December 18, 2020

# STATE OF COLORADO

Governor's Office of State Planning and Budgeting

# COLORADO ECONOMIC AND FISCAL OUTLOOK

COLORADO
Governor Jared Polis

# Contents




Jared Polis – Governor
Lauren Larson – Budget Director
Luke Teater – Deputy Director
Edmond Toy – Senior Economist
Alex Carlson - Economist
Caitlin McKennie – Economist
Kevin Amirehsani – Tax Policy Analyst




For additional information about the Governor's Office of State Planning and Budgeting, to access this publication electronically, or to sign up to be notified by email when the quarterly forecast is released, please visit www.colorado.gov/ospb.

# Forecast in Brief

**NATIONAL ECONOMIC OUTLOOK**

The U.S. economy has performed better than expected over the last quarter as economic conditions continue to improve from the lows observed in the spring. While aggregate household savings and wealth have increased since the pandemic began, the recession is having a highly disparate impact across industries, with job losses and business closures concentrated in predominantly low-wage industries. The availability and distribution of a vaccine improves the economic outlook for 2021.

**COLORADO ECONOMIC OUTLOOK**

Despite improvement over the fall, Colorado's economic activity remains below pre-COVID levels. The outlook for the winter months has weakened as higher COVID caseloads have resulted in more public health restrictions on businesses, while winter weather limits outdoor dining. Though weekly initial unemployment claims remain far below the levels of March and April, they have more than tripled since September and are expected to remain elevated through the winter months. Despite this, the outlook for 2021 has improved due to high savings and wealth and the distribution of the vaccine.

**GENERAL FUND REVENUE**

General Fund revenue is projected to decrease by 3.0 percent in FY 2020-21 before growing by 7.9 percent in FY 2021-22. It is expected to further increase by 3.5 percent in FY 2022-23. The GF revenue forecast was revised upwards by a total of $848 million between FY 2019-20 and FY 2021-22. This upward revision is due to higher than anticipated revenue collections in recent months as well as improved economic expectations for 2021 with the availability and distribution of a vaccine. This revision also incorporates tax policy changes approved by Colorado voters in the November election.

**CASH FUND REVENUE**

Total cash fund revenue subject to TABOR was $2.2 billion in FY 2019-20, a decrease of 8.3 percent from the prior fiscal year. In FY 2020-21 cash fund revenue is projected to decline by 3.9 percent before growing 5.8 percent to $2.3 billion in FY 2021-22.

**TABOR**

Revenue subject to TABOR is not expected to exceed the Referendum C cap during this forecast period.

**GENERAL FUND RESERVE**

With these updated projections, the General Fund reserve is now projected to be $558.3 million above the Governor's requested statutory reserve amount of 10.0 percent of appropriations in FY 2021-22 assuming enactment of the Governor's November budget request including the stimulus package proposed for FY 2020-21.

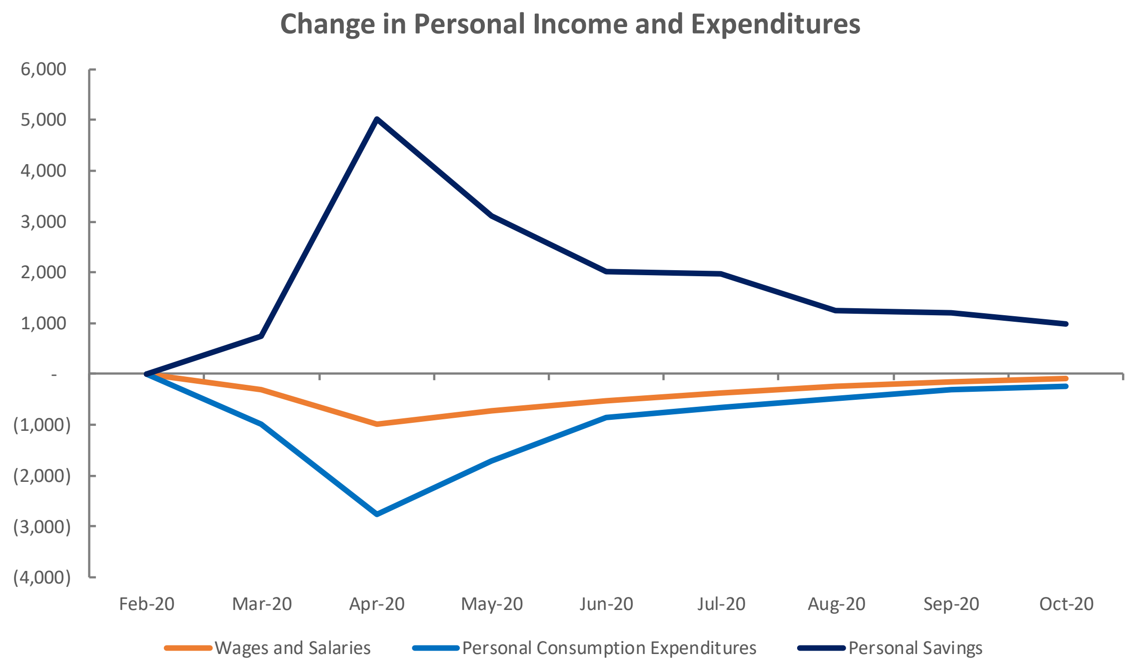
# Economic Outlook

Colorado's economic situation has improved in recent months, and continues to exceed expectations. Despite this, high COVID case numbers are leading to increased unemployment claims and business closures, a trend that is expected to continue throughout the winter. The authorization and distribution of a COVID-19 vaccine improves the economic outlook for 2021.

The pandemic recession has had a disparate impact across industries, with the most severe effects occurring in industries with predominantly low-wage employment. While household finances are strong overall, with high savings and low debt, Colorado employment remains 4.5 percent below pre-pandemic levels, with most job losses in low-wage industries. Many workers have left the labor force, with women's labor force participation falling to its lowest level since 1986.

## Personal Income and Expenditures

Wages and salaries—the largest component of personal income—continue their upward trajectory since the deep trough experienced in April. The most recent national estimates show that wages and salaries in October were nearly at the level observed in February. On an annualized basis, wages and salaries were 0.9 percent lower than in February. October's monthly growth rate was 0.7 percent, which is higher than the 0.3 percent compound monthly growth rate observed in 2019. The rising levels in aggregate wages and salaries reflect continuing recovery, but the current surge in COVID-19 cases across much of the country could slow the upward trajectory of wages and salaries during the last few months of 2020 and perhaps early 2021 before the anticipated distribution of vaccines becomes widespread.

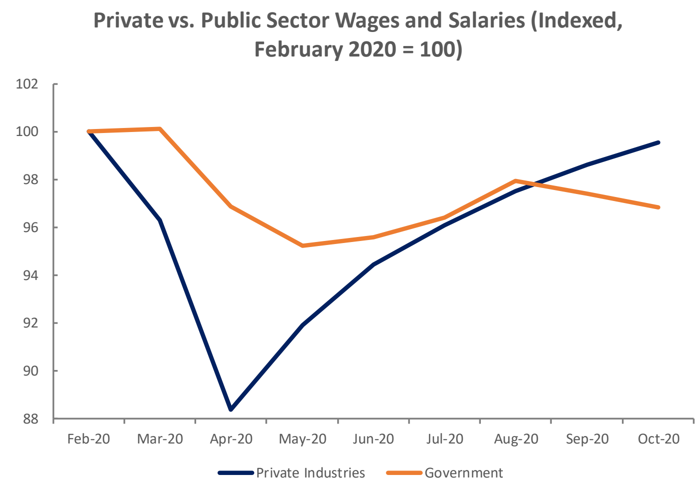



Source: Bureau of Economic Analysis

Personal consumption expenditures closely resemble the trends in wages and salaries. October data show that personal consumption is just 1.6 percent lower than in February on a seasonally-adjusted annualized basis. Consumer spending continues to be buoyed by government assistance, including unemployment insurance benefits. However, many unemployed persons will soon lose unemployment benefits that were expanded last spring. The Pandemic Unemployment Assistance Program, which targets self-employed and gig workers, and the Pandemic Emergency Unemployment Compensation, which pays up to 13 extra weeks of jobless benefits beyond the traditional 26 weeks, will end at the end of December unless Congress takes action.

Personal savings remain at an elevated level. Some analysts believe that accumulated savings and the rising stock market will fuel a spending binge that will quickly expand the economy in 2021. By one measure, households in the U.S. have accumulated $1.4 trillion in savings since the start of the pandemic. It is important to acknowledge that aggregate measures of wages and salaries, spending, and savings mask the fact that substantial variability exists across individuals. People who are experiencing unemployment are less likely to have accumulated personal savings, for instance.

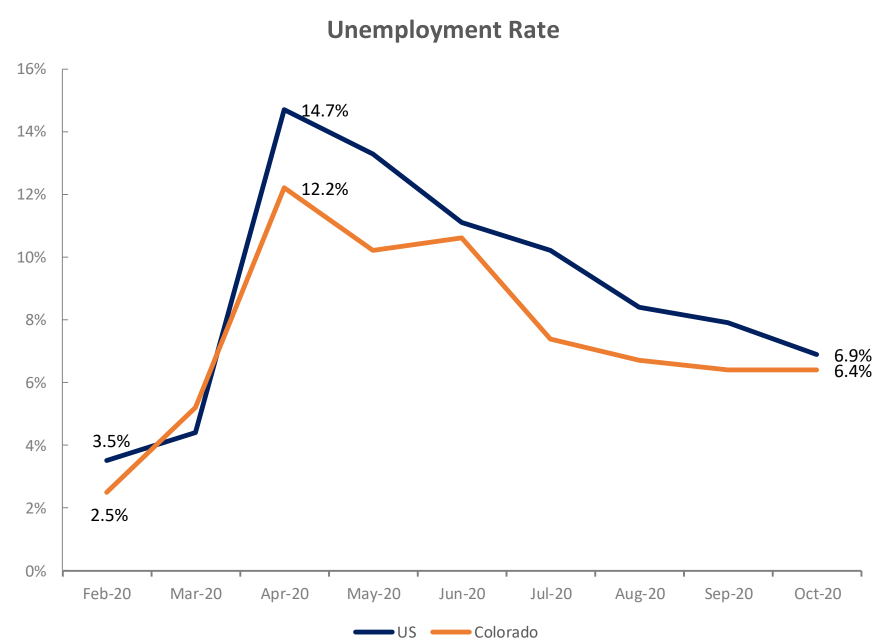
One notable trend in personal income has emerged in recent months: the divergence in private vs. public sector wages and salaries. As shown in the graphic, public sector wages and salaries did not experience as deep of a decline, and they were improving alongside private sector wages and salaries. However, public sector wages and salaries began declining after August on a seasonally-adjusted basis. This decline likely reflects the impacts of government budget shortfalls (e.g., furloughs) and school staffing changes as the school year began. At a national level, public sector wages and salaries account for about 16 percent of total wages and salaries, so this downturn will not outweigh the rise in private sector wages and salaries. However, this downward trend highlights the impacts that the pandemic and recession are having on federal, state, and local governments.

