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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

NATIONAL ECONOMIC OUTLOOK

The U.S. economy is poised to rebound sharply in 2021, with GDP likely to grow at its fastest pace in decades. The recovery will be driven by the widespread availability of vaccines and the end of the pandemic, as well as by supportive fiscal and monetary policies. While aggregate household savings and wealth have increased since the pandemic began, the recession is having a disparate impact across industries, with job losses and business closures concentrated in predominantly low-wage industries.

COLORADO ECONOMIC OUTLOOK

After declining in November and December, total Colorado employment returned to growth in January as declining COVID caseloads allowed the easing of public health restrictions, and this growth is expected to continue as more people are vaccinated. While the state is positioned to benefit from a return to domestic travel and is an attractive location for remote workers, downtown areas may lag as businesses allow more remote work and business travel returns slowly.

GENERAL FUND REVENUE

General Fund revenue is projected to increase by 0.3 percent in FY 2020-21 and grow by another 7.3 percent in FY 2021-22. It is expected to further increase by 5.2 percent in FY 2022-23. The General Fund revenue forecast has been revised upwards from the December forecast by a total of $1.5 billion between FY 2020-21 and FY 2022-23. This upward revision is due to higher than anticipated revenue collections in recent months as well as improved economic expectations for 2021 and beyond.

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 increase by 1.2 percent to $2.3 billion before growing 6.3 percent to $2.4 billion in FY 2021-22.

TABOR

Revenue subject to TABOR is expected to be slightly below the Referendum C cap, as lowered by SB17-267, in FY 2020-21 and FY 2021-22. In FY 2022-23, however, revenue subject to TABOR is expected to exceed the Referendum C cap by $181.5 million.

GENERAL FUND RESERVE

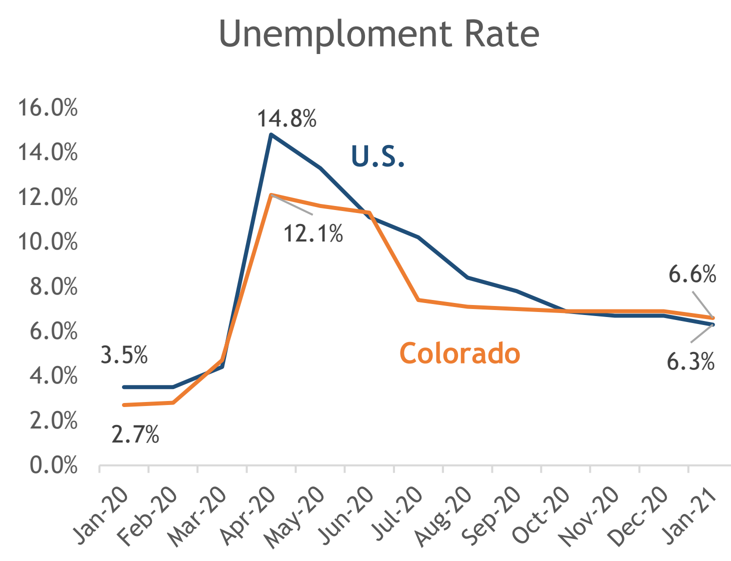
With these updated projections, the General Fund reserve is now projected to be $1.0 billion above the Governor's requested statutory reserve amount of 13.5 percent of appropriations in FY 2021-22, assuming enactment of the Governor's budget request and stimulus package.

Economic Outlook

The U.S. and Colorado economies are positioned for historic economic growth in 2021 due to accelerating vaccinations, significant federal stimulus and relief spending, and supportive monetary policy. While some (predominantly low-wage) industries have been disproportionately affected by this pandemic recession, job openings have remained high and new business formation has accelerated. Furthermore, household finances are strong overall, with high savings and low debt, underpinned by a healthy housing market and accommodative financial conditions.

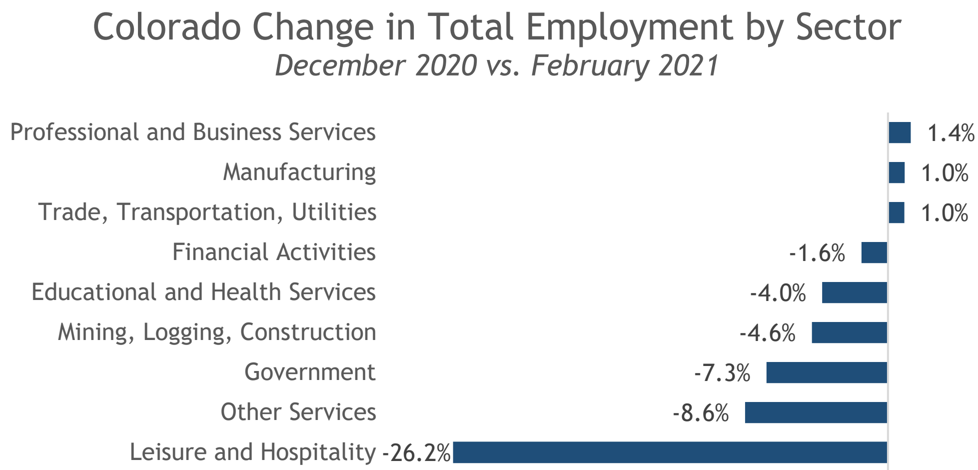
Employment

After stabilizing at 6.9 percent, just above the national rate, from October through December, Colorado's unemployment rate declined slightly to 6.6 percent in January. The drop in unemployment rate in January was predominantly due to a 32,000 gain in total nonfarm payrolls, driven by gains in leisure and hospitality after the loosening of public health restrictions. This increase is notably the largest month-over-month gain since June. In addition to these gains, it is noteworthy that no industries faced significant declines in jobs between December and January, signaling positive employment trends across the board in Colorado. Finally, Colorado's labor force also expanded slightly in January, up 7,000 to its highest participation rate since February 2020. The increase in the size of the Colorado labor force is a potential indication that concerns surrounding COVID-19 in the workplace and other constraints such as lack of childcare are at least partially waning, thus prompting some Coloradans to reenter the workforce.



Source: U.S. Bureau of Labor Statistics; Colorado Department of Labor and Employment.

Further, the granular employment effects of the pandemic demonstrate how this recession has been fundamentally different from previous crises and the burden has fallen disproportionately on specific sectors and populations.

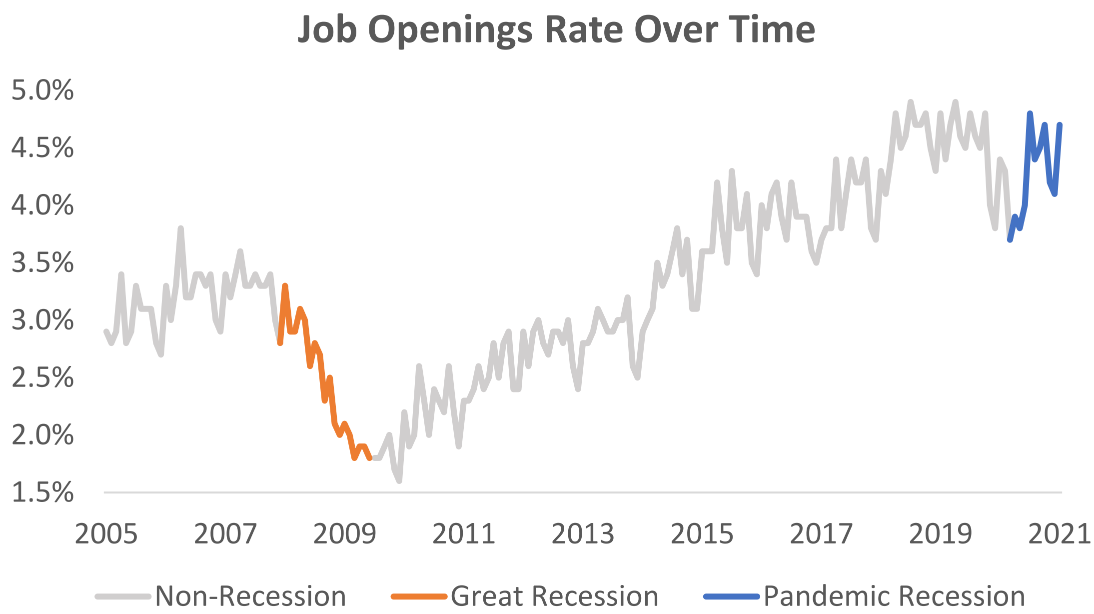


Source: Colorado Department of Labor and Employment.

The chart above shows these disparities by industry. As of December, leisure and hospitality, government, mining, education, and other services continue to see large year-over-year decreases in employment across the state, while trade, manufacturing, and professional and business services have actually seen an increase in seasonally adjusted employment since the start of the pandemic.[1]

These sector-level disparities also highlight how the pandemic has particularly strained lower wage workers and traditionally marginalized communities, including minorities, immigrants, and women, who are concentrated in sectors with the largest declines in employment. For example, individuals who identify as Hispanic or Latino comprise 24.1 percent of the leisure and hospitality industry, while they comprise only 18.5 percent of the U.S. population, according to the Bureau of Labor Statistics Current Population Survey. Similarly, women represent 74.6 percent of workers in educational and health services.

[1] The "other services" category includes services such as auto repair and personal services including hair and nail salons, industries that have been negatively affected by pandemic restrictions. In addition, the "government" category includes employment effects in public education, on which the pandemic has also taken a large toll.

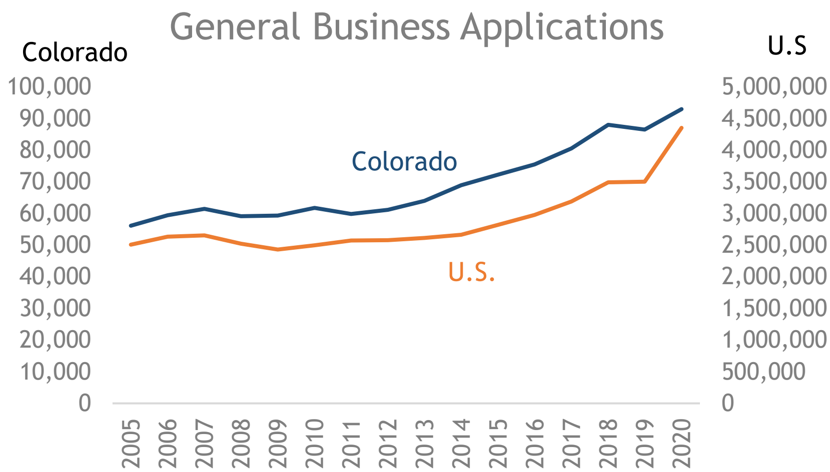


Another lens through which to analyze the employment situation is the rate of job openings across the economy. In most economic downturns, the rate of job openings tends to decrease as demand for businesses to hire new workers declines. As the graph above demonstrates, this recession has not seen a significant drop in job openings. The resiliency of labor demand is particularly noteworthy when compared to the significant unemployment across the country. In part, this skewed relationship is just another indication of the disparities in labor market impacts across sectors. However, there are two more nuanced takeaways from this continued strength in labor demand. On the upside, the relatively stable job openings indicate that there is underlying strength in the labor market that has only been temporarily disrupted by the pandemic. This pattern suggests that as the labor supply-side impacts of the pandemic wane, the labor market will quickly recover.

Alternatively, a continued detachment between the levels of unemployment and job openings suggests that the pandemic has highlighted an existing trend: increased demand for medium and higher-skilled jobs paired with reduced demand for low-skilled jobs. Accordingly, employers looking to hire in these higher skilled industries are not able to find workers with the requisite skills, despite many individuals looking for work. For instance, a restaurant worker laid off as a result of the pandemic is not likely to possess the skills necessary to quickly fill a job opening in advanced manufacturing. The current imbalance is unlikely to have a long term effect as demand in the leisure and hospitality industries will likely return as public health restrictions ease. Monitoring the longer term evolution of this relationship between labor demand and supply across industries will be of value moving forward. In particular, continued gains in medium and high-skilled industries paired with stagnation in low-skilled industries suggests a need for greater attention on workforce development programs such as re-skilling and up-skilling.

