Colorado
Economic & Fiscal Outlook

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STATE OF COLORADO

Governor's Office of State Planning & Budgeting

COLORADO

Governor Jared Polis

Contents

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Forecast in Brief

Stronger-than-expected performance on a range of factors has prompted small upward revisions to the near-term economic outlook. The labor market continues to outperform expectations and consumer demand has exceeded expectations since the March forecast. U.S. inflation has also declined alongside inflation expectations and wage growth has continued to moderate. Local inflation growth is expected to outpace the nation's 4.0 percent due to higher shelter and services demand.

A slowdown in economic growth is anticipated by the end of 2023, which then is forecast to rebound back above potential growth in mid-2024. By the end of this year, as tightening financial conditions continue, slowing consumer demand and business investment are expected to drag on economic growth.

Colorado is expected to fare slightly better than the nation over the course of the forecast period due to a marginally tighter labor market and a higher proportion of service spending.

As a result of general and cash fund growth in FY 2022-23, TABOR refunds are expected to total $3,527.0 million. Additionally, revenue subject to TABOR is expected to remain above this cap through the duration of the forecast period. Currently, revenue projections are $535.9 and $1,300.9 million above the cap in FY 2023-24 and FY 2024-25, respectively.

Under this forecast, the General Fund ending balance is projected at $295.5 million and $212.8 million above the statutory reserve level of 15 percent in FY 2022-23 and FY 2023-24, respectively. The statutory reserve remains at 15 percent of appropriations beyond FY 2023-24.

General Fund	• **General Fund revenue is revised up $806.6 million in FY 2022-23**, largely a result of stronger than anticipated **corporate revenue**, while expected reductions in sales tax revenue are offset by increases in interest income. • **In FY 2023-24, General Fund revenue is revised down $178.9 million** due to slowing wage growth expectations and tightening lending conditions for smaller firms in particular causing a **drag in individual income revenue that more than offsets corporate revenue.** • **General fund revenue is revised up $146.2 million in FY 2024-25** due to **revisions to income and sales revenue** as the economy is expected to grow more quickly.
Cash Funds	• **Cash funds are expected to remain about flat** in the near-term, growing an expected 3.9 percent in FY 2022-23 and falling 4.0 percent in FY 2023-24. Compared with the March forecast, cash funds are revised up $78.5 million in FY 2022-23 but revised down $22.7 million in FY 2023-24, particularly due severance expectations and legislative changes.

Economic Outlook

Since March, the labor market has continued to outperform expectations and consumer demand has remained strong. U.S. inflation and wage growth has continued to moderate, but price growth is currently higher locally than nationwide due to higher local demand for shelter and services. The combination of these factors has prompted small upward revisions to the near-term economic outlook, but slowing consumer demand and tightening financial conditions are expected to slow economic growth in the final quarter of 2023 and beginning of 2024, before recovering over the remainder of the year. By the start of 2025, the economy is expected to complete its rebalancing and stabilize, growing above potential GDP growth. Colorado is expected to fare slightly better than the nation as a whole over the course of the forecast period due to a marginally tighter labor market and a higher proportion of service spending.

Overview of Economic Indicators

GDP: Following higher than anticipated real GDP growth of 2.1 percent for 2022, real GDP is expected to grow 1.4 percent in 2023, buoyed by (1) continued strength of service spending in the first half of the year and (2) continued slow growth in goods spending, which was previously expected to nominally retract over the second half of the year. Tightening financial conditions, particularly lending conditions to smaller firms, drives a revision downward of 0.2 percentage points to 0.8 percent growth in 2024. Economic growth is expected to return to 2.3 percent in 2025, slightly outpacing potential growth.

Labor Market: Both the U.S. unemployment rate of 3.7 percent and the Colorado rate of 2.8 percent remain above full employment and job growth continues. The gap between the number of job openings and unemployed workers also remains elevated, signifying tight labor market conditions. These broad trends are expected to slacken by the end of this year alongside slowing GDP growth.

Wages and income: Wages and income growth for Colorado and the U.S. have also remained stronger than anticipated as the tight labor market has kept wages and salaries elevated above historical trends, but growth has begun to slow. Household balance sheets are currently strong, but the drawdown of excess savings has forced lower income households to rely more on credit. Consumer spending is expected to weaken in late 2023 as wage growth slows alongside further drawdown of excess savings and possible constraints on credit limits.

Consumer Spending: Consumer spending is currently resilient but is slowing in both the U.S. and Colorado, largely in line with previous OSPB forecasts that expected spending declines throughout 2023.

Inflation: The U.S. disinflationary path continues, allowing the Federal Reserve to skip its first rate hike at a FOMC meeting in over a year. However, additional tightening of lending conditions from small and regional banks still constrains investment and consumption in a similar manner. Local inflation is decreasing at a slower rate as a resurgence in shelter and services prices drive 4.7 percent inflation in 2023, compared to 4.0 percent nationwide.

Energy: Energy prices have fallen over the first half of this year despite oil production cuts from OPEC-Plus and Russia along with China's economic reopening. Further downward pressure on natural gas prices is the result of a mild winter both domestically and in Europe.

Housing and Rental Market: After two successive years of elevated permitting, the U.S. and Colorado are both experiencing declines in permitting levels. As supply declines, it again puts upward pressure on home and rental prices.

Demographics: Colorado's demographic composition has been shifting over the last decade with a rapidly aging population constraining labor supply, but a growing 18-24 year old population highlights the importance of developing those entering the workforce.

Financial Conditions: The Federal Funds Rate target range is expected to tighten another 50 basis points by the end of the year, before monetary policy cuts likely begin in 2024. Regional banks are tightening more than large banks in order to stem deposit outflows, which puts additional pressure more squarely on smaller firms investment and profit potential.

Agricultural Sector: Input prices remain elevated, which tighten profit margins, but drought conditions have improved as of late in Colorado.

Bottom Line

Overall, short-term economic prospects have improved slightly since the previous forecast, largely as a result of a stronger labor market and resilient consumer spending. A deep or protracted recession is still not currently expected. The strength of the labor market is expected to buoy the economy through the anticipated slowdown that is expected to begin toward the end of 2023.

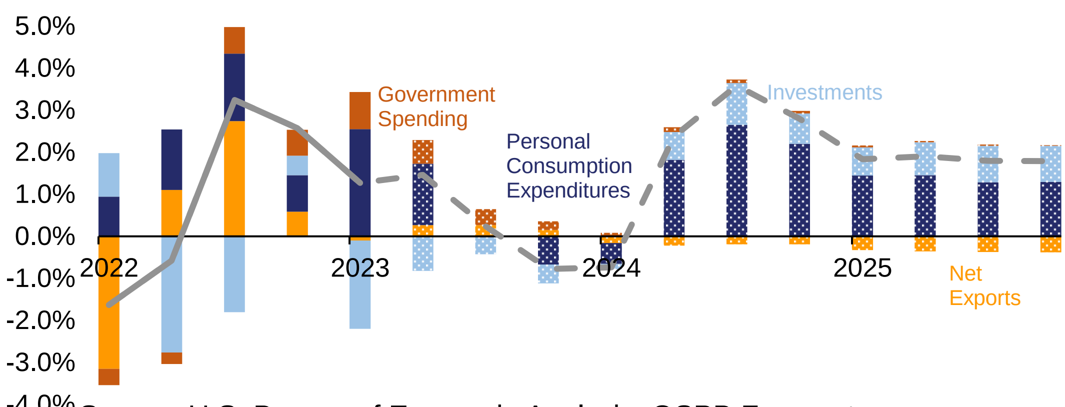
Gross Domestic Product

U.S. GDP declined in the first half of 2022 as a result of a significant trade deficit and fluctuations in inventories, but growth picked up in the second half of the year due to strong personal consumption and slowing inventory build-up. In the first quarter of 2023, GDP grew by 1.3 percent and was below consensus but in line with OSPB expectations. While consumption reaccelerated more than anticipated, it was offset by larger drags in business fixed investment and inventories. Recent reports for the second quarter confirm stronger goods spending than OSPB expected in the March forecast while services consumption remains in line with recent projections. As a result, the current U.S. GDP estimate for 2023 is revised up 0.2 percentage points from the last report to 1.4 percent, with durable goods spending amongst higher income groups softening the overall slowdown in goods consumption.

Services spending is expected to rebalance at the beginning of 2024 after holding at record highs in late 2023, leading to initially softer PCE (Personal Consumption Expenditures) growth. Meanwhile, residential investments are expected to rebound more than anticipated in the last forecast, but this rebound is offset by a stagnation in nonresidential structures investment. Therefore, annual 2024 GDP growth is expected to rise 0.8 percent, 0.2 percent below the previous forecast. However, expected 2025 growth is revised up from 2.2 to 2.3 percent due to stronger growth in consumption and investments following monetary policy loosening in 2024 and 2025.

Figure 1 depicts quarter-over-quarter annualized growth in real GDP, where the line represents GDP growth and the bars depict the four respective drivers of GDP growth/contraction:
1) personal consumption expenditures (PCE), 2) inventories and investments, 3) net exports, and 4) government spending.

Figure 1. GDP Forecast and component contribution



Source: U.S. Bureau of Economic Analysis; OSPB Forecast

Personal Consumption Expenditures

Real PCE, the largest component of GDP, grew faster than expected at 3.8 percent in the first quarter, buoyed by stronger than expected goods demand. This is largely due to higher demand for vehicles amongst wealthier income groups who delayed large durable goods purchases more than expected in the previous forecast. Meanwhile, there remains a clear shift towards services spending, which is expected to exceed trend levels through the second half of the 2023. Continued consumer demand in the face of high inflation and tight monetary policy can be attributed to persistent upward pressure on wages generated by a tight labor market, a low savings rate, and a willingness to borrow as higher prices have led to further dependence on credit cards. As for the components of PCE, both durable and nondurable goods expenditures are forecast to trough in the last quarter of 2023 before rebounding in early 2024 and returning to trend by the end of next year. Meanwhile, in the beginning of 2024, services spending is expected to briefly fall as it resettles to trend, placing a temporary drag on economic growth. Like goods spending, consumption of services is expected to maintain its historical share of overall consumption by the end of 2024.

Investments (Including Inventories)

Investments are expected to continue to be a drag on GDP through 2023, though there are nuances within different subsectors driving those headwinds over time. During the second half of 2022, the decline in investments was largely driven by a slowdown in the residential real estate sector. Monetary policy tightening is expected to continue to drag on the real estate sector and its impact on investments, but the trough has been revised to occur sooner, in the third quarter of 2023. This is based on recent supportive financial conditions for housing demand as mortgage rates have softened. However, non-residential structure investments are now expected to recover by less in 2024 and plateau in 2025 due to demand shifting away from commercial office space. These dynamics provide a limited downward drag on GDP of 0.1 percent relative to the previous forecast in 2024. Additionally, inventories provide a drag to GDP during the end of 2023 as consumer demand wanes and businesses respond accordingly.

Net Exports

Net exports are projected to increase in 2023, thereby giving a slight boost to GDP as waning domestic demand tied to falling goods consumption lowers imports while exports rise on relative dollar weakness in the near term. However, as the U.S. economy recovers and the dollar strengthens by the second quarter of 2024, it is expected to result in a drag on economic growth as imports begin to outpace export growth. That net export drag continues to grow in 2025 as the U.S. economy is expected to be relatively strong compared to its major trading partners.

Government Spending

Finally, government spending is expected to have a neutral impact on GDP. The Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) are expected to more than offset the roll off of American Rescue Plan Act (ARPA) funding. IIJA will drive economic activity through a range of infrastructure investments from rail to high-speed internet. Additionally, the IRA will incentivize investments in clean energy projects, domestic manufacturing capacity, and subsidize health care costs.

However, Congress also passed the Fiscal Responsibility Act on June 1st to suspend the debt limit until 2025 while limiting increases in spending. Therefore, the government spending contribution is expected to flatten more in the Federal 2024 Fiscal Year, driving a near net neutral impact on economic growth rather than a slight boost. Specifically, the measure sets a limit on defense spending capped at 3.3 percent growth off of fiscal year 2023, while non-defense spending is capped at $703.7 billion in fiscal year 2024. In addition to spending limits, the act also rescinds $27.1 billion in COVID Era funding, mostly from public health funding, but it does not claw back funding already allocated to states. Additionally, the bill rescinds $1.39 billion of the $80 billion in funding to the IRS in the Inflation Reduction Act. Finally, there are changes with more limited budgetary impact, including changes to:

- work requirements for Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) participants
- environmental review processes to establish more streamlined permitting, including for the Mountain Valley Pipeline which transports natural gas in and around West Virginia, and
- eliminate further extensions of federal student loan payment suspensions.

Risk of Recession

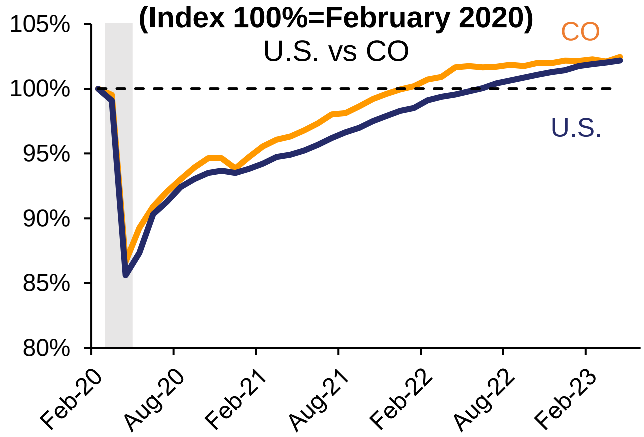
The chance of a recession in the next year is estimated to be 45 percent. OSPB sees mixed results from the leading indicators it considers. Across economists and consumers alike, confidence in the economic future has worsened slightly as concerns around tightening financial conditions have unfolded. The Institute for Supply Management (ISM) services survey and the Conference Board's Consumer Confidence survey show business and consumer confidence above traditional recessionary levels. On the other hand, leading indicators pointing towards a recession include the New York Federal Reserve Business Leaders survey and the ISM manufacturing survey. However, the labor market continues to exceed expectations as low unemployment, high jobs growth, and elevated ratios of jobs to unemployed persons are expected to keep average hourly earnings at or above their historical norms. Therefore, even as this baseline forecast includes two quarters of GDP decline in the fourth quarter of 2023 and the first quarter of 2024 (often described as a "technical" recession), OSPB does not expect the National Bureau of Economic Research (NBER) to call a recession due to the tight labor market. Still, the chances of recession remain elevated because the labor market is not a leading indicator of future economic activity. For instance, Colorado's unemployment rate peaked nearly a year and a half after the 2001 and 2008 recessions had ended.

Labor Market

Both the U.S. and Colorado labor markets have remained tight through May 2023. U.S. unemployment started the year at a fifty-year low of 3.4 percent and has fluctuated between 3.4 and 3.7 percent through May. U.S. nonfarm payroll growth remains elevated but is generally slowing, with average monthly growth of 314,000 jobs through May, as compared to average monthly growth of 399,000 over the course of 2022. In Colorado, job growth has continued to slow as well into Q2 2023. However, the combination of higher labor force participation, low unemployment, and early labor recovery from the pandemic culminate in a tighter labor market without as much room for growth as is available nationally. Colorado's unemployment rate has remained under 3.0 percent since May 2022 and currently sits at 2.8 percent through May. The ratio of job openings to unemployed persons is greater than 2:1, which exceeds the national figure, indicating that it is still relatively easier for those in the Colorado labor force to find a new job. On an industry basis within Colorado, employment growth weaknesses have been concentrated in financial activities, information services, and construction while consumer demand-driven industries such as leisure and hospitality continue to be high growth sectors. The expectation for average unemployment rates by year is as follows:

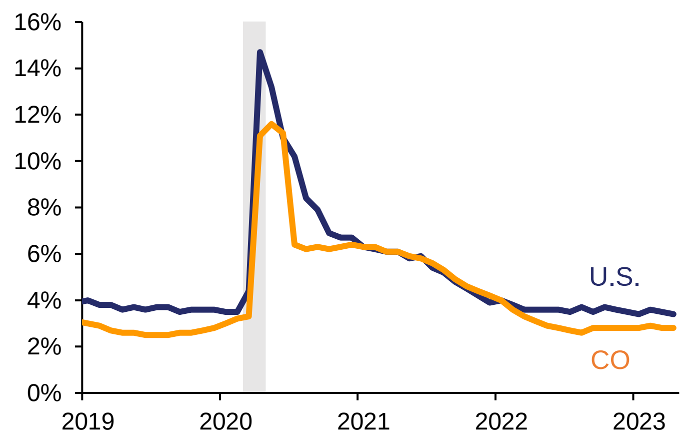
- For 2023: 3.0 percent for Colorado, 3.7 percent for the U.S.
- For 2024: 3.6 percent for Colorado, 4.2 percent for the U.S.
- For 2025: 3.4 percent for Colorado, 4.0 percent for the U.S.

Figure 2a. Nonfarm Payroll Employment (Index 100%=February 2020)
U.S. vs CO



Note: Shaded areas denote recession.
Source: Bureau of Labor Statistics, retrieved from FRED

Figure 2b. Unemployment Rate
U.S. vs CO

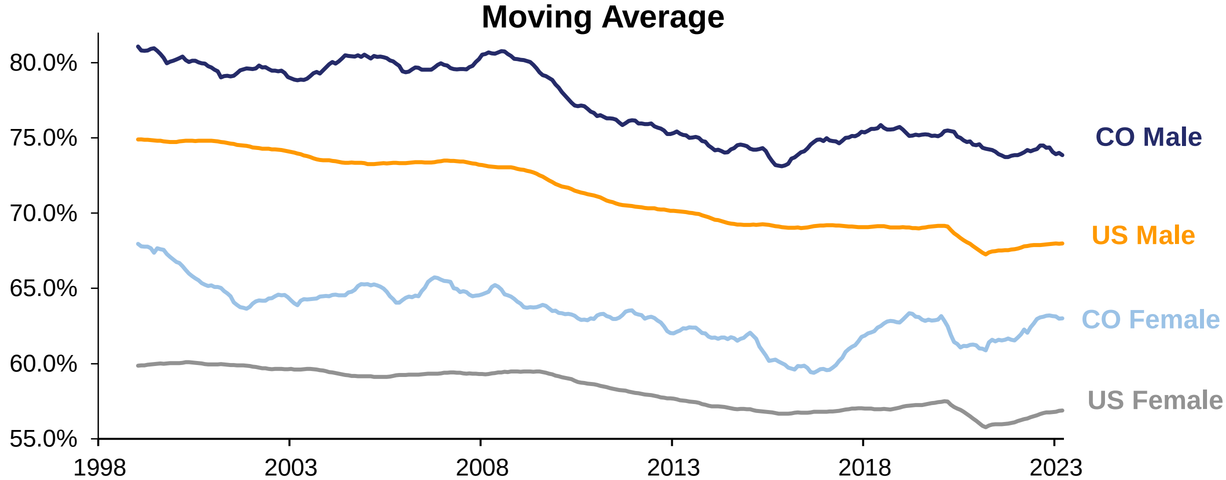


Note: Shaded areas denote recession.
Source: Bureau of Labor Statistics

Both Colorado and the U.S. will experience slight increases in unemployment in 2023 as broader economic headwinds begin to emerge, with peak unemployment for both in 2024 prior to improving in 2025. OSPB forecasts that Colorado will experience more moderate increases in unemployment throughout the forecast period than the U.S. due to its tighter labor market and lower baseline unemployment levels. Additionally, OSPB does not forecast more substantial increases in U.S. or Colorado unemployment because, given the relatively high search intensity of the unemployed, declining job openings are not expected to translate to higher unemployment rates until the end of the year. At that point in time, labor demand is expected to weaken sufficiently such that the job opening rate would be more than one percentage point lower than it is currently, and the Beveridge curve would likely shift down towards pre-pandemic relationships between job openings and unemployment rates before shifting out.

Additional factors to consider in Colorado's labor force are the aging population and the impacts of universal pre-kindergarten (UPK) on labor force participation, particularly amongst women. The broader implications of Colorado's aging population will be discussed later in the demographics section. As it pertains to the labor force specifically, a key consideration is the population to employment ratio, as the number of retirees to employed persons will increase, serving as a future drag on the labor force. An upside to the labor force in the near future is the impact of UPK. UPK has the potential to free up busy parents and allow them to reenter the workforce, further bolstering Colorado's top 5 labor force participation.

Figure 3. US vs CO Labor Force Participation Rate, 12 Month Moving Average



Source: *IPUMS-CPS, University of Minnesota, www.ipums.org.*

Outlook

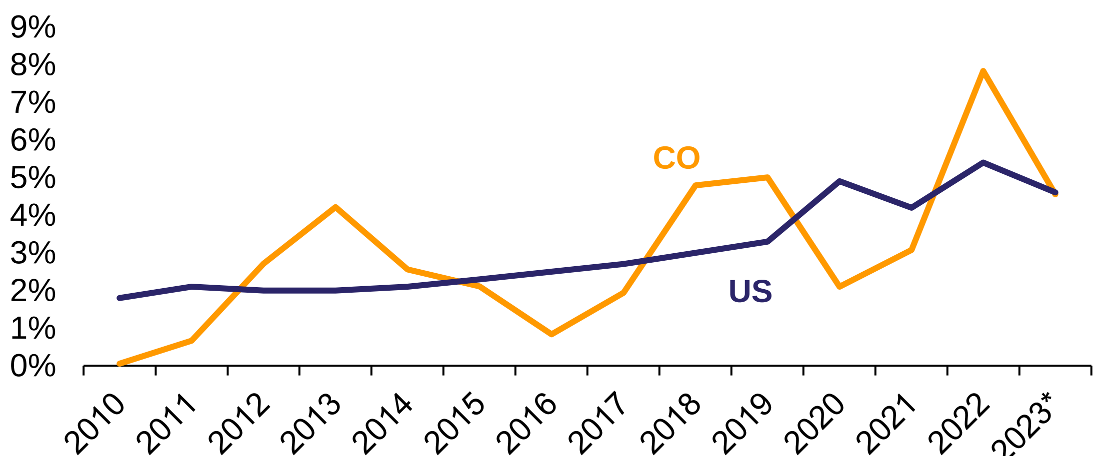
Historically low unemployment at the national level and low unemployment in Colorado provide a cushion to the anticipated labor market slowdown at the end of 2023 and into the first half of 2024. The labor market is a lagged indicator of economic movement, so OSPB forecasts peak unemployment in mid-2024 for both the U.S. and Colorado. However, peak unemployment will likely be below normal recessionary levels because of the underlying strength of the labor market.