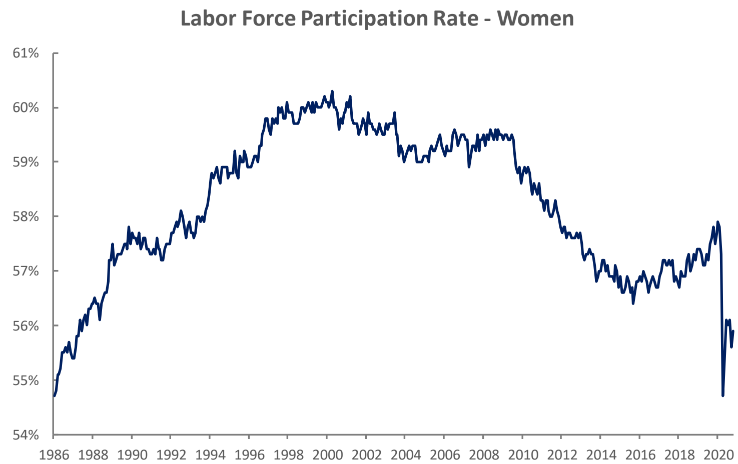



Source: Bureau of Economic Analysis

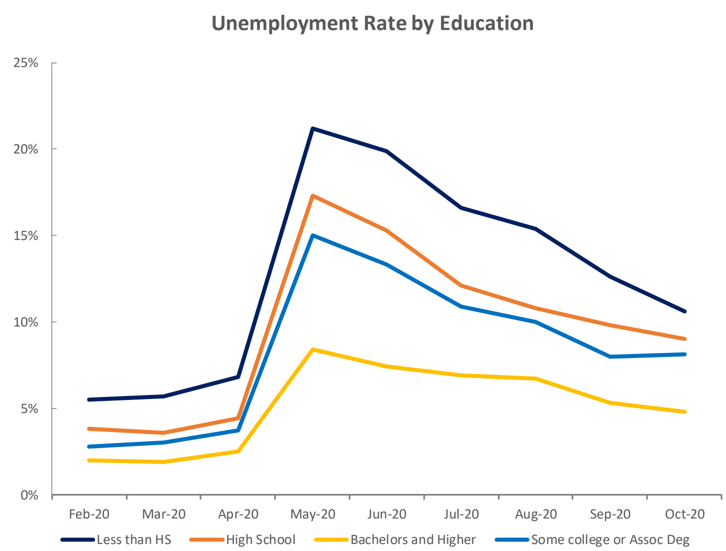
# Employment

Colorado's unemployment rate has been on a downward trajectory since the summer but held steady at 6.4 percent in both September and October. In contrast, the national unemployment rate continues its downward trend and sits at 6.9 percent. The current surge in COVID-19 cases in Colorado and nationally may put pressure on unemployment rates as businesses and governments face decisions on how to adapt to the winter season, but the distribution of vaccines will moderate those concerns. The impacts of vaccines on the economy and unemployment will depend on how quickly and broadly they are distributed and how individuals change their behaviors.






These topline unemployment figures obscure the significant variability that exists across different demographic groups. The pandemic and recession have hit women particularly hard. In April, women made up only 54.7 percent of the national labor force; the last time this measure was this low was in 1986. The labor force participation rate by women rebounded to 55.9 percent in October, but that is still lower than observed in decades—including during the Great Recession. The disproportionate impact on women is likely related to the fact that women bear greater responsibilities to care for children at home, and the move to on-line and home-based schooling has resulted in more women leaving the workforce.



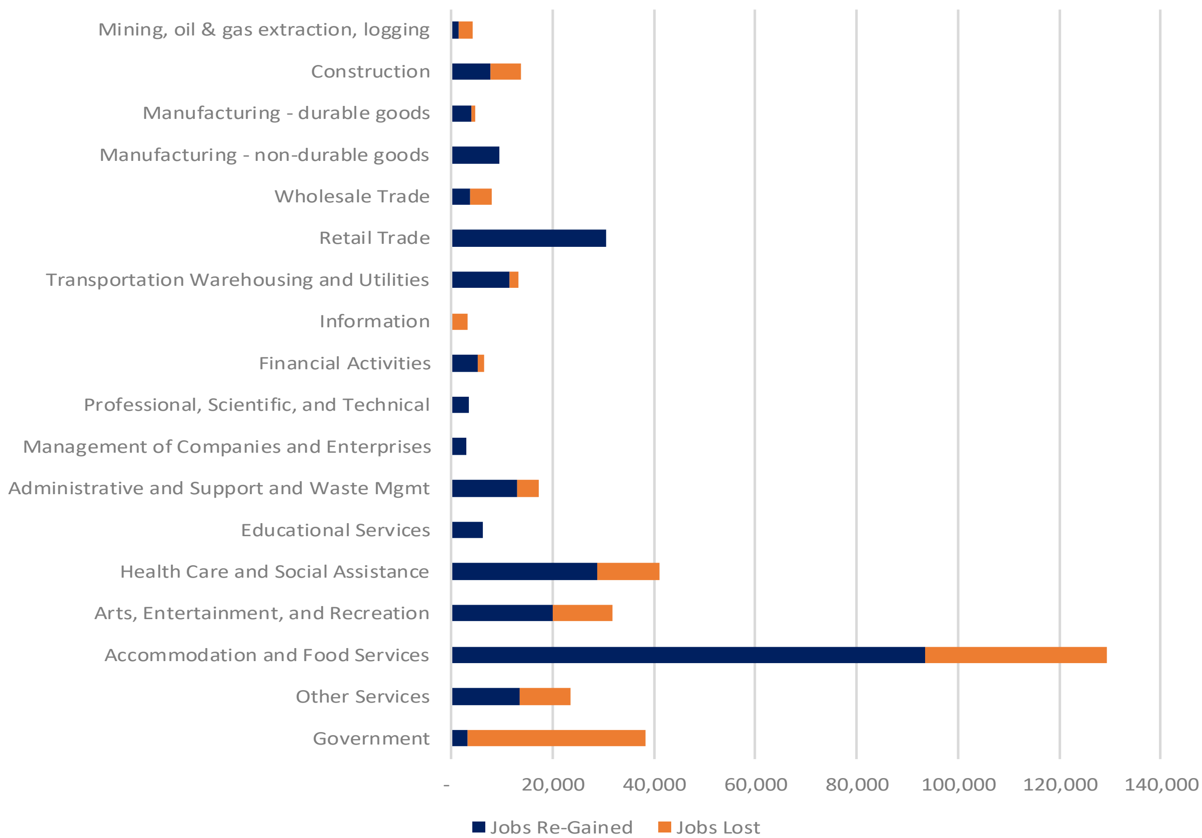

Source: Bureau of Labor Statistics

In addition, national unemployment rates vary substantially by workers' education levels. Workers with at least a bachelor's degree had an unemployment rate of 4.2 percent in October, while the rate was 6.5 percent for those with some college or an Associates Degree, 8.1 percent for those with a high school diploma, and 9.8 percent for those less than a high school diploma. While the unemployment rate for those with a bachelor's degree or higher is relatively good, these individuals only account for about 42 percent of the employed population.

The employment picture in Colorado varies widely by economic sector. The Accommodation and Food Services sector lost the highest number of jobs of any sector, about 130,000 jobs, and has regained about 93,000 jobs as of October (72 percent of jobs lost). The Health Care and Social Assistance sector and Government sector each lost about 40,000 jobs, but their recoveries are very different. Health Care and Social Assistance regained about 70 percent of the lost jobs, while Government has regained less than 10 percent of those jobs. The sectors that have regained the highest proportion of lost jobs include manufacturing (durable and non-durable) and retail trade.

Regaining lost jobs will depend on various factors. For example, sectors that generally have low training and entry requirements could rebound quickly as businesses return to more normal operations and seek employees. This applies to some jobs in sectors such Accommodation and Food Services and Retail Trade. Laid off employees in those sectors may have sought work in other sectors, but firms will likely be able to find new employees. Economic recovery measures taken by Colorado and the federal government are targeting a number of economic sectors. For example, Colorado's General Assemby and Governor recently enacted stimulus policies that will help increase spending in the construction sector. The federal government has directed $1.26 billion in direct aid to health care providers in Colorado, and more will come under previously approved appropriations. Additionally, Colorado has directed federal and state dollars to shore up funds for education and other government-funded jobs and services.

Number of Jobs Lost and Re-Gained

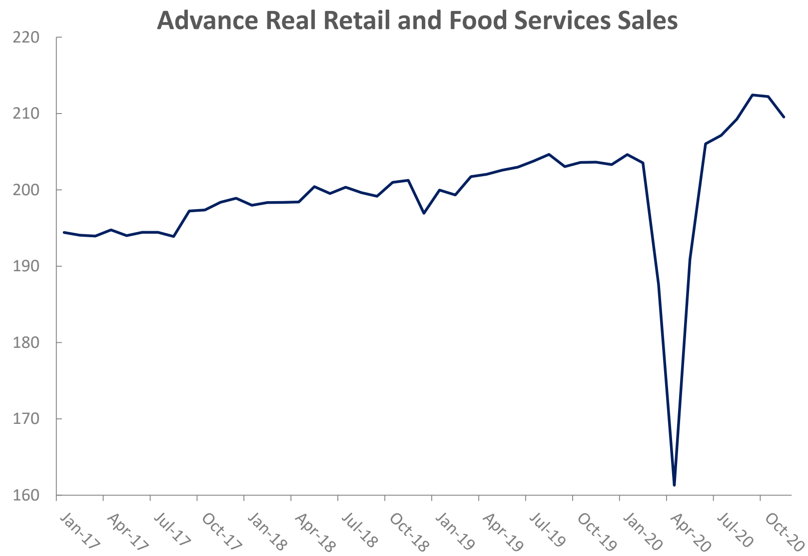



Source: Current Employment Statistics

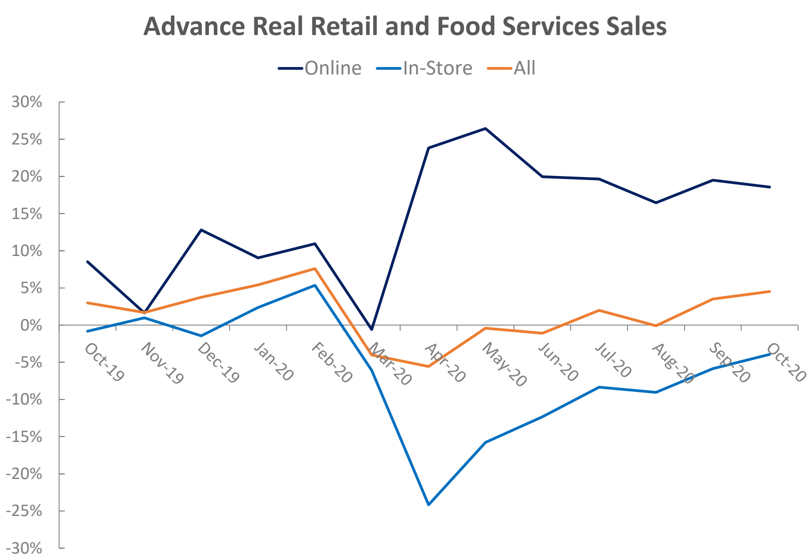
It is likely that the pandemic and recession will lead to medium- and long-term changes in the number and types of jobs in Colorado. Even when economic output and unemployment rates in Colorado return to pre-pandemic levels, the economy will probably look different. For example, the pandemic quickly shifted consumer behavior to online purchases, and some economists suggest that this will result in a permanent change. Employment in the retail sector grew more slowly over the long-term, while transportation and warehousing may experience higher growth rates as consumers continue shifting to on-line purchasing.

## Retail Sales

Retail spending across the United States fell sharply at the beginning of the pandemic as businesses and restaurants closed down amidst public health orders. Since April, retail sales have rebounded to record highs and remain consistently above pre-virus levels. However, recent data from the Federal Reserve show monthly decreases in retail sales for both October and November, though levels remain well above this time last year and holiday spending remains strong.




