DECEMBER 20, 2019

STATE OF COLORADO

Governor's Office of State Planning and Budgeting

COLORADO ECONOMIC

AND

FISCAL OUTLOOK

COLORADO

Governor Jared Polis

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Forecast in Brief

COLORADO ECONOMIC OUTLOOK

Colorado's economic expansion is continuing. Job growth continues at a faster rate than labor force growth, driving unemployment to its lowest rate on record, at 2.6 percent. Wage growth remains above inflation at 4.2 percent, supporting continued growth in consumer activity. While certain industries - notably agriculture and manufacturing - are experiencing significant negative impacts from tariffs and trade conflicts, Colorado's overall economy is expected to continue to grow throughout the forecast period.

NATIONAL ECONOMIC OUTLOOK

Expectations for the U.S. economy have improved modestly since September. The Federal Reserve lowered the federal funds rate three times since July, and long-term interest rates have risen. National job growth has improved slightly in recent months while the unemployment rate has fallen to 3.5 percent. The housing market is improving as mortgage rates have fallen, with new home starts reaching their highest levels of the expansion. Despite these strengths, the manufacturing sector remains weak and even contracting by some measures. Finally, continued trade policy uncertainty provides a challenge to businesses and a major risk to the economic outlook.

GENERAL FUND REVENUE

General Fund revenue grew 7.2 percent in FY 2018-19 and is expected to grow another 3.5 percent in FY 2019-20. The General Fund revenue projection for FY 2019-20 was revised down from the September forecast by $101.2 million, or 0.8 percent, due primarily to lower collections from individual income tax withholdings. The forecast for FY 2020-21 was reduced by $99.8 million, or 0.7 percent. Continued economic growth and base-broadening tax policy changes will contribute to continued General Fund revenue growth throughout the forecast period.

CASH FUND REVENUE

Cash fund revenue grew 5.8 percent to $2.44 billion in FY 2018-19 and is projected to remain flat in FY 2019-20. Total cash fund revenue for FY 2019-20 is projected to be $63.0 million, or 2.7 percent, higher than September projections. Cash fund revenue projections for FY 2020-21 are $17.4 million, or 0.7 percent, lower than in September.

TABOR

Revenue subject to TABOR exceeded the Referendum C cap by $428.3 million in FY 2018-19 and is projected to exceed the cap by $279.9 million in FY 2019-20 and $404.5 million in FY 2020-21. The FY 2018-19 TABOR surplus will be distributed to taxpayers via the Homestead Exemption and a temporary income tax rate reduction in FY 2019-20.

GENERAL FUND RESERVE

The General Fund reserve is projected to be $7.1 million above the Governor's requested statutory reserve amount of 7.5 percent of appropriations in FY 2020-21.

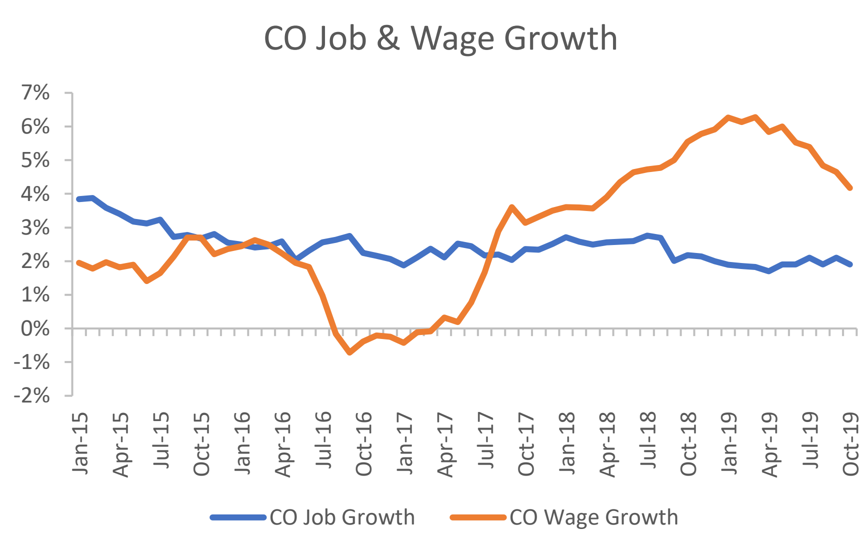
Economic Outlook

Expectations for the U.S. economy have improved modestly since September. The Federal Reserve lowered the federal funds rate three times since July, and long-term interest rates have risen. National job growth has improved slightly in recent months while the unemployment rate has fallen to 3.5 percent. The housing market is improving as mortgage rates have fallen, with new home starts reaching their highest levels of the expansion. Despite these strengths, the manufacturing sector remains weak and even contracting by some measures. Finally, continued trade policy uncertainty provides a challenge to businesses and a major risk to the economic outlook.

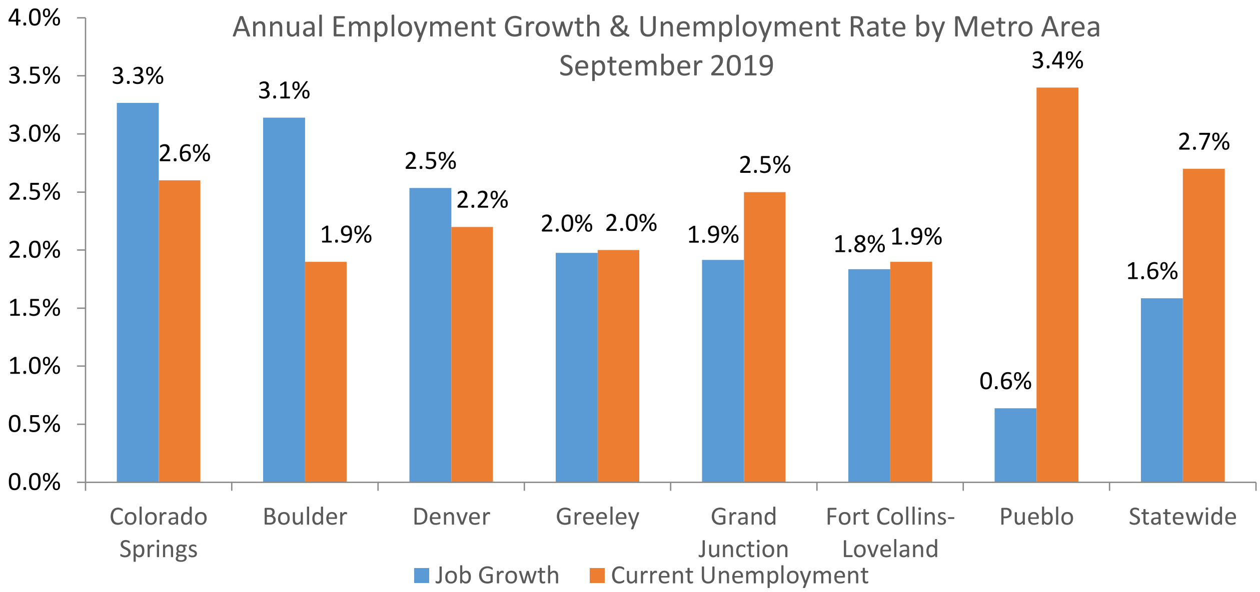
Colorado's job growth continues at a faster rate than labor force growth, driving unemployment to its lowest rate on record, at 2.6 percent. Wage growth remains above inflation at 4.2 percent, supporting continued growth in consumer activity. While certain industries - notably agriculture and manufacturing - are experiencing significant negative impacts from tariffs and trade conflicts, Colorado's overall economy is expected to continue to grow throughout the forecast period.

Employment and Unemployment

Colorado's job growth has accelerated slightly since spring 2019, growing approximately 2 percent year-over-year in October 2019. National job growth has also accelerated slightly in recent months. Wage growth slowed slightly to 4.2 percent in October, but remains at a high level.



Nationally, unemployment remains low, reaching 3.5 percent in November. Colorado's unemployment rate has continued to outperform the nation, reaching the lowest level on record at 2.6 percent in October, down from 3.7 percent at the beginning of the year. Despite regional variation in unemployment, the steady decline in overall unemployment continues across the state. Boulder, Colorado Springs and Denver are the metro areas experiencing the strongest job growth rates in the state.



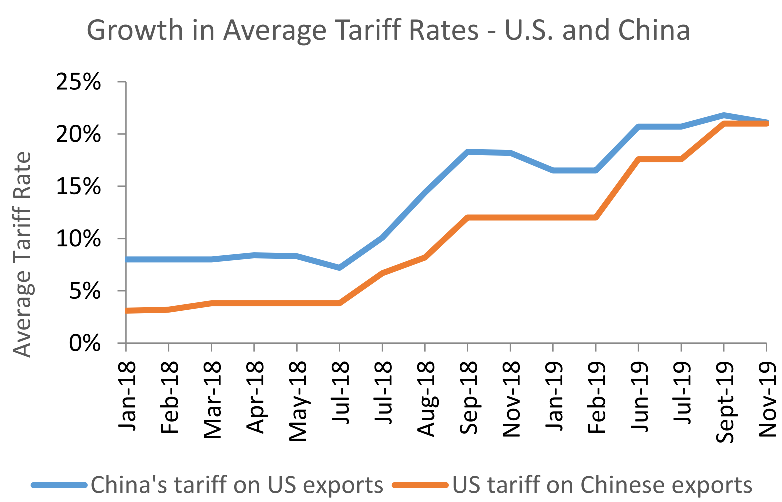
Sources: U.S. Bureau of Labor Statistics, Organization for Economic Co-operation and Development

Tariffs and Trade

Trade activity in Colorado remains depressed by trade uncertainty and the imposition of tariffs. Export activity in Colorado is down 3.9 percent through October as compared with 2018. Despite recent announcements by the U.S. and Chinese Governments of a preliminary trade agreement, trade policy uncertainty remains high.