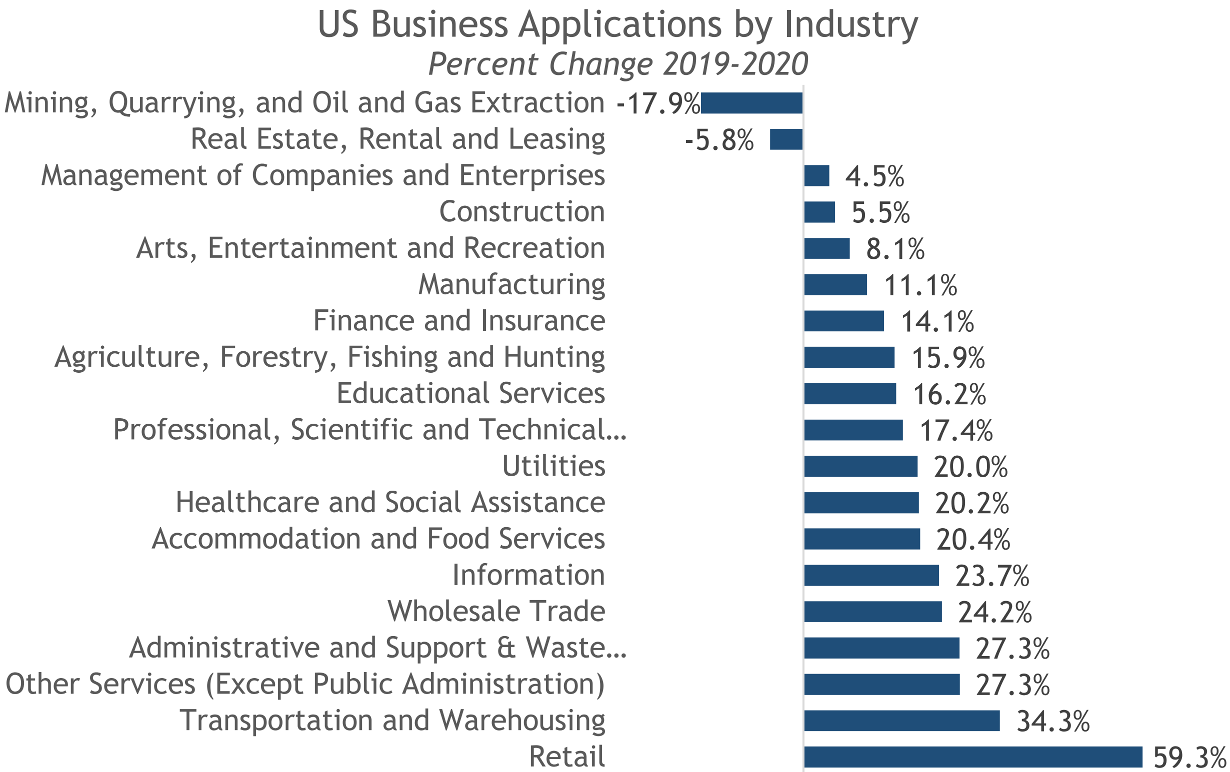
Small Business

The rate of new business formation accelerated markedly in 2020, particularly during the summer. In spite of the pandemic recession, general business applications (most of which are from sole proprietors) in Colorado increased from 86,537 in 2019 to 92,980 in 2020. While this 7.4 percent rise was significantly lower than the national growth rate (24.2 percent), it still represented a large reversal from the aftermath of the Great Recession, when business applications were down.



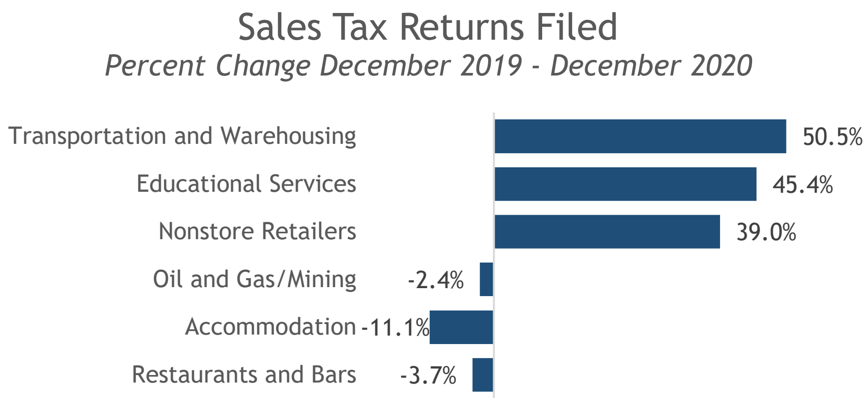
Source: US Census Bureau Business Formation Statistics; data seasonally adjusted.

National data shows that the largest year-over-year growth in general business applications came in retail (up 59 percent), transportation and warehousing (up 34 percent), and other services (a general category that includes businesses such as personal care services and laundromats) (up 27 percent). This surge in new businesses in the retail trade sector was mainly driven by non-store retailers, who typically sell online or deliver goods directly to their clients. Still, these retailers are less likely to hire additional employees than other sectors. Unsurprisingly, the oil and gas sector experienced the largest decline in applications (down 18 percent). This decrease is attributable to low market prices and subdued production. The only other sectoral decline came from real estate (down 6 percent), in spite of the booming housing market.



Source: US Census Bureau Business Formation Statistics; data seasonally adjusted.

Expanded federal relief is also lifting growth prospects. Since the third round of the Paycheck Protection Program (PPP) launched in January, almost 41,000 Colorado small businesses have received a total of $3.2 billion, with an average loan size of $71,000 (compared to $101,000 with the previous two rounds of PPP lending). A recent two-week window limited to businesses with less than 20 employees and recent PPP rule changes are also likely to lead to higher uptake among sole proprietors, independent contractors, and other self-employed individuals – 70 percent of which are owned by women and people of color. Unlike last year, small businesses are currently eligible for both PPP funding and the federal Employee Retention Credit, which provides refundable payroll tax credits of up to $14,000 for each employee that a business retains, including retroactively to March 2020.

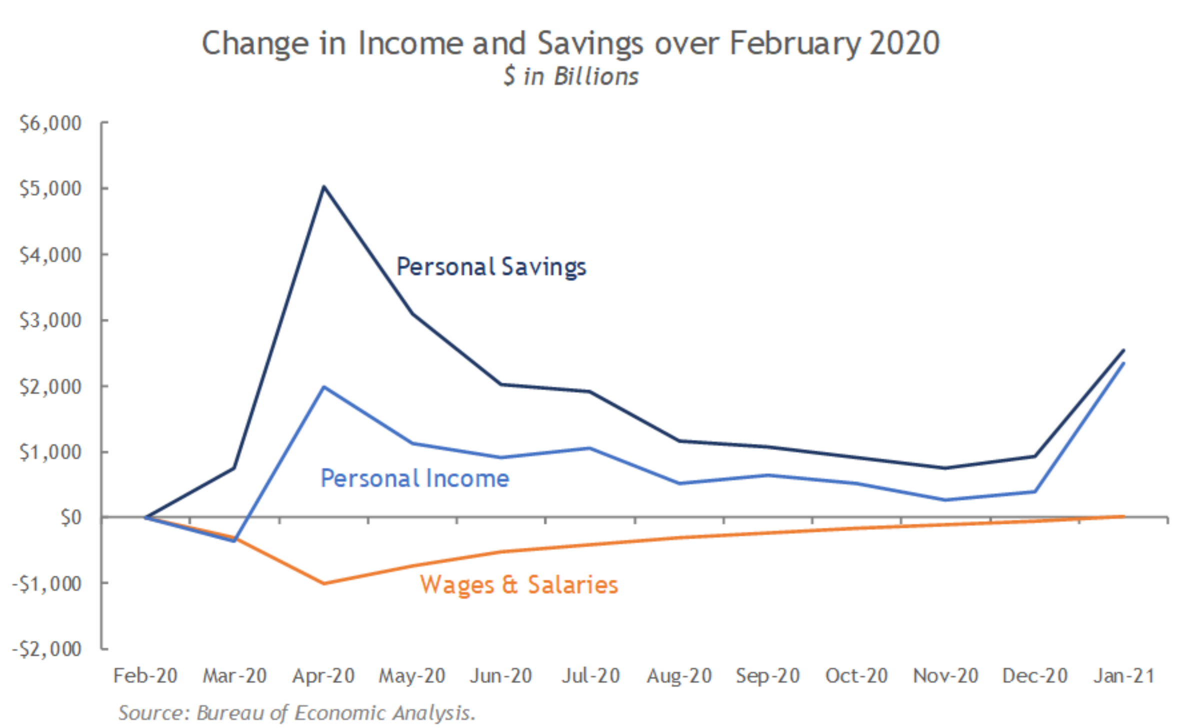


Source: Colorado Department of Revenue.

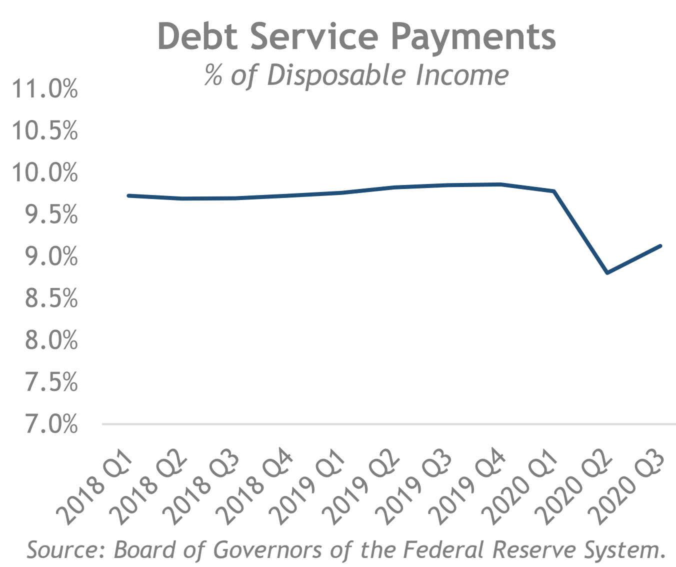
Still, there is evidence of business closures in several sectors. While the overall number of sales tax returns filed has grown by roughly 28 percent from December 2019 to December 2020, this masks wide divergences. There was an 11.1 percent decline in returns from businesses in the accommodations sector and 4 percent from restaurants and bars. It is unclear how many of these establishments will reopen. A Colorado Restaurant Association survey conducted in January indicates that restaurant staffing is down approximately 40 percent compared to this time last year, with 31 percent of restaurants indicating they are operating with less than half the staff they did this time last year. Alcohol-to-go sales have proven beneficial, however, with nearly one-quarter of the industry indicating that this accounts for more than 20 percent of their revenue.

Household Finances

The continuing economic recovery is reflected in a generally improving picture for household finances. Wages and salaries—the largest component of personal income—continue their upward trajectory and exceeded pre-pandemic levels in January. While that is welcome news, the cumulative loss in wages and salaries is substantial. If the growth observed during 2019 had continued through January 2021, aggregate wages and salaries would have been 3.0 percent higher. Personal income—which includes wages and salaries, interest and dividend income, and government social benefits—has experienced a notable increase in January as a result of another round of stimulus checks. Personal savings, which equal the difference between income and expenditures, rose similarly in January. In aggregate, consumers have accumulated $1.7 trillion in “excess” savings since the pandemic.



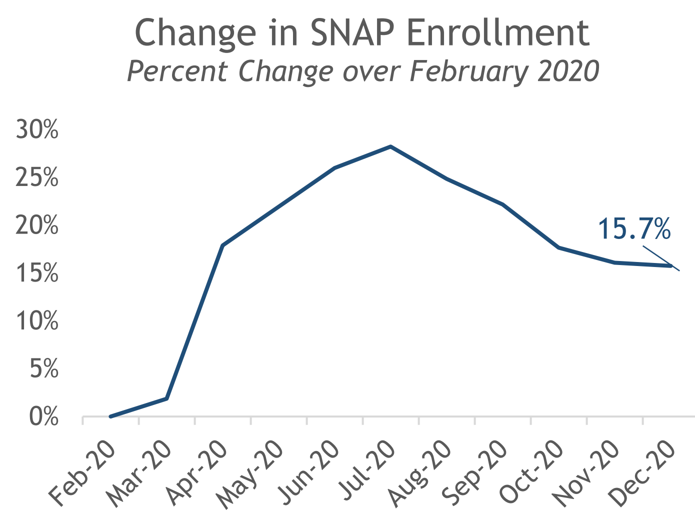
There are several other indicators that suggest household finances are strong and poised to fuel increased consumer spending. Household debt service levels hit record lows during the pandemic, suggesting that households have more financial room to increase spending as restrictions on business activity are relaxed. Debt service payments account for only 9 percent of disposable income, down from nearly 10 percent before the pandemic. One explanation for this is that many consumers paid down credit card debt as they pared back their typical spending habits during the pandemic. Consumers reduced their credit card debt by 5.3 percent in 2020 compared to 2019—the largest drop in a decade, according to data from the Federal Reserve Bank of New York.