Source: Federal Reserve Economic Data (FRED)



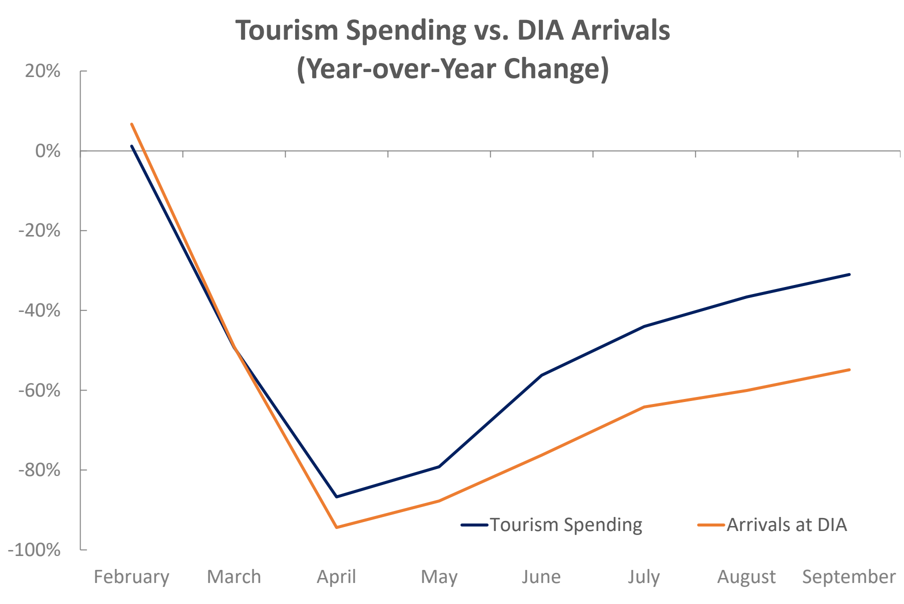

Source: Earnest Reports

Elevated retail sales have been driven by a number of factors, including: (1) a shift from spending on services to spending on goods; (2) increased purchases of durable goods, such as automobiles; (3) increased purchases of goods used at the home, such as building materials and gardening equipment; (4) increased volume of online sales; and (5) elevated levels of personal income and high levels of accumulated savings throughout the pandemic. The graph to the left shows the strong year-over-year increase in online sales. Online purchases in October were approximately 18.6 percent above 2019 levels, and were on average 20.6 percent above 2019 levels each month from April to October.

Despite October and November figures for retail sales falling slightly below expectations, sales are expected to continue at a high level, and above last year's numbers, as the pandemic continues due to strong wages and high levels of accumulated savings. However, once the COVID-19 vaccine is widely distributed and spending on services begins to return to normal levels, retail sales growth will likely slow.

# Tourism

The tourism industry, which accounts for more than 5 percent of Colorado's GDP and 6.4 percent of employment in Colorado,[1] has been one of the hardest hit industries throughout the course of the COVID-19 pandemic and continues to experience a slow recovery following significant declines in March and April. Total traveler spending in Colorado suffered nearly a 90 percent decline between February and April. Spending then experienced a slow recovery back to 37 percent below 2019 levels in August and has since stayed around 30 percent below 2019 levels, at 36 percent behind year-over-year in the first week of November. This decline in traveler spending has been felt in the state's workforce, as tourism-related industries such as traveler accommodation and recreation industries have had among the highest numbers of unemployment claims in Colorado.[2]




*Sources: US Travel Association; Denver International Airport*

As expected, the decline in traveler spending is closely linked to the lack of air travel into Colorado. In fact, the graph to the left compares the year-over-year change in tourism spending to the year-over-year change in passengers arriving at Denver International Airport (DIA) each month so far this year. As the graph demonstrates, the two figures have seen very similar trends, though they have shown growing divergence since April. While the fact that these two lines follow such similar trends confirms an important relationship between air

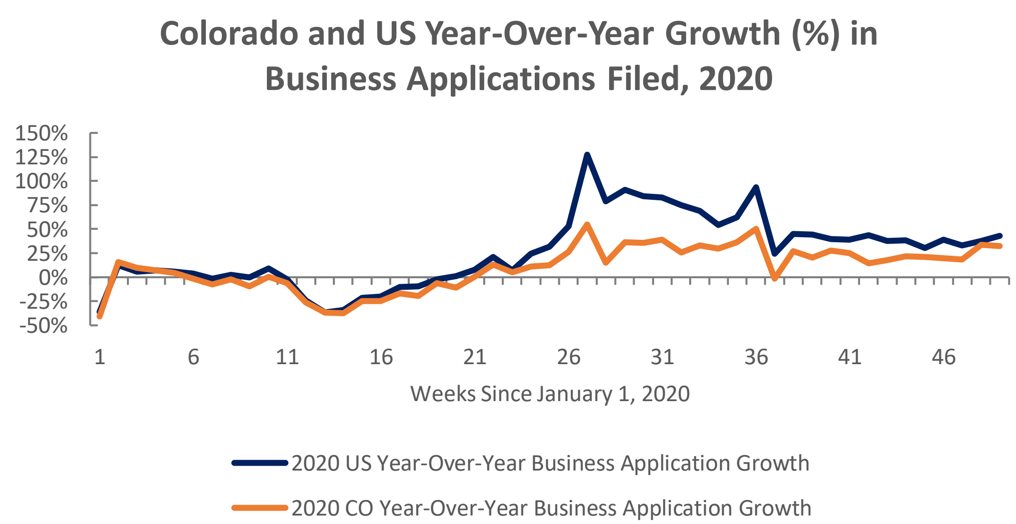
[1] Council of State Governments.
[2] Colorado Department of Labor and Employment.

travelers and tourism spending in Colorado, the divergence of the lines shows that Coloradans and individuals from other neighboring states are exploring Colorado's tourist destinations by car as they become comfortable with driving and remain uncomfortable with air travel.

While tourism has historically been one of the sectors slowest to recover from recessions, this recession may be different. Tourism may experience a more rapid recovery due to pent-up tourism demand and high personal incomes and savings.

## Small Business

Although there has been a nationwide trend of reduced business formation since the late 1970s, Colorado's urban areas have performed significantly better than the national average during this period,[3] with small businesses comprising most of this business activity. Business formation generally declines in recessions. However, while general business applications (most of which are from sole proprietors) dropped sharply in March, they have surged to record highs since then.



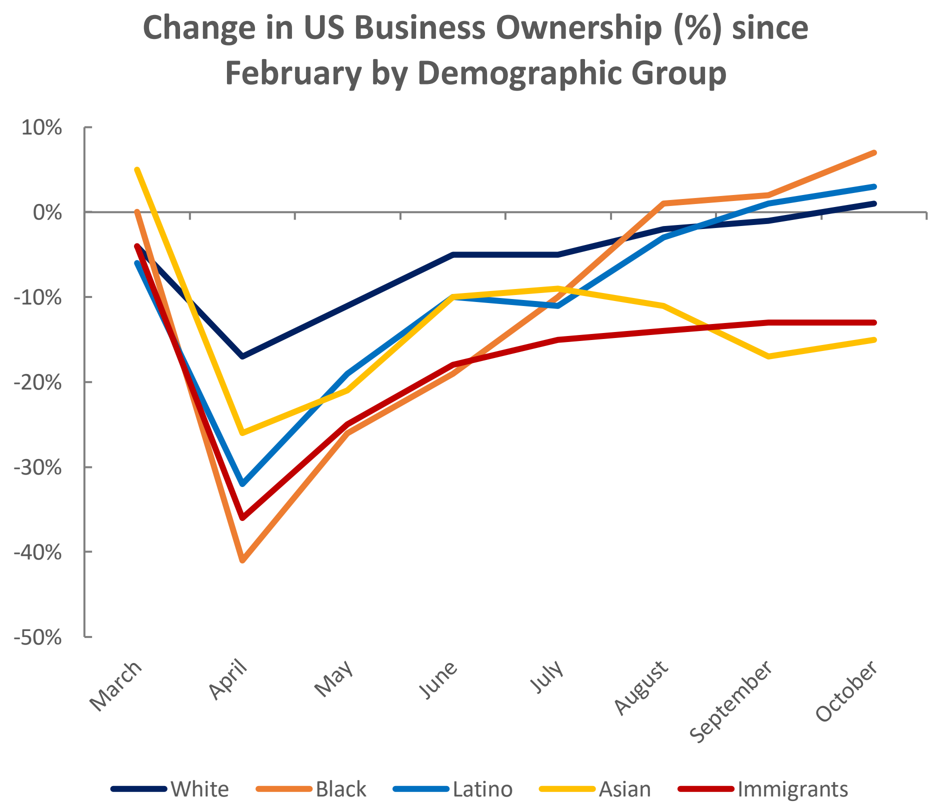

*Source: US Census Bureau, Business Formation Statistics*

Despite increased business formation, the number of small businesses open in Colorado as of November 30 decreased 23.1 percent compared to January 2020 (28.8 percent nationally), with the declines slightly larger in low-income zip codes.[4] Similarly, total small business revenue decreased 34.5 percent during the same period (32.3 percent nationally). However, the geographic divergences are stark, with small business revenue from low-income Colorado zip codes only down 21.2 percent (26 percent nationally), while revenue from high-income zip codes is down 45.5 percent (38.8 percent nationally).[5] This is likely due to higher-income households

[3] US Census Bureau, Business Formation Statistics.
[4] Opportunity Insights (Womply).
[5] Opportunity Insights (Womply).

cutting a larger percentage of their spending during the pandemic than lower-income households, as well as more of their money being spent on in-person businesses that are more likely to be closed.

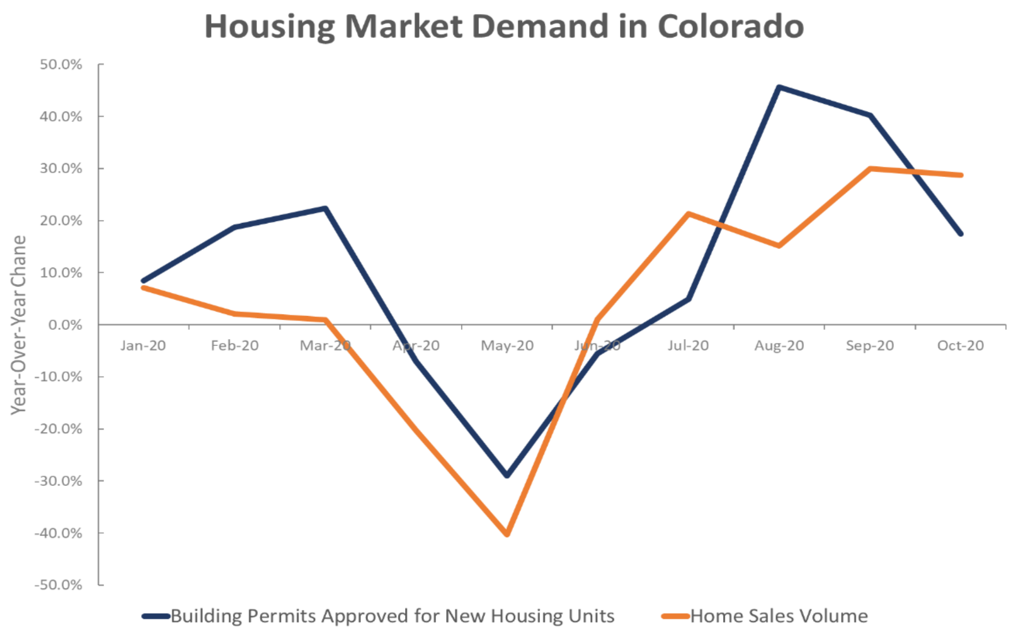
Some research indicates that nationally, the number of active business owners has recovered to February levels (as of October), although the business ownership rate is still down 15 percent and 13 percent for Asian-Americans and immigrants, respectively. But the business ownership rate compared to February has rebounded significantly for African-Americans and Latinos, whose rates were down 41 percent and 32 percent as of April but up 7 percent and 3 percent as of October.