Wages and Income

April real aggregate personal income growth increased by 0.4 percent from March, consistent with expectations and driven by growth in wages and salaries (+0.5 percent), rental income (+1.5 percent), and interest income (+1.3 percent). Proprietor's income and personal transfers faced headwinds, each declining 0.4 percent in April. Growth in aggregate wages and salaries remains elevated despite slowing average hourly earnings growth as a result of continued job gains outpacing expectations across the country. The drawdown of excess savings has continued into the beginning of 2023 despite a savings rate that has generally trended upward to 4.1 percent from a low of 2.7 percent in June 2022, as that rate remains significantly below pre-pandemic rates of 6-10 percent. As a result, excess savings is now at only 46 percent of its $2.2 trillion peak in 2021 and largely held by the upper income quartiles. Thus, consumer credit continues to grow, eclipsing its pre-pandemic trend in December 2022 and growing to $1.2 trillion in March. As these trends continue and availability of additional credit (especially for lower income households) is constrained, households will be forced to cut back on spending. A more detailed discussion of specific variables related to wages and income is below.

Aside from a recent uptick in April, growth in average hourly earnings has generally trended downward from 2022 growth of 7.8 percent and 5.4 percent for Colorado and the U.S. respectively, averaging 4.6 percent year over year through April for both Colorado and the nation as a whole. Notably, these reductions in wage growth have occurred without any increase in the unemployment rate, signifying that labor market rebalancing is already occurring via wage growth alone, alongside a reduction in job openings, rather than through job losses.

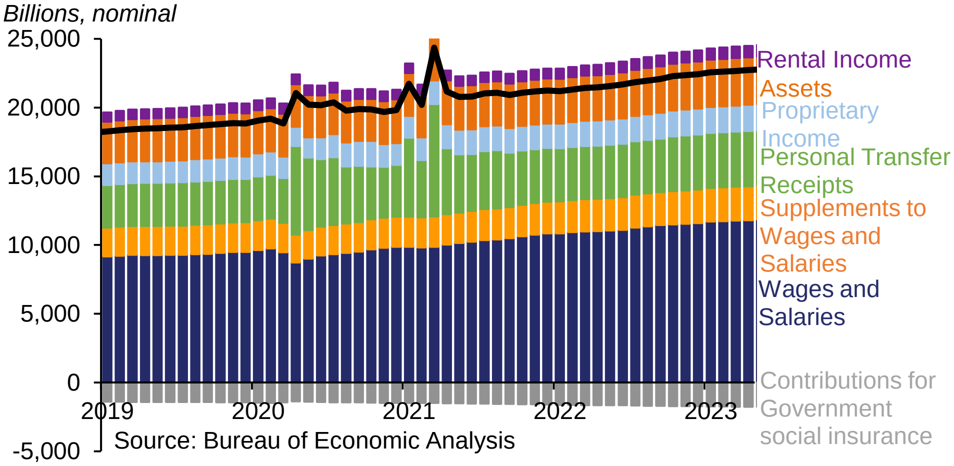
Figure 4. Growth in Average Hourly Earnings



Note: Shaded region indicates recession. 2023 includes only January through April data.
Source: Bureau of Labor Statistics, OSPB June Forecast

Aggregate wage and salary growth in 2022 set recent records of 9.1 and 10.5 percent in the U.S. and Colorado respectively, building on already strong 8.8 and 9.4 percent growth in 2021. 2023 aggregate wages and salaries are expected to continue to grow an additional 5.3 percent and 6.7 percent in the U.S. and Colorado. This growth is expected to outpace average hourly earnings in 2023 as a result of continued job gains for most of the year. Personal income also grew in the U.S. and Colorado in 2022, though slower than wages at 2.4 and 5.4 percent, due to a roll off of government transfers from the American Rescue Plan Act (ARPA). In 2023, personal income is again expected to grow slightly below wages and salaries as flattening asset income and proprietor's income more than offsets strength in rental income and cost of living adjustments from government transfers. In particular, it is anticipated that smaller businesses will face relatively larger headwinds in the second half of the year due to the tightening of financial conditions for regional banks, thus placing a drag on proprietors' income. In 2024, U.S. personal income and wage growth are expected to slow to 2.2 percent and 2.0 percent, respectively. Personal income is expected to slightly outpace wages as rebounding asset and proprietors' income offset slowing growth in rental income. Component trends through April 2023 are summarized in Figure 5.

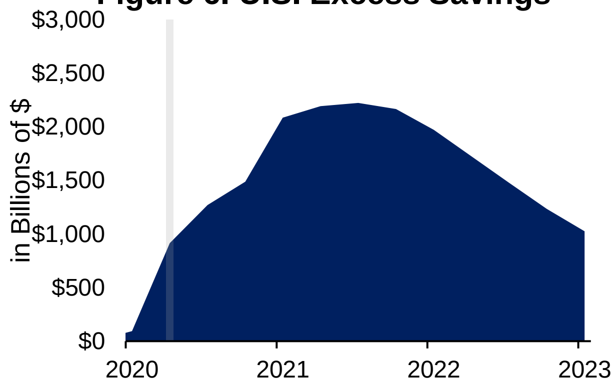
Figure 5. U.S. Components of Personal Income



Source: Bureau of Economic Analysis

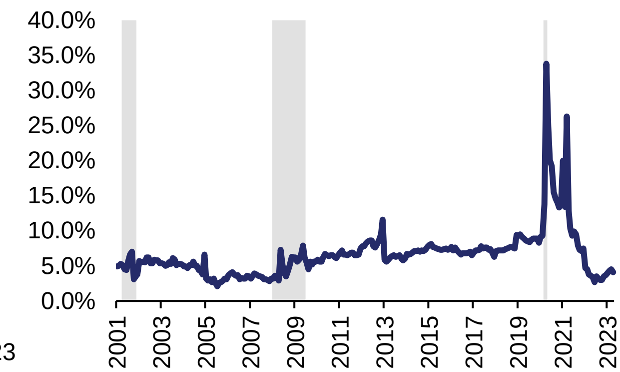
After adjusting for inflation, real personal income per capita is expected to be perfectly flat (0.0 percent growth) in Colorado and slightly negative across the U.S. in both 2023 and 2024 as inflation matches slowing personal income growth. Savings rates are up slightly to 4.1 percent over 2022 but still historically low and excess savings continue to diminish, as shown below in Figures 6 and 7. Thus, flat to negative real income growth per capita means that consumption is expected to retract in late 2023 and into 2024.

Figure 6. U.S. Excess Savings



Note: Shaded areas denote recession
Source: Bureau of Economic Analysis; Author's calculations

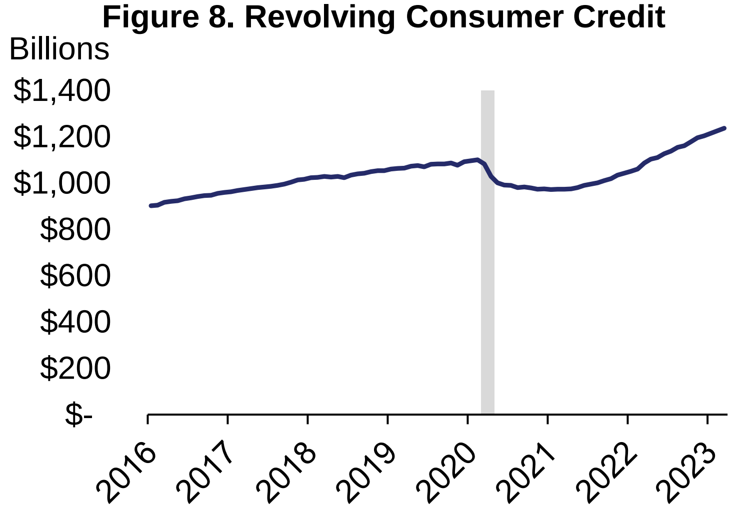
Figure 7. U.S. Savings Rate



Note: Shaded areas denote recession
Source: Bureau of Economic Analysis

A pullback in consumer spending is particularly likely as households have already begun to rely on credit as a means to support consumption. Revolving credit surpassed its pre-pandemic trend in December 2022 and has risen to a total of $1.2 trillion through March. While Q1 2023 delinquencies of 2.4 percent are consistent with pre-pandemic norms, OSPB expects credit card debt as a share of disposable personal income to exceed pre-pandemic trends by late 2023, which would likely constrain borrowing and limit spending for households. Additionally, the April Senior Loan Officer Opinion Survey has indicated that lending standards have tightened in recent months and are expected to continue to do so for the remainder of this year.

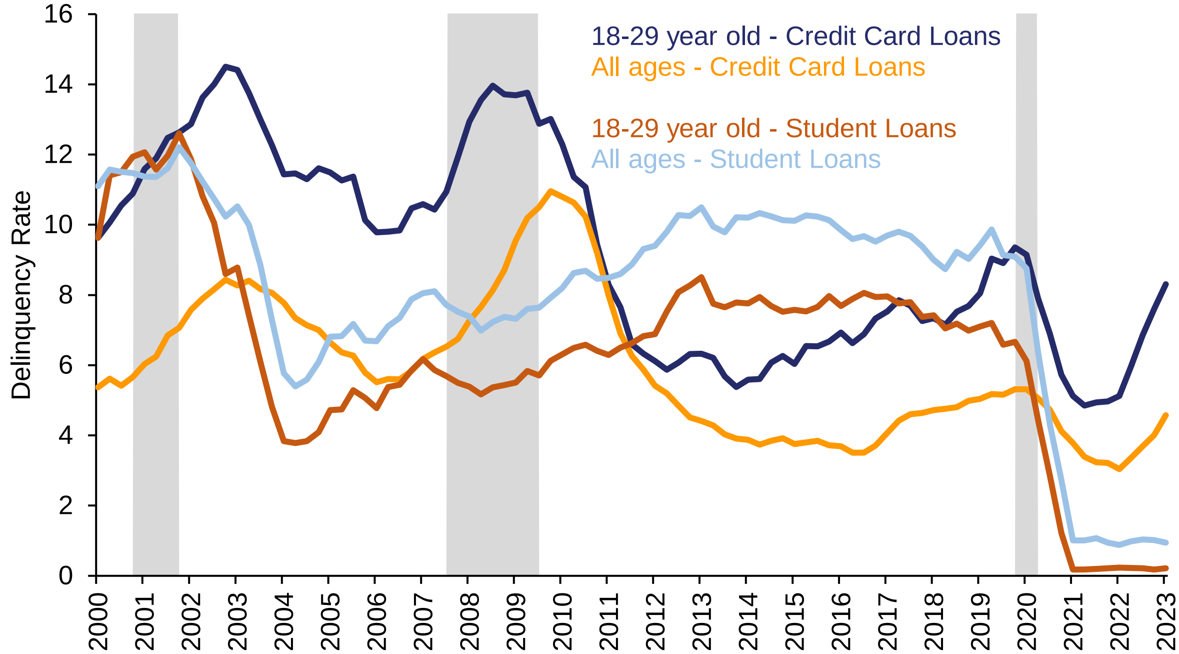
Figure 8. Revolving Consumer Credit



Note: Shaded areas denote recession
Source: Board of Governors of the Federal Reserve

While the step increase in consumer credit paired with higher interest rates has not yet resulted in a surge in delinquency rates above pre-pandemic trend levels, delinquency rates for credit card loans have seen a steep upward trajectory over the past year, especially for younger borrowers. These disparities in delinquency rates are likely to be exacerbated by the return of student loan payments for the first time since the beginning of the pandemic in September 2023, per the recent U.S. debt ceiling agreement. These trends are shown in Figure 9 below.

Figure 9. Credit card delinquency rates on the rise

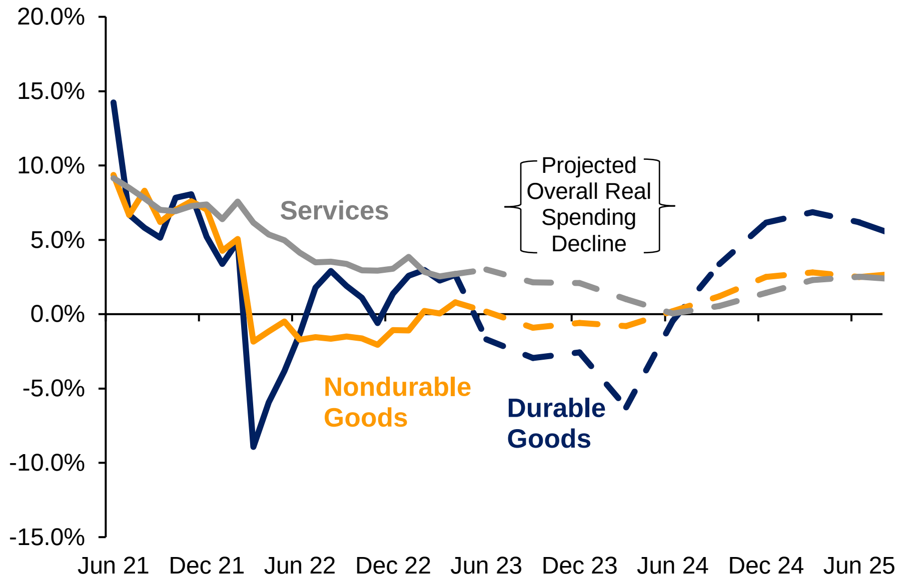


Consumer Spending

Consumer spending remains resilient but is slowing in both the U.S. and Colorado, largely in line with previous OSPB forecasts that expected spending declines throughout 2023. Although inflation rates have eased downward and spending currently remains a boon to the economy, consumer sentiment is turning more pessimistic as a result of rising interest rates, dwindling savings, and increased consumer debt. During the first quarter of 2023, real personal consumption expenditures (PCE) grew at an annualized rate of 3.8 percent – the highest rate of growth since the second quarter of 2021. Real PCE growth outperformed consensus expectations largely due to stronger-than-expected durable goods spending, which recorded 16.4 percent annualized growth in the first quarter. Services spending also remained resilient in the first quarter and is expected to buoy spending over the second half of 2023. Nationally, retail sales maintained strength through April but is rapidly slowing compared to 2022 rates. In Colorado, year-over-year retail sales were weaker compared to the U.S. in the first quarter of 2023, likely due to seasonal effects from the state experiencing a colder winter relative to the nation, as well as the state coming off higher growth rates in 2022. While Colorado experienced slower spending overall in the first quarter compared to the U.S., the state outpaced the nation in retail sales growth in March and is expected to outperform the nation over the course of 2023 and the forecast period. Moving into the second half of 2023, real spending at both the state and national level is expected to slow further, turning negative in the second half of the year. Over the course of 2024, real spending growth is expected to recover and turn positive, though more tepid national growth is anticipated compared to Colorado over the forecast period.

Largely due to increased vehicle purchases, durable goods spending recorded strong 16.4 percent annualized growth in the first quarter of the year. However, durable goods spending is expected to decline and register negative real growth over the course of the year. Durable goods spending is most negatively impacted by higher interest rates, which results in consumers having to pay more to finance large purchases such as vehicles and large household purchases. Meanwhile, services spending is expected to buoy overall real spending growth over the second half of the year, but it is expected to slow to near-zero growth itself, which is expected to lead to an overall contraction in real spending. After continued weakness to begin 2024, spending across all three categories is expected to recover and accelerate over the second half of 2024 and return to trend growth in 2025.

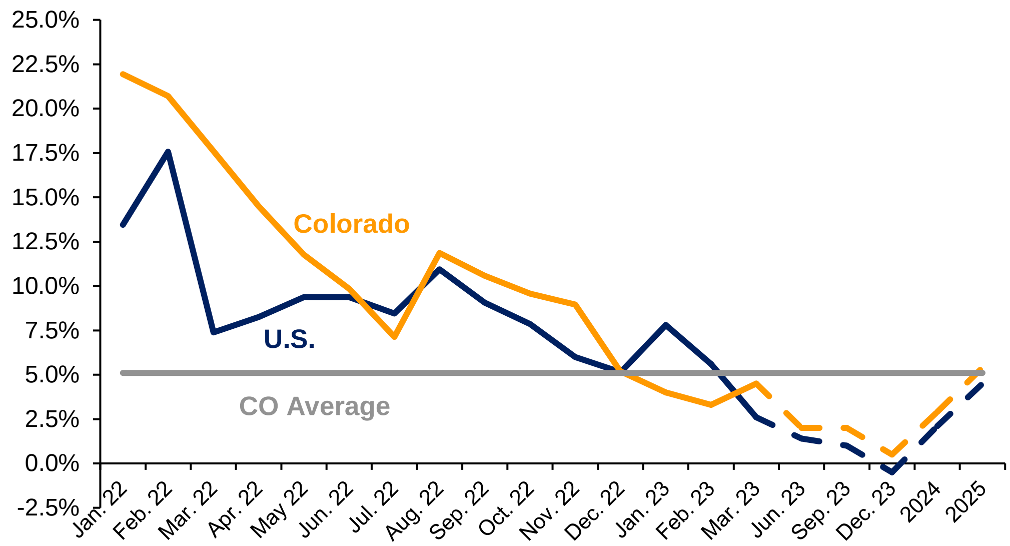
Figure 10. Real PCE Spending by Category
Year-Over-Year Growth



Note: Dotted line indicates forecast.
Source: Bureau of Economic Analysis

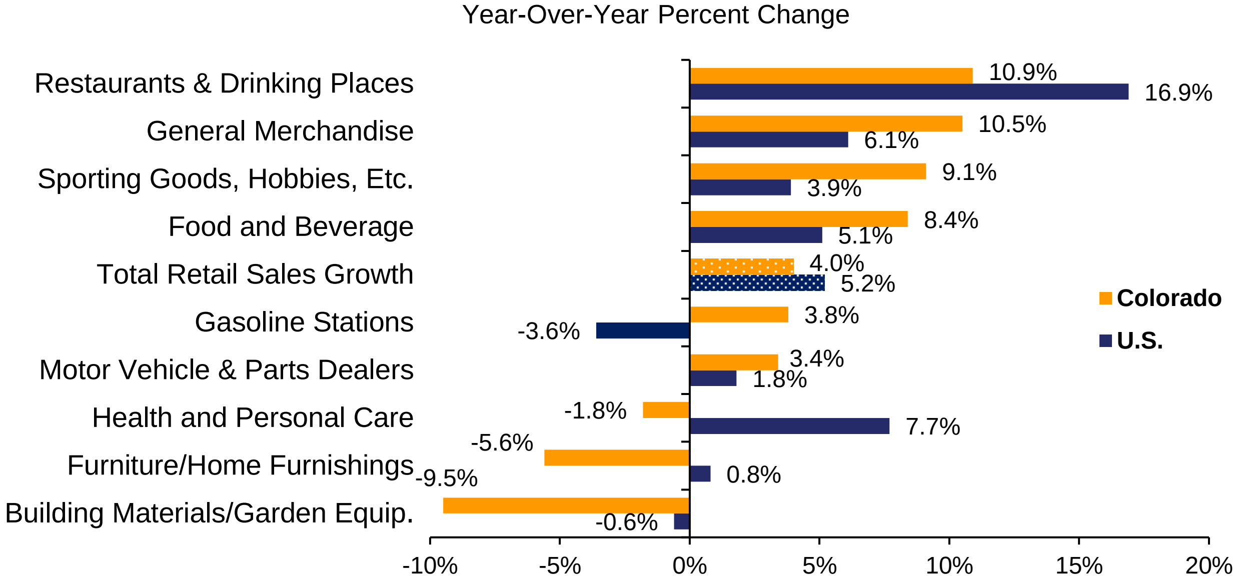
Similar to PCE, retail sales growth at both the national and state level remain strong despite high interest rates, dwindling savings, and higher consumer debt, but sales growth is slowing significantly relative to 2022. Over the first quarter of 2023, national retail sales recorded 5.2 percent year-over-year growth, while Colorado recorded 4.0 percent year-over-year growth. While the U.S. slightly outperformed Colorado over the first quarter of the year, it is expected to fall below state growth levels throughout 2023, as Colorado's economy relies more on services than the nation as a whole. Services spending, and thus economies that are more service based, are forecast to fare better than economies more reliant on goods, as goods are more negatively impacted by tight monetary policy. In 2023, U.S. retail sales growth is forecast at 2.4 percent, while Colorado growth is forecast at 2.8 percent. For both the nation and state, this would indicate negative real retail growth, as inflation is forecast at 4.0 percent and 4.7 percent, respectively. In 2024, national retail sales growth is forecast to slow further to 2.1 percent, while Colorado is forecast to record an increase to 2.9 percent growth. In 2025, retail sales growth is expected to accelerate to 4.5 percent for the U.S. and 5.4 percent for Colorado. Figure 11 depicts actual and forecast retail sales growth for both the nation and state.