Meanwhile, mortgage debt has grown significantly, with a 4.6 percent increase in 2020—the highest year-over-year growth since 2008. The rising cost of housing and large mortgage payments can be a burden on household budgets, but data show that delinquency rates on mortgages are lower than at any other time in at least 20 years. This is largely due to forbearances and foreclosure moratorium that are giving homeowners more flexibility as the economy recovers. There are several reasons why this growth can be viewed as a positive for economic growth. Credit scores of new mortgage owners have reached historic highs, suggesting relatively low default risk of new homeowners. Rising home values also provide more confidence to consumers regarding their financial position and can lead to higher spending. Additionally, home buying often triggers additional consumer spending as homebuyers purchase furnishings and spend on other home improvements.

While numerous measures of aggregate household finances are strong, many households are struggling financially. As people have lost income, jobs, and health insurance benefits through their employer, enrollment rates have spiked in public assistance programs such as Medicaid. People are eligible for Medicaid if their income is 133 percent of the Federal Poverty Level (FPL) or lower, which equates to $16,980 for a household of one person and $34,848 for a household of four. Since February 2020, enrollment in Colorado's Medicaid program has risen 18 percent, and over 1.4 million Coloradans now rely on Medicaid for health insurance.

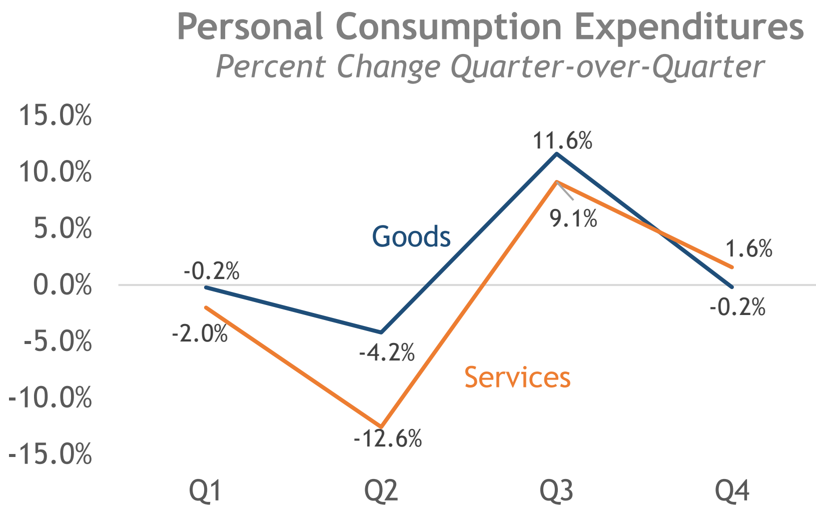
Similarly, enrollment in Colorado's Supplemental Nutrition Assistance Program (SNAP) has increased during the pandemic. SNAP helps individuals with lower incomes buy food. Since February 2020, the number of SNAP recipients has increased by nearly 16 percent, and over 255,000 Coloradans are receiving benefits. If not for expanded unemployment insurance benefits during the pandemic, enrollment in SNAP would likely have been higher.



Source: Colorado Health Care Policy & Financing.

Retail Sales

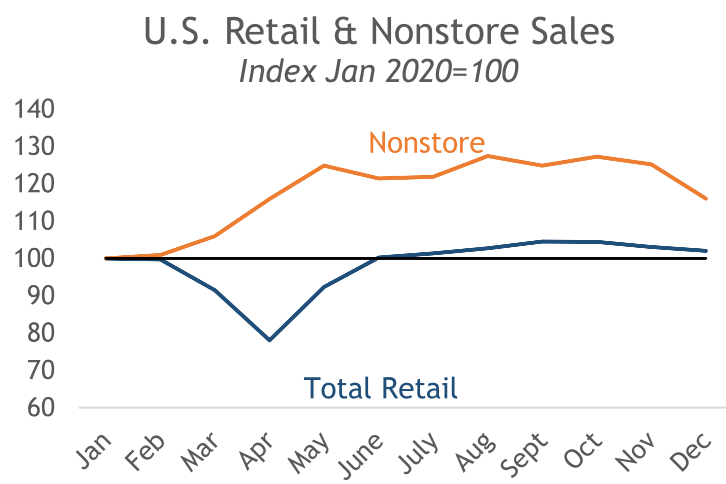
Consumer spending has ebbed and flowed over the past year, bolstered by the large stimulus payments and additional unemployment insurance payments. With many services curbed due to restrictions on in-person contact, consumers continue to spend on goods over services. In the fourth quarter of 2020, spending on goods increased by 6.5 percent, while spending on services declined by 5.0 percent year-over-year. Growth in spending on goods outpaced spending on services three out of the four quarters last year, as shown in the figure below.



Source: U.S. Bureau of Economic Analysis; data seasonally adjusted at annual rates.

In January, U.S. monthly advanced retail sales grew 7.5 percent year-over-year after tepid growth of 2.5 percent in December. Retail spending in January received a boost from the $600 stimulus checks sent to households after the passage of H.R. 133, and is likely to spike again as households receive additional $1,400 stimulus checks from American Rescue Plan in March.

It is still unclear whether larger structural shifts will occur as a result of the pandemic; however, spending at non-store retailers is expected to remain elevated. At the height of shutdowns in 2020, online sales jumped to almost 20 percent of all retail sales in the U.S. and remained around 15 percent thereafter, about 2 percent higher than 2019. This shift may prolong higher unemployment levels, as brick-and-mortar retailers may not have survived shut-downs over the past year or require fewer employees in the near term, which may put some downward pressure on overall consumer spending.



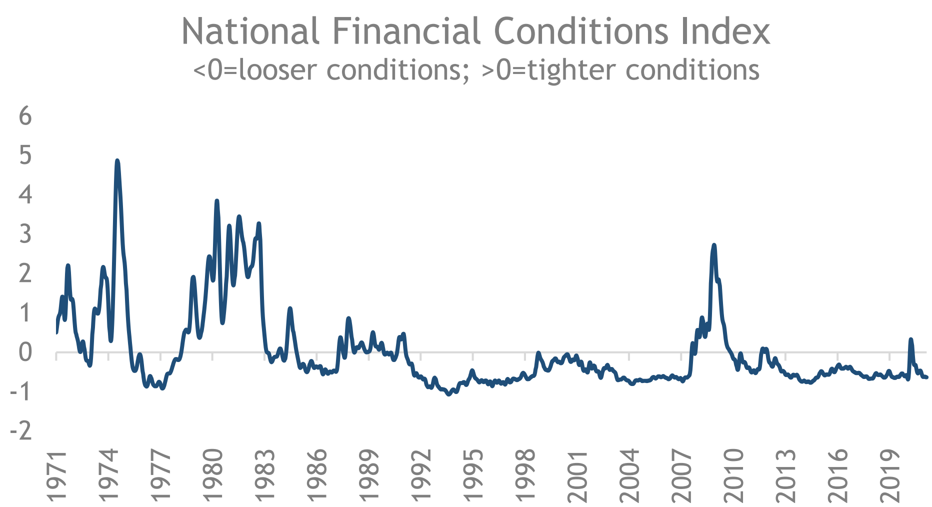
Source: U.S. Census Bureau; data seasonally adjusted.

Throughout 2020, U.S. demand for durable goods, such as motor vehicles, furniture, and electronics, was stronger than expected but is likely to recede in 2021. As the vaccine rollout progresses this year, spending on durable goods will likely shift to spending on restaurants, travel, and other services, as well as nondurable goods such as clothing. A spike in consumer spending is expected during the second half of 2021 but is likely to wear off by the end of the year, resulting in more moderate spending growth in 2022.

In Colorado, retail spending grew 1.9 percent in 2020 over 2019 levels, compared to just 0.4 percent growth at the national level. Despite an uptick in total retail sales, net taxable sales declined by 0.9 percent year-over-year because spending on food for home consumption, which is largely not subject to sales tax, comprised a greater share of total retail sales. As restrictions on in-person dining continue to loosen, spending will shift towards taxable consumption at restaurants. Overall, Colorado retail sales are expected to pick up throughout 2021, bolstered by additional federal stimulus, a lower unemployment rate, and tourism picking back up in late spring and through the rest of the year.

Financial Conditions

U.S. financial conditions are currently quite favorable, providing fertile ground for economic growth over the coming year as they encourage borrowing and spending by both businesses and individuals. The Federal Reserve Bank of Chicago indexes a combination of market indicators, including credit spreads, interest rates, and equities, to capture overall financial conditions relative to historical norms in their National Financial Conditions Index. Since the federal government's response to the recent economic downturn took hold, the index has been well below zero, indicating better than average financial conditions supportive of growth.



Source: Federal Reserve Bank of Chicago.

Expectations of continued fiscal and monetary policy support have led to advantageous financial conditions. Congressional fiscal relief packages have shaped market optimism, leading to equity gains and lower credit spreads, which in turn support business investment. Further, the Federal Reserve has shaped market expectations and used creative monetary tools to keep financing costs down, benefiting corporations and consumers alike.

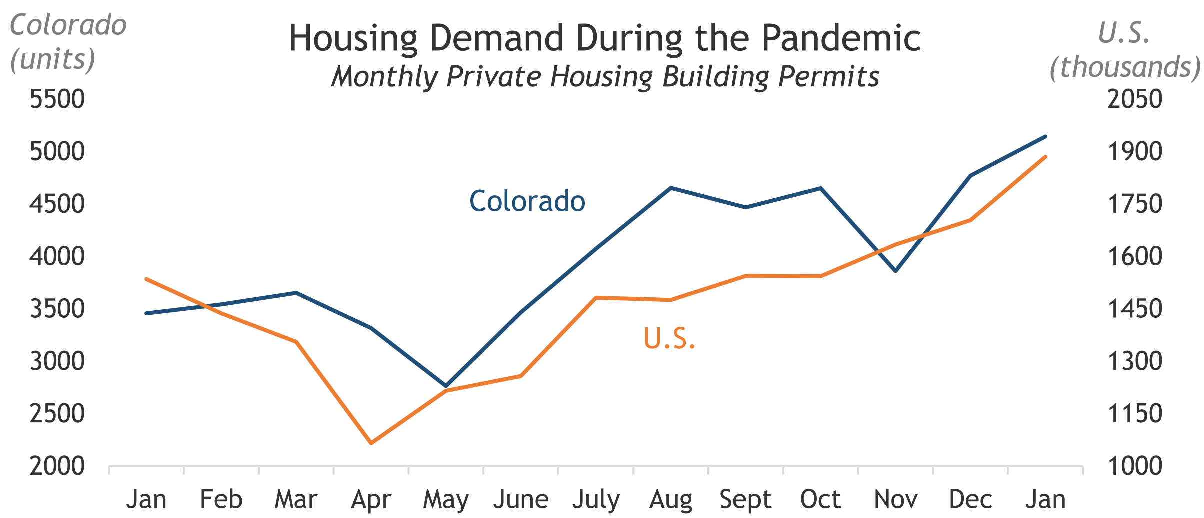
The Federal Reserve responded quickly and successfully at the beginning of the crisis last March by cutting the lower bound of the Federal Funds Rate to zero and increasing the pace of asset purchases to stabilize market conditions. More recently, attention has shifted to concerns over inflation expectations given continued Congressional action. In response, the Fed has consistently communicated in recent months that its short-term goal of supporting full employment takes precedence over inflationary concerns, and it will temporarily allow inflation to exceed the long-term target of 2 percent to achieve that goal.