*Source: University of California Santa Cruz economist Robert Fairlie, adapted from US Census Bureau data*

# Housing

The housing market remains strong in Colorado, with demand for homeownership rising. Building permits for new private housing units, a leading indicator for the housing market, has grown at a strong pace since July, adding approximately 17,636 approvals through October. This level is roughly one-third greater than those approved during the same time periods between 2016 and 2019. Homebuilder confidence has reached record highs in recent months as low mortgage rates, high savings rates, and favorable demographics combine to create a positive outlook for home construction.




*Sources: Federal Reserve Economic Data (FRED); Colorado Association of Realtors*

Robust demand for homeownership has led to a thinning supply of for-sale inventory. October median single-family home prices in Colorado were 13.8 percent higher than a year ago. Home sales increased by 30.0 percent relative to last October while the number of active listings fell by 49.1 percent. Despite the current recession, rent collections remain stable with about 94 percent of renters paying on time as of October.

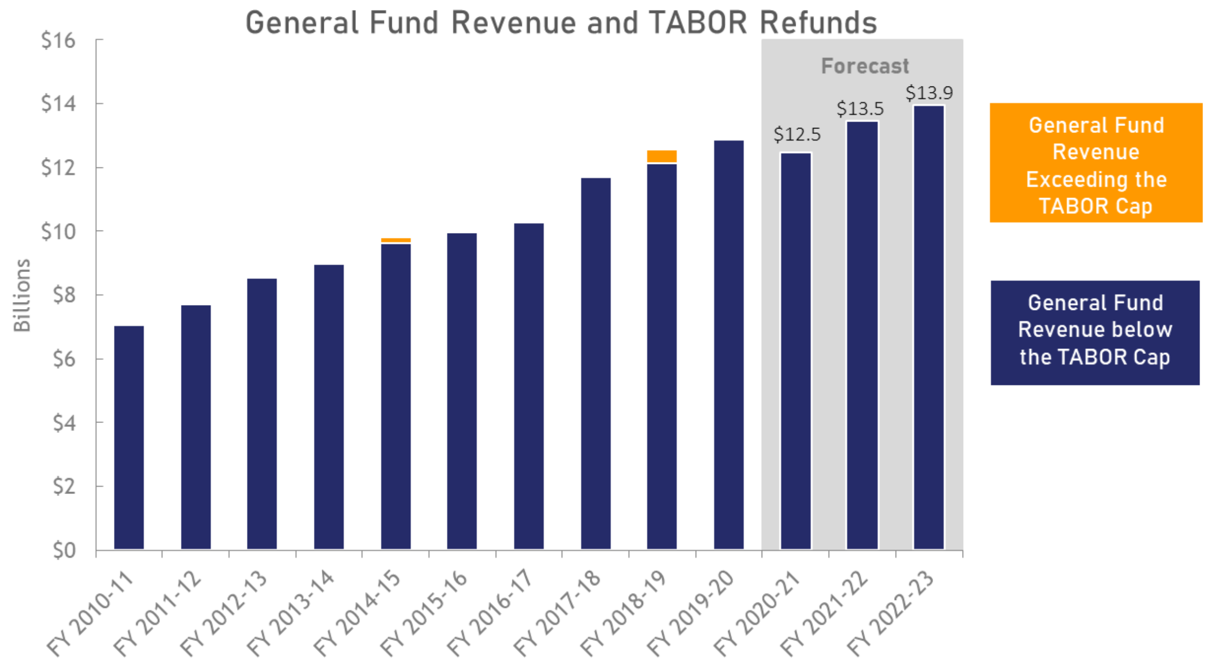
Eviction moratoriums and federal income supplements led to an abrupt decline in eviction filings in 2020. Evictions fell to less than four percent of 2019 levels in April and May, before gradually rising over the summer after Colorado's first eviction ban expired, peaking at 72 percent of the 2019 level in May before falling to 36 percent in November as further eviction moratoriums were implemented. Policy interventions – such as expanded unemployment insurance benefits, economic relief payments, eviction moratoriums, and forbearance provisions – have helped keep evictions at relatively subdued levels despite higher unemployment. The potential end of these policy interventions over the coming months poses a risk to low-income households and evictions could increase.

# Forecast Risks

There is downside risk to the forecast over the coming winter months as caseloads remain high and vaccines are not yet widely available. While the authorization and distribution of a vaccine improves the economic outlook for 2021, major delays in this process present another downside risk to this forecast. Overall, however, the risks to the forecast are balanced to the upside, as strong household finances, record highs for housing and financial markets, and a high rate of job openings presents the possibility of a strong economic rebound once the pandemic is over.

# Revenue Outlook – General Fund

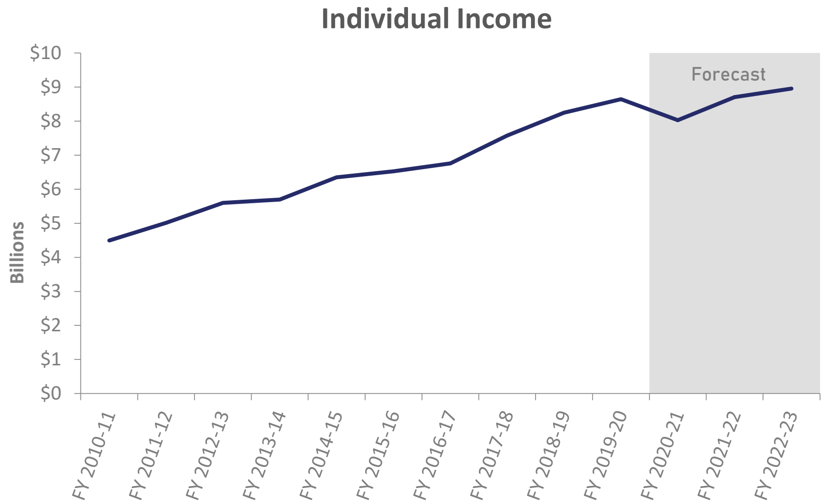
General Fund revenue is projected to decrease by 3.0 percent in FY 2020-21 before growing by 7.9 percent in FY 2021-22. It is expected to further increase by 3.5 percent in FY 2022-23. Since September, the GF revenue forecast has been revised upward by a total of 3.2 percent for FY 2020-21 through FY 2022-23. The upward revision to the forecast is due to higher revenue collections in recent months, especially attributable to sales and use taxes, corporate income taxes, and individual income taxes, the three largest revenue sources for the general fund, as well as an improved medium-term economic outlook due to the distribution of vaccines.




Three major revenue sources together make up about 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, make up the remaining 5 percent.

## Individual Income Tax

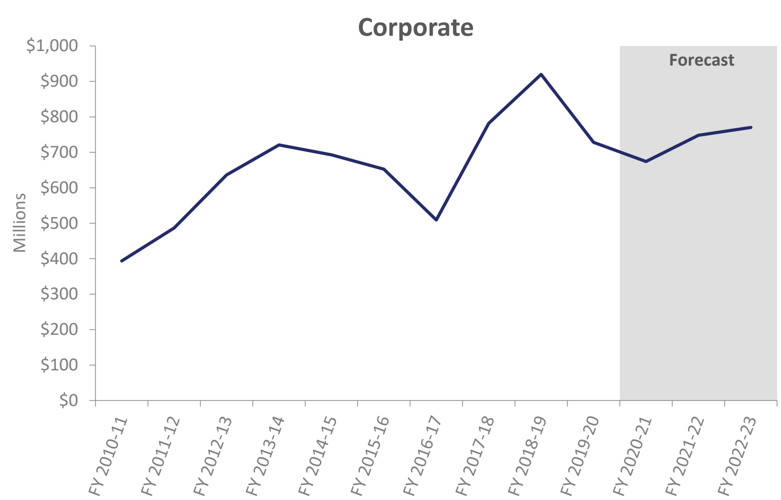
Individual income tax revenue increased by 4.8 percent in FY 2019-20 and is expected to decline 7.2 percent in FY 2020-21. Relative to September projections, the forecast was revised upward by $81.8 million in FY 20120-21 and $496.3 million in FY 2021-22.



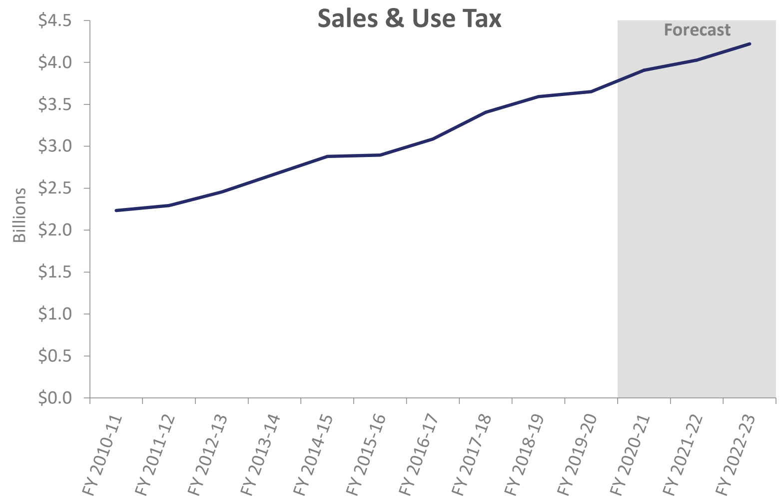

Individual income tax collections are extremely volatile during periods of economic change. Annual growth remained positive in FY 2019-20 despite the recession during the last few months of the fiscal year. Although Colorado experienced historically high unemployment rates, individual income tax withholdings remained strong as low-income earners were disproportionately impacted. However, tax refunds are also expected to grow, as they usually do during economic recessions. The passage of Proposition 116 in November will reduce individual income tax collections throughout the forecast period. Net receipts are expected to decline in FY 2020-21 before resuming an upward trajectory, albeit at a slower rate than immediately before the pandemic.

# Corporate Income Tax

Corporate income tax collections fell to $728.3 million in FY 2019-20, which is a 20.8 percent decline from FY 2018-19. Some of this decline was anticipated because FY 2018-19 corporate income tax receipts were unusually high due to a large settlement agreement with a delinquent taxpayer. Corporate income tax receipts are expected to decline another 7.4 percent in FY 2020-21 before resuming growth in FY 2021-22. However, once growth resumes in FY 2021-22 it will be slightly lower than anticipated in the September forecast as Proposition 116, which passed on the ballot in November, reduced the tax rate from 4.63 percent to 4.55 percent.



# Sales and Use Taxes




Sales tax revenue grew 4.7 percent in FY 2019-20 and is expected to grow by 6.4 percent in FY 2020-21 before slowing to 5.9 percent growth in FY 2021-22 and 4.8 percent growth in FY 2022-23. Relative to the September forecast, the projection for FY 2020-21 was revised downward $6.5 million to $3.393 billion. The projections for FY 2021-22 and FY 2022-23 were revised upward by $39.1 million and $52.4 million, respectively.