Food and agriculture continue to experience disproportionate reductions in exports, with a 6.2 percent decline year over year. Dairy products, cereals, and vegetables all show lower export activity. Meat products are relatively stable by contrast, nearly matching 2018 export levels while the exports of live animals have grown by 20 percent. This may be a result of the continued expansion of beef herds in Colorado, which led producers to bring more cattle and calves to the market in 2019, as well as higher pork prices associated with the outbreak of African Swine Fever in China. Despite lower overall trade activity, Colorado farm income is expected to rise in 2019 due to higher production levels and payments from the Federal government.

Import activity is similarly constrained, with a 3.6 percent reduction year to date through October. Electric machinery, including computers, electric motors, integrated circuits, conductors, and semiconductors, are down 11.6 percent year to date. Industrial machinery and crude oil/fuel imports are down 5.5 and 4.0 percent, respectively. Declines in machinery imports likely reflect higher prices causing Colorado businesses to reduce consumption of those goods or seek alternative markets for purchase.



According to the Peterson Institute for International Economics, the average tariff on U.S. exports to China grew from 8 percent in January 2018 to 21 percent in November 2019. U.S. tariffs on imports from China grew at an even faster pace.

Sources: WISER Trade; Peterson Institute for International Economics

Manufacturing and Industry

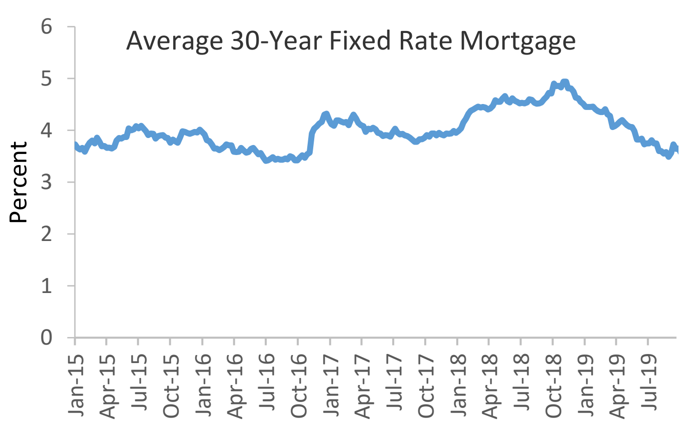
The national manufacturing industry continues to show weakness, even as the overall economy is expanding. A November report from the Institute for Supply Management (ISM) indicates that the manufacturing sector is contracting by many measures. ISM surveys purchasing and supply executives who are at the forefront of the supply chains at major industrial companies, and their assessments provide information on the direction of the manufacturing sector. For example, a decline in new orders indicates less manufacturing activity in the future as demand for manufactured goods slows.

Index/Measure	Direction of Change (Month-Over-Month)	Duration of Trend (Months)
ISM Purchasing Managers Index (PMI)	↓	4
New Orders	↓	4
Production	↓	4
Employment	↓	4
Prices	↓	6

In Colorado, the landscape for the manufacturing sector is somewhat better than the nation at large. According to the CU Leeds School of Business, Colorado manufacturing employment is growing, though at a slower pace than other sectors. Relative bright spots in manufacturing include food and beverages, chemical products, transportation equipment, and cannabis products.

Sources: Institute for Supply Management, CU Leeds School of Business

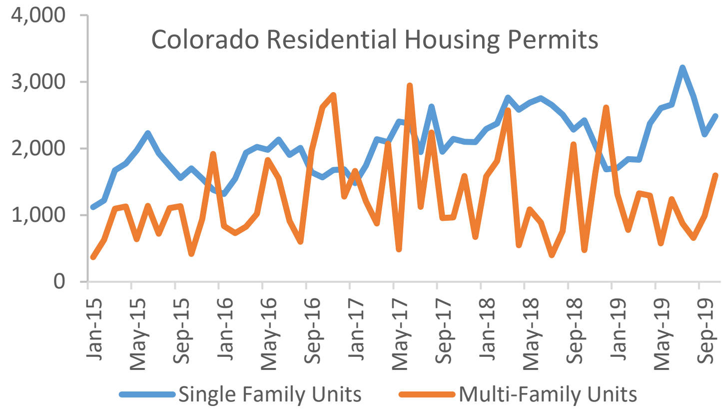
Housing



U.S. and Colorado housing price growth slowed in recent months, although Colorado saw moderate growth in overall housing prices through the third quarter of 2019. Falling mortgage rates and muted price growth have provided a boost to housing markets. U.S. new home sales increased 2.2 percent through September, despite a modest 0.5 percent increase in median sales price for the same period. Although mortgage rates remain at historically low levels, high student debt combined with high housing prices discourage some potential buyers from entering the market.

Colorado residential housing construction is growing, but remains at low levels. Growth in housing construction has historically tended to be a reliable leading indicator of economic growth. Colorado rental rates continue to increase, though at a slower rate than the same timeframe last year. In the second quarter of 2019, average rental rates for apartment units rose by 3 percent.

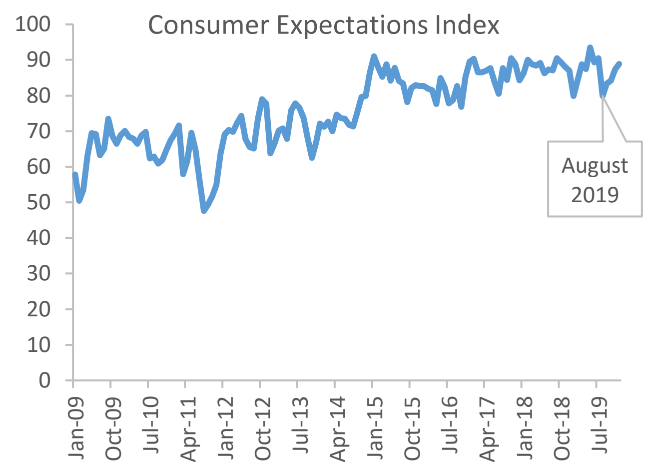
Sources: Freddie Mac, U.S. Census Bureau



Consumer Spending and Expectations

U.S. consumer expectations have nearly recovered from their low in August when the monthly index reached its lowest level since October 2016. The index rose to 83.4 in September, 84.2 in October, 87.3 in November, and 88.9 in December. This places the index lower than a year ago, but still suggests a high level of consumer confidence overall.

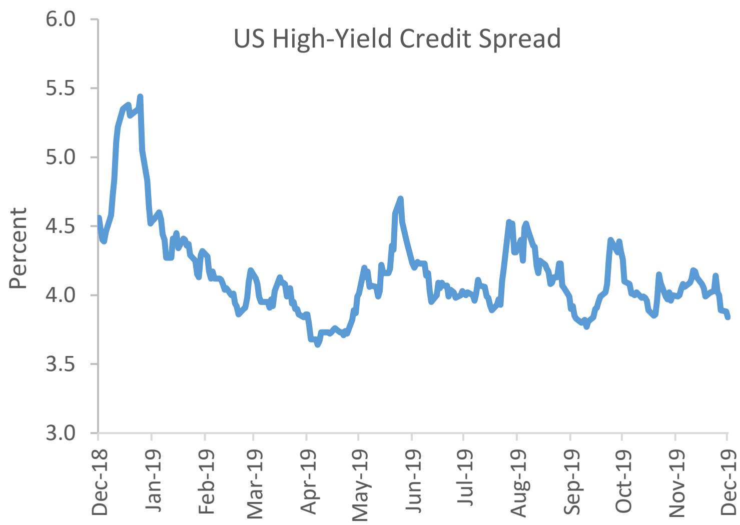
With trade tensions and recession fears temporarily receding, national consumer spending has continued its steady growth, with November retail sales figures showing an expansion of 3.3 percent over 2018. Surveys conducted by Deloitte suggest that holiday sales will grow 4.5 to 5 percent this year.



Sources: University of Michigan - Survey of Consumers; U.S. Census Bureau; Deloitte Holiday Retail Survey

Financial Markets

Recent trends in financial markets signal that traders see reduced likelihood of a near-term recession. During the summer of 2019, recession concerns were prominent because of an inversion of the yield curve. An inverted yield curve refers to the situation in which short-term interest rates are higher than long-term interest rates, which many economists view as a reflection of falling economic expectations and a potential recessionary signal. However, the Federal Reserve lowered



Source: Bank of America Merrill Lynch

interest rates three times since July and that seems to have calmed investors' fears, boosted confidence in the economy, and helped reverse the yield curve inversion. While some sectors of the economy remain weak (e.g., manufacturing), financial markets generally aren't indicating broad-based concerns for a recession.