Supportive monetary policy combined with fiscal action provide a foundation for resurgent growth in the short term. However, in the long run, looser policy and lending practices do pose risks, including potentially inflating asset price bubbles and tempting borrowers to take on too much debt. While there is widespread agreement on the need for looser conditions in the short term, disagreement exists on the size and duration of governmental assistance necessary due to the potential future risks.

Housing

Low interest rates and strong income growth have bolstered the housing market into 2021, with demand for homeownership in Colorado rising at one of the fastest paces in the country. Construction of new private housing units, a leading economic indicator, has grown at a strong pace since July. Building permits for Colorado increased by 31.0 percent in the second half of 2020 for a total annual growth rate of 11.3 percent. Permit levels continued to climb in January and were 44.5 percent higher than one year ago. With the surge in buyer demand, the builder sentiment index rose to 84 in February, 13.5 percent higher than the previous year and well above pre-pandemic levels.

Housing prices are expected to remain high as strong demand has resulted in tight inventories and higher prices across the state. According to early March counts tracked by the U.S. Census Bureau, the number of homes available for sale has never been lower. The lack of inventory remains the biggest challenge for the housing market moving forward. Home listings decreased by 13.1 percent in January and further declined by 9.4 percent in February while sold listings marginally increased by 0.3 percent and 2.8 percent respectively relative to a year ago. The median number of days a listing in metro Denver remained on the market before completing a sale was down to five days in February (compared to fifteen days in February 2020). Long-term mortgage rates, another driver of demand, have seen incremental increases in 2021 but remain at relatively low levels (just above 3.0 percent in mid-March), incentivizing potential buyers to enter the market.



Source: U.S. Census Bureau; data seasonally adjusted at annualized rates.

Rent collections remain strong as Colorado landlords have received more full rent payments than any other state throughout 2020 with 95 percent of renters paying on time as of February 28th, continuing to outperform national rent payments in every month since April. Policy interventions – such as the expanded unemployment insurance benefits, federal economic relief payments, and forbearance provisions – intended to relieve the burden on households from debt and bill payment and lost employment income have helped keep mortgage delinquency rates just 2 percentage points above normal.

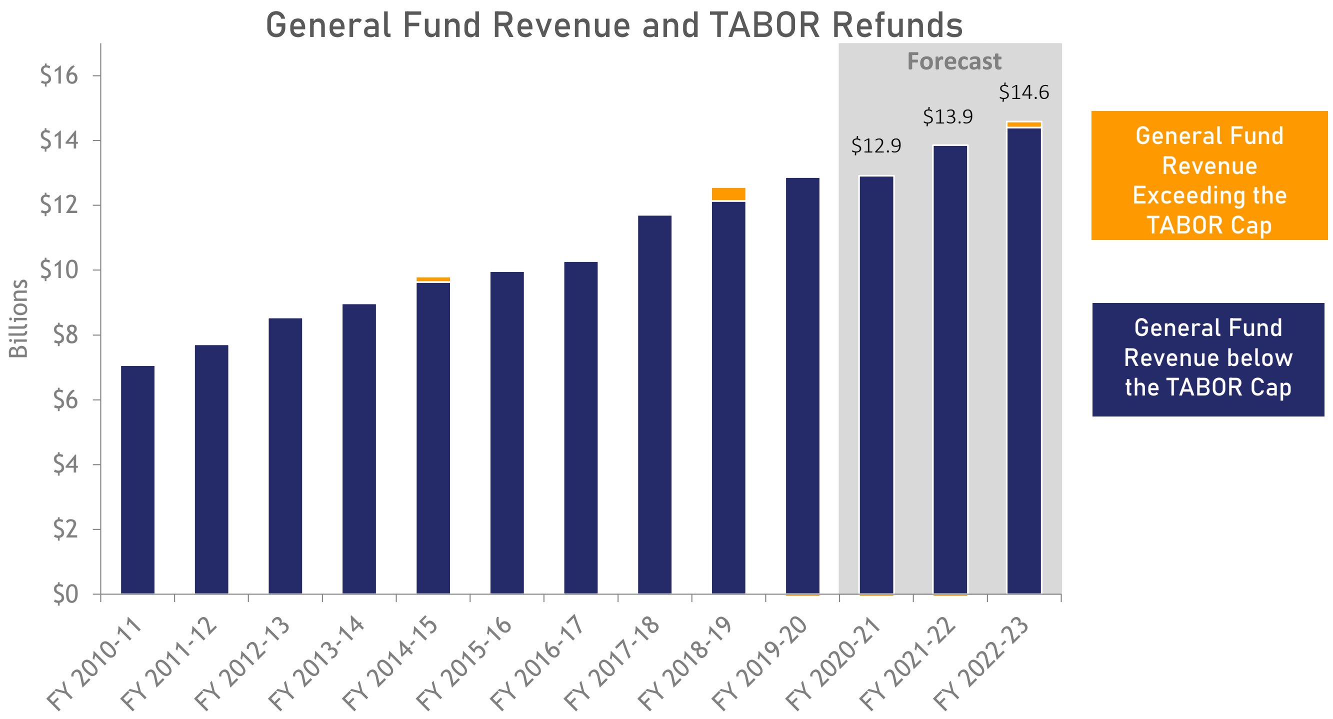
Colorado's eviction filings are at an all-time low, with January levels reaching only 11 percent of the previous year's amount and February levels down 79.4 percent relative to 2020. Eviction moratoriums and federal income supplements led to an abrupt decline in filings after March 2020 causing monthly eviction filings to be well below pre-pandemic levels. $54 million dollars of state emergency funds was distributed through existing state programs in early December to provide Coloradans rent and mortgage relief. The level of available aid for residents is about to spike further as Colorado recently received an additional $247 million for statewide rental and utility assistance from the federal government.

Forecast Risks

There is downside risk to the forecast as higher contagion rates for virus variants could slow reopening altogether. As the economy does reopen, continued labor market misalignment and possible supply chain disruptions may be a drag on further growth. Certain industries continue to be disproportionately harmed by the pandemic recession, especially low-wage and service-sector industries. Overall, however, the risks to the forecast are balanced to the upside as household finances and financial conditions are historically strong and poised to accelerate the recovery as vaccine distribution continues.

Revenue Outlook – General Fund

General Fund revenue is projected to increase by 0.3 percent in FY 2020-21 before growing by 7.3 percent in FY 2021-22. It is expected to further increase by 5.2 percent in FY 2022-23. Since December, the GF revenue forecast has been revised upward by a total of $1.46 billion for FY 2020-21 through FY 2022-23.



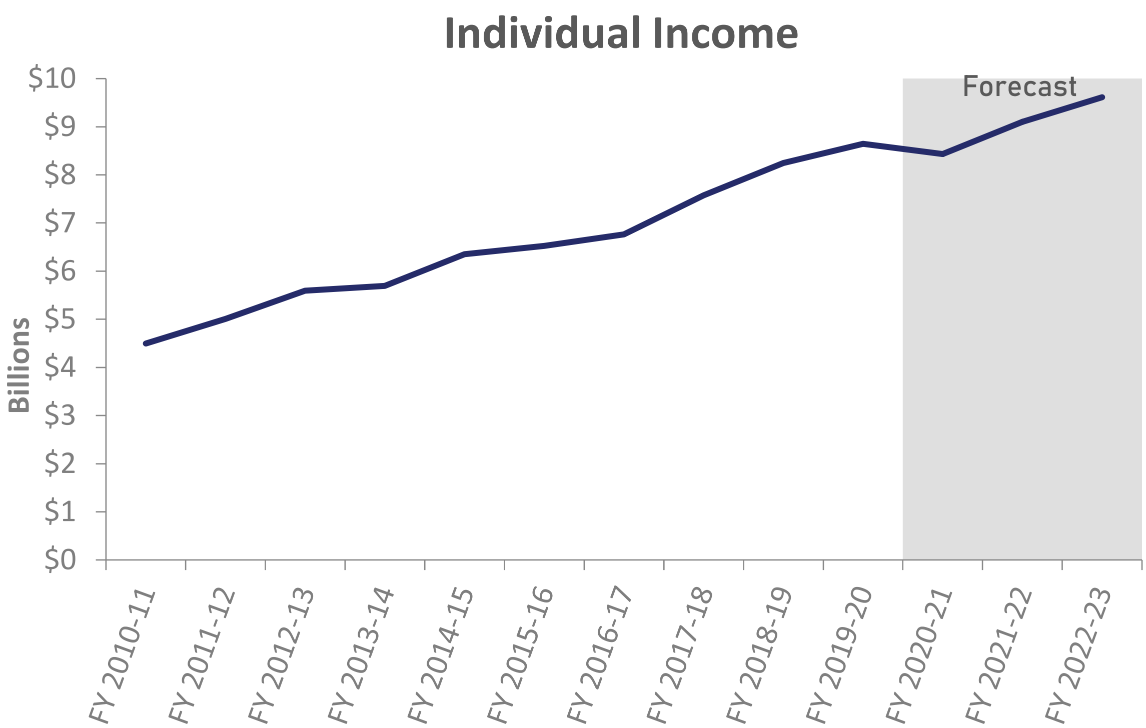
The upward revision to the forecast is due to higher than anticipated revenue collections in recent months, especially attributable to corporate income taxes and individual income taxes, two of the largest revenue sources for the general fund, as well as improved economic expectations with the availability and distribution of vaccines.

Three major revenue sources together make up about 94.3 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 5.7 percent.

Individual Income Tax

Following a 4.8 percent increase in FY 2019-20, individual income tax is projected to decline in FY 2020-21 by 2.4 percent, or $211.7 million. This is an upward revision compared to the December 2020 forecast, which projected a 7.2 percent decline.

The largest component of individual income tax revenue is withholdings, and receipts for the current fiscal year through February are strong. Withholdings are 11.5 percent higher than the same point in 2020 (before the pandemic). This is consistent with national trends showing that wages and salaries for this fiscal year are higher than in FY 2019-20. Additionally, unemployment insurance benefits grew dramatically since the pandemic began, and withholdings from those benefits have boosted FY 2020-21 withholdings by approximately three percent.



At the same time, refunds are projected to grow substantially, as they usually do during economic slowdowns. Taxpayers who experience unexpected income losses may move to a lower tax bracket and often get a tax refund.

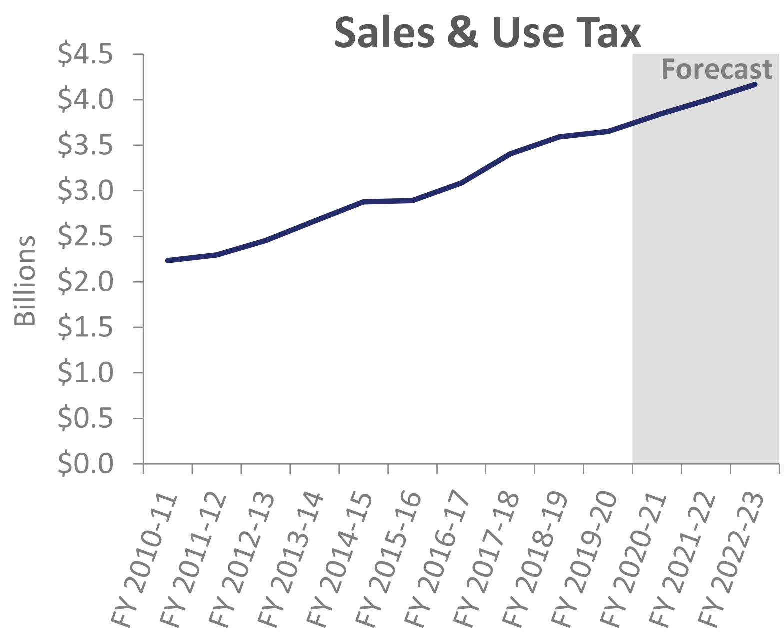
Individual income tax revenue is forecast to grow in FY 2021-22, with a 7.9 percent increase. This is a strong rebound from the pandemic-induced recession, but the revenue is still below the December 2019 forecast for FY 2021-222019, and the growth rate is lower than that observed in FY 2017-18 (12.1 percent growth) and FY 2018-19 (8.8 percent growth). In FY 2022-23, we forecast a 5.6 percent increase in individual income tax revenue.