The slight downward revision to FY 2020-21 despite strong sales tax revenue since September is due not to lowered expectations for sales, but rather to HB20B-1004, which allows for restaurants, bars, and mobile food services to retain state sales taxes for four months and will reduce sales tax revenues by approximately $52.8 million for FY 2020-21.

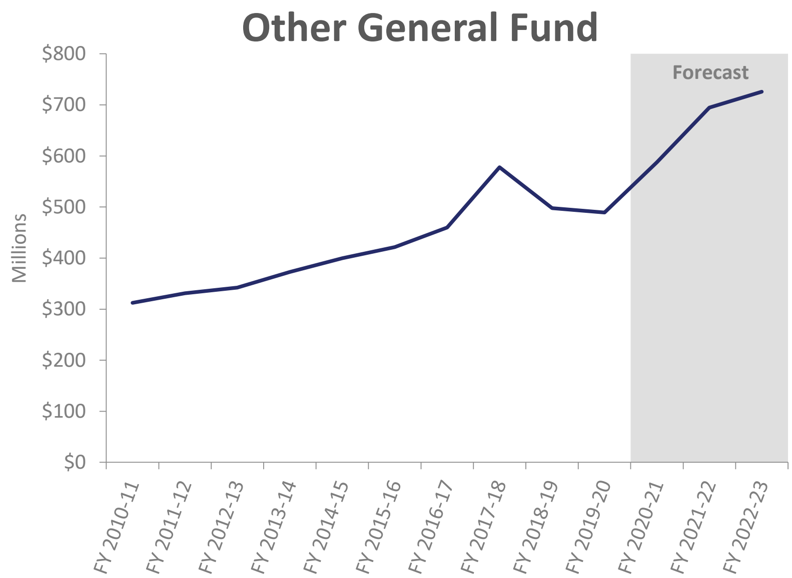
High personal incomes and the shift to spending on goods over services has influenced the strong sales tax collections thus far in FY 2020-21. These positive trends in personal income and goods spending, in addition to pent-up demand and high levels of accumulated savings, will continue to bolster sales tax collections throughout the remainder of FY 2020-21.

Use tax declined by 39.1 percent to $210.5 million in FY 2019-20 and is expected to rebound by 4.5 percent to $220.0 million in FY 2020-21. This projection is an upward revision of $25.9 million from September's forecast, largely due to stronger than expected revenues thus far in FY 2020-21. 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 tax brings in a much smaller amount of revenue than sales tax and is 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 the retailer did not collect taxes. Use tax collections are generally expected to continue to decline going forward as more retailers remit sales taxes directly to the State, resulting in fewer use taxes due.

The 15 percent special sales tax on marijuana retail sales is projected to increase by 19.3 percent to $292.8 million in FY 2020-21. Growth will continue at 7.0 percent in FY 2021-22. Further analysis of marijuana tax collections can be found in the Revenue Outlook – Cash Funds section of this report.

# Other General Fund Revenue

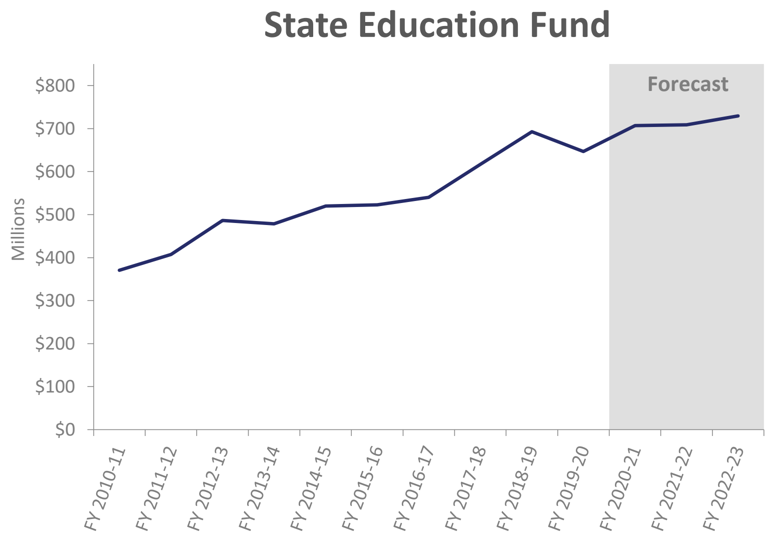
Other General Fund revenue fell by 1.7 percent in FY 2019-20 and is expected to increase by 20.0 percent in FY 2020-21, followed by growth of another 18.2 percent in FY 2021-22, each of which are significant upward revisions from September's forecast. The major components of this revenue category include excise taxes on cigarettes, tobacco, nicotine, and liquor, as well as insurance revenue and interest income.




The increases over September's forecast for FY 2020-21 and FY 2021-22 are largely due to additional revenues resulting from the approval of Proposition EE. Proposition EE, a ballot measure approved in November, imposes additional taxes on cigarettes and other tobacco products and creates a tax on other nicotine products such as e-cigarettes. Specifically, Proposition EE adds a tax of $1.10 per pack of cigarettes, more than doubling the current tax of $0.84 per pack. In addition, Proposition EE increases the tax on other tobacco products by 10 percent from 40 percent of manufacturer's list price (MLP) to 50 percent of MLP. Finally, Proposition EE creates a tax on other nicotine products, starting at 30 percent of MLP and increasing to 50 percent of MLP by the end of this forecast period (FY 2022-23). Through FY 2022-23, revenue from the Proposition EE-imposed taxes is largely transferred to the State Education Fund, with smaller amounts going to the Rural Schools Cash Fund, the Housing Development Grant Fund, the Tobacco Tax Cash Fund, the Eviction Legal Defense Fund, and the Preschool Programs Cash Fund. Looking past FY 2022-23, Proposition EE increases each of these taxes and will generate additional revenue for the state going forward. Starting in FY 2023-24, these funds will be transferred almost entirely into the Preschool Programs Cash Fund and the Tobacco Education Programs Fund.

# State Education Fund

Revenue to the State Education Fund from income taxes fell by 6.7 percent in FY 2019-20 but is expected to increase 9.3 percent in FY 2020-21 and increase 0.3 percent in FY 2021-22. This does




not include transfers from other funds. The forecast for State Education Fund revenue was revised upward from the September forecast in conjunction with the revisions to the forecasts for individual and corporate income tax collections.

The Colorado Constitution requires that 1/3 of 1 percent of Colorado taxable income be credited to the State Education Fund. As the State Education Fund revenue is derived from taxable income, it generally follows the trends in individual income and corporate income tax revenue collections. However, the State Education Fund deviates from income tax trends in FY 2020-21 due to the impact of a delayed transfer incurred from FY 2019-20 revenue collections.

# Revenue Outlook – Cash Funds

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 was $2.2 billion in FY 2019-20, a decrease of 8.2 percent from the prior fiscal year. In FY 2020-21 cash fund revenue is projected to decline a further 3.9 percent to $2.2 billion before growing 5.8 percent in FY 2021-22.

## Transportation

Transportation-related cash fund revenue fell by 6.1 percent in FY 2019-20, but is expected to grow by 0.8 percent in FY 2020-21. The forecast for FY 2020-21 has been revised downward slightly since September, by $4.7 million, or 0.4 percent. The reduced revenue is due to reductions in business commutes and tourist travel that drive fuel tax revenues in Colorado. However, an expected increase in vehicle purchases and a return to commuting in FY 2021-22 and FY 2022-23 lead to 5.2 percent and 1.6 percent increases in transportation revenues for FY 2021-22 and FY 2022-23, with a return to pre-pandemic levels in FY 2022-23.

| Transportation Revenue | Preliminary FY 19-20 | Forecast FY 20-21 | Forecast FY 21-22 | Forecast FY 22-23 |
|---|---|---|---|---|
| **Highway Users Tax Fund (HUTF)** | | | | |
| Motor and Special Fuel Taxes | **$618.5** | **$622.1** | **$653.2** | **$665.4** |
| Change | -5.6% | 0.6% | 5.0% | 1.9% |
| Total Registrations | **$258.7** | **$262.4** | **$270.1** | **$276.0** |
| Change | -2.6% | 1.4% | 2.9% | 2.2% |
| Other HUTF Receipts | **$192.1** | **$191.9** | **$197.7** | **$202.0** |
| Change | 2.1% | -0.1% | 3.0% | 2.2% |
| **Total HUTF** | **$1,069.3** | **$1,076.5** | **$1,121.0** | **$1,143.4** |
| Change | -3.6% | 0.7% | 4.1% | 2.0% |
| **State Highway Fund** | **$27.5** | **$28.4** | **$22.3** | **$24.6** |
| Change | -30.9% | 3.1% | -21.4% | 10.2% |
| **Other Transportation Funds** | **$101.4** | **$102.6** | **$117.5** | **$118.5** |
| Change | -20.1% | 1.3% | 14.4% | 0.9% |
| ***Total Transportation Funds*** | ***$1,198.2*** | ***$1,207.5*** | ***$1,270.8*** | ***$1,291.5*** |
| *Change* | *-6.1%* | *0.8%* | *5.2%* | *1.6%* |

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 largest portion of transportation cash funds is the HUTF, which is comprised mainly of motor fuel taxes and registration fees.

# Limited Gaming

Limited gaming revenue totaled $82.3 million in FY 2019-20, slightly above June expectations. This revenue represents a 34.2 percent reduction from FY 2018-19 due to casino closures from mid-March to mid-June. Since September's forecast, gaming revenue has continued below pre-COVID trends, though revenue has grown closer to pre-COVID levels in recent months. Notably, while August gaming revenue was at only 71 percent of last year's level, September and October were at 86 percent and 99 percent of last year's levels, respectively. These trends suggest potential for increased gaming revenue compared to prior expectations.

At the same time, downside risk remains as COVID-19 cases in Colorado remain elevated. Namely, the uptick in COVID-19 cases could require additional Colorado counties to move to more restrictive red and purple public health orders, levels that could shut down the casinos.

With this context, gaming revenue is expected to partially recover in FY 2020-21 to $96.4 million, up 17 percent from FY 2019-20. Moreover, gaming revenue will more fully recover once the effects of the pandemic subside in FY 2021-22 to $113.5 million, up another 18 percent from FY 2020-21. FY 2022-23 revenue will return to pre-pandemic levels, up 15 percent to $130.0 million.

| Distribution of Limited Gaming Revenues | Preliminary FY 19-20 | Forecast FY 20-21 | Forecast FY 21-22 | Forecast FY 22-23 |
|---|---|---|---|---|
| **A. Total Limited Gaming Revenues** | **$82.3** | **$96.4** | **$113.5** | **$130.0** |
| Annual Percent Change | -34.2% | 17.2% | 17.6% | 14.6% |
| | | | | |
| **B. Base Limited Gaming Revenues** | **$69.0** | **$77.0** | **$93.5** | **$109.5** |
| Annual Percent Change | -34.2% | 11.6% | 21.4% | 17.0% |
| | | | | |
| **C. Gaming Revenue Subject to TABOR** | **$70.7** | **$78.6** | **$95.2** | **$111.2** |
| Annual Percent Change | -33.9% | 11.2% | 21.1% | 16.7% |
| | | | | |
| **D. Total Amount to Base Revenue Recipients** | **$52.0** | **$65.3** | **$81.4** | **$97.1** |
| Amount to State Historical Society (28%) | $14.6 | $18.3 | $22.8 | $27.2 |
| Amount to Counties (12%) | $6.2 | $7.8 | $9.8 | $11.7 |
| Amount to Cities (10%) | $5.2 | $6.5 | $8.1 | $9.7 |
| Amount to Distribute to Remaining Programs (State Share) (50%) | $26.0 | $32.6 | $40.7 | $48.5 |
| Amount to Local Government Impact Fund | $0.0 | $0.0 | $5.4 | $6.4 |
| Colorado Tourism Promotion Fund | $0.0 | $0.0 | $15.0 | $15.0 |
| Creative Industries Cash Fund | $0.0 | $0.0 | $2.0 | $2.0 |
| Film, Television, and Media Operational Account | $0.0 | $0.0 | $0.5 | $0.5 |
| Advanced Industries Acceleration Fund | $0.0 | $0.0 | $5.5 | $5.5 |
| Innovative Higher Education Research Fund | $0.0 | $0.0 | $2.1 | $2.1 |
| Transfer to the General Fund | $26.0 | $32.6 | $10.2 | $17.0 |
| | | | | |
| **E. Total Amount to Amendment 50 Revenue Recipients** | **$15.4** | **$16.1** | **$17.0** | **$17.9** |
| Community Colleges, Mesa and Adams State (78%) | $12.0 | $12.6 | $13.3 | $14.0 |
| Counties (12%) | $1.8 | $1.9 | $2.0 | $2.2 |
| Cities (10%) | $1.5 | $1.6 | $1.7 | $1.8 |

Finally, the passage of Amendment 77 means that gaming revenue may be higher if voters in Black Hawk, Central, and Cripple Creek Cities vote to expand authorized games and increase maximum bets, as it is expected that they will.