Figure 11. U.S. and Colorado Retail Sales Growth



Note: Chart depicts non-seasonally adjusted year-over-year growth on a monthly basis. Dotted line indicates forecast.
Source: U.S. Census Bureau, Colorado Department of Revenue, OSPB June 2023 Forecast

Figure 12. 2023 Q1 (Jan.-Mar.) Retail Sales Growth by Industry

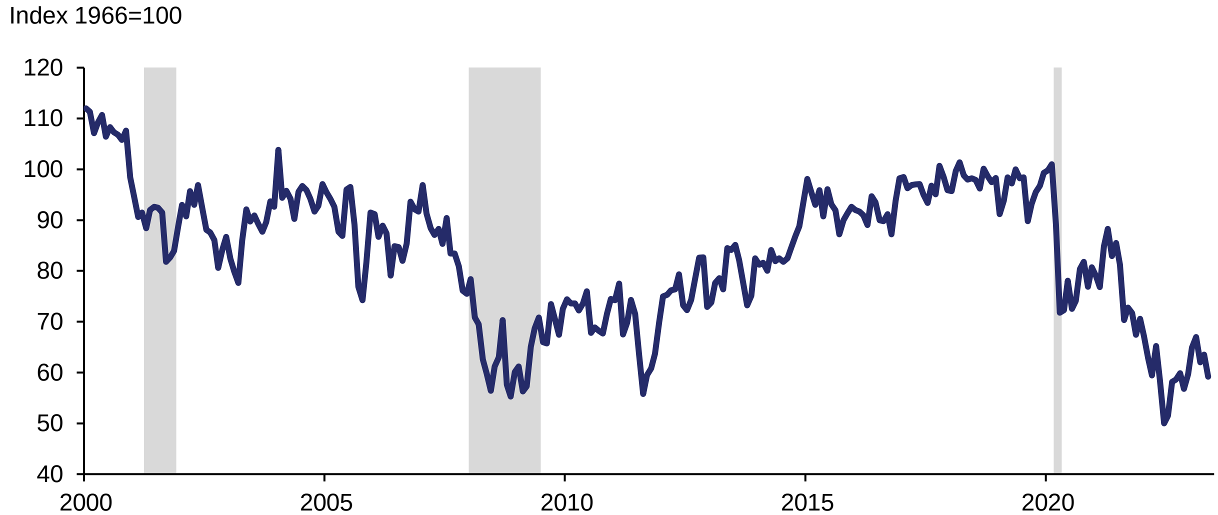


Source: U.S. Census Bureau, Colorado Department of Revenue

In line with expectations, services growth within retail sales is buoying overall retail growth, as restaurants and drinking places maintained double-digit year-over-year retail sales growth in both the U.S. and Colorado. A sampling of industry breakdown is provided in Figure 12. While restaurants and drinking places have maintained the most strength, durable goods categories such as building materials, home furnishings, and motor vehicles have recorded some of the weakest year-over-year growth. Regarding home furnishings and building materials, Colorado is likely seeing weaker growth than the country due to the local housing market seeing more weakness than the nation as a whole. While the motor vehicles category is recording weaker growth than overall retail sales on a year-over-year basis, the sector is still seeing surprising upside growth in a tight monetary policy environment. In fact, spending accelerated considerably in this category in the first quarter of 2023 compared to the final quarter of 2022, which helped provide overall resiliency to retail sales over the first quarter of the calendar year.

Although consumer spending has remained resilient over the first quarter of 2023, consumer sentiment has soured since the start of the year, as seen in Figure 13. After hitting a trough in June 2022 in the midst of high inflation and elevated gas prices in particular, sentiment gradually grew more optimistic before peaking in February and falling every month through May. Overall, consumer sentiment has remained at historic lows throughout much of 2022 and 2023. The only years this century with similarly low sentiment scores were 2008 and 2009 during the depths of the Great Recession. While the negative sentiment reflected has still not been registered in hard spending data, it remains another indicator of a near-term spending slowdown.

Figure 13. University of Michigan Consumer Sentiment



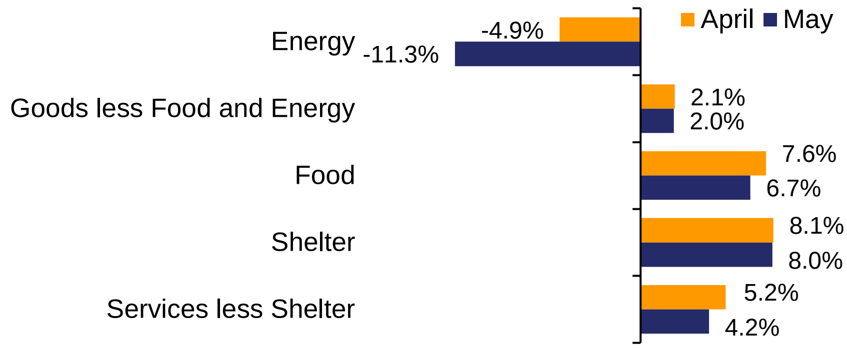
Note: Shaded areas denote recession
Source: University of Michigan

Despite the resiliency of consumer spending throughout 2022 and early 2023, which has remained strong in the face of economic headwinds, the forecast is weighted to the downside as a result of tightening monetary policy filtering through the economy, dwindling individual savings, and increased consumer debt. Although there remains spending strength to date, there are apparent signs of a spending slowdown as reported spending data is showing signs of deceleration. Spending is forecast to slow even more over the second half of 2023 and into 2024. Minor additional spending headwinds will also come to fruition in September 2023 when the pause on student loan payments ends per the federal debt ceiling agreement. While durable goods spending provided a boon to first quarter spending in 2023, services spending is forecast to buoy overall spending growth through the latter half of 2023, though overall real growth is still forecast to turn negative in late 2023 at both the national and state level. Even though the state is forecast to record a spending slowdown, Colorado consumption is expected to fare better than the nation as a whole due to the state economy's greater reliance on services, which will place it in a better financial position relative to the total U.S. economy.

Inflation

The rate of inflation continues to moderate in both Colorado and the U.S. as a whole due to tighter monetary conditions, slowing consumer demand, and the resolution of major supply chain issues. In May, U.S. CPI growth year over year fell to 4.0 percent, down from 9.1 percent in mid-2022 while Colorado price growth also slowed but remained slightly more elevated at 5.1. The U.S. reports for March through May came in near or slightly below consensus expectations, largely as a result of lower food, shelter, services, and energy inflation despite a likely temporary uptick in goods inflation from higher vehicle prices. Colorado's March through May CPI readings diverged from the nation as a whole as the effects of the Suncor shutdown prolonged energy price growth in March and prices for shelter and services increased against expectations in May. On net, any small divergences from expectations for U.S. inflation have largely been at the component level and largely cancel out in the overall numbers. Further, the broad trends of (1) slowing shelter and energy inflation, (2) moderating food prices, and (3) relatively flat goods prices remain across the country, as indicated by Figure 14 comparing April and May U.S. CPI. Accordingly, overall inflationary expectations for the U.S. are unchanged changed from March for 2023 and 2024, at 4.0 percent and 2.4 percent, respectively.

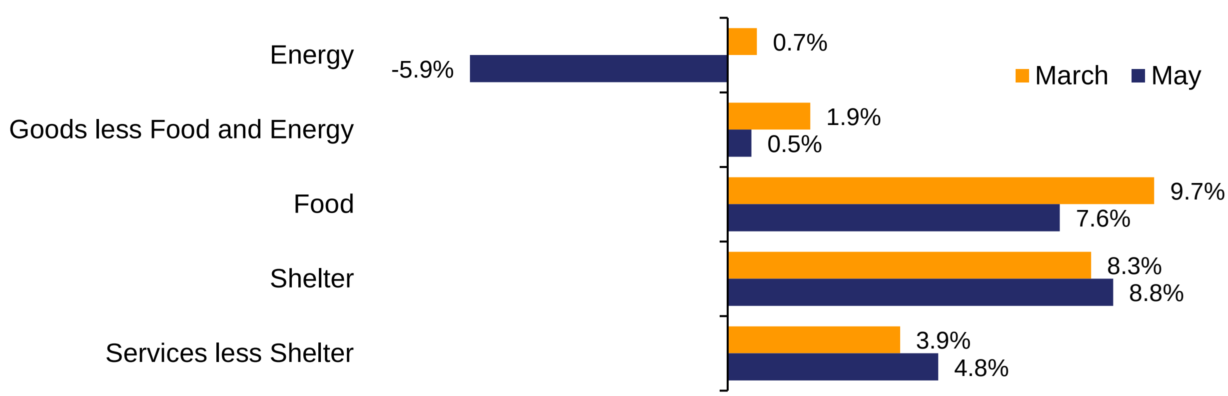
Figure 14. US YoY Inflation by Major Component May vs. April 2023



Source: Bureau of Labor Statistics; Author's Calculations.

On the Colorado side, it is also anticipated that the general trends of decreasing inflationary pressures from shelter, services, and energy are likely to persist over the course of 2023 and into 2024. However, recent upticks in the monthly data due in part to base effects and in part to stronger underlying demand for shelter and services in Colorado have diverged from this trend as shown in Figure 15 below. As a result, Colorado expectations have been revised upward for

Figure 15. CO YoY Inflation by Major Component May vs. March 2023



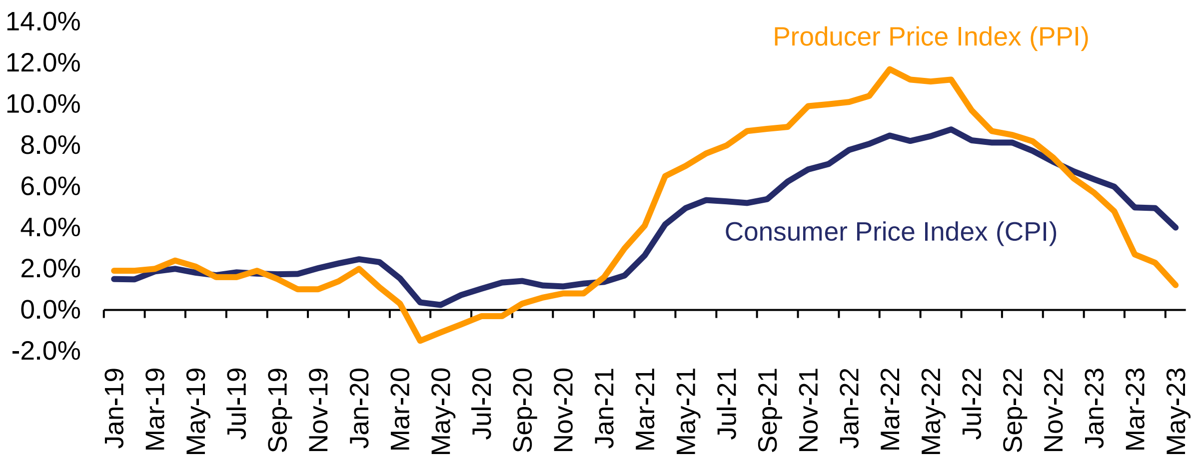
Source: Bureau of Labor Statistics; Author's Calculations.

2023 from 4.3 percent to 4.7 percent. Key indicators and trends specific to each of the components of inflation are discussed in more detail below.

In addition to the component-level trends discussed in more detail below, there are a number of indicators that help explain the path of inflation and the expected trajectory going forward. Two of these measures are summarized in the bullets below.

- Producer Price Index (PPI): PPI is an alternative measure of inflation across the economy that tracks changes in manufacturer selling prices for goods and services, including food and energy. While the PPI and CPI have some overlap, PPI is generally more associated with input transactions rather than being weighted more heavily toward final sales to the consumer. For instance, PPI includes construction and lumber costs, but does not include imputed rent of shelter as in CPI. As compared to CPI, PPI tends to lead changes in CPI and swing with more volatility than CPI, as shown in Figure 16 below. The steep decline from a peak of 11.7 percent in March 2022 to only 1.2 percent as of May 2023 is indicative of reduced input costs and further room for CPI disinflation without falling below producer prices and cutting into profits.

Figure 16. Consumer Price Index vs. Producer Price Index



Source: Bureau of Labor Statistics.

- Consumer Expectations: another key indicator of future inflationary pressures is consumer expectations, as these expectations are used by companies when setting future prices. As the median consumer adjusts their CPI expectations downward, companies must generally also refrain from boosting prices out of line with those expectations, or else risk losing consumers. Thus, signs of continued movement downward of both one-year and three-year inflation consumer expectations also point toward continued downward pressure on CPI. However, given one-year ahead expectations that remain at 4.5 percent, there is upside inflationary risk that companies increase prices more quickly than they would under a normal (2-3 percent) expectation environment, in which case corporate profits could grow more quickly than baseline expectations.

Energy

- *Recent Data:* Both the U.S. and Colorado saw year over year increases in energy prices over the first three months of 2023, with Colorado's being more pronounced due to conditions specific to the local market. However, prices through May have since come down by 11.3 percent and 5.9 percent year over year in the U.S. and Colorado, respectively.
- *Factors Driving Prices:* The effects of the Russia-Ukraine conflict on energy prices have largely moderated, as have the effects of increased demand for energy from re-emerging manufacturing in China that likely drove up prices in early 2023. The Colorado-specific effects of the Suncor plant shutdown also largely resolved by April, after driving a wedge between energy prices in Colorado and the U.S. through March.
- *Expectations:* Temporary global and local price shocks drove up oil and gas prices in the summer of 2022, causing natural gas prices (Henry Hub) and oil prices (WTI) to peak in August and June 2022, respectively. Now that these shocks have largely resolved, year over year energy inflation has fell from those levels and energy prices are expected to continue to fall over the course of 2023, before stabilizing at lower levels in late 2023 through the rest of the forecast period. OSPB expects that both U.S. and Colorado energy inflation will be near flat to slightly negative, at -6.5 percent in the U.S. and +0.1 percent in Colorado year over year in January 2024.

Shelter

- *Recent Data:* U.S. shelter inflation reached a peak of 8.2 percent in March and has since fallen to 8.0 percent in May while Colorado shelter prices are down from their November 2022 high of 10.0 percent, but up slightly at 8.8 percent in May as compared to 8.3 percent in March.
- *Factors Driving Prices:* Shelter inflation is calculated based on observed rental prices and imputed rents for properties that are not on the rental market. Given the length of lease agreements and BLS methodology, shelter inflation generally lags and is much less volatile than increases in housing prices. Accordingly, shelter inflation remains more resilient than prices across the broader housing market, but nonetheless has begun a downward trajectory in line with higher interest rates and slower demand.
- *Expectations:* The U.S. peaked at 8.2 percent shelter inflation in March and is now expected to decline from 8.0 percent in May to 5.4 percent by the end of 2023. Meanwhile, Colorado experienced a minor uptick to 8.8 percent in May, but is still expected to generally continue its decline and fall to 4.6 percent by the end of 2023, thus still placing upward pressure on overall Colorado inflation through the end of the year. Notably, the minor tick upward in Colorado inflation in May, alongside shelter's larger contribution to overall inflation in Colorado contributes to higher overall CPI than the U.S. as a whole.

Goods minus Food/Energy

- *Recent Data:* After consistent deceleration in goods spending in late 2022 and into January 2023 due to broad disinflationary trends, there has been a minor uptick in goods inflation, up 0.5 percent in May for Colorado and up 2.0 percent in May for the U.S.
- *Factors Driving Prices:* Broad downward pressure on goods prices continues as a result of reduced supply chain issues and relatively slower goods demand as compared to 2021 and 2022. As anticipated in reports from February and early March, temporary hiccups in these disinflationary trends for core goods, such as used cars sold at auction and new cars, translated to higher goods inflation in March through May as used vehicle prices were up 4.4 percent from April to May across the U.S.
- *Expectations:* Despite temporary headwinds largely resulting from used vehicle prices, goods prices are expected to continue to drop through most of 2023 in both the U.S. and Colorado, with year over year prices expected to be nearly flat in January 2024, at +1.0 percent and 0.0 percent respectively.

Food

- *Recent Data:* Food price disinflation has accelerated in recent months. Year over year U.S. food price growth has dropped from its peak of 11.3 percent in August to 6.7 percent in May. Similarly, food inflation in Colorado has dropped from 12.0 percent in July to 7.6 percent in May.
- *Factors Driving Prices:* The effects from the conflict in Ukraine continue to constrain the supply of commodities including corn and wheat, but now that the one-year anniversary of that conflict has passed, those effects are largely built into the price base. Similarly, food costs remain elevated as a result of continued high input prices for fertilizers, and climate impacts on shipping and crop yield across the country. However, the outlook has turned toward relatively lower price growth in the near term with longer term pricing heavily reliant on U.S. output in the upcoming spring and summer, climate impacts, and the continuation of the conflict in Ukraine.
- *Expectations:* With recent food prices coming in below expectations, expectations have been revised downward as food prices moderate considerably by the end of 2023, starting 2024 at 3.4 percent year over year growth for the U.S. and 3.8 percent for Colorado. These expectations are consistent with expectations from the Economic Research Service at the U.S. Department of Agriculture, which forecasts 6.2 percent food price growth on average in 2023 compared to an OSPB forecast of 6.1 percent.

Services

- *Recent Data:* Services inflation continues to be a driver of elevated headline CPI, though it has retracted in both Colorado and the U.S. as a whole since peaks in 2022. Colorado services inflation in May bumped up slightly from April to 4.8 percent, but remains significantly lower than its peak of 7.4 percent in March 2022. U.S. service prices increases slowed to a year over year rate of 5.2 percent in May, down from 8.0 percent in September 2022.

- *Factors Driving Prices:* Service inflation remains elevated due largely to two factors: (1) strong household balance sheets and consumer demand, in particular as demand shifts towards services spending and away from goods; and (2) significant wage growth due to the tightness of the labor market, with April 2023 average hourly earnings for private sector employees up 4.5 percent in Colorado and 4.4 percent in the U.S. as a whole. However, these pressures have begun to alleviate as reflected in recent data. In particular, U.S. figures for leisure and hospitality services came in softer in April, with airline fares down 3.0 percent from April to May.
- *Expectations:* Service inflation is expected to continue to moderate as wage growth slows and lower household balance sheets translate to slower spending on services such as leisure and hospitality. Accordingly, year over year U.S. service inflation is expected to decline to 2.4 percent by January 2024 and Colorado service inflation is expected to decline to 4.7 percent year over year growth, driving more inflationary pressure in Colorado than the U.S. as a whole, but still continuing its downward trajectory.

Federal Reserve Action

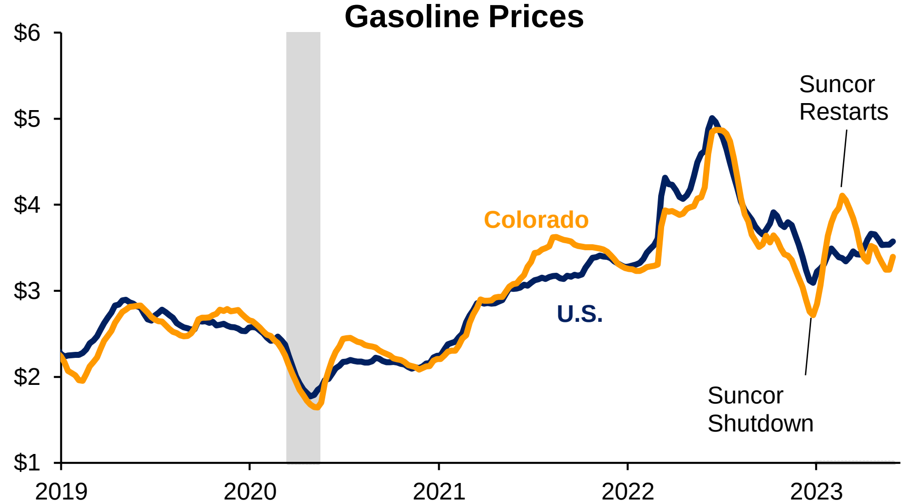
The Federal Reserve has slowed its monetary policy tightening after aggressive and necessary increases in 2022 to ease inflationary pressures. Currently, the Fed is committed to holding the Federal Funds target range above its terminal range in the near term in order to slow inflation despite adverse effects on consumer spending and the labor market. These rate hikes have brought the fed funds rate to 5.25 percent (upper end of target range) after a pause in June. The June pause is partially a reflection of reduced inflationary pressure and partially a reflection of tightening financial conditions from other factors, namely the recent issues in the banking sector. Notably, the June pause does not eliminate the possibility of a future hike if the issues in the banking sector continue to stabilize or inflationary pressure eases less than anticipated. Looking forward, once inflation has settled near the Federal Reserve's target, OSPB expects that the Fed will begin rate cuts in 2024 and 2025.

Energy

Over the first half of 2023, energy prices have fallen below previous expectations despite oil production cuts from OPEC-Plus and Russia along with the economic re-opening of China. These potential upward price pressures are outweighed by a weakening global economic outlook, which has driven oil prices downward near their long-term average. Further downward pressure on natural gas prices has taken place due to a mild winter domestically and in Europe. Regionally, the Suncor refinery restarted operations in March following a temporary shutdown in late 2022, which has led to lower retail gasoline prices over the second quarter of 2023 compared to the first quarter of the year. Risks in the energy sector are relatively balanced due to potential downside demand risk from a slowing global economy coupled with possible additional global production cuts, geopolitical risks, and potential supply shocks.