Corporate Income Tax

Corporate income tax collections fell to $728.3 million in FY 2019-20, which is a 20.8 percent reduction from FY 2018-19. Some of this decline was anticipated because of an unusually large settlement agreement with a delinquent taxpayer. However, despite the COVID pandemic and a recent federal relief bill allowing for business expense deductions, corporate income tax receipts are expected to grow by 12.4 percent in FY 2020-21. One major reason for the growth is that there has been a shift towards corporate retailers over the past year, who are in a better position to succeed in the current climate. As conditions begin to normalize and larger corporate tax write-offs will be available in FY 2021-22, revenue is expected to fall by less than 2 percent before moderate growth in corporate income tax revenue resumes.

Sales and Use Taxes

Sales tax revenue grew 4.7 percent in FY 2019-20 and is expected to grow by 4.2 percent in FY 2020-21 before holding steady at 4.3 percent growth in FY 2021-22 and FY 2022-23. Relative to the December forecast, the projection for FY 2020-21 was revised downward about $60 million to $3.331 billion. The projections for FY 2021-22 and FY 2022-23 were revised downward by $29.4 million and $49.7 million, respectively; however sales tax is still expected to remain strong both years.



The downward revision to FY 2020-21 accounts for tepid growth year-to-date through February on weak holiday spending and a smaller bounce back projected this spring, since Colorado's sales tax collections only dipped in April and May last year. Additionally, with the vaccine rollout progressing, this forecast expects some tradeoff between spending on goods and services as people begin to feel more comfortable retuning to gyms, salons, and other in-person services that are not subject to sales tax.

Sales tax revenue growth through February 2021 is lower due in part to the impacts from the COVID-19 pandemic, but also as a result of higher collections during FY 2019-20 from the impacts of the out-of-state sales tax collections codified by HB 19-1240. During FY 2019-20, the Department of Revenue estimates that an additional $79.3 million was collected in "new" sales tax revenue resulting from these changes. This new revenue grew by 124 percent from the first month of the fiscal year to the last month of the fiscal year, resulting in high levels of sales tax growth. As this "new" revenue becomes part of the sales tax base, its growth has slowed down, resulting in sales tax revenue growth that has been artificially lowered from a higher base.

The upside risk to the forecast includes higher than expected spending on goods, as pent-up demand is realized and people spend down the savings they have accumulated over the past year. The take-up of HB 20B-1004, which allows for restaurants, bars, and mobile food services to deduct a portion of their net taxable sales for four months, has come in lower than projected – about $15 million in November and December combined, as opposed to the initial estimate of at least $10 million per month.

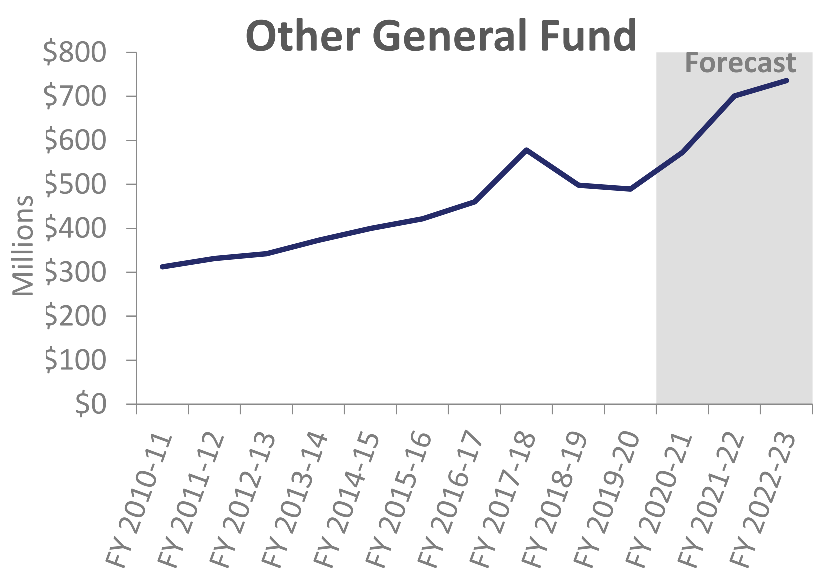
Use tax revenue declined by 39.1 percent to $210.5 million in FY 2019-20 and is expected to decline another 2.4 percent to $205.4 million in FY 2020-21. This projection is a downward revision of $14.6 million from December's forecast due to weaker than expected revenues in recent months. Further, it is expected that use taxes will continue to decline very slightly to $203.5 million in FY 2021-22 prior to regaining a positive trajectory to $210.0 million in FY 2022-23.

The drastic decline in FY 2019-20 is due largely to the increase in collection of out-of-state sales taxes, noted above, through the implementation of House Bill 19-1240. Similarly, this trade-off between sales and use tax collections has likely been a factor in the continued decline in FY 2020-21. It is expected that this effect will level off over the course of FY 2021-22, hence the return to steadily increasing use tax revenues in FY 2022-23.

After a 27.4 percent increase to $245.5 million in FY 2019-20, the 15 percent special sales tax on marijuana retail sales is projected to increase by 20.4 percent to $295.6 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 excise taxes on cigarettes, tobacco, nicotine, and liquor, as well as insurance revenue and interest income. Other General Fund revenue is expected to increase by 17.1 percent in FY 2020-21, followed by growth of another 22.3 percent in FY 2021-22. For FY 2020-21 in particular, this is a minor revision downward from the December forecast due to lower than expected cigarette revenues in recent months.

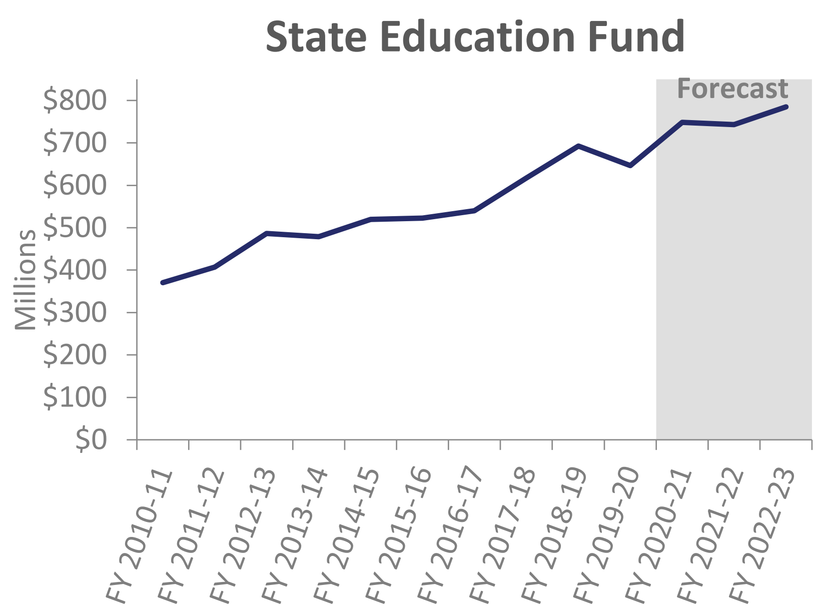


The increases over the FY 2019-20 forecast for FY 2020-21 and FY 2021-22 are largely due to additional revenues resulting from the approval of Proposition EE. Proposition EE, a ballot measure approved in November, imposes additional taxes on cigarettes and other tobacco products and creates a tax on 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 15.7 percent in FY 2020-21 and decline 0.7 percent in FY 2021-22. This does not include transfers from other funds. The forecast for State Education Fund revenue in FY 2021-22 has been revised upward from the December 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 8.3 percent from the prior fiscal year. In FY 2020-21 cash fund revenue is projected to increase by 1.2 percent to $2.3 billion then growing again at an increased rate of 6.3 percent in FY 2021-22.

Transportation

Transportation-related cash fund revenue fell by 6.1 percent in FY 2019-20, and is expected to decline by 0.9 percent in FY 2020-21. The forecast for FY 2020-21 has been revised downward since December. Motor fuel tax revenue, which typically account for over half of all Highway Users Cash Fund revenue, has come in lower than expected over the winter months on higher COVID cases in November and December as well as ongoing subdued commuting travel. Motor fuel taxes are expected to pick up in FY 2021-22 on increased tourism into the state and a return to offices. Strong vehicle purchases have helped bolster registration-related collections, which are expected to rebound during FY 2021-22 and pick up speed in FY 2022-23. Total transportation revenue is forecast to grow by 3.7 percent in FY 2021-22 and by 2.0 percent 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	**$624.5**	**$615.8**	**$640.1**	**$646.2**
Change	-4.6%	-1.4%	3.9%	0.9%
Total Registrations	**$381.8**	**$387.7**	**$395.0**	**$401.3**
Change	-0.2%	1.5%	1.9%	1.6%
Registrations	*$227.0*	*$230.0*	*$235.7*	*$239.7*
Road Safety Surcharge	*$134.0*	*$137.3*	*$138.5*	*$140.8*
Late Registration Fees	*$20.9*	*$20.4*	*$20.7*	*$20.9*
Other HUTF	**$63.0**	**$62.1**	**$64.8**	**$66.9**
Change	-11.5%	-1.4%	4.3%	3.2%
Total HUTF	**$1,069.4**	**$1,065.6**	**$1,099.9**	**$1,114.4**
Change	-3.6%	-0.4%	3.2%	1.3%
Non-HUTF				
State Highway Fund	**$27.5**	**$28.6**	**$25.2**	**$25.8**
Change	-30.9%	3.8%	-11.9%	2.3%
Other Transportation Funds	**$101.4**	**$92.7**	**$105.8**	**$115.7**
Change	-20.4%	-8.5%	14.1%	9.3%
Total Transportation Revenue	**$1,198.2**	**$1,186.9**	**$1,230.9**	**$1,255.8**
Change	-6.1%	-0.9%	3.7%	2.0%

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. The table below illustrates HUTF distributions based on the first and second stream allocation formulas with the current forecast for HUTF revenue. Off-the-top deductions for Colorado State Patrol include the FY 2020-21 appropriation, the FY 2021-22 budget request, and is held flat in FY 2022-2023.

HUTF Revenue Distributions	Forecast FY 20-21	Forecast FY 21-22	Forecast FY 22-23
Off-the-Top Deductions	$163.5	$171.8	$171.8
State Highway Fund (CDOT)	$557.6	$573.6	$582.7
Counties	$211.6	$217.6	$221.1
Cities	$132.9	$136.8	$138.7
Total HUTF Distribution	**$1,065.6**	**$1,099.9**	**$1,114.4**

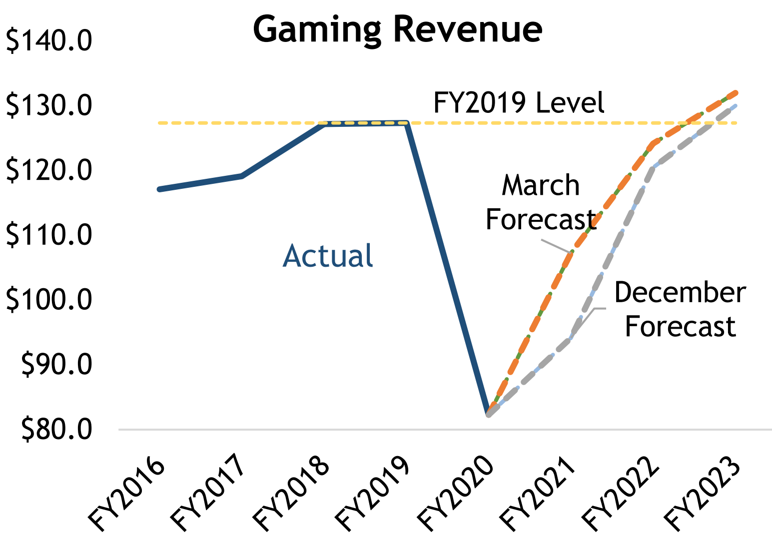
Limited Gaming

After a steep decline of 34.2 percent in FY 2019-20 due to COVID-related public health closures and operating restrictions, limited gaming revenue is expected to grow 30 percent to $107.2 million in FY 2020-21 due continued resiliency in gaming revenue in recent months despite continued public health restrictions through the winter. In addition, increased certainty regarding the COVID-19 vaccine and the resultant lifting of capacity restrictions at casinos has elevated expected gaming revenue in FY 2021-22.