Corporate bond markets also signal that recessionary risks have decreased. The US High-Yield Credit Spread has been trending down from its 52-week high reached in December 2018. Reduced credit spreads indicate more risk tolerance among investors and better access to credit for businesses.

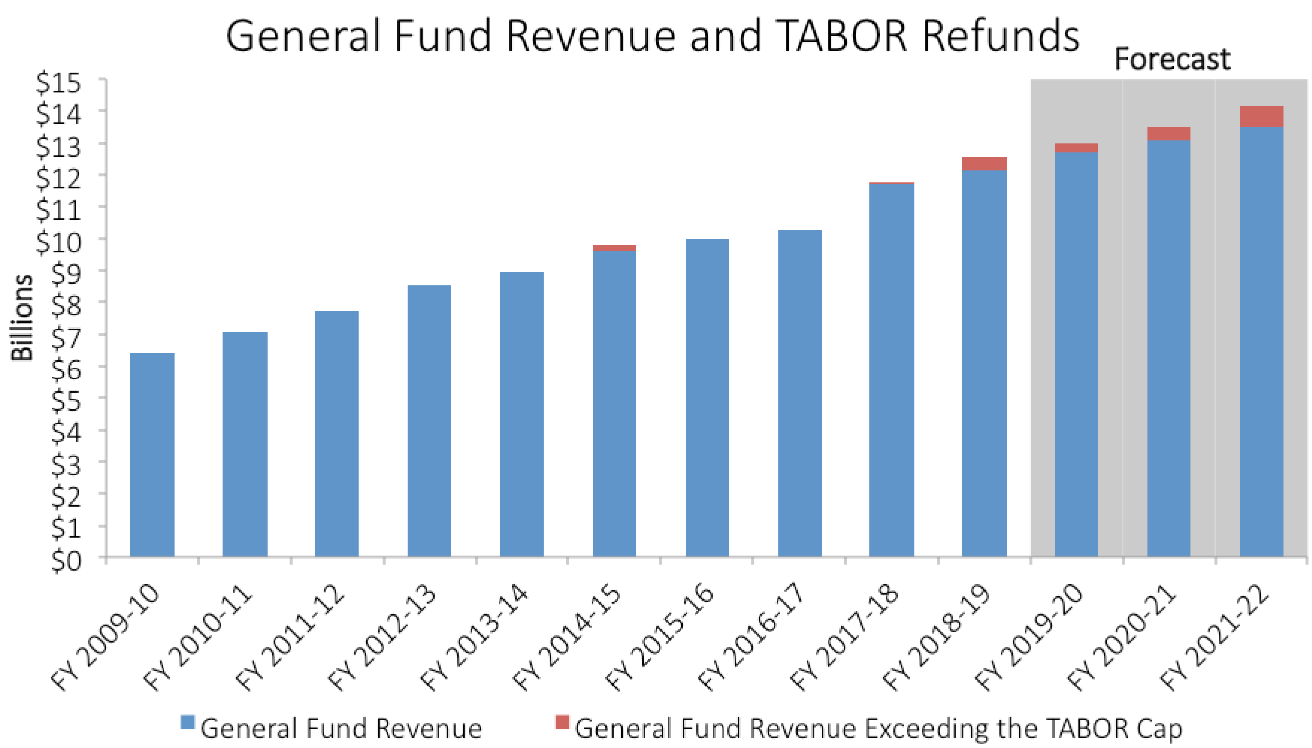
Forecast Risks

Colorado's economic growth is expected to moderate over the forecast period and beyond. Trade policy serves as both an upside and a downside risk to the forecast, as continued uncertainty could result in reduced business investment and consumer activity, while a trade war resolution could result in increased business and consumer confidence and activity. Any upside risks will be limited, however, by the labor market's capacity to provide workers as the population ages and immigration is reduced. The Federal Reserve's management of monetary policy in light of these challenges will be critical to the sustainability of the current expansion.

Revenue Outlook – General Fund

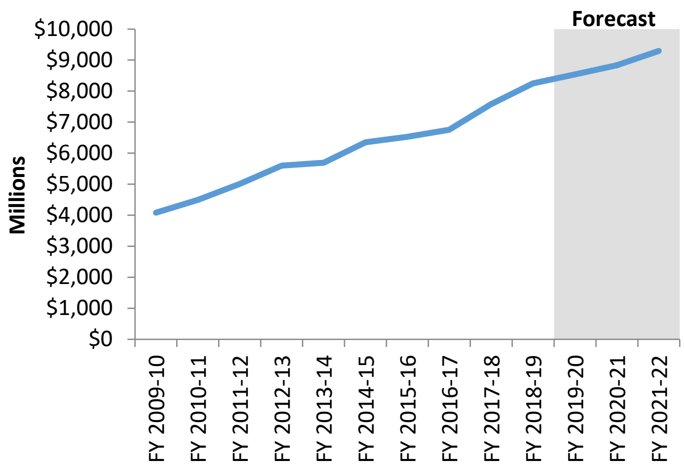
Strong personal income growth is supporting continued General Fund revenue growth as the economic expansion continues. Base-broadening tax policy changes, like the federal Tax Cuts and Jobs Act (TCJA) and the state's vendor fee reform serve to increase state revenue collections throughout the forecast period. This forecast projects that General Fund revenue will grow by 3.5 percent in FY 2019-20 and 4.0 percent in FY 2020-21 after growing by 7.2 percent in FY 2018-19.

The General Fund revenue forecast for FY 2019-20 is lower by $101.2 million, or 0.8 percent, relative to September projections. The forecast for FY 2020-21 was revised downward by $111.7 million, or 0.8 percent. These revisions are primarily due to lower forecasts for individual income tax collections, as collections from withholdings from paychecks have declined since September.



Three major revenue sources together make up 96 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 – were essentially unchanged from the September forecast.

Individual Income Tax

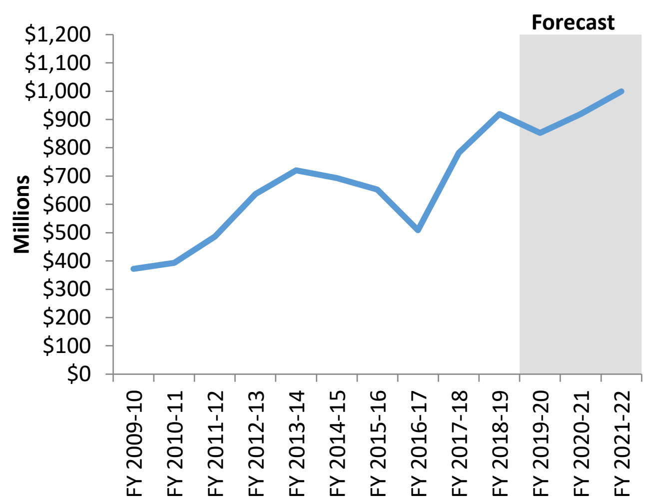


Individual income tax revenue is projected to increase 3.6 percent in FY 2019-20 and 3.5 percent in FY 2020-21. Relative to September projections, the forecast was revised downward by 1.0 percent in FY 2019-20 and 1.2 percent in FY 2020-21. These revisions result from slightly lower receipts for income tax withholdings than previously expected.

As anticipated, the effects of the TCJA are continuing to increase state tax liabilities. Strong employment and wage growth contributed to a 7.8 percent increase in payroll withholdings in FY 2018-19.

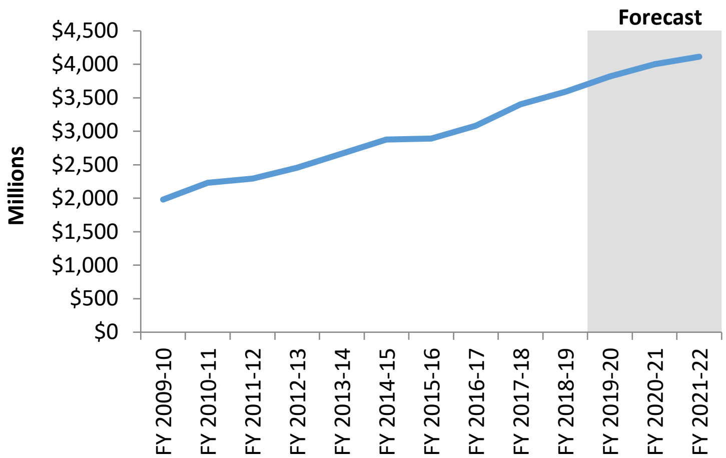
Corporate Income Tax

Corporate income tax collections are projected to fall 7.3 percent in FY 2019-20 and to rise by 7.9 percent in FY 2020-21. Relative to last quarter, corporate income tax receipts were revised downward by $10.7 million in FY 2019-20 and by $10.4 million in FY 2020-21.



Corporate income tax revenue is among the most volatile sources of General Fund revenue due to the structure of the corporate income tax code and business-specific considerations that strongly influence decisions on the timing of corporate tax payments to the state. Corporate income taxes were boosted in FY 2018-19 by a large settlement agreement with a delinquent taxpayer and are being reduced in FY 2019-20 by amended returns and refund claims following recent tax policy rulings by the Colorado Supreme Court. Corporate income tax revenue is expected to return to growth in FY 2020-21 as the economic expansion continues. Future growth, however, will be constrained by higher business costs, especially for tariffs and employee compensation, which will reduce profit margins and lower tax liabilities.