## Severance

Severance tax revenue fell to $131.7 million in FY 2019-20 and is expected to decline further to $25.7 million in FY 2020-21 as production values remain low and producers claim ad valorem credits. Collection levels are expected to see a moderate rebound in FY 2021-22 and FY 2022-23, with projected revenue increasing to $53.0 million in FY 2021-22 and $74.7 million in FY 2022-23. These figures have been revised upward by $5.7 million, $13.1 million, and $13.7 million in those years, respectively. As the economy recovers, both consumer demand for oil and its associated prices are anticipated to increase modestly, resulting in increased production activity.

## Marijuana

Marijuana taxes grew 32.4 percent in FY 2019-20, totaling $347.3 million. Record sales numbers continued throughout the summer and fall, with retail and medical sales up by an average of 30.2 percent and 39.9 percent each month, respectively, as compared to FY 2019-20 sales. Forecasted marijuana tax revenue is expected to continue growing to $410.2 million in FY 2020-21 and to $438.1 million in FY 2021-22.

| Tax Revenue from the Marijuana Industry | Preliminary FY 19-20 | Forecast FY 20-21 | Forecast FY 21-22 | Forecast FY 22-23 |
|---|---|---|---|---|
| **Proposition AA Taxes** | | | | |
| Retail Marijuana 15% Special Sales Tax | $245.5 | $292.8 | $313.3 | $332.1 |
| Retail Marijuana 15% Excise Tax | $88.5 | $103.5 | $111.3 | $114.6 |
| **Total Proposition AA Taxes** | **$334.0** | **$396.3** | **$424.6** | **$446.7** |
| | | | | |
| **2.9% Sales Tax & Interest (Subject to TABOR)** | | | | |
| Medical Marijuana 2.9% State Sales Tax | $11.7 | $12.2 | $11.8 | $11.5 |
| Retail Marijuana 2.9% State Sales Tax | $1.3 | $1.4 | $1.3 | $1.3 |
| Interest Earnings | $0.3 | $0.3 | $0.4 | $0.4 |
| **Total 2.9% Sales Taxes & Interest** | **$13.3** | **$13.9** | **$13.5** | **$13.1** |
| | | | | |
| **Total Marijuana Taxes** | **$347.3** | **$410.2** | **$438.1** | **$459.9** |

The revenue from the 15 percent special sales tax goes to the General Fund, the Marijuana Tax Cash Fund, local governments, and the Public School Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana sales that is credited to public school cash funds. The forecasted distribution of marijuana tax revenue is shown in the table below.

| 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 2019-20 Preliminary | $347.3 | $24.5 | $34.4 | $88.5 | $0.0 | $27.8 | $172.1 |
| FY 2020-21 Projected | $410.2 | $29.3 | $41.0 | $40.0 | $0.0 | $96.7 | $203.2 |
| FY 2021-22 Projected | $438.1 | $31.3 | $43.9 | $111.3 | $0.0 | $35.5 | $216.1 |
| FY 2022-23 Projected | $459.9 | $33.2 | $46.5 | $114.6 | $0.0 | $37.6 | $227.9 |

# Federal Mineral Lease

Federal Mineral Lease (FML) revenue decreased by 44.9 percent to $62.7 million in FY 2019-20 due largely to the effects of lower natural gas and oil prices. FML revenue is expected to decrease further by 1.0 percent in FY 2020-21 to $62.1 million. Collection levels are expected to marginally rebound as prices stabilize in FY 2021-22 and FY 2022-23, increasing by 6.6 percent and 16.9 percent in those years, respectively.

| Fiscal Year | Bonus Payments | Non-Bonus Payments | Total FML | % Change |
|---|---|---|---|---|
| FY 2019-20 Final | $0.8 | $61.9 | $62.7 | -44.9% |
| FY 2020-21 Projected | $1.9 | $60.2 | $62.1 | -1.0% |
| FY 2021-22 Projected | $2.0 | $64.2 | $66.2 | 6.6% |
| FY 2022-23 Projected | $0.8 | $76.6 | $77.4 | 16.9% |

Oil and gas prices are anticipated to gradually increase to levels that incentivize increased production activity. 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.

# Other Cash Funds

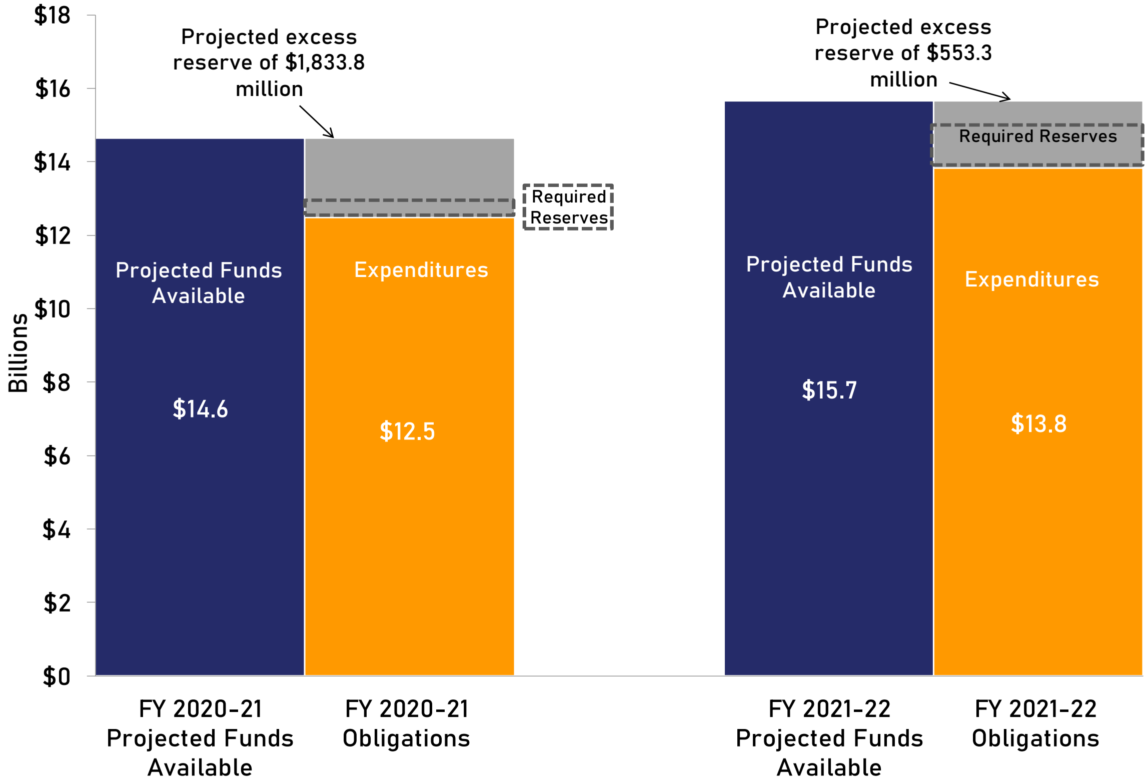
The State receives revenue from a variety of other cash funds as well. This includes cash fund revenue to the Department of Regulatory Agencies (DORA), which is projected to increase approximately 10.0 percent to $89.2 million. Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance and has been adjusted upward on expectations of a slight increase in the workers' compensation insurance industry in the current year. The forecasted revenue is $23.7 million in FY 2020-21, with a 7.6 percent decrease in FY 2021-22 to $21.9 million.

Finally, the "Other Miscellaneous Cash Funds" category includes revenue from over 300 cash fund programs which collect revenue from fines, fees, and interest earnings. This broad category is less sensitive to general economic conditions than revenue sources like income and severance taxes. The miscellaneous cash fund forecast has been revised upward to $721.8 million in FY 2020-21, which is 0.6 percent higher than the September 2020 forecast. Revenue in FY 2021-22 is projected to be $738.7 million.

# Budget Outlook

## General Fund

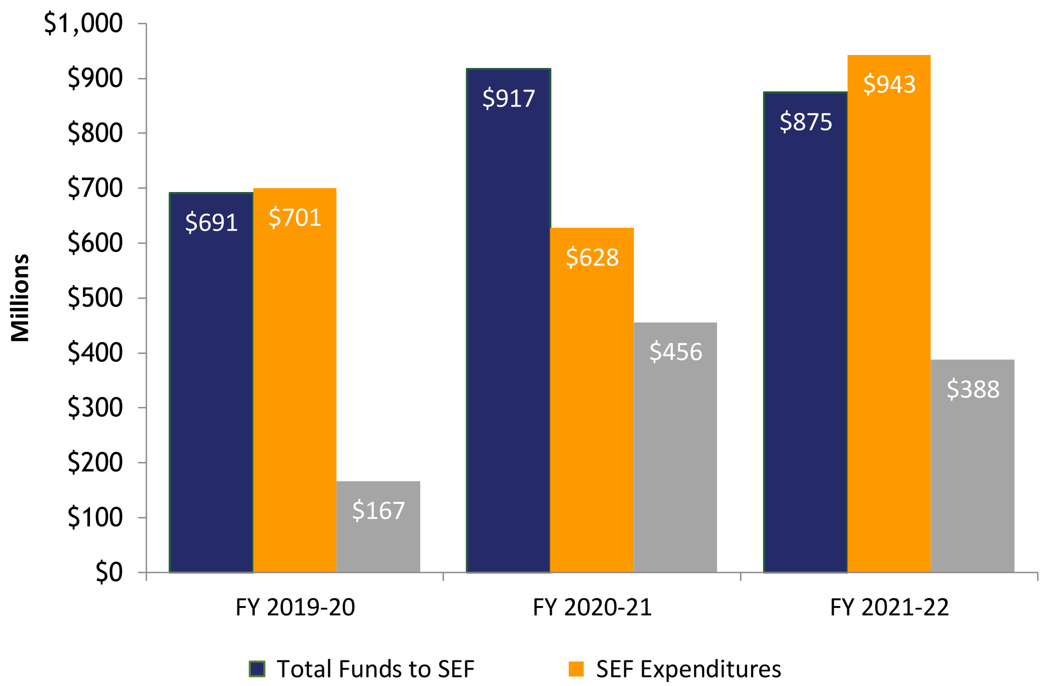
General Fund revenue increased 2.4 percent in FY 2019-20 and is projected to decrease 3.0 percent in FY 2020-21 before growing 7.9 percent in FY 2021-22 and 3.5 percent in FY 2022-23. General Fund revenue for FY 2020-21 is $221.6 million, or 1.8 percent higher than was estimated in September, as the pace of the economic recovery exceeded expectations. The forecast for FY 2021-22 is $626.1 million, or 4.9 percent higher than estimated in September.