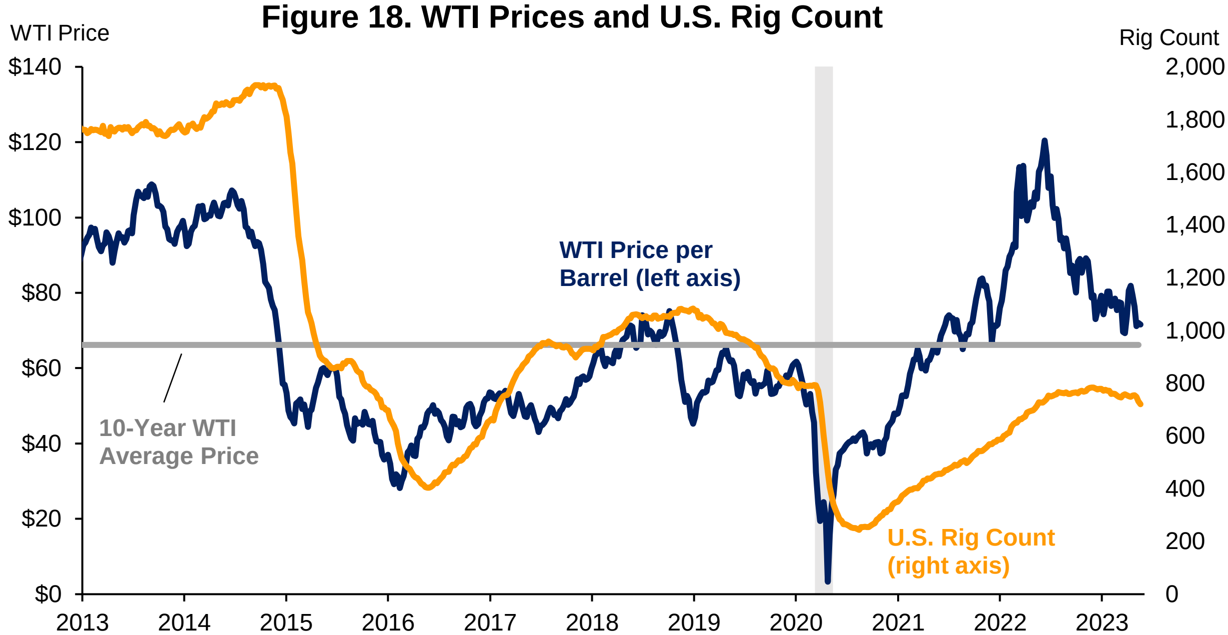
In Colorado, consumers have begun to see price relief at the pump after sharp increases over the beginning of 2023 following the temporary Suncor refinery shutdown in late December. Regular retail gasoline prices increased from $2.72 per gallon in the final week of December to $4.10 in mid-February. Following Suncor operations restarting at the beginning of March, prices have recorded significant declines to $3.39 per gallon through the final week of May and below the national average of $3.57 per gallon as depicted in Figure 17. Generally, Colorado retail gasoline prices have remained largely aligned with national averages in recent years, as Colorado averaged $2.97 per gallon of regular gasoline from January 2019 through May 2023 compared to $2.98 nationally. In mid-February, at the peak of the price spike following the refinery's temporary shuttering, Colorado prices averaged 73 cents, or 21.5 percent, above the national average at the time of $3.38. Since then, over the month of May, Colorado's retail gasoline prices averaged 23 cents, or 6.6 percent, below the national average. Throughout the past year, retail gasoline prices have declined significantly from the national all-time peak of $5.02 per gallon on June 14, 2022. This decline is due to falling global oil prices as the market resettled following the Russian invasion of Ukraine and increased production began to meet demand. As reflected in Figure 18, West Texas Intermediate (WTI) oil prices peaked in June 2022 at $120 per barrel, resulting in the all-time high retail prices. At the same time, national rig counts increased significantly both in response to rising prices and the accelerating economy as pandemic restrictions

Figure 17. U.S. and Colorado Retail Regular Gasoline Prices



Note: Shaded area denotes recession.
Source: Energy Information Administration

Figure 18. WTI Prices and U.S. Rig Count

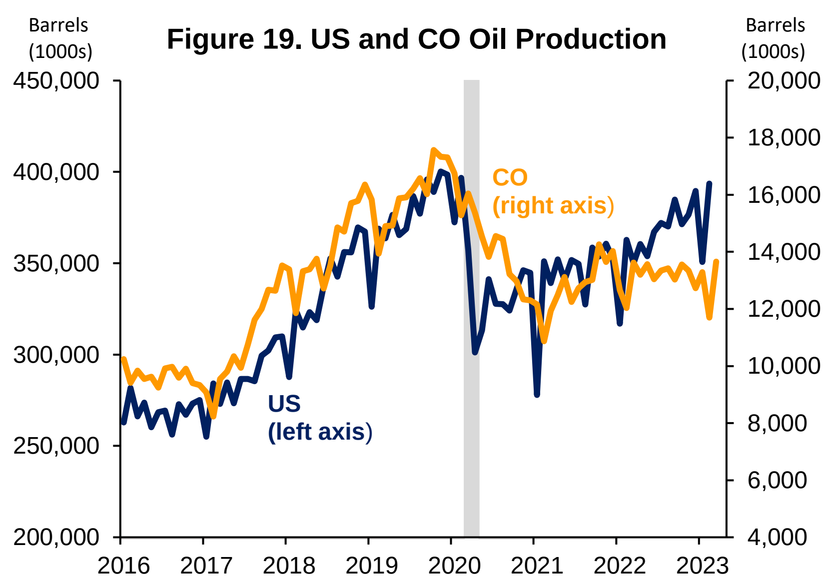


Note: Shaded area denotes recession.
Source: Energy Information Administration and Baker Hughes

were relaxed. Rig counts typically provide a short-term outlook of oil and gas production. The increased rig counts and corresponding national increase in production has driven the WTI price downward to $72 per barrel in mid-May, near the ten-year average price of $66. With prices retreating from highs and stabilizing, rig counts have declined over the first half of 2023, but that has largely been due to gas rigs, which have declined six percent year-over-year in mid-May as natural gas prices have recorded a precipitous retreat.

While the U.S. has logged significant increases in oil production over 2022 and 2023, Colorado production remained relatively flat during 2022. Over the first quarter of 2023, domestic oil production is up 9.9 percent over the first quarter of 2022, while Colorado production is up 0.9 percent. In March, U.S. oil production reached 12.7 million barrels per day, reflecting the highest monthly level since March 2020.

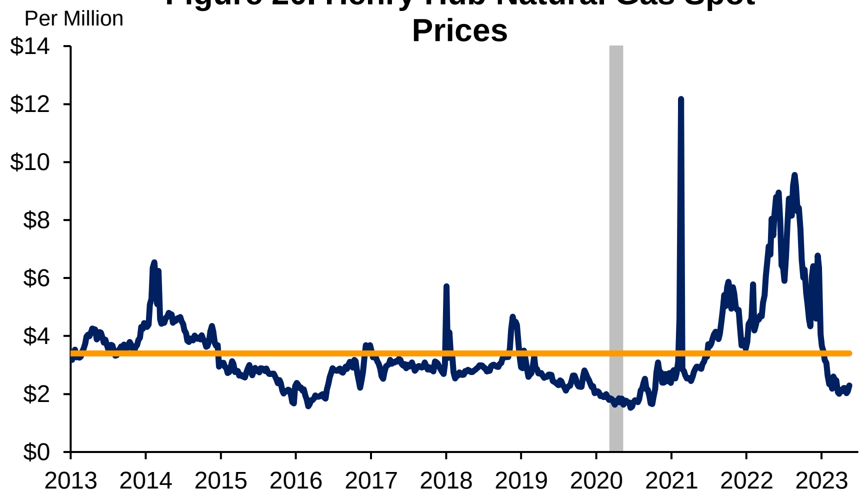
Figure 19. US and CO Oil Production



Note: Shaded area denotes recession
Source: Energy Information Administration

After reaching a peak of nearly $10 per million BTU in late summer of 2022, Henry Hub natural gas prices have fallen to $2.29 per million BTU – well below their ten-year average of $3.40. Natural gas production ramping up over the course of 2022, along with a mild winter in the U.S. and Europe, have led to above-average inventories and decreased prices. In April, natural gas storage inventories were 19 percent above the five-year average. Lower natural gas prices will translate to lower consumer costs as gas and electric bill pass-through costs related to natural gas will also drop. Despite the recent trend, natural gas prices will likely rise in the short-term due to seasonal demand for electricity increasing over the warmer summer months.

Figure 20. Henry Hub Natural Gas Spot Prices



Note: The orange line denotes the Henry Hub ten-year average natural gas spot price.

Looking forward, the Energy Information Administration (EIA) forecasts that Henry Hub natural gas prices will remain below the long-term average throughout 2023 and average $3.02 per million BTU for the year. By October, the EIA projects that natural gas storage inventories will drop to only four percent above the five-year average following the high-demand summer season for electricity. Despite the expected reduction, inventories above the five-year average along with European stockpiles remaining in a strong position, will likely lead to stabilized prices over the forecast period. However, geopolitical risks remain and could lead to price volatility. The EIA forecasts WTI oil prices at $73.62 for 2023 and $69.47 for 2024 as global demand is expected to wane despite China's post-pandemic economic re-opening. While there may be some upward price pressure in 2023 due to OPEC-Plus and Russian oil production cuts, weaker global macroeconomic conditions are expected to tamp down upward price pressure.

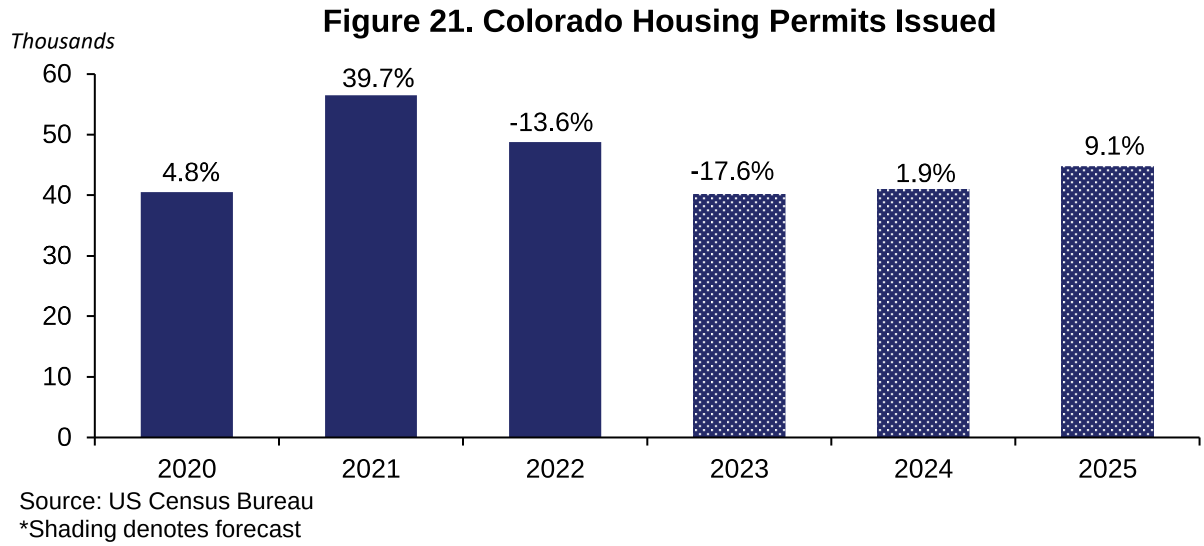
Regionally, industry activity and forward-looking sentiment has declined following a strong year in 2022 as indicated in the Federal Reserve's Tenth District Energy Survey, which includes Colorado. Firms surveyed indicated that drilling and business activity declined in the first quarter of 2023 for the first time since the second quarter of 2020, likely in response to a glut of natural gas supply and lowered oil prices. Looking forward, firms expect drilling and business activity, capital expenditures, and total revenue to be lower six months from now. Despite souring sentiment, firms indicated their breakeven WTI oil price is $64 per barrel, and with prices expected to remain above that level, the sector is likely to maintain a healthy position. Firms focused on natural gas production may face relatively stronger headwinds with below-average natural gas prices projected throughout 2023.

In Colorado, the legislature passed and the Governor signed HB23-1272, Tax Policy that Advances Decarbonization, which makes myriad changes to tax policies in order to advance renewable energy initiatives and reduce greenhouse emissions. The bill extends or creates a variety of income tax credits, including, but not limited to, the innovative motor vehicle credit, innovative truck credit, industrial clean energy credit, geothermal energy production expenditure credit, heat pump technology credit, sustainable aviation fuel credit, and electric bicycle credit. The bill also reduces the taxable value of electric or hybrid truck fleet vehicles related to the Specific Ownership Tax. Further, the bill reduces the ad valorem tax credit that oil and gas taxpayers can claim from 87.5 percent to 75 percent. Ad valorem credits are based on local property tax assessments of the value of oil and gas production, and oil and gas taxpayers can use the credit to reduce their severance tax liability. OSPB will monitor and analyze the bill's economic impact to the local energy sector.

Over the course of the forecast period, uncertainty in the energy sector remains, though economic risks are relatively balanced. Global macroeconomic conditions are expected to weaken in 2023 and weigh on the sector, while energy demand in China remains relatively muted despite the post-pandemic economic re-opening. However, geopolitical risks remain elevated, additional global production cuts are possible, and the probability of extreme weather events has increased, which could cause supply interruptions and upward price pressure. These factors place the sector on an ambiguous trajectory over the forecast period with heightened uncertainty.

Housing and Rental Market

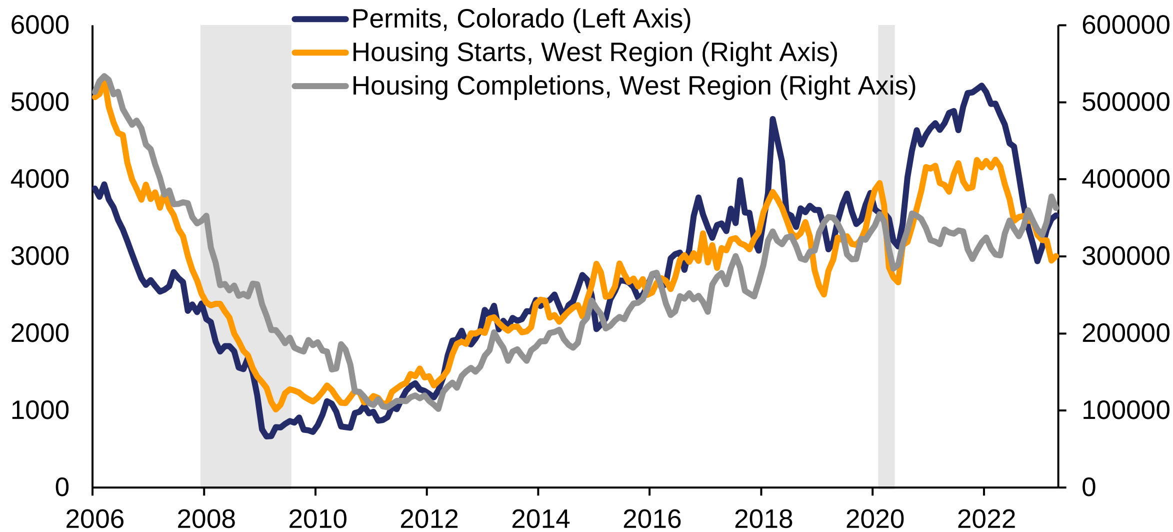
After two successive years of elevated permitting, the U.S. and Colorado are both experiencing declines in permitting levels. The United States issued 1.74 million permits in 2021 and 1.67 million in 2022, reflecting levels unseen since the early 2000s. Colorado followed a similar trend and issued 56,500 permits in 2021 and 48,800 in 2022 (as compared to average levels of 40,600 in the years leading up to the pandemic: 2017-2019). After this pandemic-era peak, permitting levels slowed in late 2022, with a further slowdown in the early months of 2023. If both the U.S. and Colorado maintain this current pace, there will be a drop-off in their annual housing permit totals.



OSPB forecasts that the U.S. will issue 1.42 million permits in 2023, a 14.8 percent drop from 2022, followed by 1.47 million permits issued in 2024 and 1.56 million permits issued in 2025. As shown in Figure 21, Colorado is forecast to issue 40,200 permits in 2023, a 17.6 percent drop from the previous year, before holding relatively flat thereafter with 41,000 permits expected in 2024 and 44,700 permits expected in 2025. Both the U.S. and Colorado forecasts are revisions downward for 2023 and revisions upward for 2024 and 2025 from the March forecast. The downward revision in the current year is led by assumptions related to expectations around tighter lending conditions and the early year slowdown in permitting seen thus far, while the upward revision in the out-years is driven by slight upward revisions to growth expectations in residential investment above that in March.

Even with the year-over-year decline, permitting numbers are similar to pre-pandemic levels. Further, reductions from the record levels seen during 2021 and 2022 are a direct result of tougher economic conditions related to rising interest rates. Thus, despite relative weakness within the housing market compared to recent years, residential investment is proving more resilient than expected in March and translating to upward revisions in permitting levels. While there is certainly heightened uncertainty, OSPB's baseline expectation is that 2023 could be the trough for housing permitting during the forecast horizon.

Figure 22. Private Housing Units Authorized by Building Permits, Started, and Completed
Seasonally adjusted three mo. moving average



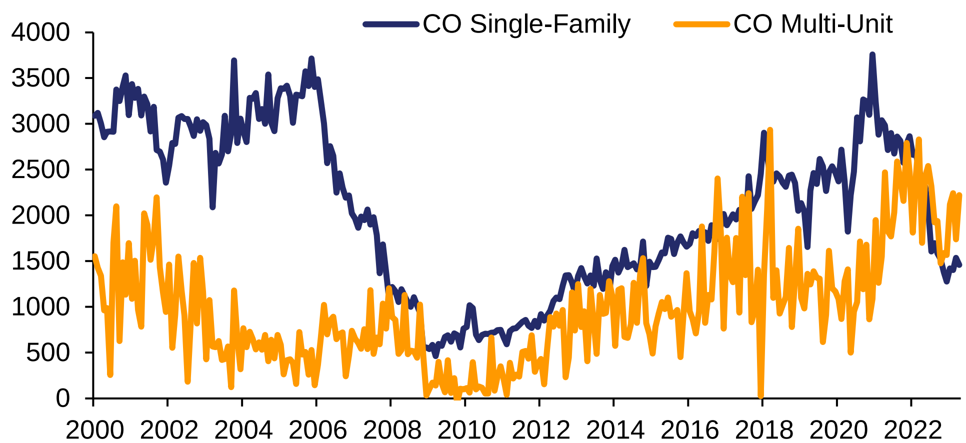
*West Region is comprised of AZ, CA, CO, ID, MT, NM, NV, OR, UT, WA, and WY
Note: Shaded areas denote recession
Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development

Thus far in 2023, permits and starts have fallen relative to the levels seen in late 2020, while completions have remained relatively flat. The bullets below summarize these trends for each data series in more detail:

- Permits: In recent months, housing permits issued in Colorado have fallen to levels similar to those prior to the COVID-19 pandemic. In December of 2022, Colorado issued less than 3,000 housing permits, which is a large difference relative to is peak of almost 5,000 permits issued earlier that same year.
- Starts: Housing starts in the Western U.S. region had a similar drop off that was seen in Colorado permitting levels during 2022. The drop could be attributable to many factors, but it is largely a return to pre-pandemic trend. Between high interest rates and inflationary pressures on construction materials, the discrepancy between permits issued and starts is driven further apart.
- Completions: In the Western U.S. region, housing completions have remained largely steady, despite increases in starts and permitting. Due to a larger number of projects, completions are likely to remain steadier near term due to the increased time to complete each project by the existing workforce.

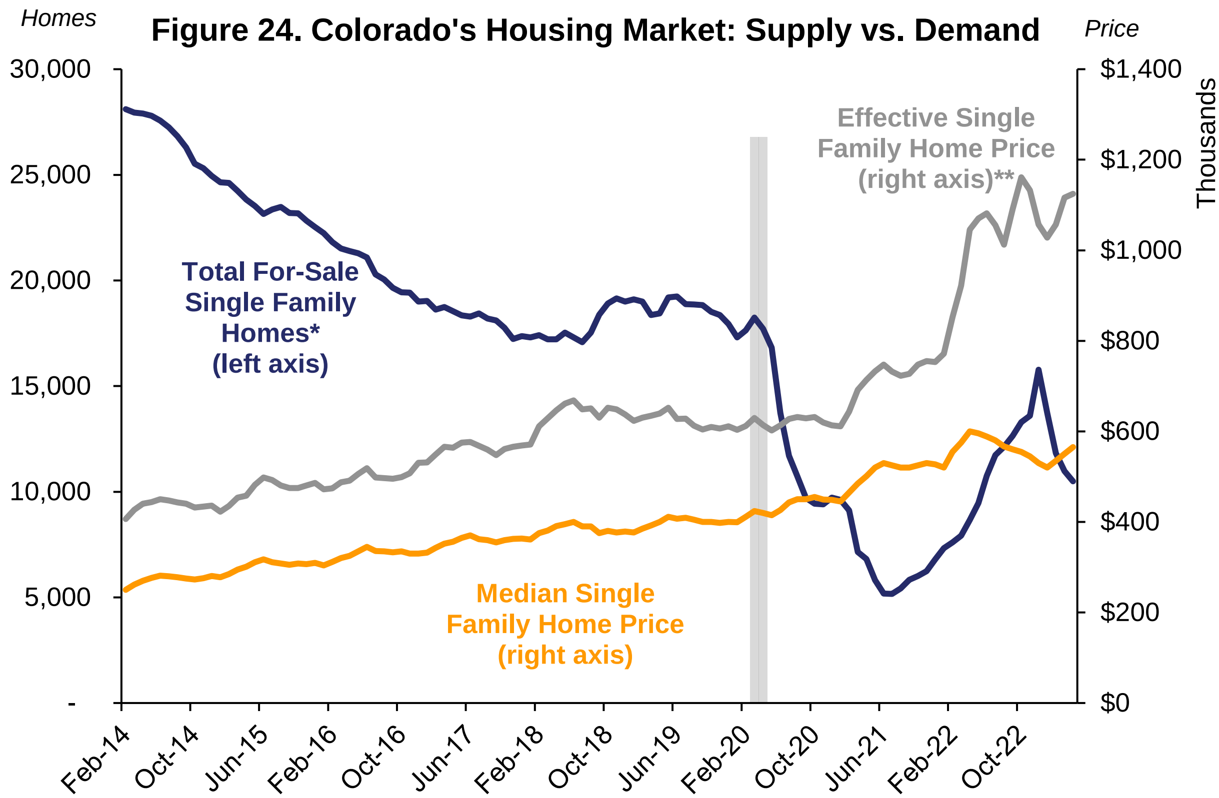
Colorado permits have skewed toward multi-unit in the past few years, instead of permits for single-family homes. Multi-unit housing permits could be attracting investors looking to meet the existing demand for housing in Colorado driven by an increase in populations aging into homeownership, as discussed in the demographics section. The number of permits for single-family homes has been on a downward trend from the recent peak in December of 2020, but is slowly picking back up in recent months, as shown in Figure 23.

Figure 23. Colorado Private Housing Units Authorized by Building Permits, Single-Family vs. Multi-Family



Source: U.S. Census Bureau

Figure 24. Colorado's Housing Market: Supply vs. Demand

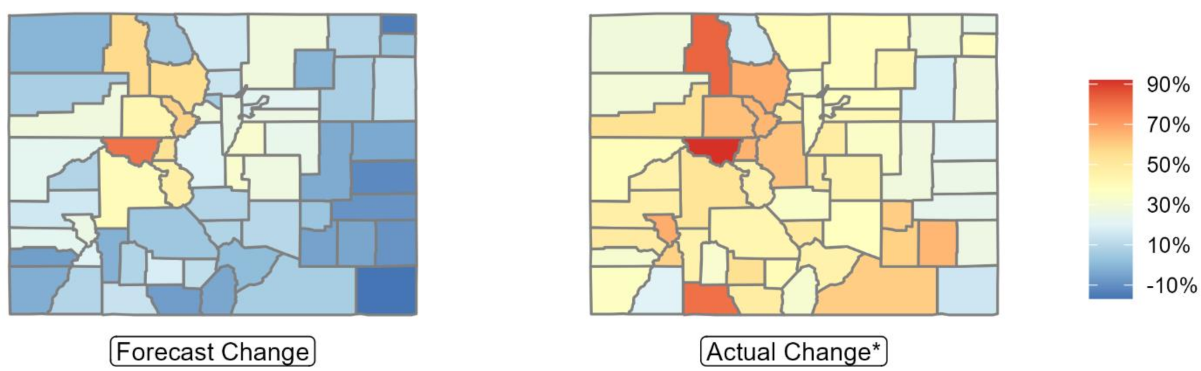


*Seasonally adjusted
**Assuming 20% down payment, and a 30 year fixed rate mortgage
Shading denotes recession
Source: Colorado Association of Realtors and the US Census Bureau

The median home price in Colorado is back on an upward trend as a result of waning supply after peaking in April 2022 at around $600,000 and reaching a trough in January 2023 at $520,000. After four months of consecutive growth since February, the median home price in Colorado is $565,000 according to the Colorado Association of Realtors. Going forward, it is expected that Colorado has already hit the median price floor in the short-term as demand stays strong going forward. However, if the current permitting, starts, and completions trends persist in creating more housing supply at a rate quicker than household creation, home prices would grow more moderately as demand would then be muted relative to supply.