Sales and Use Taxes



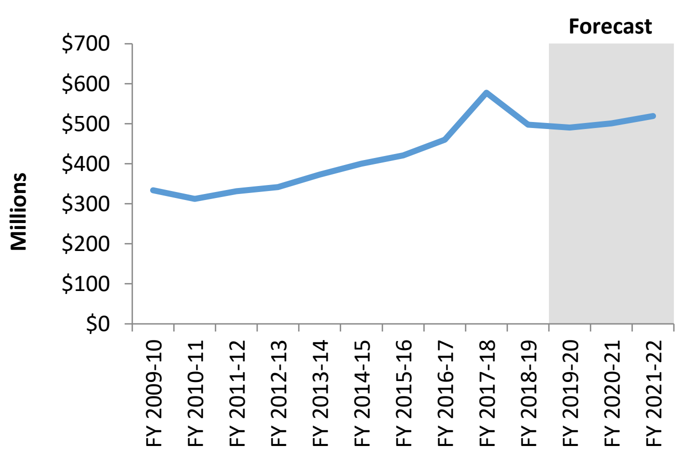
Sales tax revenue is expected to increase by 9.3% percent in FY 2019-20 and 4.9 percent in FY 2020-21. FY 2019-20 sales tax revenue was revised up from last quarter, by $48.8 million, due to strong collections year to date and strong retail sales nationally. FY 2020-21 sales tax revenue was also revised upward, by $69.4 million.

The growth rates in FY 2019-20 and subsequent years are bolstered by sales tax collections from out-of-state retailers, which the Supreme Court allowed states to collect with its June 2018 ruling in South Dakota v. Wayfair, Inc. and which was codified in Colorado law by H.B. 19-1240. Sales tax revenue will also be increased by H.B. 19-1245, which provided a tax benefit to small businesses while increasing overall sales tax collections.

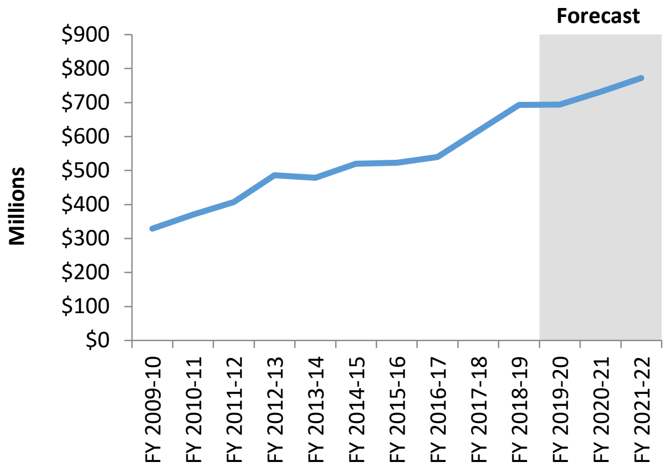
Use tax is a companion to sales tax and is paid by Colorado residents and businesses on purchases that did not collect the state sales tax. Use taxes bring in a much smaller amount of revenue than sales taxes and are often more volatile. Much of the state's use tax revenue comes from Colorado businesses paying tax on transactions involving out-of-state sellers, in addition to individuals paying taxes on online purchases where tax was not collected by the retailer. Use tax collections are projected to decline 21.1 percent in FY 2019-20 and increase 2.8 percent in FY 2020-21. These figures were revised downward from the September forecast due to weak collections year to date.

Other General Fund Revenue

Other revenue to the General Fund is expected to decrease 1.5 percent in FY 2019-20 and to grow by 2.3 percent in FY 2020-21. The reduction in FY 2019-20 follows large, one-time settlement payments totaling $18.7 million from corporations in FY 2018-19 in relation to lawsuits for violations of consumer protection laws. Major components of this category include excise taxes on cigarettes, tobacco and liquor, as well as insurance revenue and interest income.



State Education Fund



Revenue to the State Education Fund is expected to grow 0.2 percent in FY 2019-20 and 5.5 percent in FY 2020-21. This growth does not include transfers from other funds. The forecast for State Education Fund revenue was revised downward from the September forecast in conjunction with the downward revision to the forecast for individual income tax collections.

The Colorado Constitution requires that 1/3 of 1 percent of taxable income from Colorado taxpayers be credited to the State Education Fund. Because State Education Fund revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections discussed in this section.

Revenue Outlook – Cash Fund

Cash funds are taxes, fees, fines, and interest collected by various state programs to fund services and operations. These revenue sources are designated by statute for a particular program and as such are distinct from General Fund revenue, which is available for general purpose expenditures. The following discussion highlights those cash fund revenues that are subject to TABOR.

Total cash fund revenue subject to TABOR is projected at $2.4 billion in FY 2019-20, level with the prior fiscal year. This is slightly higher than projections in September, representing an upward revision of $63 million, or 2.7 percent. FY 2020-21 cash fund revenue is projected to rise to $2.5 billion, an increase of 3.6 percent year-over-year. This forecast is lower than September projections by $17.4 million, or 0.7 percent.

Transportation

Transportation-related cash fund revenue is projected to grow 3.2 percent in FY 2019-20 and 1.1 percent in FY 2020-21. These forecasts were revised since September, increasing by $15.0 million, or 1.1 percent, in FY 2019-20 and decreasing by $4.7 million, or 0.4 percent, in FY 2020-21.

Transportation Revenue	Preliminary FY 18-19	Forecast FY 19-20	Forecast FY 20-21	Forecast FY 21-22
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	**$654.9**	**$667.0**	**$681.4**	**$698.2**
Change	1.5%	1.8%	2.2%	2.5%
Total Registrations	**$265.7**	**$270.4**	**$276.7**	**$283.7**
Change	1.4%	1.8%	2.3%	2.5%
Other HUTF Receipts	**$188.2**	**$191.8**	**$196.0**	**$200.4**
Change	-6.1%	1.9%	2.2%	2.3%
Total HUTF	**$1,108.7**	**$1,129.1**	**$1,154.1**	**$1,182.3**
Change	0.1%	1.8%	2.2%	2.4%
State Highway Fund	**$39.8**	**$65.7**	**$51.6**	**$45.9**
Change	-2.0%	64.9%	-21.4%	-11.1%
Other Transportation Funds	**$126.8**	**$122.3**	**$126.1**	**$128.7**
Change	-0.5%	-3.6%	3.1%	2.0%
Total Transportation Funds	***$1,275.9***	***$1,317.1***	***$1,331.8***	***$1,356.9***
Change	*0.0%*	*3.2%*	*1.1%*	*1.9%*

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a number of smaller cash funds. The primary revenue sources for the HUTF are motor fuel taxes and registration fees.

Limited Gaming

Revenue from limited gaming is projected to rise by 0.8 percent in FY 2019-20, a slight downward revision from the September forecast. Revenue growth is expected to continue over the following fiscal years, by 2.3 percent in FY 2020-21 and 2.1 percent in FY 2021-22.

In FY 2019-20, $107.9 million of total limited gaming revenue is expected to be subject to TABOR, while an estimated $106.0 million will be classified as “base limited gaming revenue” under Amendment 50. In FY 2020-21, $110.4 million will be subject to TABOR with $108.5 million classified as base limited gaming revenue. The table below illustrates the current revenue projections as well as the amounts to be distributed to revenue recipients per statutory formula.

Distribution of Limited Gaming Revenues	Preliminary FY 18-19	Forecast FY 19-20	Forecast FY 20-21	Forecast FY 21-22
A. Total Limited Gaming Revenues	**$127.3**	**$128.4**	**$131.4**	**$134.1**
Annual Percent Change	0.2%	0.8%	2.3%	2.1%
B. Base Limited Gaming Revenues (max 3% growth)	**$105.2**	**$106.0**	**$108.5**	**$110.8**
Annual Percent Change	0.2%	0.8%	2.3%	2.1%
C. Gaming Revenue Subject to TABOR	**$107.1**	**$107.9**	**$110.4**	**$112.8**
Annual Percent Change	0.2%	0.8%	2.3%	2.1%
D. Total Amount to Base Revenue Recipients	**$94.3**	**$95.1**	**$97.9**	**$100.2**
Amount to State Historical Society	$26.4	$26.6	$27.4	$28.1
Amount to Counties	$11.3	$11.4	$11.7	$12.0
Amount to Cities	$9.4	$9.5	$9.8	$10.0
Amount to Distribute to Remaining Programs (State Share)	$47.2	$47.5	$49.0	$50.1
Amount to Local Government Impact Fund	$5.6	$5.9	$6.3	$6.6
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	$16.4	$16.6	$17.6	$18.4
E. Total Amount to Amendment 50 Revenue Recipients	**$17.9**	**$18.0**	**$18.2**	**$18.6**
Community Colleges, Mesa and Adams State (78%)	$14.0	$14.0	$14.2	$14.5
Counties (12%)	$2.2	$2.2	$2.2	$2.2
Cities (10%)	$1.8	$1.8	$1.8	$1.9

In November 2019, Colorado voters approved Proposition DD, which legalized sports betting and authorized a tax on sports betting proceeds to fund water projects. Revenues from the tax on sports betting proceeds are not subject to TABOR, while revenues from licensing fees of sports betting operators are. Estimates of new revenue from those fees are around two million per full year. Revenues from the tax on proceeds and operator licensing fees will be accounted for separately from the limited gaming funds reported here. Revenue from operator licensing fees is accounted for as miscellaneous cash fund revenue in Table 6 in the appendix. Sports betting will begin May 2020.