The General Fund reserve was above the required statutory reserve amount of 3.1 percent of appropriations in FY 2019-20. The Governor has proposed an increase in the General Fund reserve to 10 percent of appropriations in FY 2021-22. Under this forecast, the General Fund ending balance is projected to be $553.8 million above this proposed reserve level. The chart above summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2020-21 and FY 2021-22 under the Governor's November budget request.

# State Education Fund

The State Education Fund's year-end balance was $166.7 million in FY 2019-20 and is projected to increase to $456.0 million in FY 2020-21, including transfers. The figure below summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2019-20, FY 2020-21, and FY 2021-22.




# Forecast Risks

This budget outlook is based on OSPB's economic forecast as detailed in Tables 1 and 2 of the Reference Tables at the end of this document. This economic forecast is subject to both upside and downside risks.

On the upside, the economy has recovered better than expected since the September forecast, and the approval and distribution of vaccines for COVID-19 are creating optimism that the pandemic could subside in the summer months. Greater personal savings and pent up demand could help propel the economic recovery. However, on the downside, the epidemiological course of COVID-19 and the economic recovery are still uncertain. The surge in cases during the fall may continue into the winter and could hamper the recovery. Although economic conditions could be more negative than described in this forecast, the risks to the budget outlook are balanced to the upside.

# 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 but did not exceed the cap in FY 2019-20 and is not projected to be above the cap for the duration of the forecast period.

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 4.55 percent to 4.50 percent), and a sales tax refund. The size of the refund determines which refund mechanisms are utilized.

An estimated $270.5 million of the $428.5 million refund obligation from FY 2018-19 is being distributed as an income tax rate reduction, while $151.2 million is being 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.

No refunds are projected for FY 2020-21 or the duration of the forecast period.

# Reference Tables

## Table 1: Colorado Economic Variables – History and Forecast

| Line No. | | Actual | | | | | | December 2020 Forecast | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| | **Income** | | | | | | | | | |
| 1 | Personal Income (Billions) /A | $271.3 | $284.8 | $290.7 | $312.0 | $335.2 | $352.2 | $374.0 | $380.0 | $393.7 |
| 2 | Change | 8.8% | 5.0% | 2.1% | 7.3% | 7.4% | 5.1% | 6.2% | 1.6% | 3.6% |
| 3 | Wage and Salary Income (Billions) | $138.6 | $146.6 | $151.1 | $160.8 | $170.3 | $182.1 | $181.6 | $188.3 | $196.6 |
| 4 | Change | 7.0% | 5.8% | 3.1% | 6.4% | 5.9% | 6.9% | -0.3% | 3.7% | 4.4% |
| 5 | Per-Capita Income ($/person) /A | $50,709 | $52,251 | $52,480 | $55,596 | $58,897 | $61,160 | $64,334 | $64,780 | $66,454 |
| 6 | Change | 7.2% | 3.0% | 0.4% | 5.9% | 5.9% | 3.8% | 5.2% | 0.7% | 2.6% |
| | **Population & Employment** | | | | | | | | | |
| 7 | Population (Thousands) | 5,350.1 | 5,450.6 | 5,539.2 | 5,611.9 | 5,691.3 | 5,758.7 | 5,814.0 | 5,866.3 | 5,924.4 |
| 8 | Change | 1.5% | 1.9% | 1.6% | 1.3% | 1.4% | 1.2% | 1.0% | 0.9% | 1.0% |
| 9 | Net Migration (Thousands) | 47.9 | 71.6 | 58.5 | 46.0 | 55.6 | 43.3 | 35.0 | 30.0 | 36.0 |
| 10 | Unemployment Rate | 5.0% | 3.9% | 3.3% | 2.8% | 3.2% | 2.8% | 7.0% | 5.7% | 5.1% |
| 11 | Total Nonagricultural Employment (Thousands) | 2,463.7 | 2,541.0 | 2,601.8 | 2,660.3 | 2,727.3 | 2,785.6 | 2,665.8 | 2,746.6 | 2,834.7 |
| 12 | Change | 3.5% | 3.1% | 2.4% | 2.2% | 2.5% | 2.1% | -4.3% | 3.0% | 3.2% |
| | **Construction Variables** | | | | | | | | | |
| 13 | Total Housing Permits Issued (Thousands) | 28.7 | 31.9 | 39.0 | 40.7 | 42.6 | 38.6 | 38.7 | 42.1 | 43.8 |
| 14 | Change | 4.3% | 11.1% | 22.3% | 4.4% | 4.8% | -9.4% | 0.2% | 8.7% | 4.2% |
| 15 | Nonresidential Construction Value (Millions) /B | $4,350.9 | $4,990.8 | $5,989.0 | $6,159.6 | $8,140.4 | $5,063.6 | $4,759.8 | $5,240.5 | $5,570.6 |
| 16 | Change | 20.1% | 14.7% | 20.0% | 2.8% | 32.2% | -37.8% | -6.0% | 10.1% | 6.3% |
| | **Price Variables** | | | | | | | | | |
| 17 | Retail Trade (Billions) /C | $182.7 | $182.9 | $184.7 | $194.6 | $206.1 | $224.6 | $226.8 | $245.4 | $254.0 |
| 18 | Change | 5.7% | 0.1% | 1.0% | 5.4% | 5.9% | 9.0% | 1.0% | 8.2% | 3.5% |
| 19 | Denver-Aurora-Lakewood Consumer Price Index (1982-84=100) /D | 237.2 | 240.0 | 246.6 | 255.0 | 262.0 | 267.0 | 273.1 | 279.9 | 286.9 |
| 20 | Change | 2.8% | 1.2% | 2.8% | 3.4% | 2.7% | 1.9% | 2.3% | 2.5% | 2.5% |

/A 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.

/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 2020 Forecast | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| | **Inflation-Adjusted & Current Dollar Income Accounts** | | | | | | | | | |
| 1 | Inflation-Adjusted Gross Domestic Product (Billions) /A | $16,912.0 | $17,432.2 | $17,730.5 | $18,144.1 | $18,687.8 | $19,091.7 | $18,385.3 | $19,120.7 | $19,694.3 |
| 2 | Change | 2.5% | 3.1% | 1.7% | 2.3% | 3.0% | 2.2% | -3.7% | 4.0% | 3.0% |
| 3 | Personal Income (Billions) /B | $14,991.7 | $15,724.2 | $16,160.7 | $16,948.6 | $17,851.8 | $18,551.5 | $19,673.9 | $19,949.3 | $20,617.6 |
| 4 | Change | 5.7% | 4.9% | 2.8% | 4.9% | 5.3% | 3.9% | 6.1% | 1.4% | 3.4% |
| 5 | Per-Capita Income ($/person) /B | $47,099 | $49,046 | $50,049 | $52,150 | $54,645 | $56,525 | $59,647 | $60,181 | $61,887 |
| 6 | Change | 5.0% | 4.1% | 2.1% | 4.2% | 4.8% | 3.4% | 5.5% | 0.9% | 2.8% |
| 7 | Wage and Salary Income (Billions) | $7,475.2 | $7,859.5 | $8,089.1 | $8,471.5 | $8,894.2 | $9,309.3 | $9,253.4 | $9,568.1 | $9,941.2 |
| 8 | Change | 5.1% | 5.1% | 2.9% | 4.7% | 5.0% | 4.7% | -0.6% | 3.4% | 3.9% |
| | **Population & Employment** | | | | | | | | | |
| 9 | Population (Millions) | 318.3 | 320.6 | 322.9 | 325.0 | 326.7 | 328.2 | 329.8 | 331.5 | 333.1 |
| 10 | Change | 0.7% | 0.7% | 0.7% | 0.6% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| 11 | Unemployment Rate | 6.2% | 5.3% | 4.9% | 4.4% | 3.9% | 3.7% | 8.2% | 6.7% | 5.5% |
| 12 | Total Nonagricultural Employment (Millions) | 138.9 | 141.8 | 144.3 | 146.6 | 148.9 | 150.9 | 142.2 | 145.0 | 148.2 |
| 13 | Change | 1.9% | 2.1% | 1.8% | 1.6% | 1.6% | 1.4% | -5.8% | 2.0% | 2.2% |
| | **Other Key Indicators** | | | | | | | | | |
| 14 | Consumer Price Index (1982-84=100) | 236.7 | 237.0 | 240.0 | 245.1 | 251.1 | 255.7 | 258.8 | 263.7 | 269.2 |
| 15 | Change | 1.6% | 0.1% | 1.3% | 2.1% | 2.4% | 1.8% | 1.2% | 1.9% | 2.1% |
| 16 | Corporate Profits (Billions) | $2,120.2 | $2,060.5 | $2,023.7 | $2,114.5 | $2,243.0 | $2,250.5 | $1,957.9 | $2,294.7 | $2,483.6 |
| 17 | Change | 5.4% | -2.8% | -1.8% | 4.5% | 6.1% | 0.8% | -13.0% | 17.2% | 8.2% |
| 18 | Housing Permits (Millions) | 1.052 | 1.183 | 1.207 | 1.282 | 1.329 | 1.386 | 1.378 | 1.487 | 1.579 |
| 19 | Change | 6.2% | 12.4% | 2.0% | 6.3% | 3.6% | 4.3% | -0.6% | 7.9% | 6.2% |
| 20 | Retail Trade (Billions) | $5,215.7 | $5,349.5 | $5,510.2 | $5,744.8 | $6,001.6 | $6,218.0 | $6,267.7 | $6,777.5 | $6,998.9 |
| 21 | Change | 4.3% | 2.6% | 3.0% | 4.3% | 4.5% | 3.6% | 0.8% | 8.1% | 3.3% |