Figure 25. Actual vs. Forecast Assessed Property Value

By County, 2022 to 2023 YoY Change



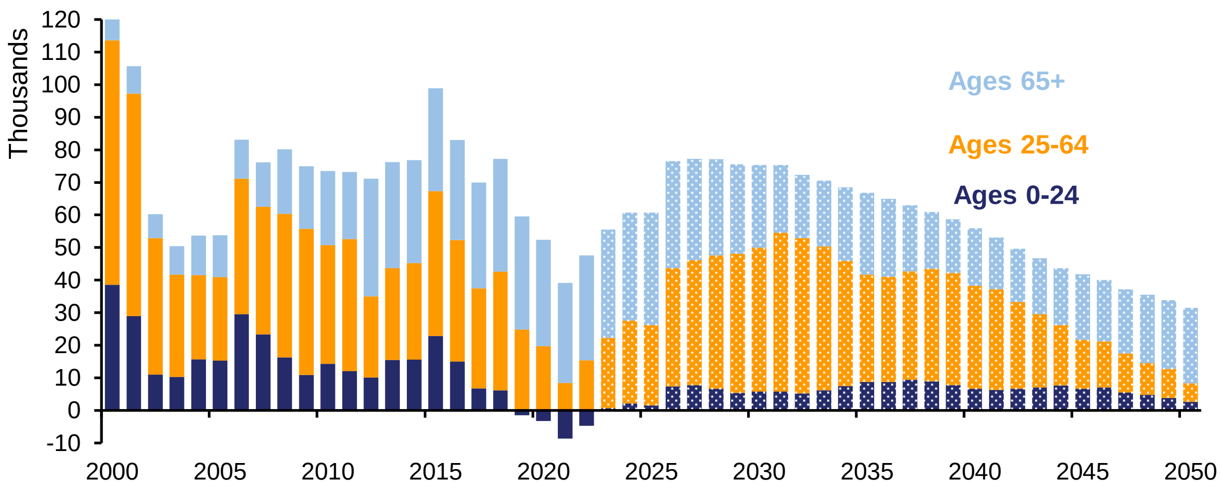
Source: Colorado Department of Local Affairs, Legislative Council Staff
*Note: Preliminary

Last December, LCS forecast the highest assessed value growth in recent history with residential assessed value growth 26.5 percent on average throughout the state in Tax Year 2023. Note that to determine the assessed value for Tax Year 2023, county assessors apply the state's assessment rate (currently 6.765 percent on single-family owner-occupied homes) to the market value based on June 30, 2022. Assessment rates have historically been based on the Gallagher Amendment, but after its repeal, those rates are based on current legislation in SB22-238. Additionally, SB23-303 is a referred ballot measure that would further reduce the assessment rates and therefore the assessed value that is taxable on any given property. As you can see in Figure 25, the most recent survey of county assessors completed by DOLA's Division of Property Taxation for actual assessed value found that property values have been growing more rapidly than recent LCS expectations. Therefore, property owners are very likely to owe more in taxes than the state expected six months ago. Note, these assessed values illustrated above are preliminary, currently subject to the appeals process, and will not be finalized until later this year.

Demographics

Colorado's demographic composition has been shifting over the last decade and this trend was accelerated by the COVID-19 pandemic. Population increases in the state had already begun to slow in 2019 when the population grew by 58,001, the first time since 2006 that the population had grown by less than 70,000. Slowing population growth rates of 0.9 percent in 2020, 0.5 percent in 2021, and 0.5 percent in 2022 have largely been driven by increased resident deaths and decreased net migration. The State Demographer's Office (SDO) reports that annual deaths in 2022 will top 49,600, the highest in Colorado's history, due in large part to an aging population. The 65+ age group grew by an average of 31,648 people per year (4.6 percent) in the 2010s and has continued to outpace growth in every other age demographic in Colorado. Another notable trend that has accelerated since the beginning of the pandemic is the shrinking 0-17 and 25-34 age demographics. The state has seen declines in the 0-17 age group since 2017, with the largest decrease coming in 2021 when the 0-17 age group shrank by 11,560. Similarly, on the national level, with the exception of 2015 and 2016, there were declines in the 0-17 demographic every year in the 2010's. While the cohort of Prime Working Age Adults ages 25-64 in SDO estimates is increasing every year until 2048, the 25-34 age group has been shrinking during the pandemic in part due to reduced net migration into the state as a response to decreased housing affordability.

Figure 26a. Colorado Year over Year Growth by Age Group



*Note: Dotted indicates forecast
Source: Colorado State Demographer's Office

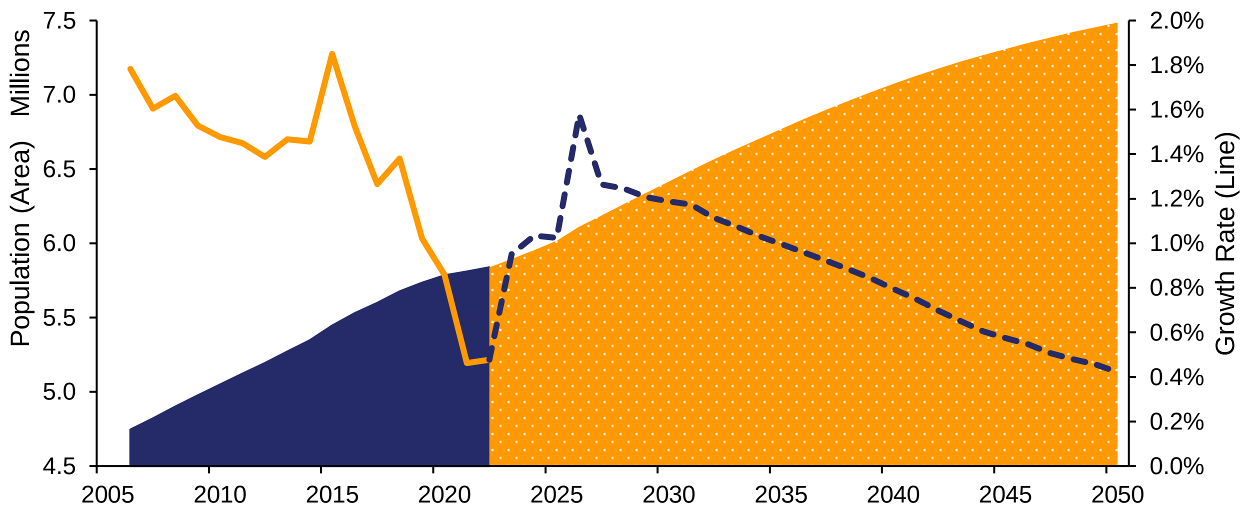
Looking forward, these patterns culminate in a shifting demographic composition in Colorado that will shift demands for services and resources in both the public and private sectors. Examples of these shifting needs are discussed in the bullets below:

- <u>An aging population:</u> the aging population means that more Colorado residents will be eligible for public services and resources such as Medicare and the Senior Homestead Exemption. In terms of private resources and services, older residents are less likely to move and more likely to "age in place", which decreases housing supply churn and availability.

- Peak births in 2007: peak births occurred in 2007, which means that some of Colorado's largest contingents of youth will be entering higher education and postsecondary career training in the next 3 years. In Figure 26a, the dark blue bars represent the changes to the population of kids and young adults ages 0-24. Through the pandemic, the 0-24 population shrank as they are not being replaced because we have fewer births today than in 2007. The 0-24 population will start growing again in 2023 according to SDO estimates and the short-term trend will reverse.
- Return of the workforce: similar to the younger population, the working age population ages 25-64 grew at a slow pace through the pandemic but is expected to pick back up in 2026. This highlights the need for higher education and career training so that when people are begin entering the workforce in larger numbers in the near future they have the skills the labor market is demanding.

On a broader scale, the State Demographer's Office estimates that Colorado's population growth rate in 2023 will be 1.0 percent and sustain those growth rates in 2024 and 2025. Long-term population growth and growth rate estimates are detailed in Figure 26b.

Figure 26b: Colorado Population Growth Estimates



Note: Dotted/Dashed indicates forecast
Source: Colorado State Demographer's Office

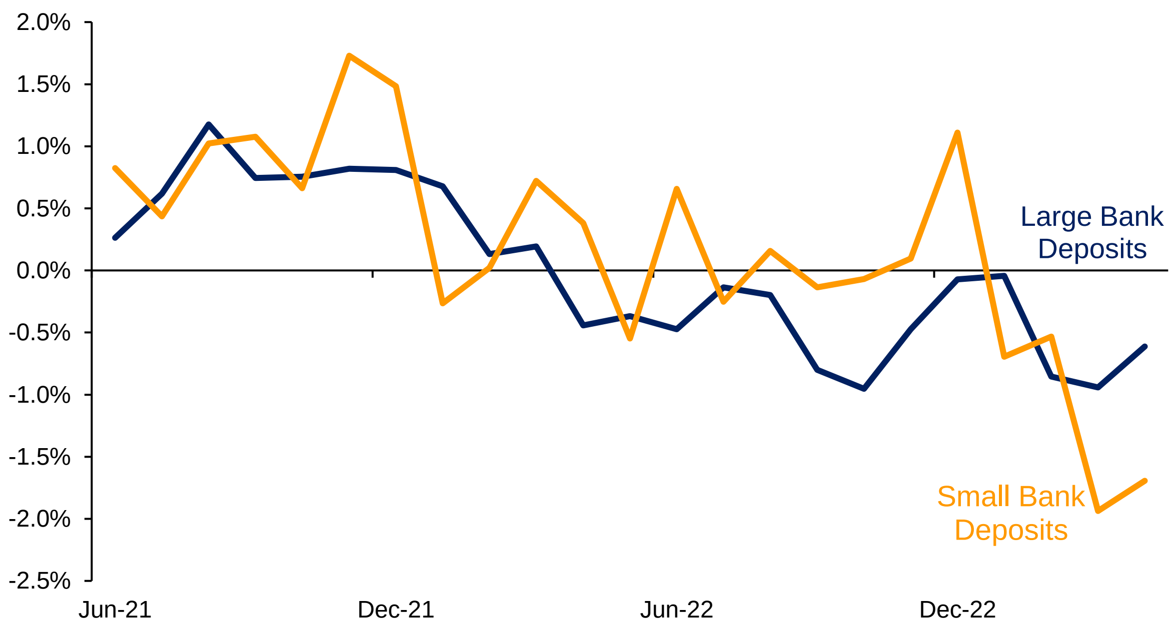
Financial Conditions

Current monetary policy tightening through the Federal Funds Rate Target range was paused in June for the first time in over a year, but two additional hikes are expected by the end of 2023, according to the Federal Open Market Committee's Summary of Economic Projections. In mid-

2024, as inflation nears target levels, the Federal Reserve is expected to begin slowly cutting the rate towards its long run target with three to four cuts expected in both 2024 and 2025.

In addition to monetary policy, the recent weakness in the regional and small banking sector has led to further tightening of financial conditions. Just ahead of the March forecast publication, President Biden, Secretary Yellen, and Chair Powell clarified that all depositors were protected without making explicit guarantees on unlimited insurance. While some uncertainty on implementation remained at the time, the swift action in response to the Silicon Valley Bank collapse and further visibility into the existing stress on the banking sector has indicated that the impact is limited. Initially, as seen in Figure 27, there was a significant outflow of deposits, particularly within smaller banks. Banking outflows at a more moderate pace in larger banks are not cause for concern, given the spend down of excess savings expected after a 30 percent increase in deposits between the beginning of COVID and peak deposit levels in the first half of 2022. However, smaller banks outflows were three times the size in March and April while amassing a smaller 23 percent increase in deposits in the first two years of COVID.

Figure 27. Deposits of Small and Large Banks



That all being said, deposit outflows have decelerated and banks' liquidity has stabilized, but there is still slight concern whether past deposit losses, higher cost of capital, and possible regulation will cause banks to tighten their lending standards. Thus far, such tightening has been modest, thereby reducing the flow of credit to business and consumers only slightly. Given that smaller banks experienced larger outflows, there was a relatively larger tightening of standards, including rising deposit rates, for such banks compared with their larger counterparts.

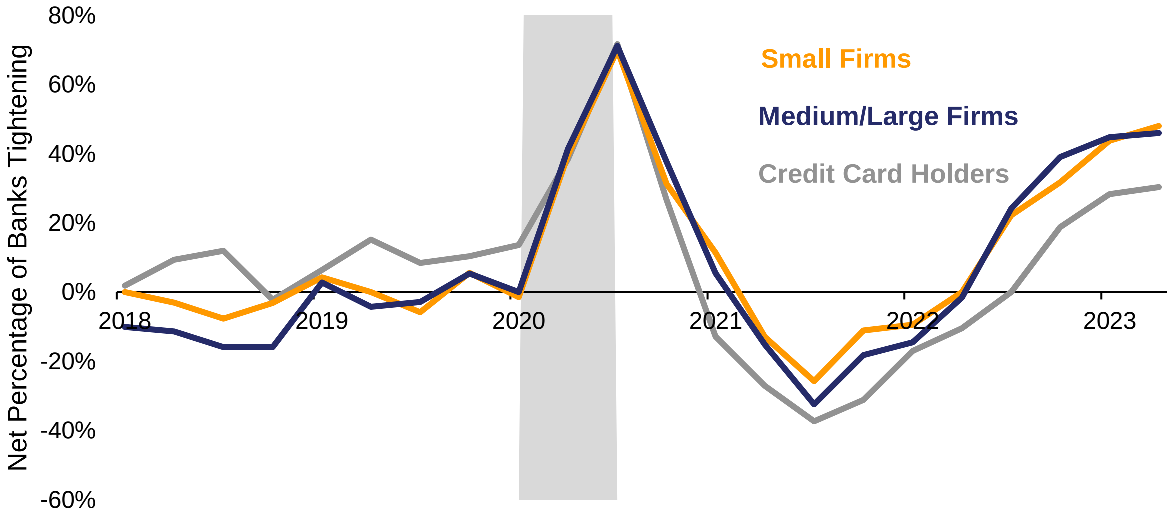
The Senior Loan Officer Opinion Survey (SLOOS), recent earnings calls, and the Federal Reserve's Beige Book, all confirm the aforementioned data points – that the banking sector has slightly tightened its lending standards and that the tightening has been concentrated in small and mid-size banks. Those findings are highlighted below:

- The SLOOS survey indicated that all banks expected lending standards for non-residential investments to remain at least as tight if not tighter for the remainder of the year. Furthermore, it confirmed that standards tightened for consumer loans. See Figure 28 below for changes in lending standards over time. Generally, tightening over the last year has slowed as the monetary policy rate hikes have.
- In earnings calls, banks again spoke to a moderate tightening of credit, with regional banks highlighting that such tightening has stemmed deposit outflows significantly. Note though that large banks have not materially tightened given relatively better liquidity positions, allowing for a limited impact on businesses and consumers tied to larger banks.
- Finally, the Kansas City Beige Book, a regional Fed publication that includes Colorado, reinforced weakening loan demand for commercial and industrial loans including commercial real estate. However, the survey also highlighted minimal planned pullback in capital spending, hiring, or salary increases in response to the recent volatility. While deposit outflows at small and regional banks led to funding challenges for firms in the immediate aftermath, community development financial institutions (CDFI) have remained stable funding sources for smaller firms while large firms were unaffected given the stability of bigger banks.

One final point related to the recent lending stress is that small and regional banks are more likely to support small businesses and specific sectors of the economy. First, small and midsize banks play an important role in financing small businesses, financing nearly 70 percent of all commercial and industrial loans[1]. Small businesses with less than 100 employees also employ approximately one third of the private sector workforce, driven by particularly high concentration of small businesses in the services and construction sectors. Therefore, as smaller, less city-centric banks tighten more aggressively, there is a disproportionate impact on small businesses in those areas. This trend intensifies the need for alternative funding sources as small businesses also have less ability to turn to other financing channels, illustrating the important role those CDFIs and other nonbank lenders can continue to serve in the year ahead.

[1] According to the H.8 reports from the Federal Reserve

Figure 28. Net Percentage of U.S. Banks Tightening Lending Standards, by loanee type



Note: Shaded areas denote recession
Source: The Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending Practices
Medium/Large Firms are defined as businesses with sales of $50 million or more

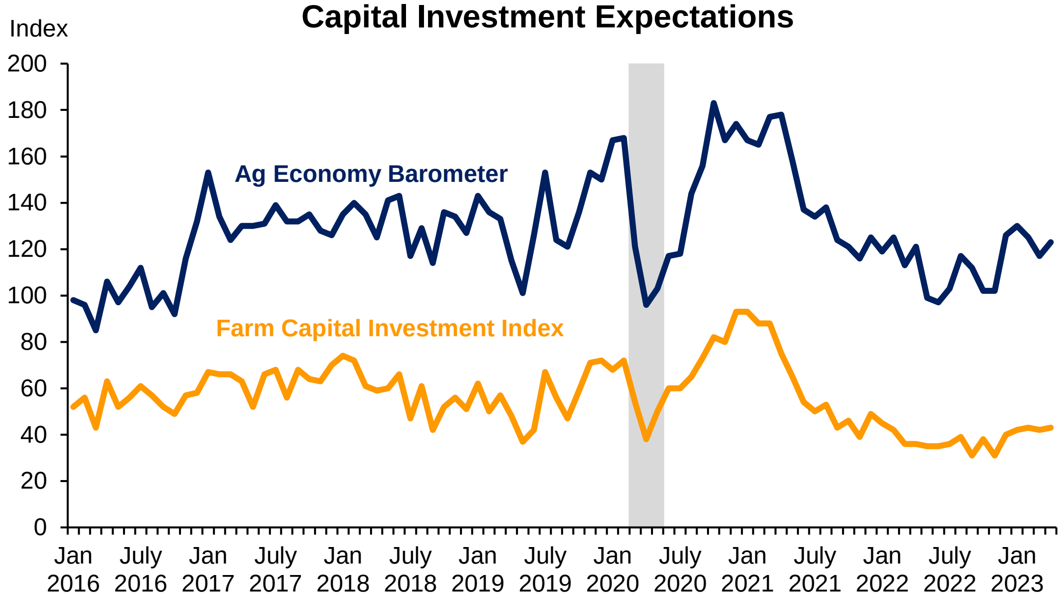
Altogether, credit lending has tightened further in response to recent deposit outflows and that tightening is not expected to resolve for the remainder of the year. Given that regional banks are more closely linked to this additional tightening, it is affecting smaller firms slightly more than larger ones, as seen in Figure 28. Additionally, the Federal Funds Rate is likely to be squarely in the range of tight monetary policy for the next two years with further quantitative tightening occurring as well. The combination of these drivers is likely to have a disinflationary impact by curtailing further consumer spending and debt accumulation while simultaneously reducing demand for firms' capital investment projects over the short to medium term.

Agriculture

National agricultural industry sentiment improved over the first half of 2023 as interest rate expectations have lowered, resulting in a more optimistic short to medium-term outlook. While producer input costs remain elevated, there have been easing costs related to feed, fuel, and fertilizer. Over the past two years, agricultural producers were able to offset elevated input costs by passing it onto consumers, but recent declining prices have resulted in tightening margins. Water availability remains an integral part of the industry's health, and in Colorado, the most recent winter's above-average snowpack, along with recent rains, have led to the majority of the state coming out of drought conditions. This will provide a short-term boon to the local agricultural economy, although long-term issues related to water remain.

Over 2022, agricultural producer sentiment plummeted as increasing input costs weighed on the industry with oil-based products such as fuel and fertilizer prices reaching all-time highs and tightening monetary policy resulting in higher interest rates to finance larger investments. Since the trough reached in June 2022, sentiment within the industry has rebounded with input costs declining and future interest rate expectations improving. While sentiment has turned more optimistic, it remains below average levels. Though overall industry sentiment has improved,

Figure 29. U.S. Agriculture Producer Sentiment and Capital Investment Expectations

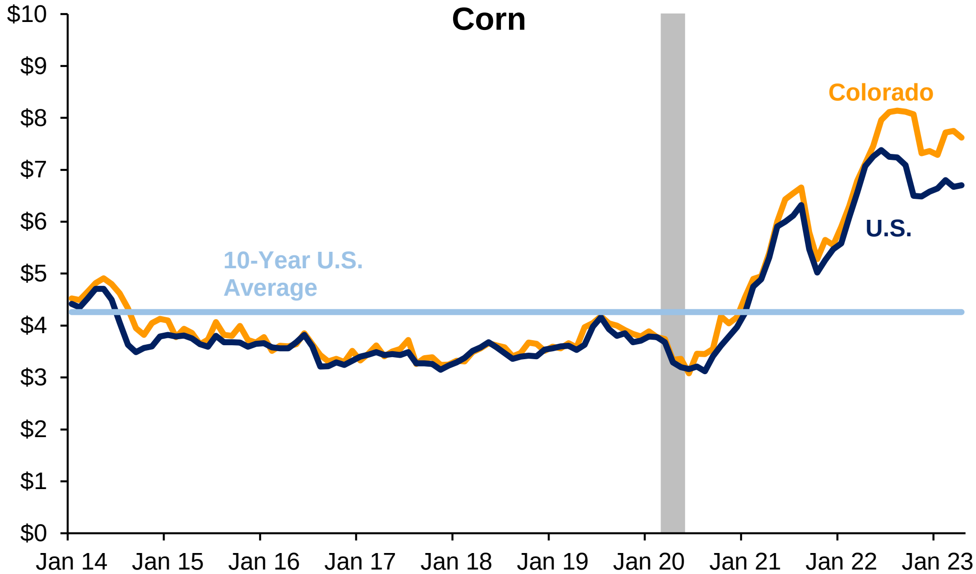


Note: Shaded area denotes recession.
Source: Purdue University Center for Commercial Agriculture

industry sentiment around capital investment remains relatively flat from 2022. While interest rate hikes have negatively weighed on industry investment, rising costs of equipment and construction are also weighing down capital investment. Industry's future expectations continue to improve, although caution remains in a tight monetary policy environment with elevated input costs.