Severance

Severance tax revenue is expected to decline to $133.5 million in FY 2019-20, a decline of 47.7 percent from the fiscal year prior, before rising 47.7 percent again to $197.2 million in FY 2020-21. The FY2019-20 figures have been revised upward from the September forecast, by $19.4 million, as recent collections have been higher than expected. Forecasts for FY 2020-21 have been revised downward by $13.2 million due to lower natural gas prices and production.

Marijuana

Tax revenue from the marijuana industry is expected to grow 10.4 percent to $289.4 million in FY 2019-20, and 1.4 percent to $293.3 million in FY 2020-21. The table below shows revenue from special taxes on the legal marijuana industry authorized by Proposition AA in November 2013, along with revenue from the 2.9 percent state tax on marijuana sales.

Tax Revenue from the Marijuana Industry	Preliminary FY 18-19	Forecast FY 19-20	Forecast FY 20-21	Forecast FY 21-22
Proposition AA Taxes				
Retail Marijuana 15% Special Sales Tax	$193.3	$219.2	$222.5	$224.5
Retail Marijuana 15% Excise Tax	$58.4	$59.3	$60.2	$61.1
Total Proposition AA Taxes	**$251.8**	**$278.5**	**$282.7**	**$285.6**
2.9% Sales Tax (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$9.4	$9.5	$9.2	$9.0
Retail Marijuana 2.9% State Sales Tax	$1.0	$1.3	$1.3	$1.4
Total 2.9% Sales Taxes	**$10.4**	**$10.9**	**$10.6**	**$10.4**
Total Marijuana Taxes	**$262.2**	**$289.4**	**$293.3**	**$296.0**

The revenue from the retail marijuana sales tax in Proposition AA goes first to the General Fund before being transferred to the Marijuana Tax Cash Fund, local governments, and the Public School Fund. The remaining amount after these transfers stays in the General Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana sales that is credited to public school cash funds. The distribution of marijuana tax revenue is shown in the table below.[1]

Fiscal Year	Total Marijuana Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Permanent Fund	Public School Fund	Marijuana Tax Cash Fund
FY 2018-19 Preliminary	$262.2	$19.3	$27.1	$52.6	$5.8	$21.9	$135.4
FY 2019-20 Projected	$289.4	$21.9	$30.7	$59.3	$0.0	$24.8	$152.6
FY 2020-21 Projected	$293.3	$22.3	$31.2	$60.2	$0.0	$25.2	$154.5
FY 2021-22 Projected	$296.0	$22.5	$31.4	$61.1	$0.0	$25.4	$155.6

Federal Mineral Lease

Federal Mineral Lease (FML) revenue is expected to decline 34.8 percent to $74.2 million in FY 2019-20 and increase 35.5 percent to $100.6 million in FY 2020-21.[2] FML revenues grew by 32.1 percent in FY 2018-19 as a result of increased production and the end of FML "bonus" payment refunds to mineral extraction leaseholders on the Roan Plateau. The downward revision since September's forecast is due to lower than anticipated collects year to date and also an

[1] FY 2018-19 figures are preliminary distributions, while FY 2019-20 through FY 2021-22 are projections. Totals may not sum due to rounding.

[2] FY 2018-19 figures are preliminary collections, while FY 2019-20 through FY 2021-22 are projections.

anticipated $7.5 million reduction in payments to the State in December 2019 and January 2020. This is a result of back payments owed on lower royalty rates to select leaseholders since 2015, reducing lease payments in the current fiscal year. While FML revenue is exempt from TABOR, it is included here because a portion of the money is distributed to the Public School Fund, where it is used for the State's share of K-12 school finance.

Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2018-19 Preliminary	$2.8	$111.0	$113.8	32.1%
FY 2019-20 Projected	$2.2	$72.0	$74.2	-34.8%
FY 2020-21 Projected	$3.0	$97.5	$100.6	35.5%
FY 2021-22 Projected	$3.3	$107.3	$110.6	10.0%

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

Other Cash Funds

Cash fund revenue to the Department of Regulatory Agencies (DORA) is projected to increase 7.9 percent to $85.0 million in FY 2019-20 and 4.4 percent to $88.7 million in FY 2020-21. 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. Revenue from this source is estimated to grow 15.1 percent to $26.0 million in FY 2019-20 and decline 4.2 percent to $24.9 million in FY 2020-21.

The "Other Miscellaneous Cash Funds" category includes revenue from over 300 cash fund programs, which generally collect revenue from fines, fees, and interest earnings. In FY 2019-20, revenue to these funds is expected to increase 10.1 percent to $764.0 million, followed by an estimated increase of 0.6 percent to $768.3 million in FY 2020-21.

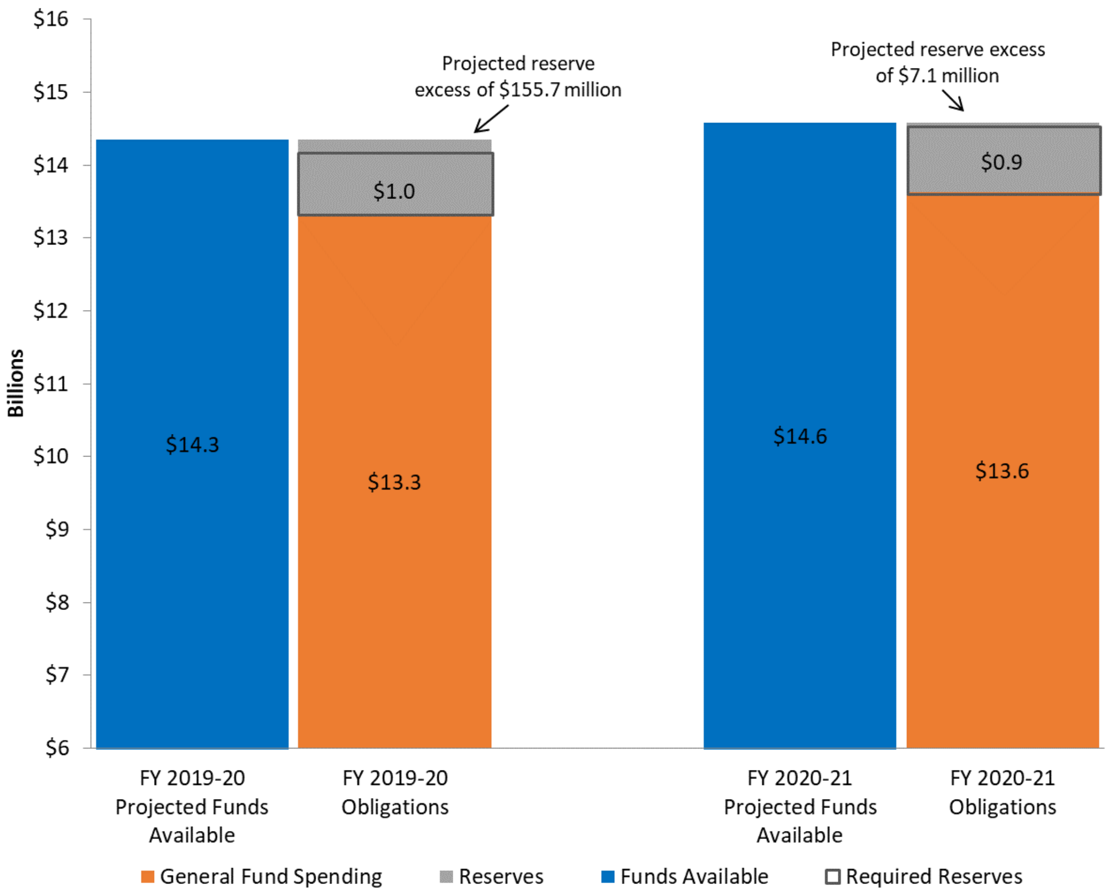
Budget Outlook

General Fund

General Fund revenue is projected to grow by 3.5 percent in FY 2019-20 and 4.0 percent in FY 2020-21, after growing by 7.2 percent in FY 2018-19. The General Fund revenue forecast for FY 2019-20 is $101.2 million, or 0.8 percent, less than estimated in September. The forecast for FY 2020-21 is $99.8 million, or 0.7 percent, lower than the September forecast.