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 (Includes Fees and Interest)	**$82.3**	**$107.2**	**$124.1**	**$132.0**
Annual Percent Change	-34.2%	30.3%	15.8%	6.3%
B. Gaming Revenue Exempt from TABOR (Extended Limited)	**$13.1**	**$19.7**	**$20.4**	**$20.7**
Annual Percent Change	-26.9%	50.3%	3.3%	1.6%
C. Gaming Revenue Subject to TABOR	**$69.1**	**$87.5**	**$103.7**	**$111.2**
Annual Percent Change	-35.4%	26.5%	18.6%	7.2%
D. Total Amount to Base Revenue Recipients	**$50.4**	**$73.9**	**$89.8**	**$97.2**
Amount to State Historical Society (28%)	$14.1	$20.7	$25.1	$27.2
Amount to Counties (12%)	$6.0	$8.9	$10.8	$11.7
Amount to Cities (10%)	$5.0	$7.4	$9.0	$9.7
Amount to Distribute to Remaining Programs (State Share) (50%)	$25.2	$36.9	$44.9	$48.6
Amount to Local Government Impact Fund	$0.0	$0.0	$5.4	$5.8
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	$25.2	$36.9	$14.4	$17.7
E. Total Amount to Amendment 50 Revenue Recipients	**$15.2**	**$16.7**	**$17.7**	**$18.1**
Community Colleges, Mesa and Adams State (78%)	$11.9	$13.0	$13.8	$14.1
Counties (12%)	$1.8	$2.0	$2.1	$2.2
Cities (10%)	$1.5	$1.7	$1.8	$1.8

With these revised expectations, gaming revenue is expected to nearly reach nominal pre-pandemic revenue of $125 million by FY 2021-22 and is expected to exceed $125 million in FY 2022-23. Given the consistency in gaming revenue, the vaccine timeline, and the resilience in gaming revenue in recent months despite public health restrictions, there is little downside risk to this forecast. On the upside, it is possible that further loosening of capacity restrictions and pent up demand could boost gaming revenue above forecast amounts.

In addition to the revisions to the gaming revenue forecast as a result of COVID-related phenomena, we also expect a slight upward revision to gaming revenues starting in FY 2021-22 due to the recent Amendment 77 legislation allowing gaming counties to raise maximum bets and expand games. Since the December forecast, all three major gaming counties in Colorado have voted on and passed the measure. Accordingly, it is expected that this will have a minor ($2-$5 million) positive effect on gaming revenue going forward. Expectations for this effect will be revised in future forecasts if needed. The chart on the left compares the March and December forecasts for gaming revenue.



Source: Colorado Department of Revenue; Division of Gaming.

Severance

Low year-to-date collection levels, high ad valorem tax credit claims and nearly three quarters of reduced market activity due to COVID-19 related disruptions have weighed heavy on severance tax collections in FY 2020-21. Severance tax revenue fell to $131.7 million in FY 2019-20 and is expected to decline further in FY 2020-21 to negative $6.9 million. This projection has been revised downwards from the December forecast by $32.6 million for the current fiscal year, due largely to refunds issued since the last forecast.

Production in Colorado remains constrained, with only 7 rigs active in the state at the end of February, down from 25 during the same period in 2019.[2] Extraction activity is anticipated to increase in FY 2021-22 as a stronger economy emerges from the pandemic, supporting industrial growth and reducing the oil demand gap. Rising confidence in vaccine rollouts and the economic recovery have bolstered recent market prices and future expectations, reaching to levels that once again incentivize production activity.[3] These expectations support a more positive outlook for collection levels during the outer years of the forecast, with projected revenue increasing to $61.3 million in FY 2021-22 and $92.9 million in FY 2022-23. These figures have been revised upward by $8.3 million and $18.2 million in those years, respectively.

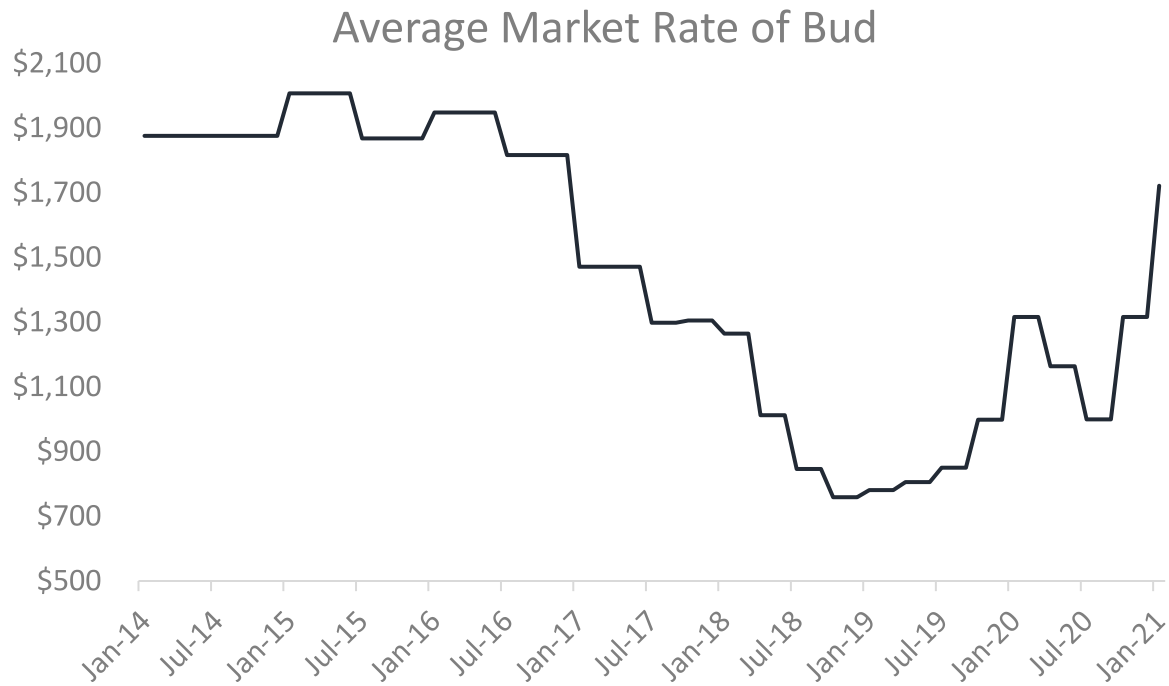
[2] Anderson Rig Report
[3] International Energy Agency (EIA)

Marijuana

Marijuana taxes grew 32.4 percent overall in FY 2019-20, totaling $347.3 million at year-end. The prominent increase in marijuana revenue over previous years was primarily driven by high sales after the start of the pandemic, in May and June. Since then record sales of marijuana have continued throughout the fall and winter in both the adult-use retail and medical categories. In fact, sales of adult-use retail marijuana have set monthly records in each month for which we have data since the pandemic began, April through December 2020. Similarly, medical sales have also been above record monthly levels for six out of the nine months of data since the start of the pandemic. As a result, total marijuana tax revenue is expected to continue to increase in FY 2020-21 to $426.4 million, up $16.2 million from the December forecast and an increase of 22.8 percent over FY 2019-20. Additionally, marijuana revenue is expected to grow to $455.4 million in FY 2021-22 and $476.3 million in FY 2022-23, increases of 6.8 percent and 4.6 percent respectively.

Tax Revenue from the Marijuana Industry	Actual 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	$295.6	$316.3	$333.7
Retail Marijuana 15% Excise Tax	$88.5	$115.9	$124.0	$127.5
Total Proposition AA Taxes	**$334.0**	**$411.5**	**$440.3**	**$461.2**
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$11.7	$13.0	$13.1	$13.3
Retail Marijuana 2.9% State Sales Tax	$1.3	$1.6	$1.6	$1.5
Interest Earnings	$0.3	$0.3	$0.4	$0.4
Total 2.9% Sales Taxes & Interest	**$13.3**	**$15.0**	**$15.1**	**$15.2**
Total Marijuana Taxes	**$347.3**	**$426.4**	**$455.4**	**$476.3**

Record sales of marijuana and continued upward revisions to the marijuana revenue expectations are due to a number of factors, on both the supply and demand sides. On the demand side, growth in the marijuana market in Colorado seems to be driven by two factors: (1) expansion of the consumer base and (2) higher average transaction size for existing consumers.



Source: Colorado Department of Revenue.

As a result of the significant increase in cannabis demand, suppliers have increased prices as production lags demand. Notably, after relatively consistent declines since 2015, the average market rate is currently at $1,721, its highest level since December 2016. However, it is expected that these supply-side impacts will level-off, as the spike in demand brought new participants into the market and will eventually drive the price back down to pre-pandemic levels. Still, it is expected that growth will continue in marijuana tax revenue due to the market demand factors discussed above, albeit at lower rates than are currently being seen.

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 Actual	$347.3	$24.5	$34.4	$88.5	$0.0	$27.8	$172.1
FY 2020-21 Projected	$426.4	$29.6	$41.4	$40.0	$0.0	$109.4	$206.1
FY 2021-22 Projected	$455.3	$31.6	$44.3	$124.0	$0.0	$35.8	$219.6
FY 2022-23 Projected	$476.3	$33.4	$46.7	$127.5	$0.0	$37.8	$230.9

Federal Mineral Lease

Federal Mineral Lease (FML) revenue decreased by 44.9 percent to $62.7 million in FY 2019-20. This decrease is largely explained by the enactment of a Routt County coal mine royalty rate reduction (granted by the Bureau of Land Management) coupled with the effects of lower natural gas and oil prices. The economic downturn brought by the COVID-19 pandemic and oversupply across oil and gas markets induced heavy production cuts during this fiscal year. With little extraction activity taking place, FML revenue in Colorado is expected to decrease further by 3.4 percent to $60.6 million in FY 2020-21. This projection has been revised downward slightly since the December forecast by approximately $1.5 million.

New expectations for a faster recovery of global oil demand paired with stronger oil and gas price forecasts have led to a more positive outlook for FY 2021-22 and FY 2022-23 relative to December. Oil and gas prices are anticipated to remain at levels that incentivize production activity across the state. Subsequently, collection levels are projected to rebound gradually as prices stabilize and bolster mineral industries. Royalties collected in FY 2021-22 and FY 2022-23 is forecast to increase by 21.3 percent and 9.2 percent in those years, respectively.

