUND AVAILABLE**	**$10,833.4**	**$12,305.3**	**$13,143.4**	**$14,028.0**
Expenditures					
6	**Appropriation Subject to Limit**	**$9,784.5**	**$10,453.0**	**$10,840.7**	**$12,419.4**
7	*Dollar Change (from prior year)*	$448.9	$668.5	$387.8	$1,578.7
8	*Percent Change (from prior year)*	4.8%	6.8%	3.7%	14.6%
9	**Spending Outside Limit**	**$640.1**	**$684.1**	**$892.1**	**$559.5**
10	*TABOR Refund under Art. X, Section 20, (7) (d)*	$0.0	$0.0	$0.0	$0.0
11	*Rebates and Expenditures*	$285.0	$281.1	$302.3	$319.7
12	*Transfers for Capital Construction*	$84.5	$112.7	$152.6	$60.0
13	*Transfers to Highway Users Tax Fund*	$79.0	$79.0	$248.2	$0.0
14	*Transfers to State Education Fund under SB 13-234*	$25.3	$25.3	$25.0	$0.0
15	*Transfers to Other Funds*	$164.8	$185.9	$164.1	$179.8
16	*Other Expenditures Exempt from General Fund Appropriations Limit*	$1.5	$0.0	$0.0	$0.0
17	**TOTAL GENERAL FUND OBLIGATIONS**	**$10,424.6**	**$11,137.0**	**$11,732.8**	**$12,978.9**
18	*Percent Change (from prior year)*	1.9%	6.8%	5.3%	10.6%
19	Reversions and Accounting Adjustments	-$206.0	$0.0	$0.0	$0.0
Reserves					
20	**Year-End General Fund Balance**	**$614.8**	**$1,168.3**	**$1,410.6**	**$1,049.1**
21	*Year-End General Fund as a % of Appropriations*	6.3%	11.2%	13.0%	8.5%
22	*General Fund Statutory Reserve*	$584.3	$676.3	$862.4	$1,049.1
23	*Above/Below Statutory Reserve*	$30.5	$492.0	$548.1	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 30 for information on the figures in this table.

Table 5. General Fund and State Education Fund Overview under Governor's November Budget Request /A
(Dollar Amounts in Millions)

Line No.		Actual FY 2016-17	March 2018 Estimate by Fiscal Year FY 2017-18	FY 2018-19	FY 2019-20
Revenue					
1	**Beginning Reserves**	**$815.1**	**$716.9**	**$1,458.9**	**$1,593.3**
2	*State Education Fund*	$302.4	$102.1	$290.6	$182.7
3	*General Fund*	$512.7	$614.8	$1,168.3	$1,410.6
4	**Gross State Education Fund Revenue**	**$569.1**	**$650.0**	**$665.2**	**$674.0**
5	**Gross General Fund Revenue /B**	**$10,320.6**	**$11,690.5**	**$11,975.1**	**$12,617.5**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$11,704.8**	**$13,057.4**	**$14,099.2**	**$14,884.8**
Expenditures					
7	General Fund Expenditures /C	$10,424.6	$11,137.0	$11,732.8	$12,978.9
8	State Education Fund Expenditures	$774.1	$461.6	$773.1	$630.6
9	**TOTAL OBLIGATIONS**	**$11,198.7**	**$11,598.6**	**$12,505.9**	**$13,609.5**
10	*Percent Change (from prior year)*	0.2%	3.6%	7.8%	8.8%
11	*Reversions and Accounting Adjustments*	-$210.9	$0.0	$0.0	$0.0
Reserves					
12	**Year-End Balance**	**$716.9**	**$1,458.9**	**$1,593.3**	**$1,275.3**
13	State Education Fund	$102.1	$290.6	$182.7	$226.2
14	General Fund	$614.8	$1,168.3	$1,410.6	$1,049.1
15	*General Fund Above/Below Statutory Reserve*	$30.5	$492.0	$548.1	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 30 for information on the figures in this table.
/B This amount includes transfers to the General Fund shown in lines 3 and 4 in Table 4.
/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 6 in Table 4 as well as all spending outside the limit shown in line 9 in Table 4.