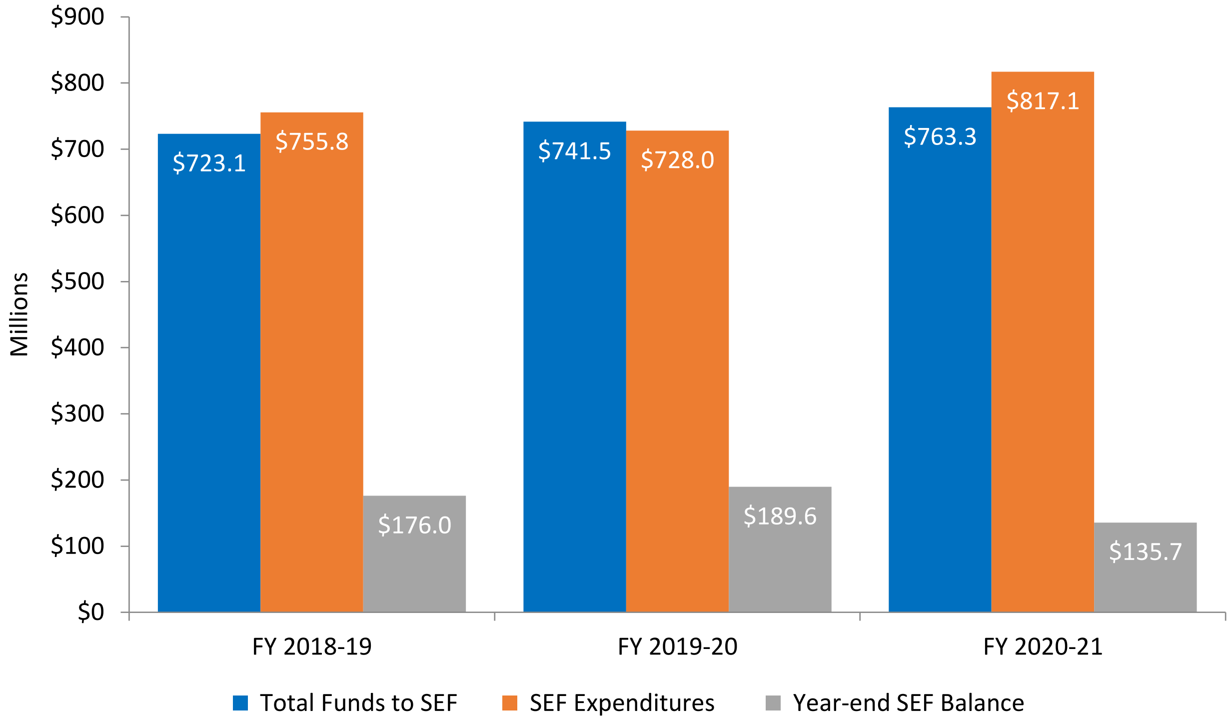
The General Fund reserve was $452.4 million above the required statutory reserve amount of 7.25 percent of appropriations in FY 2018-19, according to the State's Basic Financial Statements. Under this forecast, the General Fund reserve is projected to be $155.7 million above the statutory reserve amount in FY 2019-20. With the Governor's FY 2020-21 budget request, reserve requirements would be raised to $938.5 million, or 7.5 percent of total appropriations. Under this forecast, the State's General reserve is projected to be $7.1 million higher than the proposed statutory reserve amount under the Governor's budget request. These projections do not reflect forthcoming budget adjustments for FY 2019-20 and FY 2020-21 that will be submitted to the Joint Budget Committee in January 2020.

The below chart summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2019-20 and FY 2020-21, under the Governor's FY 2020-21 budget request.



State Education Fund

The State Education Fund's year-end balance was $176.0 million in FY 2018-19 and is projected to rise to $189.6 million in FY 2019-20. The budget for FY 2019-20 includes a transfer from the General Fund to the State Education Fund of $40.3 million, as included in the School Finance Act. The figure below summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2018-19 through FY 2020-21 under the Governor's budget request.



Forecast Risks

This budget outlook is based on OSPB's economic analysis and forecast as detailed in Tables 1 and 2 of the Reference Tables at the end of this document. Changes in economic conditions impact the budget outlook through associated changes in the use of many state services, such as Medicaid.

Risks to the budget outlook are balanced to the downside. Since State revenues are currently above the voter-approved revenue cap and are expected to remain so throughout the forecast period, better-than-expected economic conditions and revenue collections will not significantly benefit the state budget. The state budget remains vulnerable to downside risks, however, as an economic slowdown or recession could reduce revenue collections and result in less budget capacity.

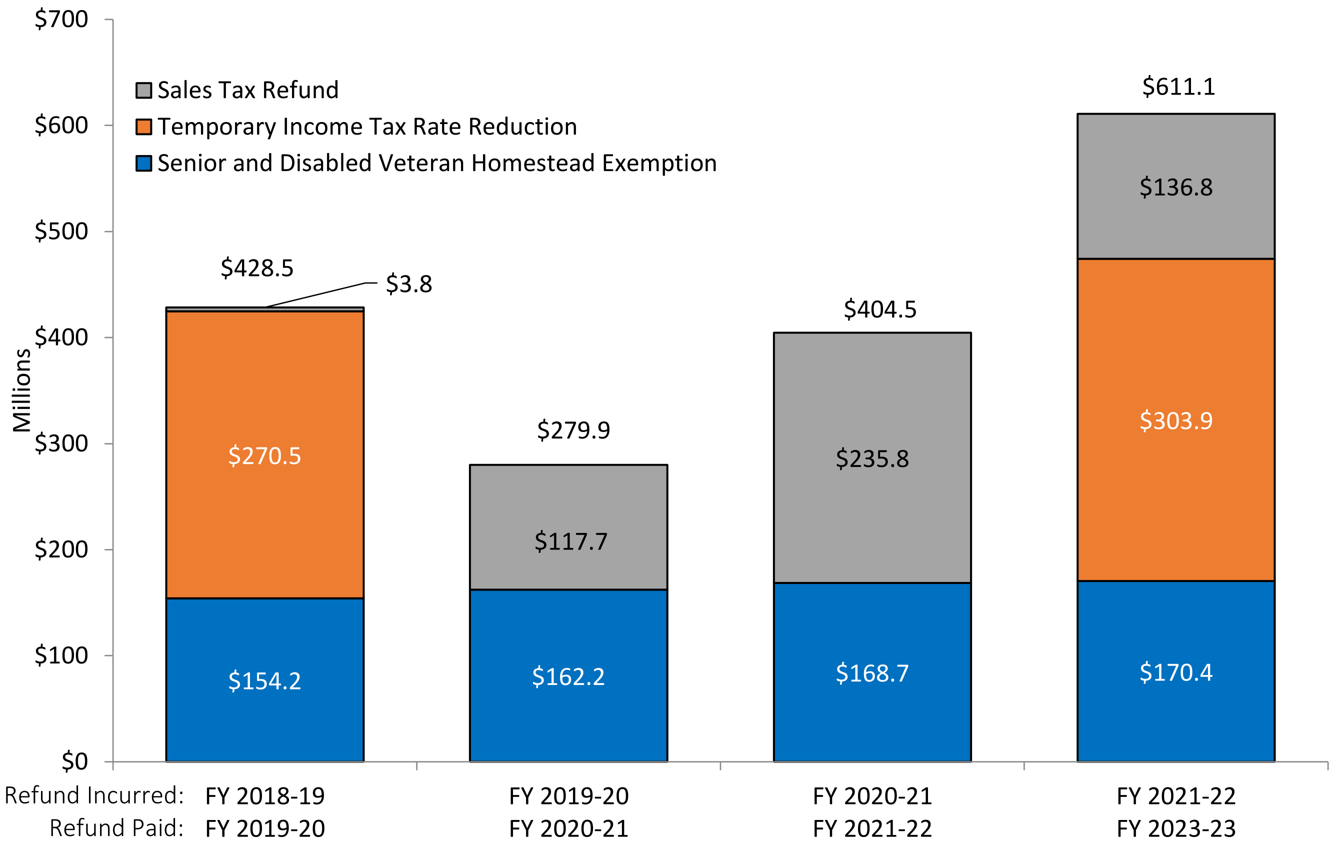
Supplemental Materials

An overview of General Fund and State Education Fund revenue, expenditures, and end-of-year reserves is provided in the Reference Tables at the end of this document. A more detailed discussion of the information presented in the Reference Tables can be found at the Office of State Planning and Budgeting's website: www.colorado.gov/governor/economics.

TABOR Outlook

Under Article X, Section 20 of the State Constitution, the Taxpayer's Bill of Rights (TABOR), revenue received from certain sources is subject to an annual limit determined by the prior year's limit after adjustments for inflation and population growth. Any TABOR revenue received above the cap is to be refunded to taxpayers in the subsequent fiscal year. Revenue subject to TABOR exceeded the revenue cap by $428.3 million in FY 2018-19 and is projected to be above the cap by $279.9 million in FY 2019-20.

Current law specifies three mechanisms by which revenue in excess of the cap is to be refunded to taxpayers: the senior homestead and disabled veterans property tax exemptions, a temporary income tax rate reduction (from 4.63% to 4.50%), and a sales tax refund. These size of the refund determines which refund mechanisms are utilized. The figure below shows the anticipated refund that will be distributed through each statutorily defined refund mechanism under current law.



An estimated $270.5 million of the $428.5 million refund obligation from FY 2018-19 will be paid out as an income tax rate reduction, while $154.2 million will be refunded via the senior homestead and disabled veterans property tax exemption expenditures in FY 2019-20. Any difference between estimated refunds and actual refunds will be corrected in the next fiscal year in which a refund is owed, which in this forecast is FY 2020-21. The benefit of the income tax rate reduction is estimated to average $43 for single returns and $147 for joint returns, though significant variability exists among income levels.