FML Forecast Distribution Table	Preliminary FY20	Forecast FY21	Forecast FY22	Forecast FY23
Total FML Revenue	**62.74311**	**60.61558**	**73.51568**	**80.24538**
Change	-44.9%	-3.4%	21.3%	9.2%
Bonus Payments (portion of total FML revenue)	1.88229	0.43747	1.74217	0.93261
Local Government Perm Fund	0.93193	0.21873	0.87109	0.46631
Higher Ed FML Revenues Fund	0.93193	0.21873	0.87109	0.46631
Other (non-bonus) FML Revenue	60.86082	60.17811	71.77351	79.31277
State Public School Fund	29.10789	29.06603	34.66660	38.30806
Colorado Water Conservation Board	6.02648	6.01781	7.17735	7.93128
DOLA Grants	12.05296	12.03562	14.35470	15.86255
DOLA Direct Distribution	12.05296	12.03562	14.35470	15.86255
School Districts	1.02450	1.02303	1.22015	1.34832
Total HiEd FML Rev Fund	0.93193	0.21873	0.87109	0.46631

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

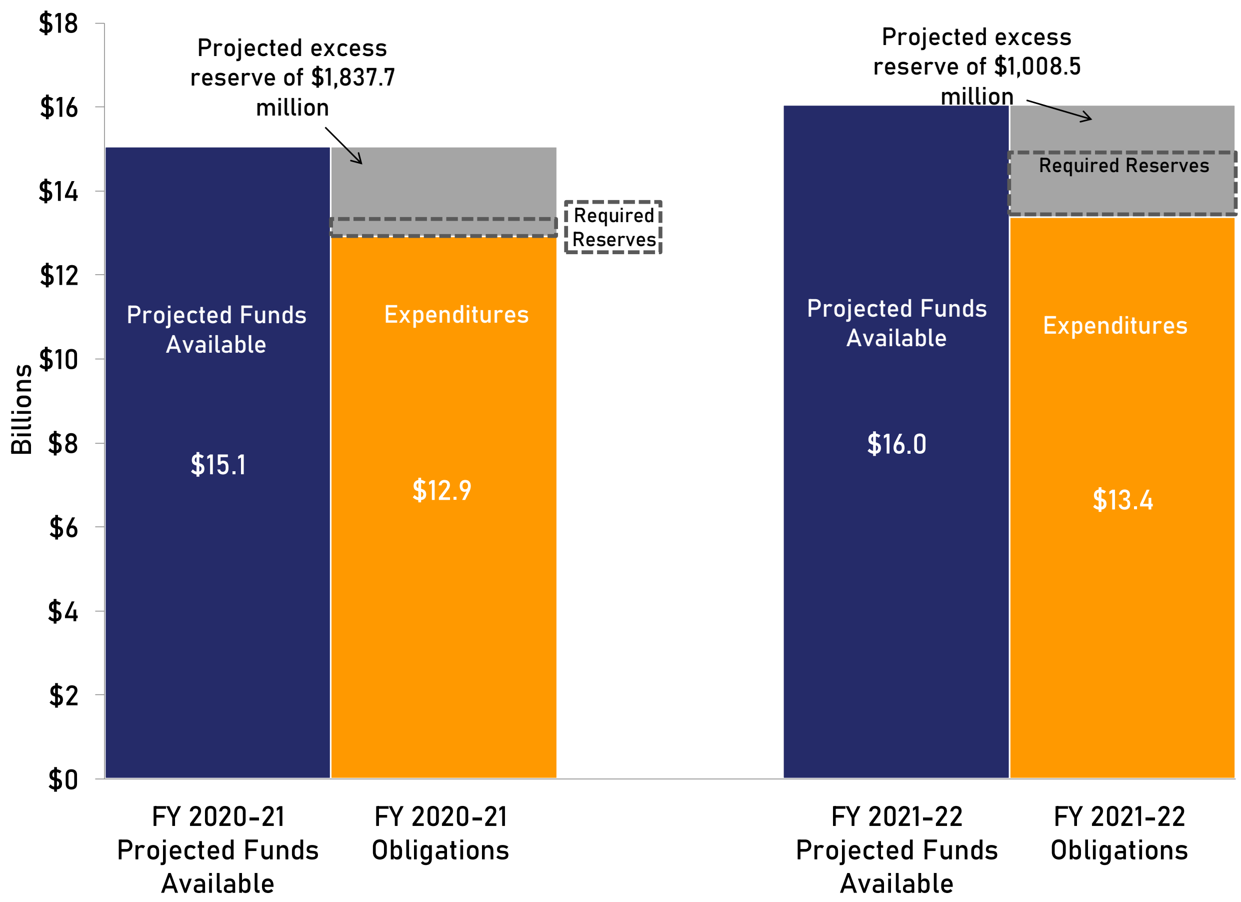
The State receives revenue from a variety of other cash funds as well. This includes cash fund revenue to the Department of Regulatory Agencies (DORA), which is projected to increase approximately 10 percent to $89.2 million in FY 2020-21. Insurance-related cash fund revenue is obtained largely from 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 $879.8 million in FY 2020-21, which is 21.3 percent higher than the December 2020 forecast. Receipts through January 2021 are very strong, and even 5 percent higher than this time last year, before the pandemic. The decline in receipts observed in several large cash funds related to judicial proceedings has reversed, and miscellaneous cash funds are on pace for are large year-over-year increase. Revenue in FY 2021-22 is projected to grow 1.6 percent to $893.9 million.

Budget Outlook

General Fund

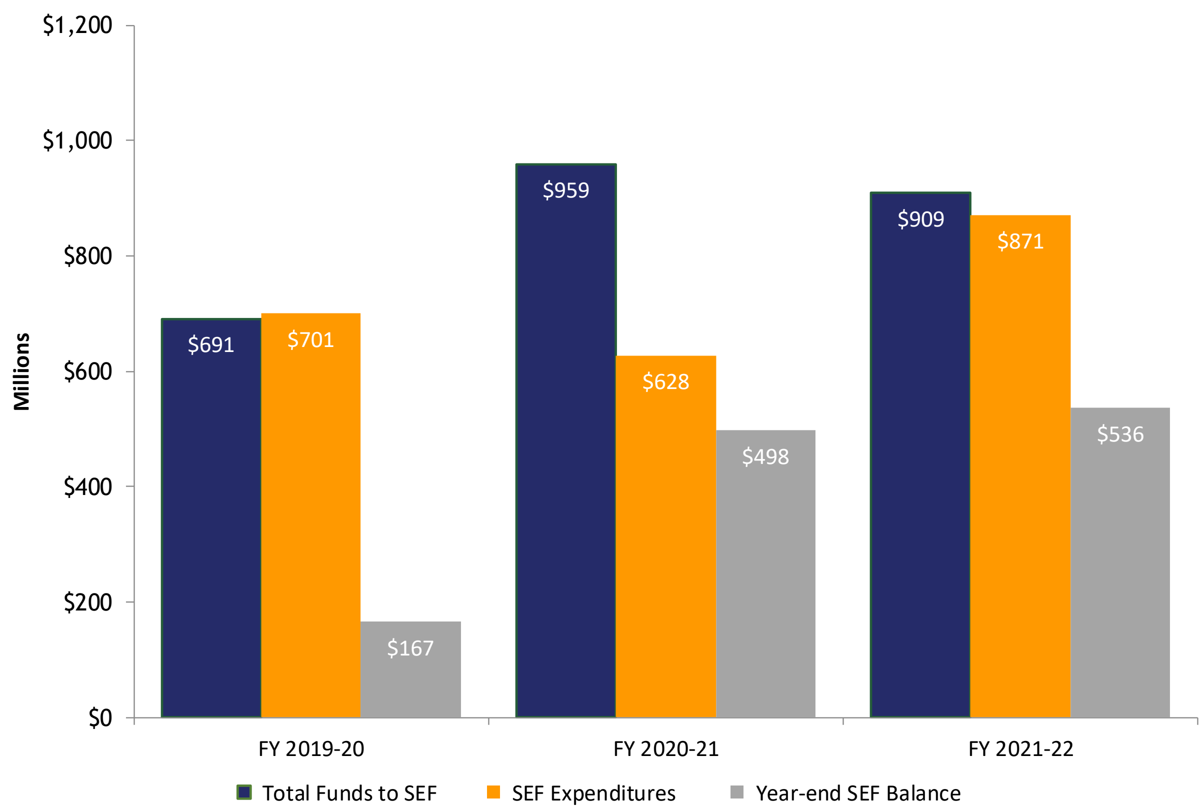
General Fund revenue increased 2.4 percent in FY 2019-20 and is projected to increase 0.3 percent in FY 2020-21 before growing 7.3 percent in FY 2021-22 and 5.2 percent in FY 2022-23. General Fund revenue for FY 2020-21 is $425.0 million, or 3.4 percent, higher than was estimated in December, as the pace of the economic recovery is exceeding expectations. The forecast for FY 2021-22 is $390.6 million, or 2.9 percent, higher than estimated in December.



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 13.5 percent of appropriations in FY 2021-22. Under this forecast, the General Fund ending balance is projected to be $1,008.5 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 January 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 $498.0 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 performed better than expected since the December forecast, and the approval and distribution of vaccines for COVID-19 are bringing about the end of the pandemic. Additionally, the President signed a bill in late December to provide $900 billion in federal funds, and an even larger $1.9 trillion bill was signed on March 11, 2021. These bills increase vaccination efforts, provide more stimulus payments to individuals, enhance unemployment benefits, and deliver aid to states; these actions will collectively boost the economic recovery.

However, on the downside, new variants of the COVID-19 virus could hamper the public health response and slow the economic 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 statutory revenue cap under SB17-267 by $428.3 million in FY 2018-19 but did not exceed the cap in FY 2019-20. Current projections indicate that TABOR revenue will be $614.5 million under the SB17-267 cap in FY 2020-21 and just $82.6 million under the cap in FY2021-22. However, TABOR revenue is forecast to exceed the SB17-267 cap in FY 2022-23 by $181.5 million, which would lead to taxpayer refunds paid in FY 2023-24. This contrasts with the December 2020 forecast which projected TABOR revenue below the cap throughout 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.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

Line No.		Actual						March 2021 Forecast		
		2015	2016	2017	2018	2019	2020	2021	2022	2023
	Income									
1	Personal Income (Billions) /A	$284.8	$290.7	$312.0	$335.2	$352.2	$368.6	$387.5	$401.4	$421.1
2	Change	5.0%	2.1%	7.4%	7.4%	5.1%	4.7%	5.1%	3.6%	4.9%
3	Wage and Salary Income (Billions) /A	$146.6	$151.1	$160.8	$170.3	$182.1	$184.1	$194.4	$204.1	$213.5
4	Change	5.8%	3.1%	6.5%	5.9%	6.9%	1.1%	5.6%	5.0%	4.6%
5	Per-Capita Income ($/person) /A	$52,219.0	$52,431.0	$55,549.6	$58,835.7	$61,159.3	$63,475.8	$66,118.0	$67,820.0	$70,438.8
6	Change	3.0%	0.4%	5.9%	5.9%	3.9%	3.8%	4.2%	2.6%	3.9%
	Population & Employment									
7	Population (Thousands)	5,454.3	5,543.8	5,617.4	5,697.2	5,758.5	5,807.7	5,860.0	5,918.6	5,977.8
8	Change	1.9%	1.6%	1.3%	1.4%	1.1%	0.9%	0.9%	1.0%	1.0%
9	Net Migration (Thousands)	69.7	58.4	44.8	53.2	41.9	28.6	30.0	36.0	40.0
10	Unemployment Rate	3.7%	3.1%	2.6%	3.0%	2.7%	7.3%	5.6%	4.5%	3.7%
11	Total Nonagricultural Employment (Thousands)	2,541.0	2,601.7	2,660.3	2,727.3	2,790.1	2,644.6	2,747.7	2,824.7	2,878.9
12	Change	3.1%	2.4%	2.2%	2.5%	2.3%	-5.2%	3.9%	2.8%	1.9%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	31.9	39.0	40.7	42.6	38.6	46.8	49.4	49.5	48.7
14	Change	11.0%	22.3%	4.4%	4.8%	-9.4%	21.3%	5.5%	0.1%	-1.5%
15	Nonresidential Construction Value (Millions) /B	$4,990.8	$5,987.8	$6,154.9	$8,141.0	$5,069.1	$4,857.3	$4,881.6	$4,954.8	$5,326.4
16	Change	14.7%	20.0%	2.8%	32.3%	-37.7%	-4.2%	0.5%	1.5%	7.5%
	Prices									
17	Retail Trade (Billions)	$182.8	$184.7	$194.6	$206.1	$224.6	$228.8	$244.4	$254.8	$263.6
18	Change	0.1%	1.0%	5.4%	5.9%	9.0%	1.9%	6.8%	4.3%	3.5%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100) /C	240.0	246.6	255.0	262.0	267.0	272.2	278.7	285.2	292.3
20	Change	1.2%	2.8%	3.4%	2.7%	1.9%	2.0%	2.4%	2.3%	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						March 2021 Forecast		
		2015	2016	2017	2018	2019	2020	2021	2022	2023
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$17,432.2	$17,730.5	$18,144.1	$18,687.8	$19,091.7	$18,423.4	$19,510.4	$20,271.3	$20,656.5
2	Change	3.1%	1.7%	2.3%	3.0%	2.2%	-3.5%	5.9%	3.9%	1.9%
3	Personal Income (Billions) /B	$15,724.2	$16,160.7	$16,948.6	$17,851.8	$18,551.5	$19,725.1	$20,652.1	$21,205.5	$21,981.3
4	Change	4.9%	2.8%	4.9%	5.3%	3.9%	6.3%	4.7%	2.7%	3.7%
5	Per-Capita Income ($/person)	$49,046	$50,049	$52,150	$54,645	$56,525	$59,866	$62,368	$63,721	$65,724
6	Change	4.1%	2.0%	4.2%	4.8%	3.4%	5.9%	4.2%	2.2%	3.1%
7	Wage and Salary Income (Billions) /B	$7,859.0	$8,089.0	$8,471.0	$8,894.0	$9,309.0	$9,369.0	$9,884.1	$10,336.3	$10,760.7
8	Change	5.1%	2.9%	4.7%	5.0%	4.7%	0.6%	5.5%	4.6%	4.1%
	Population & Employment									
9	Population (Millions)	320.7	323.1	325.1	326.8	328.3	329.5	331.1	332.8	334.5
10	Change	0.8%	0.7%	0.6%	0.5%	0.5%	0.4%	0.5%	0.5%	0.5%
11	Unemployment Rate	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.5%	4.6%	4.1%
12	Total Nonagricultural Employment (Millions)	141.8	144.3	146.6	148.9	150.9	142.2	147.3	150.7	153.1
13	Change	2.1%	1.8%	1.6%	1.6%	1.3%	-5.8%	3.6%	2.3%	1.6%
	Other Key Indicators									
14	Consumer Price Index (1982-84=100)	237.0	240.0	245.1	251.1	255.7	258.8	265.0	270.5	276.1
15	Change	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%	2.4%	2.1%	2.0%
16	Pre-Tax Corporate Profits (Billions)	$2,060.5	$2,023.7	$2,114.5	$2,243.0	$2,250.5	$2,128.4	$2,364.6	$2,428.5	$2,508.6
17	Change	-2.8%	-1.8%	4.5%	6.1%	0.3%	-5.4%	11.1%	2.7%	3.3%
18	Housing Permits (Millions)	1.183	1.207	1.282	1.329	1.386	1.435	1.509	1.568	1.562
19	Change	12.4%	2.0%	6.3%	3.6%	4.3%	3.5%	5.2%	3.9%	-0.4%
20	Retail Trade (Billions)	$5,349.5	$5,510.2	$5,744.8	$6,001.6	$6,218.0	$6,255.0	$6,811.7	$7,043.3	$7,268.7
21	Change	2.6%	3.0%	4.3%	4.5%	3.6%	0.6%	8.9%	3.4%	3.2%