With higher input costs, along with supply chain disruptions, agricultural producers have received higher prices for products over the past two years, which have also resulted in end-consumer food inflation. The producer price received for corn provides an insight into this dynamic as corn is the primary feed grain in the U.S. and is used for livestock feed as well as an array of food products, including corn oil, starch, sweeteners, beverages, and varying other food products. With its various uses, the producer price received for corn is one proxy that can be used for food inflation. Figure 30 depicts the producer price received per bushel of corn from 2014 through April 2023. Following below-average corn prices for most of 2014 through 2020, prices rose rapidly over the latter part of 2020 through mid-2022 due to pandemic-caused supply chain disruptions early on followed by increased input costs, interest rate hikes, and the war in Ukraine.

Figure 30. Producer Price Received per Bushel of Corn



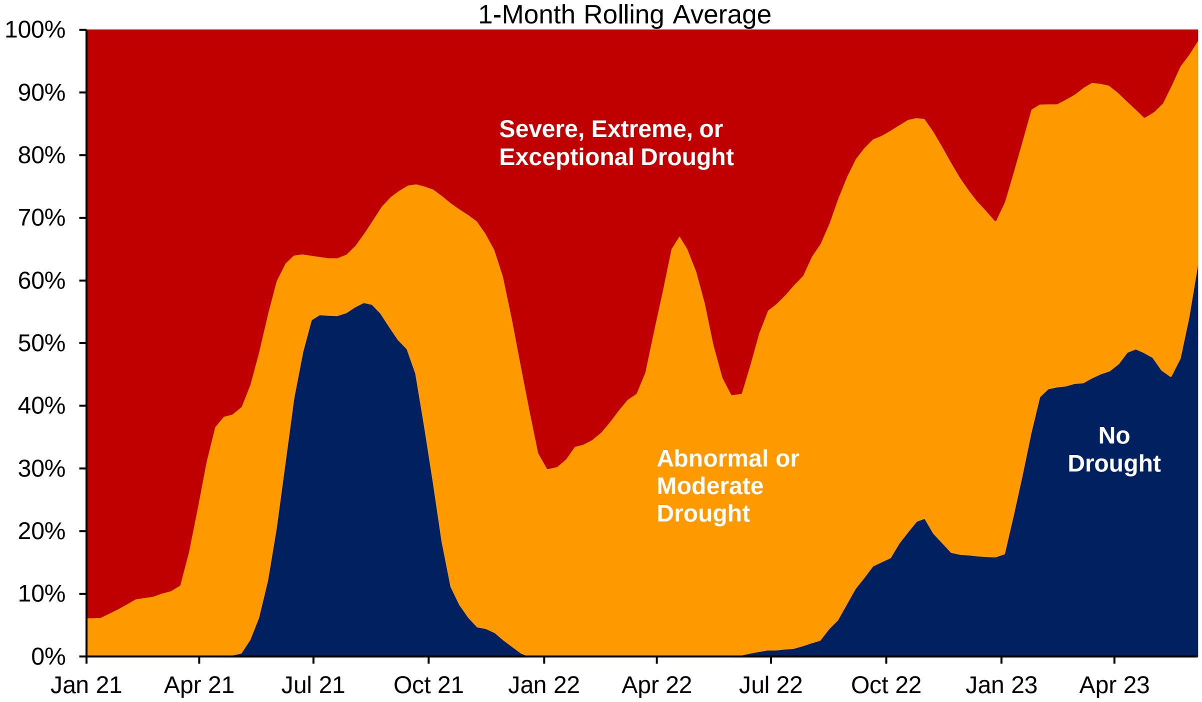
Note: Shaded area denotes recession.
Source: U.S. Department of Agriculture

Increased prices for bushels of corn, along with universal increases among other agricultural commodities, led to consumer food prices rising rapidly as well over 2021 and 2022, peaking at 11.4 percent in August 2022. Since then, consumer food prices have eased some, but food inflation remains elevated at 7.6 percent in Colorado and 6.7 percent in the U.S. as of May 2023. With Colorado food inflation remaining elevated above the U.S., a portion of that gap can be explained by the difference in the producer price received per bushel of corn in the state versus the U.S. Over 2022 and into 2023, the price of a bushel of corn in Colorado has outpaced the U.S. and created a noticeable gap between the two, as shown in Figure 30. This divergence in price for a bushel of corn at the state level compared to the nation is similar to other agricultural commodities and is attributable to an array of factors, including higher labor costs in the state and poor water supply in recent years hurting yields. Historically, however, there has been very little difference between the U.S. and Colorado for the price of a bushel of corn, and in order for statewide consumer food prices to fall closer in line with the country, producer prices received will also have to move closer to the nation. While there has been downward pressure in the price of a bushel of corn, it remains well above average, although the combination of elevated input prices and higher interest rates along with declining prices received does warrant caution within the industry.

Following years when the majority of Colorado remained under drought conditions, above-average snowfall over the winter, along with recent rains, have led to 76.3 percent of land area in the state not being in a drought as of the end of May – the highest level since August 2019. Also, as of early June, snowpacks in the Western Slope remain well above average levels. Figure 31 depicts statewide drought conditions using a one-month rolling average.

Figure 31. Percentage of Colorado Land Area Under Drought Conditions

1-Month Rolling Average



Source: National Drought Mitigation Center at the University of Nebraska-Lincoln

With drought conditions abating in the state, it could provide some downward pressure on food prices, as long-term drought conditions typically lead to reduced agricultural production through crop failure or livestock selloffs. With increased water availability, it could provide a boon to agricultural production, while also decreasing costs related to accessing water. While this should provide short-term benefits to the industry, uncertainty about future water availability and drought conditions remain.

To that end, the Lower Basin states, made up of Arizona, California, and Nevada, came to an agreement alongside the federal government regarding water usage from the Colorado River. Under that agreement, the Lower Basin states would conserve approximately 3-million acre feet of water by 2026, or about 13 percent of total water usage in the lower Colorado River. With the state receiving approximately 40 percent of its water supply from the Colorado River and 85 to

90 percent of all water usage in the state used by agriculture, water conservation efforts on the river have significant impacts on the state's economy and especially in the agricultural sector. This agreement among the Lower Basin states was helped by significant snowfall and rain in California and Nevada, as well. In fact, water levels are high enough that the California Department of Water Resources will be able to fulfill all water requests for the first time since 2006. While this winter's precipitation has provided drought relief along many regions in the west, the long-term impacts of climate change and a drier climate in the western half of the U.S. remains one of, if not the most significant economic element in agriculture moving forward.

Overall, the agricultural industry is facing a closing gap between elevated input prices and slowly declining prices received for products along with tight monetary policy that is restricting investment at both the national and state level. However, industry sentiment has rebounded from the trough experienced in 2022, and the much-needed drought relief will provide some boon to the sector. As elevated input prices continue to decline, consumers should also begin to see that translate to lower food prices.

Forecast Risks

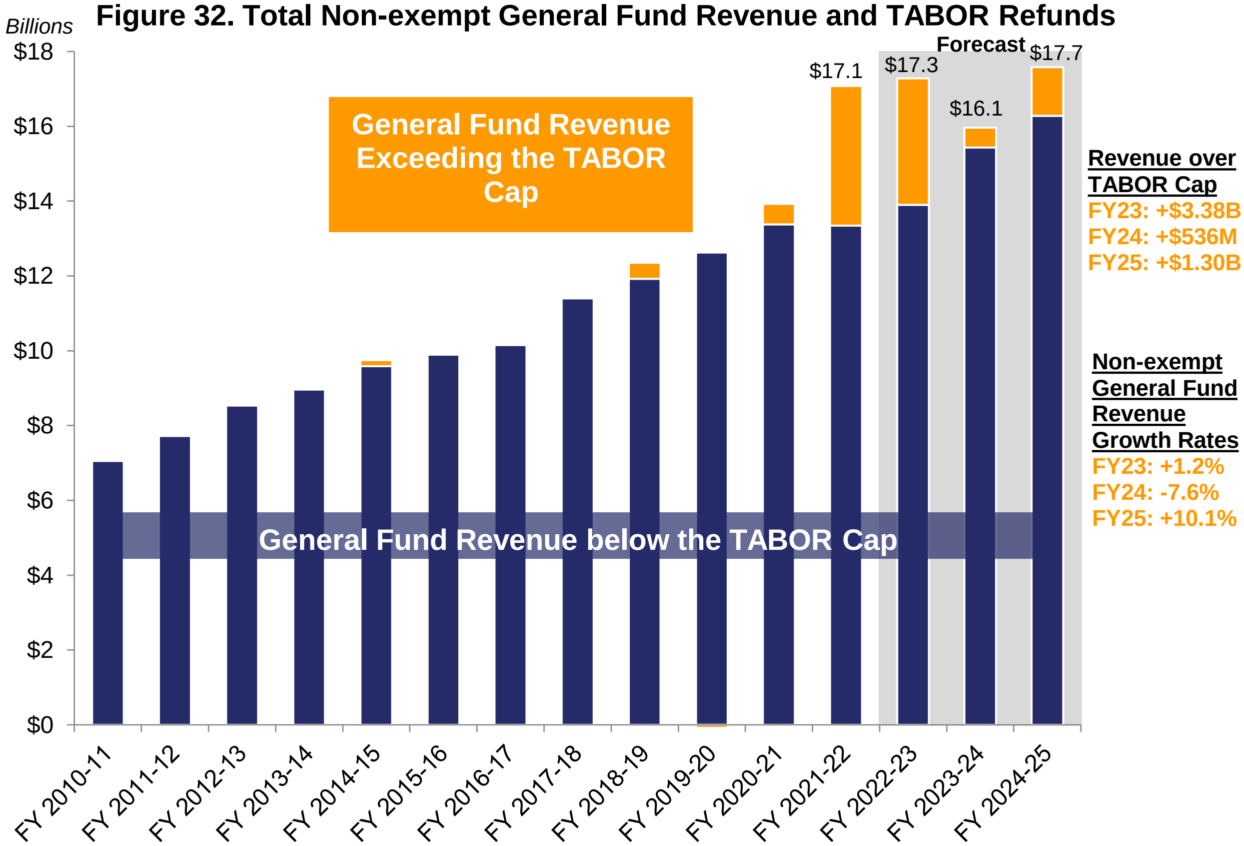
OSPB creates a point estimate forecast for all economic and revenue variables. However, it does explore alternative economic growth scenarios to capture the risks in the economic environment. The baseline scenario includes sustained but slowing inflation, as monetary policy hikes begin to impact consumer and labor demand. While job market loosening is expected, it is still relatively tight as jobs available are expected to continue to outnumber unemployed persons throughout the forecast period. However, by the end of 2023, consumers are expected to be over-leveraged on credit card debt as they also deplete their excess savings. The resulting pullback in spending is expected to lead to two quarters of slightly negative economic growth (often referred to as a "technical recession"), but OSPB does not expect the National Bureau of Economic Research to call a recession given that unemployment nationwide is expected to peak at 4.5 percent. Colorado unemployment is expected to fare even better, peaking at 4.0 percent. Altogether, OSPB views the chances of a recession at 45 percent, below the consensus view, given the strength of the labor market and a rebalancing of spending.

Downside risks to the forecast include financial contagion due to bank runs on deposits, additional tightening of lending conditions beyond current expectations, elevated inflation and jobs growth that may motivate further Federal Reserve monetary policy tightening, and geopolitical risk. Upside risks include services inflation slowing more quickly than wage growth, a wider than expected gap in the workforce-job openings ratio, and consumer spending continuing to outpace expectations. Overall, OSPB views economic conditions underlying this forecast as being relatively balanced.

General Fund Outlook

General Fund revenue increased 23.7 percent in FY 2021-22 to $17,697.9 million. Following stronger than expected revenue collections year-to-date and a healthier near-term economic outlook, OSPB has upwardly revised General Fund expectations in FY 2022-23. General Fund revenue expectations in FY 2023-24 are downwardly revised due to weaker economic expectations along with tax policy adjustments from the 2023 legislative session. General Fund revenue expectations in FY 2024-25 are revised upward largely due to strengthening consumer demand and an anticipated aggregate wage and salary resurgence following slower growth in FY 2023-24. In FY 2022-23, revenue is expected to increase by 0.5 percent to $17,779.2 million before declining by 7.1 percent in FY 2023-24 to $16,516.8 million. General Fund revenue is projected to strongly rebound in FY 2024-25 with 10.0 percent growth. General Fund revenue for FY 2022-23 is revised up by $806.6 million, or 4.6 percent, from March following strong April income tax collections. The forecast for FY 2023-24 is $178.9 million lower than estimated in March, and the forecast in FY 2024-25 is revised up $146.2 million from March.

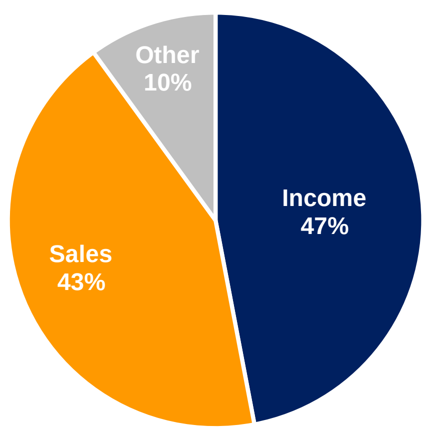
Figure 32. Total Non-exempt General Fund Revenue and TABOR Refunds



General Fund revenue is projected to exceed the TABOR cap throughout the forecast period. Revenue exceeded the cap by $3.73 billion in FY 2021-22. Going forward, General Fund revenue is projected to be above the TABOR cap by $3.38 billion in FY 2022-23, $535.9 million in FY 2023-24, and $1.30 billion in FY 2024-25. This is an upward revision of $869.3 million from the March forecast for FY 2022-23, a downward revision of $185.0 million for FY 2023-24, and an upward revision of $90.8 million in FY 2024-25.

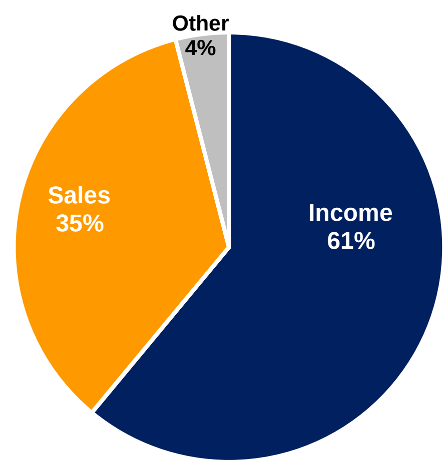
Although General Fund revenue is projected to fall in FY 2023-24 when the economy is anticipated to slow, Colorado is likely better positioned fiscally relative to most state governments around the nation. As noted in the economic outlook section of this report, Colorado is expected to maintain a lower unemployment rate and higher wage growth compared to the nation as a whole. With the labor market projected to remain relatively strong in the state, it positions the State of Colorado well as the large majority of its state tax revenue is received from income taxes compared to the national average, which is split relatively evenly between income taxes and sales taxes. Since income tax collections are more reliant on the health of the labor market, it places the state in a good position to financially outperform most states. Consumer spending is expected to slow considerably over the second half of 2023 into early 2024, which will place states that are more reliant on sales taxes in a more financially vulnerable position due to the weakening spending translating to depressed sales tax receipts.

Figure 33a. State Tax Revenue: National Average



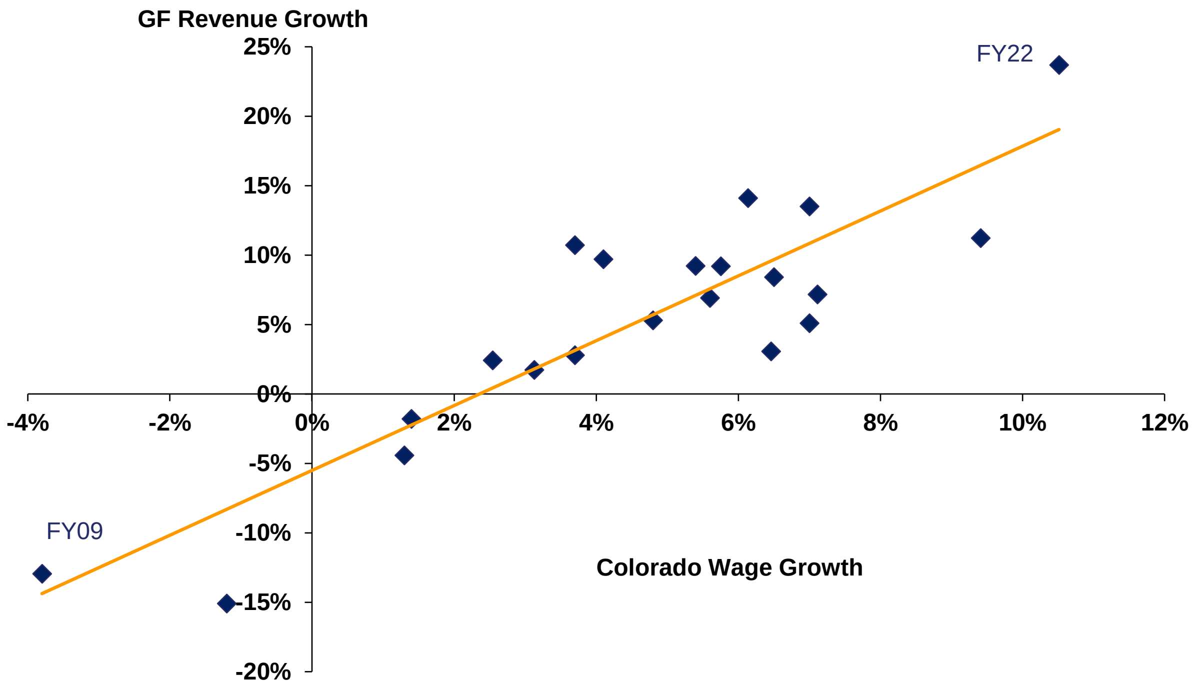
Source: U.S. Census Bureau

Figure 33b. State Tax Revenue: Colorado



Statewide salary and wage growth is highly correlated to General Fund revenue growth in the state. While 61 percent of all state tax revenue comes from income taxes, 69 percent of General Fund revenue came from income taxes in FY 2021-22, which leads to wage growth having a significant impact on General Fund revenue compared to other economic indicators. Figure 34 depicts the correlation between statewide salary and wage growth compared to General Fund revenue growth within the same year. As reflected in the chart, as wage growth increases in Colorado, General Fund revenue increases. While the projected slowdown in wage growth within Colorado will drag on General Fund revenue in FY 2023-24, the strength of Colorado's labor market will provide an important buoy to General Fund revenue.

Figure 34. Colorado Wage Growth and GF Revenue Growth



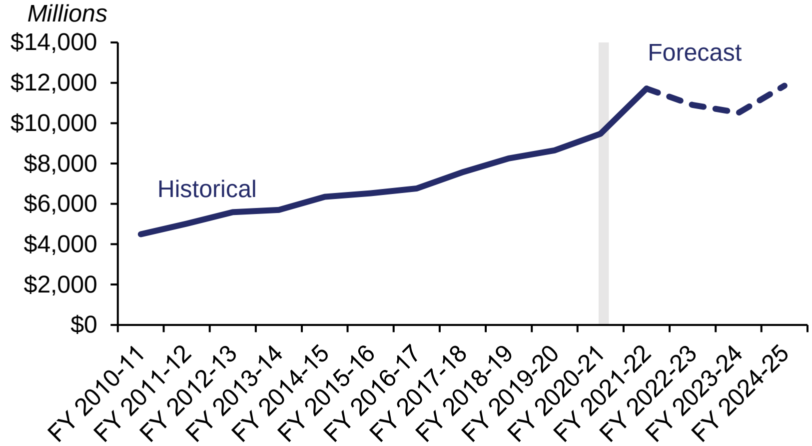
Source: Bureau of Economic Analysis, Colorado Department of Revenue

Individual Income Tax

Overall Forecast Trends

Individual income tax receipts in FY 2021-22 increased by 23.6 percent compared to the prior fiscal year, to $11.7 billion. This record growth was driven by 16.4 percent growth in withholdings as a result of a strong labor market in addition to record estimated payments and cash with returns as the economy rebounded quickly from the pandemic recession. Overall, in FY 2022-23, better economic conditions relative to the March forecast are not enough to avoid a drop in revenue due to estimated payments falling from record heights in the previous fiscal year. Estimated payment levels could not be replicated as equities began to soften, monetary policy started to tighten, and expansionary fiscal policy began to roll off.

Figure 35. Individual Income Tax



Source: Colorado Department of Revenue, OSPB Forecast

Figure 36. Individual Income Revenue Forecast and Revisions

Fiscal Year	Total Individual Income Revenue (in $M)	Growth	Revision from Previous Forecast (in $M)	Reasons for Revisions
FY 2023	**$10,894.6**	**-7.0%**	**$106.8**	Cash with returns and withholdings revised up as current labor market and business environment strength exceed March expectations
FY 2024	**$10,518.8**	**-3.4%**	**($398.8)**	Changes in tax policy, and downward revisions to wage growth and small business earnings due to tightening financial conditions in small/regional banks
FY 2025	**$11,861.0**	**12.8%**	**$50.5**	Small increases in wage and earnings growth are partially offset by increased refunds

In FY 2023-24, individual income revenue is expected to decrease due to downward revisions to wage growth, lower business earnings for smaller firms, and new tax credits in the last legislative session. Withholding revenue is anticipated to grow, but below its trend rate as aggregate Colorado wage and salary growth slows to 3.0 percent in 2024. This would be the slowest growth outside of a recessionary period in the last 20 years, although statewide wage growth is still projected to outpace the nation. Additionally, anticipated declining demand impacts businesses' bottom-line profits, but is compounded by increasing business investment costs as smaller and regional banks which generally lend to smaller firms are tightening their lending behavior more than larger banks to stem deposit outflows (more detail in the Financial Conditions section of the Economic Outlook). With small-firm profits expected to shrink, coupled with anticipated shrinking asset and rental income, the result is an expected fall in estimated payments and cash with returns by 23.8 and 22.4 percent, respectively. However, with refunds returning to FY 2021-22 levels, this nearly offsets such a decline, leading to only a 3.4 percent decline in revenue overall for the fiscal year. In FY 2024-25, overall individual income revenue returns above historical growth of 12.8 percent as the economy rebounds.