Table 6. Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amounts in Millions)

Category	Actual FY 2016-17	March 2018 Estimate by Fiscal Year FY 2017-18	FY 2018-19	FY 2019-20
Transportation-Related /A	**$1,221.3**	**$1,262.6**	**$1,289.7**	**$1,316.1**
Change	3.1%	3.4%	2.1%	2.0%
Limited Gaming Fund /B	**$103.7**	**$107.0**	**$110.2**	**$112.8**
Change	0.9%	3.2%	3.0%	2.4%
Capital Construction - Interest	**$4.7**	**$5.2**	**$6.1**	**$5.6**
Change	-10.5%	11.3%	17.4%	-8.2%
Regulatory Agencies	**$75.5**	**$82.2**	**$84.9**	**$87.2**
Change	9.8%	8.9%	3.2%	2.7%
Insurance-Related	**$10.3**	**$16.0**	**$19.5**	**$19.5**
Change	-9.6%	54.7%	21.8%	0.2%
Severance Tax /C	**$19.5**	**$60.1**	**$113.0**	**$133.6**
Change	3.0%	208.6%	88.0%	18.2%
Hospital Provider Fees /D	**$654.4**	N/A	N/A	N/A
Change	-18.6%	N/A	N/A	N/A
Other Miscellaneous Cash Funds	**$646.2**	**$672.1**	**$694.9**	**$726.9**
Change	-11.6%	4.0%	3.4%	4.6%
TOTAL CASH FUND REVENUE	***$2,735.6***	***$2,205.2***	***$2,318.3***	***$2,401.7***
Change	-6.5%	-19.4%	5.1%	3.6%

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in House Bill 09-1272.

/C Severance tax revenue for FY 2016-17 differs from the amount reported by the State Controller's office, as the figures in Table 6 do not include the diversion of income tax revenue to pay for severance tax refunds under Senate Bill 16-218.

/D Hospital Provider Fee revenue is reduced to zero in FY 2017-18 and subsequent years as the Hospital Provider Fee is replaced with the TABOR-exempt Healthcare Affordability and Sustainability Fee pursuant to SB 17-267.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Actual FY 2016-17	March 2018 Estimate by Fiscal Year FY 2017-18	FY 2018-19	FY 2019-20
	TABOR Revenues:				
1	General Fund /A	$10,156.1	$11,422.2	$11,764.9	$12,369.3
	Percent Change from Prior Year	2.6%	12.5%	3.0%	5.1%
2	Cash Funds /A	$2,735.6	$2,205.2	$2,318.3	$2,401.7
	Percent Change from Prior Year	-6.5%	-19.4%	5.1%	3.6%
3	**Total TABOR Revenues**	**$12,891.7**	**$13,627.4**	**$14,083.3**	**$14,771.0**
	Percent Change from Prior Year	0.5%	5.7%	3.3%	4.9%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.9%	1.7%	1.4%	1.4%
5	Previous calendar year inflation	1.2%	2.8%	3.4%	2.9%
6	**Allowable TABOR Growth Rate**	3.1%	4.5%	4.8%	4.3%
7	TABOR Limit /B	$10,761.7	$11,220.7	$11,759.3	$12,264.9
8	General Fund Exempt Revenue Under Ref. C /C	$2,130.0	$2,406.7	$2,324.0	$2,506.1
9	**Revenue Cap Under Ref. C /B, /D**	**$13,327.8**	**$13,702.3**	**$14,360.0**	**$14,977.5**
10	***Amount Above/Below Cap***	**-$436.2**	**-$74.9**	**-$276.8**	**-$206.5**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$0.0**	**$0.0**	**$0.0**	**$0.0**
12	TABOR Reserve Requirement	$386.7	$408.8	$422.5	$443.1

/A Amounts differ from the General Fund and Cash Fund revenue reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/B The TABOR limit and Referendum C cap are adjusted to account for changes in the enterprise status of various state entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenue" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period. SB 17-267 reduced the Referendum C cap by $200 million in FY 2017-18. The lower cap then grows by inflation and population growth in subsequent years.

/E These adjustments are the result of: (a) changes that were made to State accounting records for years in which TABOR refunds occurred that resulted in changes in required refunds to taxpayers, and (b) the refund to taxpayers in previous years was different than the actual amount required. Such adjustments are held by the State until a future year in which a TABOR refund occurs when they adjust the total refund amount distributed to taxpayers.