In FY 2019-20 and FY 2020-21 refunds in excess of the homestead exemption will be refunded via a sales tax refund. The FY 2019-20 sales tax refund is estimated to average $33 per taxpayer in FY 2020-21, and the FY 2020-21 sales tax refund is estimated to average $65 per taxpayer in FY 2021-22.

In FY 2021-22, projected refunds will again exceed the homestead exemption by a sufficient amount to fund a temporary income tax rate reduction. FY 2022-23 tax payments are projected to be reduced by a total of $83 for taxpayers filing single returns and $237 for taxpayers filing joint returns, on average, though significant variability exists across income levels. The total expected average refund per taxpayer is shown in the table below according to the fiscal year the refund will be paid.

Average Refund Paid	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Single Filers	$43	$33	$65	$83
Joint Filers	$147	$66	$131	$237

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

Line No.		Actual						December 2019 Forecast		
		2013	2014	2015	2016	2017	2018	2019	2020	2021
	Income									
1	Personal Income (Billions) /A	$249.3	$271.3	$284.2	$289.6	$310.8	$332.9	$352.3	$369.9	$385.8
2	Change	5.1%	8.8%	4.8%	1.9%	7.3%	7.1%	5.8%	5.0%	4.3%
3	Wage and Salary Income (Billions) /A	$129.5	$138.6	$146.5	$151.0	$160.7	$170.1	$179.6	$188.4	$196.9
4	Change	3.7%	7.0%	5.7%	3.1%	6.4%	5.8%	5.6%	4.9%	4.5%
5	Per-Capita Income ($/person) /A	$47,298	$50,700	$52,133	$52,262	$55,335	$58,456	$61,029	$63,284	$65,197
6	Change	3.6%	7.2%	2.8%	0.2%	5.9%	5.6%	4.4%	3.7%	3.0%
	Population & Employment									
7	Population (Thousands)	5,270.5	5,351.2	5,452.1	5,540.9	5,615.9	5,695.6	5,771.9	5,844.6	5,917.0
8	Change	1.5%	1.5%	1.9%	1.6%	1.4%	1.4%	1.3%	1.3%	1.2%
9	Net Migration (Thousands)	45.9	48.2	71.7	58.5	46.1	52.2	52.0	49.0	48.0
10	Unemployment Rate	6.9%	5.0%	3.8%	3.2%	2.7%	3.3%	3.1%	3.1%	3.1%
11	Total Nonagricultural Employment (Thousands)	2,380.5	2,463.7	2,541.0	2,601.8	2,660.4	2,725.3	2,779.8	2,821.5	2,849.7
12	Change	3.0%	3.5%	3.1%	2.4%	2.3%	2.4%	2.0%	1.5%	1.0%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	27.3	29.2	31.1	38.4	41.9	45.5	41.2	41.4	42.8
14	Change	17.1%	7.0%	6.4%	23.6%	9.2%	8.5%	-9.5%	0.5%	3.4%
15	Nonresidential Construction Value (Millions) /B	$3,624.0	$4,350.9	$4,990.8	$5,992.1	$6,167.4	$7,994.7	$4,389.1	$5,056.2	$5,420.3
16	Change	16.4%	20.1%	14.7%	20.1%	2.9%	29.6%	-45.1%	15.2%	7.2%
	Prices & Sales Variables									
17	West Texas Intermediate (WTI) Crude Oil Spot Price ($/barrel)	$97.94	$93.26	$48.69	$43.14	$50.88	$64.94	$57.59	$58.62	$59.64
18	Change	4.0%	-4.8%	-47.8%	-11.4%	17.9%	27.6%	-11.3%	1.8%	1.7%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100) /C	230.8	237.2	240.0	246.6	255.0	262.0	266.9	272.3	278.0
20	Change	2.8%	2.8%	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%	2.1%

/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 In 2018 the geography and data frequency of this series were revised. 2017 and prior years represent Denver-Boulder-Greeley regional prices.

Table 2: National Economic Variables – History and Forecast

Line No.		Actual						December 2019 Forecast		
		2013	2014	2015	2016	2017	2018	2019	2020	2021
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$16,495.4	$16,912.0	$17,403.8	$17,688.9	$18,108.1	$18,638.2	$19,066.9	$19,410.1	$19,778.9
2	Change	1.8%	2.5%	2.9%	1.6%	2.4%	2.9%	2.3%	1.8%	1.9%
3	Personal Income (Billions) /B	$14,181.1	$14,991.7	$15,717.8	$16,121.2	$16,878.8	$17,819.2	$18,674.5	$19,421.5	$20,140.1
4	Change	1.2%	5.7%	4.8%	2.6%	4.7%	5.6%	4.8%	4.0%	3.7%
5	Per-Capita Income ($/person)	$44,869	$47,086	$49,004	$49,900	$51,911	$54,465	$56,671	$58,517	$60,254
6	Change	0.6%	4.9%	4.1%	1.8%	4.0%	4.9%	4.1%	3.3%	3.0%
7	Wage and Salary Income (Billions) /B	$7,113.2	$7,475.2	$7,856.7	$8,083.5	$8,462.1	$8,888.5	$9,368.5	$9,762.0	$10,103.6
8	Change	2.7%	5.1%	5.1%	2.9%	4.7%	5.0%	5.4%	4.2%	3.5%
	Population & Employment									
9	Population (Millions)	316.1	318.4	320.7	323.1	325.1	327.2	329.5	331.9	334.3
10	Change	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%
11	Unemployment Rate	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	3.7%	3.9%
12	Total Nonagricultural Employment (Millions)	136.4	139.0	141.8	144.4	146.6	149.1	151.3	152.7	153.6
13	Change	1.6%	1.9%	2.1%	1.8%	1.6%	1.7%	1.5%	0.9%	0.6%
	Price Variables									
14	Consumer Price Index (1982-84=100)	233.0	236.7	237.0	240.0	245.1	251.1	255.4	260.5	266.2
15	Change	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.7%	2.0%	2.2%
16	Producer Price Index - All Commodities (1982=100)	203.4	205.3	190.4	185.4	193.5	202.0	202.4	205.4	209.8
17	Change	0.6%	0.9%	-7.3%	-2.6%	4.4%	4.4%	0.2%	1.5%	2.1%
	Other Key Indicators									
18	Pre-Tax Corporate Profits (Billions)	$2,010.7	$2,120.2	$2,061.5	$2,011.5	$2,005.9	$2,074.6	$2,091.2	$2,185.3	$2,333.9
19	Change	0.7%	5.4%	-2.8%	-2.4%	-0.3%	3.4%	0.8%	4.5%	6.8%
20	Housing Permits (Millions)	0.991	1.052	1.183	1.207	1.282	1.329	1.325	1.345	1.408
21	Change	19.4%	6.2%	12.4%	2.0%	6.2%	3.7%	-0.3%	1.5%	4.7%
22	Retail Trade (Billions)	$5,001.8	$5,215.7	$5,349.5	$5,509.3	$5,740.6	$6,021.1	$6,237.8	$6,437.5	$6,624.1
23	Change	3.6%	4.3%	2.6%	3.0%	4.2%	4.8%	3.6%	3.2%	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 /A

Line No.	Category	Preliminary FY 2018-19	% Chg	December 2019 Estimate by Fiscal Year FY 2019-20	% Chg	FY 2020-21	% Chg	FY 2021-22	% Chg
	Excise Taxes:								
1	Sales	$3,246.6	4.9%	$3,547.5	9.3%	$3,722.0	4.9%	$3,827.4	2.8%
2	Use	$345.5	11.5%	$272.6	-21.1%	$280.3	2.8%	$287.6	2.6%
3	Cigarette	$32.6	-5.8%	$32.2	-1.2%	$31.2	-3.1%	$30.2	-3.2%
4	Tobacco Products	$22.3	35.8%	$23.5	5.6%	$24.1	2.3%	$24.8	3.1%
5	Liquor	$48.3	3.9%	$50.3	4.1%	$51.7	2.8%	$53.1	2.7%
6	**Total Excise**	**$3,695.3**	**5.5%**	**$3,926.0**	**6.2%**	**$4,109.2**	**4.7%**	**$4,223.2**	**2.8%**
	Income Taxes:								
7	Net Individual Income	$8,247.0	8.8%	$8,540.5	3.6%	$8,836.3	3.5%	$9,297.7	5.2%
8	Net Corporate Income	$919.8	17.6%	$852.4	-7.3%	$919.7	7.9%	$999.4	8.7%
9	**Total Income**	**$9,166.8**	**9.7%**	**$9,392.8**	**2.5%**	**$9,756.1**	**3.9%**	**$10,297.1**	**5.5%**
10	*Less: State Education Fund Diversion*	*$692.8*	*12.3%*	*$693.8*	*0.2%*	*$731.7*	*5.5%*	*$772.3*	*5.5%*
11	**Total Income to General Fund**	**$8,474.0**	**9.5%**	**$8,699.0**	**2.7%**	**$9,024.4**	**3.7%**	**$9,524.8**	**5.5%**
	Other Revenue:								
12	Insurance	$314.7	3.6%	$327.1	3.9%	$335.3	2.5%	$350.1	4.4%
13	Interest Income	$26.5	35.8%	$28.1	6.0%	$29.1	3.5%	$30.3	4.3%
14	Pari-Mutuel	$0.5	-1.7%	$0.5	-2.0%	$0.5	-2.0%	$0.5	-2.0%
15	Court Receipts	$4.2	-5.3%	$4.3	2.4%	$4.3	0.0%	$4.3	0.0%
16	Other Income	$48.9	-67.9%	$24.4	-50.1%	$25.3	3.6%	$26.3	3.9%
17	**Total Other**	**$394.7**	**-17.8%**	**$384.3**	**-2.6%**	**$394.4**	**2.6%**	**$411.5**	**4.3%**
18	**GROSS GENERAL FUND**	**$12,564.0**	**7.2%**	**$13,009.4**	**3.5%**	**$13,528.0**	**4.0%**	**$14,159.5**	**4.7%**

/A Dollars in millions.