Component Trends

Withholdings

Individual income tax withholdings account for more than 80 percent of net individual income tax receipts and are closely linked to aggregate wages and salaries. Colorado aggregate wages and salaries are currently strong in response to a historically tight labor market, and slightly improved from expectations in March. Therefore, in FY 2022-23, withholdings are revised up $196.1 million as wage and salary growth is revised up by 0.9 percentage points in 2023, largely a result of strength in the first half of the year that has already occurred. However, in FY 2023-24, withholdings are revised down by $70.8 million as a result of a 0.5 percentage point downward revision to wages and salaries growth in 2024. In FY 2024-25, OSPB expects average hourly earnings to stabilize above 2024 averages while nonfarm payrolls are expected to surpass 3 million workers for the first time in history, resulting in a largely unchanged 8.0 percent growth in withholdings.

Estimated Payments

In FY 2021-22, estimated payments hit a new record, alongside record business earnings. During recent months, however, a continued tightening of financial conditions, particularly for smaller firms, has led to revenue coming in below March expectations. Therefore, estimated payments are revised down by $196.4 million in FY 2022-23 leading to a decline of 37.9 percent off the recent FY 2021-22 revenue total. Then, as the economy is projected to slow in the second half of 2023, pass-through businesses are expected to continue to reduce estimates to account for the new environment. The slowing economy is a result of depressed aggregate demand in the face of higher interest rates, but individual estimated payments are expected to take a harder hit than corporate revenue due to additional tightening of lending conditions to small firms as small and regional banks look to stem the outflow of deposits. More expensive lending options and slowing consumer demand are expected obstacles for recently formed businesses in particular, many of which were financed during the supportive fiscal and monetary policy over the last two years. The result is a downward revision in FY 2023-24 of $296.4 million, a decline in individual estimated payments revenue of 23.8 percent from FY 2022-23. In FY 2024-25, the economy is expected to regain stability, and as a result, estimated payments are forecast to grow to $1.8 billion, slightly above the expected FY 2022-23 figure of $1.6 billion but well below FY 2021-22's record $2.6 billion.

Cash with Returns and Refunds

In general, OSPB assumes cash with returns and refunds largely offset each other, meaning that filers in aggregate do reasonably well at covering expected tax obligations through withholdings and estimated payments. Cash with returns are revised up $288.4 million in FY 2022-23 from the last forecast. This revision is because of strength in proprietor profits above their expectations last year, reflecting a relatively healthier business environment in recent history than is currently the case. In FY 2023-24, cash with returns are now expected to fall by 22.4 percent, signifying a

$45.3 million downward revision to amounts just above FY 2021-22, as a slowing economy more than offsets the pullback in estimated payments. Finally, refunds are expected to increase in FY 2022-23, partially as a result of Anschutz v. Department of Revenue, then stabilize at FY 2021-22 levels during FY 2023-24 and FY 2024-25.

Policy Adjustments

In addition to the above economic drivers, there are policy impacts, particularly from the 2023 legislative session. The range of income tax credit bills are expected to reduce individual income revenue by $121.3 million and $190.9 million in FY 2023-24 and FY 2024-25, respectively. The largest impact is a result of HB23-1112 (Earned Income and Child Tax Credits), which has an impact of $74.8 million in FY 2023-24 and $97.6 million in FY 2024-25. Of this, $52.0 million is due to an increase in the Colorado Earned Income Tax Credit (EITC) credit from 25 percent to 38 percent of the federal credit in Tax Year 2024. The rest is a result of expanding access to the Child Tax Credit (CTC), which restructures the state credit so that taxpayers receive flat dollar amounts, rather than a percentage of the federal CTC claim. This results in low-income households receiving higher credit amounts. Additionally, HB23-1272 (Tax Policy that Advances Decarbonization) reduces individual income revenue by $36.8 million and $53.1 million in FY 2023-24 and FY 2024-25, respectively. These reductions are the result of a range of tax credits to encourage purchasing electric or hybrid vehicles, utilizing geothermal energy, purchasing e-bikes, and more. Also, HB23-1091 (Continuation of Child Care Contribution Tax Credit) will continue to reduce revenue in FY 2024-25 by $18.6 million in order to extend a tax credit for contributing to qualifying childcare facilities from Tax Year 2024 to Tax Year 2027. A host of other bills with smaller impacts includes SB23-016 (Greenhouse Gas Emission Reduction Measures), HB23-1084 (Continuation of Military Retirement Benefits Deduction), and HB23-1081 (Employee Ownership Tax Credit Expansion).

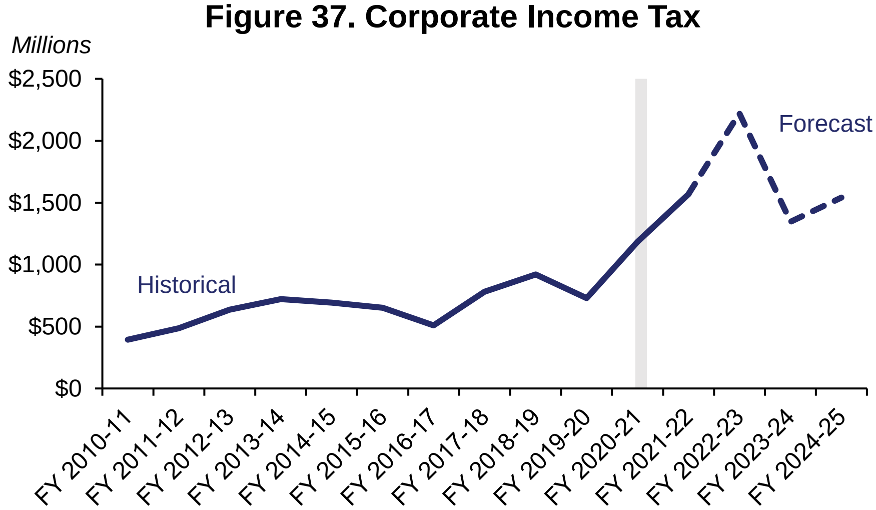
In addition to the most recent session, last year's November ballot also has impacts on income revenue. Proposition 121 State Income Tax Rate Reduction passed in that election, which requires a new income rate of 4.4 percent. Additionally, Proposition FF Healthy School Meals for All increases taxes on households with more than $300,000 in income, which increases FY 2022-23 individual income revenue by an estimated $42.7 million and FY 2023-24 revenue by an expected $95.0 million. Finally, Proposition 123 Dedicate Revenue for Affordable Housing Programs affects retained General Fund revenue, as an estimated $154.1 million is diverted in FY 2022-23 and $284.8 million is diverted in FY 2023-24 from the General Fund to affordable housing programs.

Finally, there are three federal bills driving policy adjustments. First, the Inflation Reduction Act (IRA) has a minimal, positive impact on revenue, mostly as a result of increased IRS audit enforcement. This minimal impact is due to the fact that the base of Colorado's income tax is federal taxable income, so changes to existing federal credits or the creation of new credits that do not affect taxable income need no adjustment for the forecast period. Similarly, the IRA's creation of a new 15 percent corporate minimum tax on certain large corporations does not result in a state revenue impact because Colorado imposes its own state tax rate. Only three provisions in the IRA affect state income tax revenues in the forecast period. The largest comes from increased funding for IRS tax enforcement activities, which should increase collections from state audits given the IRS often shares audit results with states, but those impacts are delayed. OSPB's initial expectations are that those amount to less than one percent of overall revenue by FY 2024-25. However, these impacts are proportionately reduced to reflect the funding reduction agreed to in the debt ceiling agreement. The IRA also expands a federal deduction, which reduces taxable income, and provides for a variety of grants, which increases taxable income, that will affect the tax liabilities of certain state taxpayers. The IRA extended a limitation on the excess business losses of non-corporate taxpayers as well, but that will not result in state revenue impacts until FY 2026-27. Second, the Infrastructure Investment and Jobs Act also has a minimal impact through the forecast period. Finally, the Federal December Omnibus bill included the Secure Act 2.0, which focuses on retirement plans, and is expected to increase state individual income revenue by $18.4 million and $16.3 million in FY 2023-24 and FY 2024-25. Specific rule changes to retirement plans that will increase expected revenue include measures on early retirement plan withdrawals and elected deferrals to the contribution limit.

Corporate Income Tax

During 2021 and 2022, expansionary fiscal and monetary policy helped promote a healthy business environment with high profits, resulting in U.S. corporate profits before taxes growing 22.6 and 6.6 percent in those years, respectively. Based on continued economic strength to start 2023, OSPB has revised up expected corporate profits this year to decline by less than previously anticipated. Corporate profits are now projected to decline by 0.5 percent instead of 2.3 percent as projected in March. Given the already strong revenue this fiscal year, particularly in April, combined with a perceived adaptability of large corporations, OSPB has revised up by $738.7 million in FY 2022-23, resulting in a 41.6 percent increase to a record $2.2 billion. For the month of April alone, corporate income revenue was $381.7 million above the March forecast and set a new record that is 46 percent

Figure 37. Corporate Income Tax

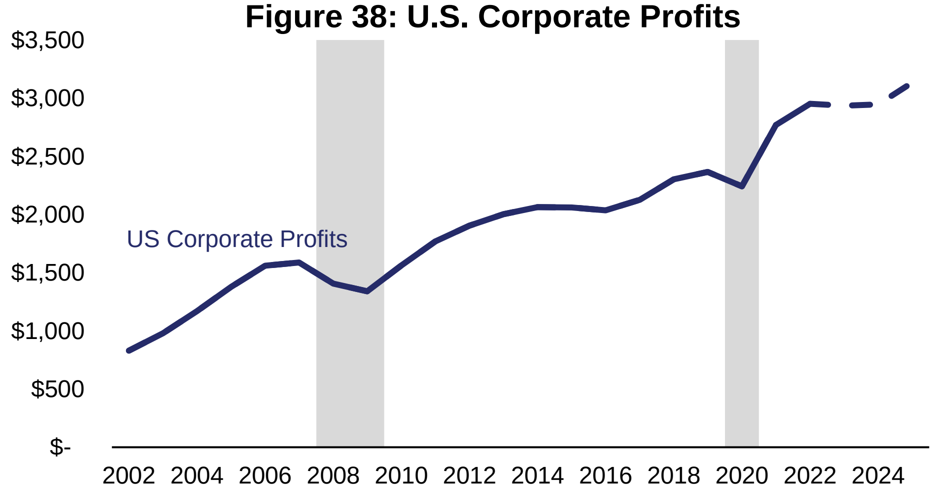


Source: Colorado Department of Revenue, OSPB Forecast higher than the previous record set last April. A portion of incoming revenue is due to business activity that took place in 2022, which is paid in the form of cash with returns now. Therefore, not only do these record revenues indicate continued strength in business development, but they also reflect a portion of last year's record profits still flowing through to the state. Estimated payments and cash with returns have both exceeded expectations over the last quarter, while refunds have come in below expectations, with both contributing to the sizable revision.

Business profits are expected to begin to fall slightly in the second half of 2023 and into 2024, based on slowing consumer demand and elevated investment costs. Therefore, FY 2023-24 revenue is expected to decline to $1.3 billion, which is still higher than any completed fiscal year except for FY 2021-22. This represents a 39.4 percent decline from the record FY 2022-23 high, but the size of the decline is due to a more significant upward revision in FY 2022-23. FY 2023-24 revenue is also revised up $194.8 million from the previous forecast, given that profits are revised up this year based on strong consumption in the first half of the year and inflation expectations, as discussed below. In FY 2024-25, a newly rebalanced and stable economic environment allow for 14.4 percent revenue growth as economic growth is expected to again grow faster than potential by the middle of 2024.

When developing expectations on future corporate income revenue, an important variable to consider is corporate profits before taxes accounting for inventory and capital adjustments. In the fourth quarter of 2022, such profits nationwide were third highest on record, at $2.9 trillion, only behind the previous two quarters. Prior to the pandemic, the record was $2.41 trillion, but that mark has been broken every quarter for the last two years. However, as the consumer basket shifts away from durable goods towards services, profits are expected to fall from these historic highs by 0.5 percent in 2023 before rebounding with the economy in 2024. Corporate profits are revised up from the previous forecast due to stronger consumer demand for goods than previously expected and inflation expectations. Specifically, as also highlighted in the inflation section of the economic outlook, one-year-out inflation expectations are elevated above normal levels. Therefore, in the short-

Figure 38: U.S. Corporate Profits



Source: Bureau of Economic Analysis

term, prices are expected to be upwardly sticky, giving corporations the opportunity for higher continued profits as prices of final prices continue to grow at a faster rate than input prices.

In addition to the above economic drivers, there are policy impacts from the most recent legislative session, as well as prior impacts from last November's ballot and increasing impacts from previous sessions. In the most recent session, a number of income tax credit bills were signed into law that are expected to have an aggregate impact of reducing corporate income revenue by $17.5 million and $27.4 million in FY 2023-24 and FY 2024-25, respectively. The largest impacts include corporate tax relief for clean energy in HB23-1272 and HB23-1281, as well as incentivizing semi-conductor production in HB23-1260. HB23-1272 (Tax Policy That Advances Decarbonization) includes a range of energy tax credits that will reduce revenue by an expected $16.0 million and $23.2 million in FY 2023-24 and FY 2024-25, respectively, including a credit to incentivize owners of industrial facilities to implement greenhouse gas emissions improvements. HB23-1281 (Advance the Use of Clean Hydrogen) creates a refundable income tax credit for using clean hydrogen that is expected to reduce corporate income revenue by $1.3 million and $2.5 million in FY 2023-24 and FY 2024-25, respectively. Finally, HB23-1260 (Advances Industry and Semiconductor Manufacturing Incentives) allows local governments to designate new areas where manufacturers may be eligible for tax credits for semi-conductor production. It is expected to decrease corporate income tax revenue by $1.0 million in FY 2024-25.

Additionally, on last November's ballot, Proposition 121 State Income Tax Rate Reduction passed, which requires a new income rate of 4.4 percent, instead of 4.55 percent. Finally, prior legislative sessions included bills with increasing corporate income revenue impacts over time. From the 2022 session, HB22-1026 (Alternative Transportation Options Tax Credit) has the largest effect. This bill replaces an existing income tax deduction for employers who provider ridesharing, transit, or other transportation options with an expanded credit. The bill reduces cash with returns revenue by an accrued $6.6 million in FY 2022-23 and $14.1 million in FY 2023-24. From the 2021 session, the largest impact is likely from HB21-1311 (Income Tax), which included moving to the 'Finnigan' corporate tax apportionment (where a corporation is taxable if any member of its unitary group is taxable), which is possibly having a larger than previously expected impact on collections. Finally, there are two federal bills driving policy adjustments. First, the Inflation Reduction Act has a minimal, positive impact on revenue, mostly as a result of increased IRS audit enforcement, but those impacts are delayed and OSPB's initial expectations are that those amount to less than one percent of overall revenue by FY 2024-25. These impacts have also been adjusted based on the recent debt ceiling deal, which reduced the increase in enforcement funding. Second, the Infrastructure Investment and Jobs Act also has a minimal impact through the forecast period.

Sales and Use Taxes

Sales Tax

In FY 2021-22, $4.09 billion in sales tax revenue was collected, representing 19.6 percent growth over FY 2020-21. Sales tax revenue is forecast to grow by 5.5 percent in FY 2022-23 to $4.31

billion. Compared to the March forecast, this is a downward revision of $36.5 million following a May collection that was $24.7 million below expectations and 2.9 percent below May 2022 collections. Revenue in FY 2023-24 is forecast to grow at a below-average rate of 1.2 percent as tightening monetary policy, dwindling savings, and increased consumer debt place downward pressure on spending. This reflects a downward revision from March of $27.6 million to $4.36 billion. Expectations for FY 2024-25 are slightly revised up from March by $11.4 million with sales tax revenue forecast to register 6.0 percent growth and $4.63 billion in revenue as spending is expected to accelerate following the projected trough over the end of 2023 and beginning of 2024. Consumer spending has maintained strength over the first half of 2023 but is beginning to slow, largely in line with previous OSPB forecast expectations. Spending is expected to flatten and then turn negative on a real basis in the second half of the year interspersed with nominally negative growth as well, which will cause significant downward pressure on sales tax revenue in FY 2023-24. Sales tax growth is largely predicated upon nominal state retail sales growth, which grew by 11.8 percent in calendar year 2022 and is forecast to grow by 2.8 percent in 2023, 2.9 percent in 2024, and 5.4 percent in 2025.

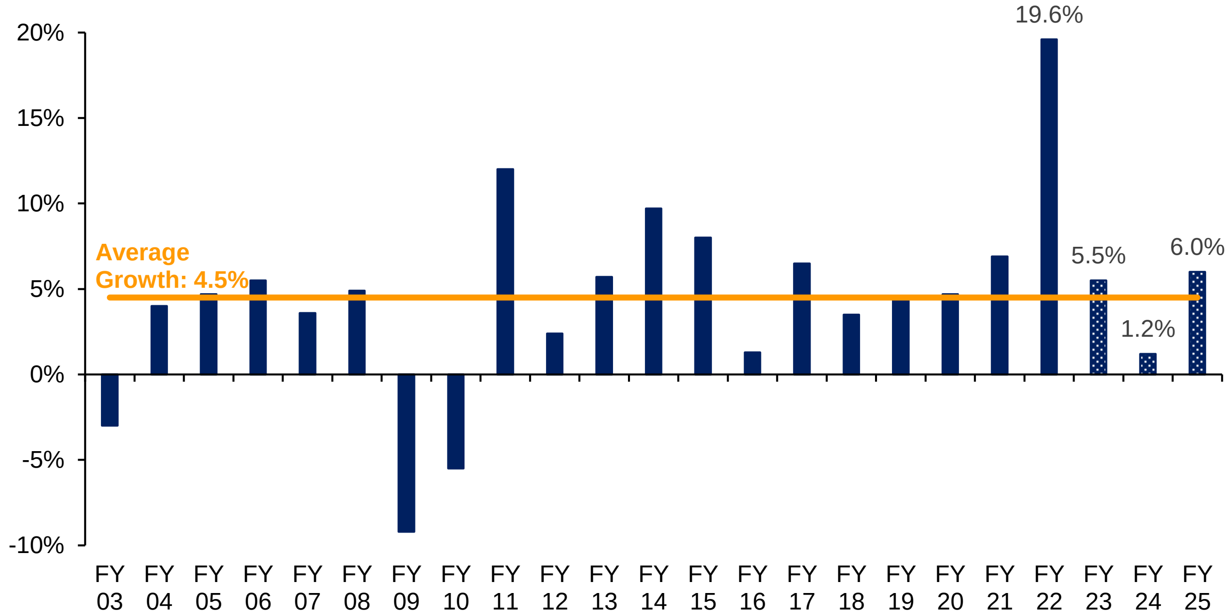
Figure 39. Sales and Use Tax Revenue Forecast

Fiscal Year	Sales Revenue (millions)	Growth	Use Revenue (millions)	Growth	Total Revenue (millions)	Growth
FY 2021-22 (actual)	$4,089.0	19.6%	$232.6	8.6%	$4,321.6	19.0%
FY 2022-23	$4,313.1	5.5%	$254.5	9.4%	$4,567.6	5.7%
FY 2023-24	$4,364.6	1.2%	$243.9	-4.2%	$4,608.5	0.9%
FY 2024-25	$4,625.5	6.0%	$265.9	9.0%	$4,891.4	6.1%

This forecast also takes into account policy adjustments due to recent legislative action that are not fully incorporated into the broader sales tax base trend. These adjustments are forecast to result in a sales and use tax revenue reduction of $22.4 million in FY 2022-23, an increase of $15.0 million in FY 2023-24, and a reduction of $2.9 million in FY 2024-25. In the 2023 legislative session, two bills were passed and signed by the Governor that will have an impact on sales and use tax revenue. The most significant fiscal impact of the two bills comes from HB23-1240, Sales and Use Tax Exemption for Wildfire Disaster Construction, which provides for a sales and use tax exemption related to rebuilding or repairing a residential structure damaged or destroyed by a declared wildfire disaster from 2020 to 2022. This exemption will result in projected unrealized sales and use tax revenue of $6.3 million in FY 2023-24 and $4.4 million in FY 2024-25. The other bill passed during the 2023 legislative session with a sales and use revenue impact is HB23-1272, Tax Policy that Advances Decarbonization, though its fiscal impact on sales and use revenue is relatively minor.

After historic sales tax strength in FY 2021-22, revenue growth is expected to normalize in FY 2022-23, weaken in FY 2023-24, and rebound in FY 2024-25. Compared to the 20-year average sales tax growth of 4.5 percent, growth in FY 2021-22 jumped by more than four times the average at 19.6 percent. In FY 2022-23, growth is forecast to normalize from the historic mark reached in the prior year closer to average levels before weakening considerably in FY 2023-24 with meager growth well below the average. Growth is expected to rebound and accelerate in FY 2024-25 above long-term average levels. Figure 40 illustrates historic sales tax growth by fiscal year and forecast growth rates.

Figure 40. Sales Tax Growth History and Forecast



Note: Dotted bars indicate forecast. Orange line indicates the 20-year average state sales tax growth rate.
Source: Colorado Department of Revenue, OSPB June 2023 Forecast

Vendor Fees

In accordance with HB19-1245, Affordable Housing Funding from Vendor Fee Changes, beginning in FY 2021-22, the total net revenue gain from changes related to vendor fees was deposited into the Housing Development Grant Cash Fund for affordable housing. The fiscal note for the bill estimated new net revenue of $49.4 million in FY 2021-22, but due to subsequent legislation (HB21-1312) and stronger than expected sales tax collections – and by virtue, vendor fee collections – $66.1 million in revenue related to these changes was collected and deposited into the Housing Development Grant Cash Fund that fiscal year. Vendor fee revenue dedicated to affordable housing is forecast at $72.0 million in FY 2022-23 ($0.8 million downward revision from March), $72.4 million in FY 2023-24 ($0.6 million downward revision), and $76.8 million in FY 2024-25 ($0.1 million upward revision).