/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 2019-20 | % Chg | December 2020 Estimate by Fiscal Year FY 2020-21 | % Chg | FY 2021-22 | % Chg | FY 2022-23 | % Chg |
|---|---|---|---|---|---|---|---|---|---|
| | ***Excise Taxes:*** | | | | | | | | |
| 1 | Sales | $3,196.0 | 4.7% | $3,392.2 | 6.1% | $3,502.8 | 3.3% | $3,672.7 | 4.9% |
| 2 | Use | $210.5 | -39.1% | $220.0 | 4.5% | $211.8 | -3.7% | $216.0 | 2.0% |
| 3 | Retail Marijuana Sales - Special Sales Tax | $245.5 | 27.4% | $292.8 | 19.3% | $313.3 | 7.0% | $332.1 | 6.0% |
| 4 | Cigarette | $32.5 | -0.1% | $108.4 | 233.2% | $189.3 | 74.7% | $184.4 | -2.6% |
| 5 | Tobacco Products | $24.4 | 9.5% | $39.5 | 62.2% | $37.1 | -6.1% | $38.0 | 2.3% |
| 6 | Nicotine | N/A | N/A | $7.5 | N/A | $16.4 | 120.0% | $28.0 | 71.0% |
| 7 | Liquor | $50.1 | 3.7% | $53.1 | 6.1% | $52.8 | -0.6% | $54.0 | 2.2% |
| **8** | **Total Excise** | **$3,759.0** | **1.7%** | **$4,113.6** | **9.4%** | **$4,323.6** | **5.1%** | **$4,525.2** | **4.7%** |
| | ***Income Taxes:*** | | | | | | | | |
| 9 | Net Individual Income | $8,645.5 | 4.8% | $8,024.2 | -7.2% | $8,705.1 | 8.5% | $8,954.9 | 2.9% |
| 10 | Net Corporate Income | $728.3 | -20.8% | $674.3 | -7.4% | $747.8 | 10.9% | $770.1 | 3.0% |
| **11** | **Total Income** | **$9,373.8** | **2.3%** | **$8,698.4** | **-7.2%** | **$9,452.9** | **8.7%** | **$9,725.0** | **2.9%** |
| *12* | *Less: State Education Fund Diversion* | *$646.7* | *-6.7%* | *$707.0* | *9.3%* | *$709.0* | *0.3%* | *$729.4* | *2.9%* |
| **13** | **Total Income to General Fund** | **$8,727.1** | **3.0%** | **$7,991.4** | **-8.4%** | **$8,744.0** | **9.4%** | **$8,995.6** | **2.9%** |
| | ***Other Revenue:*** | | | | | | | | |
| 14 | Insurance | $337.4 | 7.2% | $319.3 | -5.4% | $342.2 | 7.2% | $363.1 | 6.1% |
| 15 | Interest Income | $31.1 | 17.2% | $29.8 | -4.3% | $28.3 | -4.8% | $29.4 | 4.0% |
| 16 | Pari-Mutuel | $0.4 | -23.7% | $0.4 | -2.0% | $0.4 | -2.0% | $0.4 | -2.0% |
| 17 | Court Receipts | $3.9 | -6.7% | $3.9 | -0.5% | $3.9 | 0.0% | $3.9 | 0.0% |
| 18 | Other Income | $9.7 | -80.2% | $25.7 | 165.0% | $24.1 | -6.2% | $24.7 | 2.6% |
| **19** | **Total Other** | **$382.5** | **-3.1%** | **$379.0** | **-0.9%** | **$398.8** | **5.2%** | **$421.5** | **5.7%** |
| **20** | **GROSS GENERAL FUND** | **$12,868.5** | **2.4%** | **$12,484.0** | **-3.0%** | **$13,466.4** | **7.9%** | **$13,942.3** | **3.5%** |

/A Dollars in millions.

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

| Line No. | | Preliminary FY 2019-20 | December 2020 Estimate by Fiscal Year FY 2020-21 | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| 1 | **Beginning Reserve** | **$1,262.6** | **$1,825.2** | **$2,144.7** | **$1,823.3** |
| 2 | **Gross General Fund Revenue** | **$12,868.5** | **$12,484.0** | **$13,466.4** | **$13,942.3** |
| 3 | *Transfers to the General Fund* | $248.0 | $325.1 | $41.3 | $17.7 |
| 4 | **TOTAL GENERAL FUND AVAILABLE** | **$14,379.1** | **$14,634.3** | **$15,652.4** | **$15,783.4** |
| **Expenditures** | | | | | |
| 5 | **Appropriation Subject to Limit** | **$11,805.2** | **$10,872.8** | **$12,699.9** | **$13,833.5** |
| 6 | *Dollar Change (from prior year)* | $546.4 | -$932.3 | $1,827.1 | $1,133.6 |
| 7 | *Percent Change (from prior year)* | 4.9% | -7.9% | 16.8% | 8.9% |
| 8 | **Spending Outside Limit** | **$910.5** | **$1,616.8** | **$1,129.1** | **$947.0** |
| 9 | *TABOR Refund under Art. X, Section 20, (7) (d)* | $0.0 | $0.0 | $0.0 | $0.0 |
| 10 | *Homestead Exemption (Net of TABOR Refund)* | $0.0 | $155.0 | $172.2 | $186.0 |
| 11 | *Other Rebates and Expenditures* | $145.7 | $140.9 | $144.3 | $147.2 |
| 12 | *Transfers for Capital Construction* | $213.6 | $43.0 | $90.0 | $50.0 |
| 13 | *Transfers for Transportation* | $300.0 | $200.0 | $0.0 | $50.0 |
| 14 | *Transfers to State Education Fund* | $40.3 | $158.2 | $155.0 | $135.0 |
| 15 | *Transfers to Other Funds* | $210.9 | $819.7 | $567.6 | $378.8 |
| 16 | *Transfer to Make Money Available for COVID-19 Emergency* | $0.0 | $100.0 | $0.0 | $0.0 |
| 17 | **TOTAL GENERAL FUND OBLIGATIONS** | **$12,715.6** | **$12,489.6** | **$13,829.0** | **$14,780.5** |
| 18 | *Percent Change (from prior year)* | -1.1% | -1.8% | 10.7% | 6.9% |
| 19 | Reversions and Accounting Adjustments | -$161.7 | $0.0 | $0.0 | $0.0 |
| **Reserves** | | | | | |
| 20 | **Year-End General Fund Balance** | **$1,825.2** | **$2,144.7** | **$1,823.3** | **$1,002.9** |
| 21 | *Year-End General Fund as a % of Appropriations* | 15.5% | 19.7% | 14.4% | 7.3% |
| 22 | *General Fund Statutory Reserve* | $362.4 | $311.0 | $1,270.0 | $1,002.9 |
| 23 | *Above/Below Statutory Reserve* | $1,462.8 | $1,833.8 | $553.3 | $0.0 |

/A. FY 2021-22 expenditures reflect the Governor's budget request. FY 2022-23 expenditures will be adopted in future budget legislation. Therefore, FY 2022-23 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 2019-20 | December 2020 Estimate by Fiscal Year FY 2020-21 | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| 1 | **Beginning Reserves** | **$1,438.6** | **$2,153.6** | **$2,767.4** | **$2,377.6** |
| 2 | *State Education Fund* | $176.0 | $166.7 | $456.0 | $387.6 |
| 3 | *General Fund* | $1,262.6 | $1,986.9 | $2,311.4 | $1,990.0 |
| 4 | **Gross State Education Fund Revenue** | **$691.3** | **$917.2** | **$874.7** | **$888.2** |
| 5 | **Gross General Fund Revenue /B** | **$13,116.6** | **$12,809.1** | **$13,507.7** | **$13,960.1** |
| 6 | **TOTAL FUNDS AVAILABLE FOR EXPENDITURE** | **$15,246.4** | **$15,879.9** | **$17,149.7** | **$17,225.9** |
| **Expenditures** | | | | | |
| 7 | General Fund Expenditures /C | $12,553.9 | $12,484.6 | $13,829.0 | $14,785.1 |
| 8 | State Education Fund Expenditures | $700.6 | $627.9 | $943.0 | $888.2 |
| 9 | **TOTAL OBLIGATIONS** | **$13,254.5** | **$13,112.5** | **$14,772.1** | **$15,673.3** |
| 10 | *Percent Change (from prior year)* | -1.4% | -1.1% | 12.7% | 6.1% |
| 11 | *Reversions and Accounting Adjustments* | -$161.7 | $0.0 | $0.0 | $0.0 |
| **Reserves** | | | | | |
| 12 | **Year-End Balance** | **$2,153.6** | **$2,767.4** | **$2,377.6** | **$1,552.5** |
| 13 | State Education Fund | $166.7 | $456.0 | $387.6 | $387.6 |
| 14 | General Fund | $1,986.9 | $2,311.4 | $1,990.0 | $1,165.0 |
| 15 | *General Fund Above/Below Statutory Reserve* | $1,624.5 | $2,000.5 | $1,440.1 | $323.4 |

/A FY 2021-22 expenditures reflect the Governor's budget request. FY 2022-23 expenditures will be adopted in future budget legislation. Therefore, FY 2022-23 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 percent of Colorado personal income as well as all spending outside the limit.

## Table 6: Cash Fund Revenue Subject to TABOR /A

| Line No. | Category | Actual FY 2019-20 | December 2020 Estimate by Fiscal Year FY 2020-21 | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|---|
| 1 | **Transportation-Related /A** | **$1,198.2** | **$1,207.5** | **$1,270.8** | **$1,291.5** |
| 2 | Change | -6.1% | 0.8% | 5.2% | 1.6% |
| 3 | **Limited Gaming Fund /B** | **$70.7** | **$78.6** | **$95.2** | **$111.2** |
| 4 | Change | -33.9% | 11.2% | 21.1% | 16.7% |
| 5 | **Capital Construction - Interest** | **$6.3** | **$4.4** | **$4.5** | **$4.6** |
| 6 | Change | 33.6% | -30.0% | 2.3% | 1.1% |
| 7 | **Regulatory Agencies** | **$81.1** | **$89.2** | **$91.1** | **$91.4** |
| 8 | Change | 2.9% | 10.0% | 2.2% | 0.3% |
| 9 | **Insurance-Related** | **$24.9** | **$20.8** | **$21.3** | **$23.1** |
| 10 | Change | 10.5% | -16.5% | 2.2% | 8.5% |
| 11 | **Severance Tax** | **$131.7** | **$16.2** | **$43.1** | **$64.2** |
| 12 | Change | -48.4% | -87.7% | 166.0% | 49.0% |
| 13 | **Other Miscellaneous Cash Funds** | **$725.3** | **$721.8** | **$738.7** | **$757.9** |
| 14 | Change | 4.5% | -0.5% | 2.3% | 2.6% |
| 15 | **TOTAL CASH FUND REVENUE** | ***$2,238.3*** | ***$2,138.6*** | ***$2,264.7*** | ***$2,343.8*** |
| 16 | Change | -8.2% | -4.5% | 5.9% | 3.5% |

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40 percent 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. | | Actual FY 2019-20 | December 2020 Estimate by Fiscal Year FY 2020-21 | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|---|
| | **TABOR Revenues:** | | | | |
| 1 | General Fund /A | $12,629.5 | $12,101.8 | $12,964.4 | $13,413.5 |
| | *Percent Change from Prior Year* | 2.3% | -4.2% | 7.1% | 3.5% |
| 2 | Cash Funds /A | $2,236.8 | $2,138.6 | $2,264.7 | $2,343.8 |
| | *Percent Change from Prior Year* | -8.3% | -4.4% | 5.9% | 3.5% |
| **3** | **Total TABOR Revenues** | **$14,866.3** | **$14,240.5** | **$15,229.1** | **$15,757.3** |
| | *Percent Change from Prior Year* | 0.5% | -4.2% | 6.9% | 3.5% |
| | **Revenue Limit Calculation:** | | | | |
| 4 | Previous calendar year population growth | 1.4% | 1.2% | 1.0% | 0.9% |
| 5 | Previous calendar year inflation | 2.7% | 1.9% | 2.3% | 2.5% |
| **6** | **Allowable TABOR Growth Rate** | **4.2%** | **3.1%** | **3.3%** | **3.4%** |
| 7 | TABOR Limit /B | $12,253.2 | $12,633.1 | $13,050.0 | $13,493.7 |
| **8** | General Fund Exempt Revenue Under Ref. C /C | $2,613.1 | $1,607.4 | $2,179.1 | $2,263.6 |
| **9** | **Revenue Cap Under Ref. C /B /D** | **$14,963.2** | **$15,427.1** | **$15,936.2** | **$16,478.0** |
| *10* | ***Amount Above/Below Cap*** | **-$96.9** | **-$1,186.6** | **-$707.1** | **-$720.7** |
| *11* | ***Revenue to be Refunded including Adjustments from Prior Years /E*** | **$0.0** | **$0.0** | **$0.0** | **$0.0** |
| 12 | TABOR Reserve Requirement | $446.0 | $427.2 | $456.9 | $472.7 |

/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.