/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	Actual FY 2019-20	% Chg	March 2021 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%	$3,331.2	4.2%	$3,473.4	4.3%	$3,623.0	4.3%
2	Use	$210.5	-39.1%	$205.4	-2.4%	$203.5	-0.9%	$210.0	3.2%
3	Retail Marijuana Sales - Special Sales Tax	$245.5	27.4%	$295.6	20.4%	$316.3	7.0%	$333.7	5.5%
4	Cigarette	$32.5	-0.1%	$33.9	4.1%	$28.5	-15.7%	$27.8	-2.6%
5	Tobacco Products	$24.4	9.5%	$29.0	19.1%	$25.7	-11.4%	$26.3	2.3%
6	Liquor	$50.1	3.7%	$52.8	5.5%	$52.8	0.0%	$54.0	2.2%
7	Proposition EE	$0.0	N/A	$76.2	N/A	$190.8	150.6%	$198.9	4.2%
8	**Total Excise**	**$3,759.0**	**1.7%**	**$4,024.0**	**7.1%**	**$4,291.1**	**6.6%**	**$4,473.7**	**4.3%**
	Income Taxes:								
9	Net Individual Income	$8,645.5	4.8%	$8,433.8	-2.4%	$9,102.7	7.9%	$9,613.2	5.6%
10	Net Corporate Income	$728.3	-20.8%	$818.6	12.4%	$803.4	-1.9%	$852.1	6.1%
11	**Total Income**	**$9,373.8**	**2.3%**	**$9,252.4**	**-1.3%**	**$9,906.1**	**7.1%**	**$10,465.2**	**5.6%**
12	*Less: State Education Fund Diversion*	*$646.7*	*-6.7%*	*$748.5*	*15.7%*	*$743.0*	*-0.7%*	*$784.9*	*5.6%*
13	**Total Income to General Fund**	**$8,727.1**	**3.0%**	**$8,503.8**	**-2.6%**	**$9,163.1**	**7.8%**	**$9,680.3**	**5.6%**
	Other Revenue:								
14	Insurance	$337.4	7.2%	$319.3	-5.4%	$343.9	7.7%	$366.6	6.6%
15	Interest Income	$31.1	17.2%	$30.4	-2.2%	$29.2	-3.9%	$31.0	6.0%
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%	$27.2	180.2%	$25.4	-6.4%	$27.1	6.6%
19	**Total Other**	**$382.5**	**-3.1%**	**$381.1**	**-0.4%**	**$402.8**	**5.7%**	**$428.9**	**6.5%**
20	**GROSS GENERAL FUND**	**$12,868.5**	**2.4%**	**$12,909.0**	**0.3%**	**$13,857.0**	**7.3%**	**$14,583.0**	**5.2%**

/A Dollars in millions.

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

Line No.		Preliminary FY 2019-20	March 2021 Estimate by Fiscal Year FY 2020-21	FY 2021-22	FY 2022-23
Revenue					
1	**Beginning Reserve**	**$1,262.6**	**$1,823.8**	**$2,146.2**	**$2,660.3**
2	**Gross General Fund Revenue**	**$12,868.5**	**$12,909.0**	**$13,857.0**	**$14,583.0**
3	*Transfers to the General Fund*	$248.0	$325.2	$41.3	$17.7
4	**TOTAL GENERAL FUND AVAILABLE**	**$14,379.1**	**$15,057.9**	**$16,044.4**	**$17,261.0**
Expenditures					
5	**Appropriation Subject to Limit**	**$11,805.2**	**$10,784.6**	**$12,226.3**	**$15,061.4**
6	*Dollar Change (from prior year)*	$546.4	-$1,020.6	$1,441.7	$2,835.1
7	*Percent Change (from prior year)*	4.9%	-8.6%	13.4%	23.2%
8	**Spending Outside Limit**	**$910.5**	**$2,127.2**	**$1,157.8**	**$1,107.6**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$0.0	$0.0	$0.0	$181.5
10	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$155.0	$163.4	$173.7
11	*Other Rebates and Expenditures*	$145.7	$141.0	$142.1	$144.9
12	*Transfers for Capital Construction*	$213.6	$44.0	$111.0	$50.0
13	*Transfers for Transportation*	$300.0	$200.0	$0.0	$50.0
14	*Transfers to State Education Fund*	$40.3	$141.4	$152.2	$132.3
15	*Transfers to Other Funds*	$210.9	$638.6	$562.1	$375.2
16	*Transfers for Stimulus Investments*	$0.0	$707.1	$27.0	$0.0
17	*Transfer to Make Money Available for COVID-19 Emergency*	$0.0	$100.0	$0.0	$0.0
18	**TOTAL GENERAL FUND OBLIGATIONS**	**$12,715.6**	**$12,911.8**	**$13,384.1**	**$16,169.0**
19	*Percent Change (from prior year)*	-1.1%	1.5%	3.7%	20.8%
20	Reversions and Accounting Adjustments	-$160.3	$0.0	$0.0	$0.0
Reserves					
21	**Year-End General Fund Balance**	**$1,823.8**	**$2,146.2**	**$2,660.3**	**$1,092.0**
22	*Year-End General Fund as a % of Appropriations*	15.4%	19.9%	21.8%	7.3%
23	*General Fund Statutory Reserve*	$362.4	$308.4	$1,651.8	$1,092.0
24	*Above/Below Statutory Reserve*	$1,461.4	$1,837.7	$1,008.5	$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	March 2021 Estimate by Fiscal Year		
			FY 2020-21	FY 2021-22	FY 2022-23
Revenue					
1	**Beginning Reserves**	**$1,438.6**	**$2,150.7**	**$3,511.5**	**$4,091.0**
2	*State Education Fund*	$176.0	$166.7	$498.0	$536.4
3	*General Fund*	$1,262.6	$1,984.1	$3,013.5	$3,554.7
4	**Gross State Education Fund Revenue**	**$691.3**	**$959.2**	**$909.1**	**$920.6**
5	**Gross General Fund Revenue /B**	**$13,116.6**	**$13,234.1**	**$13,898.2**	**$14,600.7**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$15,246.4**	**$16,344.1**	**$18,318.8**	**$19,612.3**
Expenditures					
7	General Fund Expenditures /C	$12,555.3	$12,204.7	$13,357.1	$16,169.0
8	State Education Fund Expenditures	$700.6	$627.9	$870.7	$1,317.0
9	**TOTAL OBLIGATIONS**	**$13,256.0**	**$12,832.6**	**$14,227.8**	**$17,486.0**
10	*Percent Change (from prior year)*	-1.4%	-3.2%	10.9%	22.9%
11	*Reversions and Accounting Adjustments*	-$160.3	$0.0	$0.0	$0.0
Reserves					
12	**Year-End Balance**	**$2,150.7**	**$3,511.5**	**$4,091.0**	**$2,126.3**
13	State Education Fund	$166.7	$498.0	$536.4	$140.0
14	General Fund	$1,984.1	$3,013.5	$3,554.7	$1,986.3
15	*General Fund Above/Below Statutory Reserve*	$1,621.7	$2,705.1	$3,805.8	$1,788.8

/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	March 2021 Estimate by Fiscal Year FY 2020-21	FY 2021-22	FY 2022-23
1	**Transportation-Related /A**	**$1,198.2**	**$1,186.9**	**$1,230.9**	**$1,255.8**
2	Change	-6.1%	-0.9%	3.7%	2.0%
3	**Limited Gaming Fund /B**	**$69.1**	**$87.5**	**$103.7**	**$111.2**
4	Change	-35.4%	26.5%	18.6%	7.2%
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**	**$98.1**	**$104.6**
8	Change	2.9%	10.0%	10.0%	6.6%
9	**Insurance-Related**	**$24.9**	**$23.7**	**$21.9**	**$22.8**
10	Change	10.5%	-4.9%	-7.6%	4.1%
11	**Severance Tax**	**$131.7**	**($6.9)**	**$61.3**	**$92.9**
12	Change	-48.4%	-105.2%	988.4%	51.5%
13	**Other Miscellaneous Cash Funds**	**$725.3**	**$879.8**	**$893.9**	**$909.1**
14	Change	4.5%	21.3%	1.6%	1.7%
15	**TOTAL CASH FUND REVENUE**	***$2,236.8***	***$2,264.7***	***$2,414.4***	***$2,501.1***
16	Change	-8.3%	1.2%	6.3%	3.3%

/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 (as adjusted by SB17-267) /A

Line No.		Actual FY 2019-20	March 2021 Estimate by Fiscal Year FY 2020-21	FY 2021-22	FY 2022-23
	TABOR Revenues:				
1	General Fund /A	$12,629.5	$12,540.8	$13,354.8	$14,055.3
	Percent Change from Prior Year	2.3%	-0.7%	6.5%	5.2%
2	Cash Funds /A	$2,244.2	$2,264.7	$2,414.4	$2,501.1
	Percent Change from Prior Year	-7.9%	0.9%	6.6%	3.6%
3	**Total TABOR Revenues**	**$14,873.8**	**$14,805.5**	**$15,769.2**	**$16,556.3**
	Percent Change from Prior Year	0.6%	-0.5%	6.5%	5.0%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.4%	1.2%	0.9%	0.9%
5	Previous calendar year inflation	2.7%	1.9%	2.0%	2.4%
6	**Allowable TABOR Growth Rate**	**4.1%**	**3.1%**	**2.8%**	**3.3%**
7	TABOR Limit /B	$12,249.0	$12,628.7	$12,982.3	$13,410.7
8	General Fund Exempt Revenue Under Ref. C /C	$2,624.8	$2,176.8	$2,786.8	$2,964.1
9	**Revenue Cap Under Ref. C /B /D**	**$14,956.4**	**$15,420.0**	**$15,851.8**	**$16,374.9**
10	***Amount Above/Below Cap***	**-$82.6**	**-$614.5**	**-$82.6**	**$181.5**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$0.0**	**$0.0**	**$0.0**	**$181.5**
12	TABOR Reserve Requirement	$446.2	$444.2	$473.1	$491.2

/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.