Table 4: General Fund Overview under the Governor's Budget Request /A

Line No.		Preliminary FY 2018-19	December 2019 Estimate by Fiscal Year FY 2019-20	FY 2020-21	FY 2021-22
Revenue					
1	**Beginning Reserve**	**$1,366.0**	**$1,266.6**	**$1,032.9**	**$945.5**
2	**Gross General Fund Revenue**	**$12,564.0**	**$13,009.4**	**$13,528.0**	**$14,159.5**
3	*Transfers to the General Fund*	$17.2	$70.3	$18.4	$19.2
4	**TOTAL GENERAL FUND AVAILABLE**	**$13,947.2**	**$14,346.3**	**$14,579.2**	**$15,124.2**
Expenditures					
5	**Appropriation Subject to Limit**	**$11,230.5**	**$12,098.2**	**$12,512.8**	**$13,048.1**
6	*Dollar Change (from prior year)*	$799.6	$867.7	$414.6	$535.2
7	*Percent Change (from prior year)*	7.7%	7.7%	3.4%	4.3%
8	**Spending Outside Limit**	**$1,596.3**	**$1,215.2**	**$1,120.8**	**$1,097.5**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$428.5	$279.9	$404.5	$611.1
10	*Homestead Exemption (Net of TABOR Refund)*	$106.4	$0.0	$0.0	$0.0
11	*Other Rebates and Expenditures*	$159.7	$142.9	$144.1	$145.3
12	*Transfers for Capital Construction*	$180.5	$233.8	$174.6	$30.0
13	*Transfers for Transportation*	$495.0	$300.0	$50.0	$50.0
14	*Transfers to State Education Fund*	$25.0	$40.3	$24.0	$0.0
15	*Transfers to Other Funds*	$201.1	$218.3	$323.6	$261.1
16	*Other Expenditures Exempt from General Fund Appropriations Limit*	$0.0	$0.0	$0.0	$0.0
17	**TOTAL GENERAL FUND OBLIGATIONS**	**$12,826.8**	**$13,313.4**	**$13,633.7**	**$14,145.5**
18	*Percent Change (from prior year)*	14.4%	3.8%	2.4%	3.8%
19	Reversions and Accounting Adjustments	-$146.1	$0.0	$0.0	$0.0
Reserves					
20	**Year-End General Fund Balance**	**$1,266.6**	**$1,032.9**	**$945.5**	**$978.6**
21	*Year-End General Fund as a % of Appropriations*	11.3%	8.5%	7.6%	7.5%
22	*General Fund Statutory Reserve*	$814.2	$877.1	$938.5	$978.6
23	*Above/Below Statutory Reserve*	$452.4	$155.7	$7.1	$0.0

/A FY 2020-21 expenditures reflect the Governor's Budget Request. FY 2021-22 expenditures will be adopted in future budget legislation. Therefore, FY 2021-22 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

Table 5: General Fund and State Education Fund Overview under the Governor's Budget Request /A

Line No.		Preliminary FY 2018-19	December 2019 Estimate by Fiscal Year		
			FY 2019-20	FY 2020-21	FY 2021-22
Revenue					
1	**Beginning Reserves**	**$1,574.7**	**$1,442.6**	**$1,222.4**	**$1,081.2**
2	*State Education Fund*	$208.7	$176.0	$189.6	$135.7
3	*General Fund*	$1,366.0	$1,266.6	$1,032.9	$945.5
4	**Gross State Education Fund Revenue**	**$723.1**	**$741.5**	**$763.3**	**$780.0**
5	**Gross General Fund Revenue /B**	**$12,581.3**	**$13,079.7**	**$13,546.4**	**$14,178.6**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$14,879.1**	**$15,263.8**	**$15,532.0**	**$16,039.9**
Expenditures					
7	General Fund Expenditures /C	$12,680.7	$13,313.4	$13,633.7	$14,145.5
8	State Education Fund Expenditures	$759.6	$728.0	$817.1	$791.5
9	**TOTAL OBLIGATIONS**	**$13,440.3**	**$14,041.4**	**$14,450.8**	**$14,937.0**
10	*Percent Change (from prior year)*	14.3%	4.5%	2.9%	3.4%
11	*Reversions and Accounting Adjustments*	-$150.0	$0.0	$0.0	$0.0
Reserves					
12	**Year-End Balance**	**$1,442.6**	**$1,222.4**	**$1,081.2**	**$1,102.8**
13	State Education Fund	$176.0	$189.6	$135.7	$124.2
14	General Fund	$1,266.6	$1,032.9	$945.5	$978.6
15	*General Fund Above/Below Statutory Reserve*	$452.4	$155.7	$7.1	$0.0

/A FY 2020-21 expenditures reflect the Governor's Budget Request. FY 2021-22 expenditures will be adopted in future budget legislation. Therefore, FY 2021-22 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

/B This amount includes transfers to the General Fund.

/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income as well as all spending outside the limit.

Table 6: Cash Fund Revenue Subject to TABOR /A

Line No.	Category	Preliminary FY 2018-19	December 2019 Estimate by Fiscal Year FY 2019-20	FY 2020-21	FY 2021-22
1	**Transportation-Related /A**	**$1,275.9**	**$1,317.1**	**$1,331.8**	**$1,356.9**
2	Change	0.0%	3.2%	1.1%	1.9%
3	**Limited Gaming Fund /B**	**$107.0**	**$107.9**	**$110.4**	**$112.8**
4	Change	0.2%	0.8%	2.3%	2.2%
5	**Capital Construction - Interest**	**$4.7**	**$5.1**	**$5.0**	**$4.9**
6	Change	1.6%	6.8%	-2.0%	-2.0%
7	**Regulatory Agencies**	**$78.8**	**$85.0**	**$88.7**	**$90.4**
8	Change	-2.1%	7.9%	4.4%	1.8%
9	**Insurance-Related**	**$22.6**	**$26.0**	**$24.9**	**$24.0**
10	Change	26.7%	15.1%	-4.2%	-3.6%
11	**Severance Tax**	**$255.2**	**$133.5**	**$197.2**	**$220.4**
12	Change	78.4%	-47.7%	47.7%	11.8%
13	**Other Miscellaneous Cash Funds**	**$693.8**	**$764.0**	**$768.3**	**$803.2**
14	Change	2.6%	10.1%	0.6%	4.5%
15	**TOTAL CASH FUND REVENUE**	***$2,438.0***	***$2,438.6***	***$2,526.3***	***$2,612.4***
16	Change	5.8%	0.0%	3.6%	3.4%

/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. Dollars in millions.

/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.

Table 7: TABOR and the Referendum C Revenue Limit /A

Line No.		Preliminary FY 2018-19	December 2019 Estimate by Fiscal Year FY 2019-20	FY 2020-21	FY 2021-22
	TABOR Revenues:				
1	General Fund /A	$12,350.4	$12,790.2	$13,305.5	$13,934.9
	Percent Change from Prior Year	8.2%	3.6%	4.0%	4.7%
2	Cash Funds /A	$2,438.0	$2,438.6	$2,526.3	$2,612.4
	Percent Change from Prior Year	5.8%	0.0%	3.6%	3.4%
3	**Total TABOR Revenues**	**$14,788.4**	**$15,228.8**	**$15,831.7**	**$16,547.4**
	Percent Change from Prior Year	7.8%	3.0%	4.0%	4.5%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.4%	1.4%	1.3%	1.3%
5	Previous calendar year inflation	3.4%	2.7%	1.9%	2.0%
6	**Allowable TABOR Growth Rate**	**4.8%**	**4.1%**	**3.2%**	**3.3%**
7	TABOR Limit /B	$11,759.3	$12,241.5	$12,633.2	$13,050.1
8	General Fund Exempt Revenue Under Ref. C /C	$2,600.7	$2,707.4	$2,794.0	$2,886.2
9	**Revenue Cap Under Ref. C /B /D**	**$14,360.1**	**$14,948.8**	**$15,427.2**	**$15,936.3**
10	***Amount Above/Below Cap***	**$428.3**	**$279.9**	**$404.5**	**$611.1**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$428.5**	**$279.9**	**$404.5**	**$611.1**
12	TABOR Reserve Requirement	$430.8	$448.5	$462.8	$478.1

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

/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 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.