The vendor fee is an amount that a retailer is permitted to retain for its expenses incurred in collecting and remitting the state sales tax. Under current law, a retailer with monthly taxable sales of $1.0 million or less is able to retain a vendor fee of four percent, subject to a $1,000 monthly limit. As provided for by SB22-006, Sales Tax Assistance for Small Business, beginning January 1, 2023, a retailer with less than $100,000 in monthly taxable sales is able to retain a vendor fee of 5.3 percent for calendar year 2023 only, subject to the $1,000 monthly limit.

Use Tax
Use tax revenue increased 8.6 percent to $232.6 million in FY 2021-22 and is forecast to increase by an additional 9.4 percent in FY 2022-23 to $254.5 million. This reflects a small $1.4 million downward revision from March with collections coming in just below expectations. In FY 2023-24, revenue is expected to fall by 4.2 percent to $243.9 million and is revised down by $2.5 million from March. Elevated energy prices in FY 2022-23 along with residential construction activity has contributed to higher use tax growth relative to sales tax growth to some extent during this fiscal year, but an expected overall consumer activity slowdown is forecast to create downward pressure on revenue in FY 2023-24, while capital investments in the energy and housing industries are expected to retreat, as well. The result is a steeper reduction in expected use tax revenue compared to sales tax revenue as use tax revenue is more responsive to fluctuations in the housing and energy market compared to sales tax. Use tax growth is expected to rebound in FY 2024-25 with collections forecast to grow 9.0 percent to $265.9 million. These projections continue to assume that the trade-off between sales and use tax revenue as a result of HB19-1240, which codified the state's sales tax rules in response to the South Dakota v. Wayfair ruling, has largely leveled off to a new equilibrium relationship between sales and use tax collections.

Marijuana Sales

The 15 percent special sales tax on marijuana retail sales increased by 17.4 percent to $288.2 million in FY 2020-21 before falling 10.2 percent to $258.7 million in FY 2021-22. Revenue is expected to decline by 13.2 percent to $223.1 million in FY 2022-23 before rebounding in FY 2023-24 to $253.9 million and resuming slower growth to $259.0 million in FY 2024-25. Further analysis of marijuana tax collections can be found in the Revenue Outlook – Cash Funds section of this report.

Proposition EE and Other Excise Taxes

Proposition EE, approved in 2020 and effective in 2021, imposes additional taxes on cigarettes and tobacco products and charges a new tax on other nicotine products such as e-cigarettes. Through FY 2022-23, revenue from the Proposition EE-imposed taxes is largely transferred to the State Education Fund. In FY 2023-24 and onward, revenue will be transferred almost entirely into the Preschool Programs Cash Fund aside from small transfers of $10.95 million and $4.1 million to the Tobacco Tax Cash Fund and General Fund, respectively. In total, these taxes brought in $49.0 million in FY 2020-21 and $208.0 million in FY 2021-22, their first full year of implementation. The 2020 Blue Book estimate for total Proposition EE revenue in FY 2021-22 was $186.5 million, or $21.5 million under actual revenue. Because actual revenue in FY 2021-22 came in higher than the 2020 Blue Book estimate, TABOR requires that the General Assembly refer a ballot measure to retain the excess revenue. In the 2023 legislative session, the General Assembly passed HB23-1290 to refer Proposition II to the November 2023 ballot to retain the revenue collected from Proposition EE in FY 2021-22 in excess of the 2020 Blue Book estimate.

- *If the voters approve Proposition II*, then Proposition EE Taxes will remain at the same rate (listed in Figure 42) and the State will be able to retain the revenue collected in FY 2021-22 in excess of the 2020 Blue Book estimate.
- *If the voters reject Proposition II*, then Proposition EE Taxes will be reduced by 11.53 percent (listed in Figure 41) and the State will have to refund the revenue collected in FY *20*21-22 in excess of the 2020 Blue Book estimate to taxpayers who paid the Proposition EE taxes.

Figure 41. Proposition EE Tax Rates, if Proposition II is rejected by Voters

Cigarettes	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Original Tax	$0.20	$0.20	$0.20	$0.20	$0.20
Amendment 35	$0.64	$0.64	$0.64	$0.64	$0.64
Proposition EE	$1.10	$1.10	$1.10	$0.99	$1.26
Total Cigarette Taxes	**$1.94**	**$1.94**	**$1.94**	**$1.83**	**$2.10**
Tobacco	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**
Original Tax	20%	20%	20%	20%	20%
Amendment 35	20%	20%	20%	20%	20%
Proposition EE	10%	10%	10%	9%	14%
Total Tobacco Taxes	**50%**	**50%**	**50%**	**49%**	**54%**
Nicotine	**2021**	**2022**	**2023 (Jan-June)**	**FY 2023-24**	**FY 2024-25**
Proposition EE	30%	35%	50%	45%	50%
Total Nicotine Taxes	**30%**	**35%**	**50%**	**45%**	**50%**

An additional change specific to the June Forecast for both LCS and OPSB is the shift from cash basis to accrual basis forecasting for Proposition EE revenue. To comply with Generally Accepted Accounting Principles (GAAP), OSPB and LCS have come to a solution to begin forecasting Proposition EE revenue and transfers beginning with FY 2022-23 on an accrual basis. By changing from cash basis to accrual basis for FY 2022-23, the amount of revenue for Proposition EE for FY 2021-22 will be understated and FY 2022-23 will be overstated because no revenue from FY 2022-23 on a cash basis would be accrued back to FY 2021-22 on an accrual basis.[2] Therefore, the upward revision in FY 2022-23 revenue is largely related to this shift to accrual basis projections.

The OSPB forecast for Proposition EE revenue assumes the lesser of the two proposed tax rates and the adjustment to an accrual accounting basis. As such, there are downward revisions to out-

[2] More information about GAAP standards can be found at the Governmental Accounting Standards Board (GASB) Governmental Accounting Research System (GARS). https://gars.gasb.org/Home

year estimates from this change. The amounts are expected to increase to $233.7 million in FY 2022-23, decrease to $200.2 million in FY 2023-24, and increase slightly to $218.3 million in FY 2024-25 as a result of additional tax increases for tobacco, cigarettes, and nicotine. Figures 41 and 42 summarize the new taxes levied on these products through FY 2024-25 with the two potential rate structures depending on the outcome of Proposition II. Taxes on all three types of products will also increase once more in FY 2027-28.

Figure 42. Proposition EE Tax Rates, if Proposition II is approved by Voters

Cigarettes	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	
Original Tax	$0.20	$0.20	$0.20	$0.20	$0.20	
Amendment 35	$0.64	$0.64	$0.64	$0.64	$0.64	
Proposition EE	$1.10	$1.10	$1.10	$1.10	$1.40	
Total Cigarette Taxes	**$1.94**	**$1.94**	**$1.94**	**$1.94**	**$2.24**	
Tobacco	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	
Original Tax	20%	20%	20%	20%	20%	
Amendment 35	20%	20%	20%	20%	20%	
Proposition EE	10%	10%	10%	10%	16%	
Total Tobacco Taxes	**50%**	**50%**	**50%**	**50%**	**56%**	
Nicotine	**2021**	**2022**	**2023**	**2024 (Jan-Jun)**	**2024 (Jul-Dec)**	**2025**
Proposition EE	30%	35%	50%	50%	56%	56%
Total Nicotine Taxes	**30%**	**35%**	**50%**	**50%**	**56%**	**56%**

As noted above, the bulk of these taxes is for the purposes of the implementation of universal preschool and will be deposited primarily in the Preschool Programs Cash Fund starting in FY 2023-24. The specific distributions are summarized below in Figure 43.

Figure 43. Proposition EE Distribution Amounts (in millions)

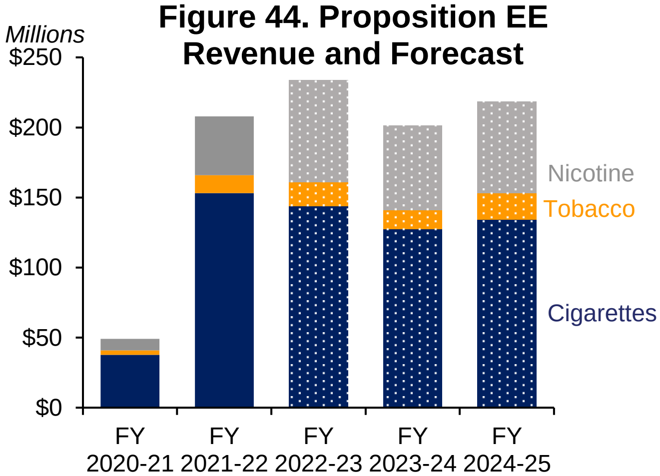
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Total	**$208.0**	**$233.7**	**$200.2**	**$218.3**
State Education Fund	$150.0	$170.6	$0.0	$0.0
Rural Schools Cash Fund	$30.0	$35.0	$0.0	$0.0
Housing Development Grant Fund	$11.2	$11.2	$0.0	$0.0
Tobacco Tax Cash Fund	$11.0	$11.0	$11.0	$11.0
General Fund	$4.1	$4.1	$4.1	$4.1
Eviction Legal Defense Fund	$0.5	$0.5	$0.0	$0.0
Tobacco Education Programs Fund	$0.0	$0.0	$0.0	$20.0
Preschool Programs Cash Fund	$1.4	$1.4	$186.4	$183.3

The bulk of Proposition EE revenue (73.6 percent in FY 2021-22) currently comes from taxes on cigarettes, for which the long-term consumption trends are negative. In the short-term, cigarette sales dropped from FY 2021-22 to FY 2022-23 but is anticipated to have flat growth through the forecast period. The percentage of revenue coming from cigarette taxes is expected to average 62.2 percent during the forecast period, while nicotine consumption is estimated to increase over time. However, OSPB estimates a drop in nicotine revenue in the short term for two reasons:

- The reduced tax rate structure assumed in this forecast in the absence of a voter decision to approve Proposition II.
- Cigarette consumption has hit a short-term floor and there are fewer individuals switching from cigarettes to nicotine products. This drives down overall revenue because nicotine products are taxed at a higher effective rate than cigarettes.

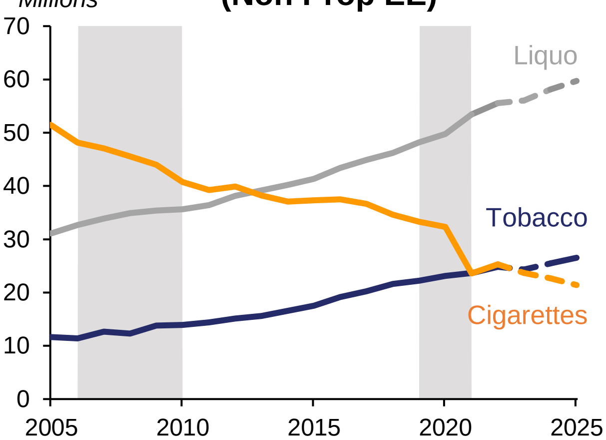
OSPB has revised up its total Proposition EE forecast on an accrual basis by $25.6 million in FY 2022-23, down $10.7 million in FY 2023-24, and down $36.3 million in FY 2024-25.

Figure 44. Proposition EE Revenue and Forecast



Note: Dotted region indicates forecast period. Accruals start FY22-23
Source: Colorado Department of Revenue; OSPB Forecast

Figure 45. Other Excise Taxes (Non Prop EE)



Source: Department of Revenue; OSPB Forecast

In addition to Proposition EE, which is largely not subject to TABOR and is transferred out to other funds, the state collects other excise taxes that are credited directly to the General Fund. These other excise taxes include the initial statutory taxes on cigarettes and tobacco, as well as revenue from liquor taxes. Liquor and tobacco taxes, which are each charged as a percentage rate, have increased slowly over time while cigarette taxes, charged at a flat per pack amount, have fallen consistently.

Other General Fund Revenue

Other General Fund revenue includes insurance premium tax revenue, interest and investment income, and court receipts. Other General Fund Revenue is expected to increase by 39.0 percent in FY 2022-23 to $705.9 million, as insurance premium tax revenue and interest income are projected to exceed already strong FY 2021-22 growth rates. However, in FY 2023-24, revenue is expected to decrease by 2.6 percent to $687.4 million as changes to insurance tax policy are fully integrated and funds available to accrue interest fall slightly. For the current and following fiscal year, projections are revised up by $54.2 million and $49.3 million, respectively, driven both by interest income due to elevated interest rates, and insurance premiums due to larger than previously expected fiscal impacts of HB21-1312 (Insurance Premium Property Sales Severance Tax).

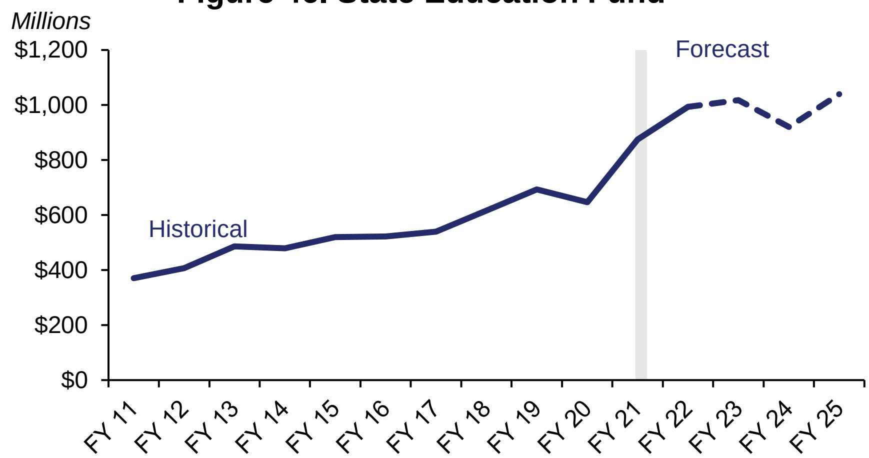
Interest income is forecast to grow by 123.7 percent to $154.8 million in FY 2022-23. On average, General Fund investment income earned interest at 1.13 percent in FY 2021-22. Comparatively, General Fund investment income has earned an average interest rate of 2.64 percent over the first ten months of FY 2022-23 and in March and April of this year surpassed 3.1 percent. With both interest rates likely remaining elevated well into FY 2023-24 and significant amounts of TABOR refunds accruing interest income, there is potential upward pressure on Other General Fund revenue in FY 2023-24, though it is currently expected to decline from FY 2022-23 levels. In FY 2024-25, OSPB has revised down expectations for available TABOR refunds in FY 2023-24 that would accrue interest. Pairing lower TABOR refunds with expected Federal Funds rate cuts during FY 2024-25, interest income is expected to decrease 43.4 percent but remain elevated above historical trends.

During the first 10 months of FY 2022-23, insurance revenue grew by just over 25 percent from the prior year, strengthening its pace from the approximately 20 percent growth during the first half of the fiscal year. Therefore, insurance premium General Fund revenue is revised up $20.5 million. This continued growth is largely due to HB21-1312, which reduced the size of the annuities exemption and the regional home office rate reduction. After an expected 25.7 percent growth rate in FY 2022-23, insurance revenue growth is expected to normalize to 3.9 and 4.9 percent in the out-years.

State Education Fund

Revenue to the State Education Fund (SEF) from income taxes reached $993.5 million in FY 2021-22, reflecting 13.6 percent growth compared to FY 2020-21. The strong growth was due to a robust economic recovery in FY 2021-22, which significantly increased revenue, but also due to the correction of a technical error, which delayed a transfer of $75.6 million into the SEF from FY 2020-21 to FY 2021-22. In FY 2022-23, $1,017.3 million is expected transferred to the fund following strong April income tax collections. This reflects 2.4 percent year-over-year revenue growth, and is an upward revision from the March forecast of $65.6 million. In FY 2023-24, revenue is expected to decline by 9.5 percent to $920.2 million as falling corporate income is expected to drag on revenue growth. In FY 2024-25, growth is forecast at 12.9 percent due to a rebounding economy, increasing revenue to $1,039.3 million.

Figure 46. State Education Fund



Source: Colorado Department of Revenue, OSPB Forecast

The Colorado Constitution requires that one-third of one percent of Colorado taxable income is 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's current deviation from the trend in income tax revenue is attributed to the aforementioned delayed transfers from revenue collections driving the divergence in the relationship.

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 section highlights those cash fund revenues that are subject to TABOR or that have significant fiscal implications.

Cash Fund Revenue Subject to TABOR

Total cash fund revenue subject to TABOR was $2.67 billion in FY 2021-22, an increase of 19.0 percent from the prior fiscal year. Approximately 72 percent of the overall increase was driven by severance collections increasing $310.3 million year-over-year. In FY 2022-23, cash fund revenue is projected to increase by 3.9 percent to $2.77 billion, followed by a 4.0 percent decrease in FY 2023-24, and 6.8 percent growth in FY 2024-25.

As compared to the March forecast, revenue came in higher than estimated, largely the result of severance and transportation tax revenue while most other cash fund streams were close to previous expectations. For FY 2022-23, revenue is forecast higher than the March forecast by $78.5 million, or 2.9 percent, with an upward revision to severance tax revenue driving the majority of the increase. Forecast revenue for FY 2023-24 is revised down by $22.7 million, 0.8 percent, because of decreased miscellaneous cash funds as a result of legislative changes more than offsetting transportation revenue increases as SB21-260 fees roll off. Expectations were also revised down for FY 2024-25 by $0.4 million from the prior forecast as increased transportation and severance tax revenue expectations are offset by losses in miscellaneous cash funds.

Transportation

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a handful of smaller cash funds. Transportation revenue has experienced some turbulence in the past few years, with many competing factors applying pressure to the revenue stream. Transportation revenue is expected to grow 4.1 percent in FY 2022-23, reflecting an upward revision from the March forecast despite recent legislation limiting growth. Legislation includes the delay of Road Usage Fees and limits on revenue for motor fuel taxes and the Road Safety Surcharge. Going forward, OSPB expects upward pressure in FY 2023-24 as this legislation rolls off in the coming years, even as economic conditions are projected to weaken in FY 2023-

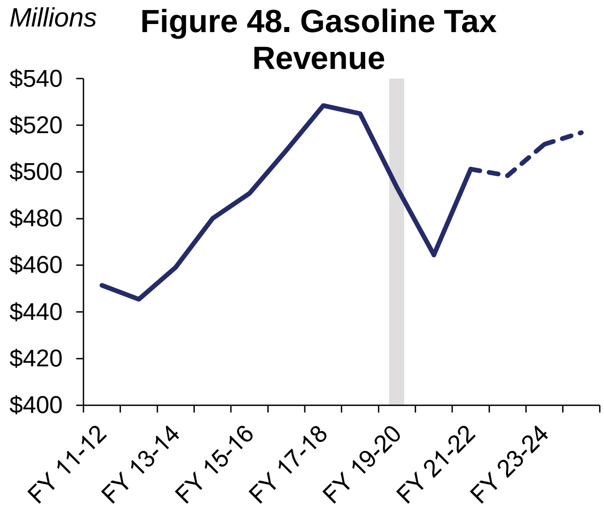
24. Overall, the expectation for transportation revenue is steady growth in the out-years with 5.8 percent growth in FY 2023-24 and 6.8 percent growth in FY 2024-25.

Figure 47. Detailed Transportation Cash Fund Forecast

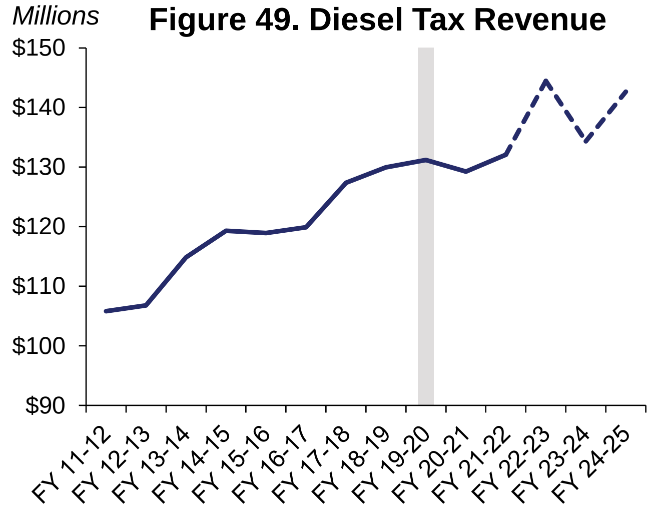
Dollars in Millions	Actual FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	$633.3	$642.9	$646.2	$659.5
Percent Change	*1.4%*	*1.5%*	*0.5%*	*2.1%*
Road Usage Fees	$0.0	$16.8	$88.3	$120.0
Percent Change	*N/A*	*N/A*	*426.8%*	*35.9%*
Total Registrations	**$387.8**	**$361.4**	**$363.3**	**$409.0**
Percent Change	***1.6%***	***-6.8%***	***0.5%***	***12.6%***
Registrations	$244.2	$234.1	$234.3	$261.2
Road Safety Surcharge	$110.4	$86.4	$97.9	$114.6
Late Registration Fees	$33.2	$41.0	$31.1	$33.1
Other HUTF	$51.6	$63.4	$70.8	$71.3
Percent Change	*-17.8%*	*22.7%*	*11.6%*	*0.8%*
Total HUTF	**$1,072.7**	**$1,084.5**	**$1,168.6**	**$1,259.9**
Percent Change	***0.3%***	***1.1%***	***7.8%***	***7.8%***
Non-HUTF				
State Highway Fund	$21.3	$31.6	$27.7	$20.0
Percent Change	*-28.9%*	*48.3%*	*-12.2%*	*-27.8%*
Other Transportation Funds	$145.5	$174.9	$169.5	$179.0
Percent Change	*43.6%*	*20.2%*	*-3.1%*	*5.6%*
Total Transportation Revenue				
Total Transportation	**$1,239.5**	**$1,290.9**	**$1,365.8**	**$1,458.8**
Percent Change	***7.2%***	***4.1%***	***5.8%***	***6.8%***

The Highway Users Tax Fund is the largest transportation-related cash fund, with revenues primarily coming from motor fuel taxes and motor vehicle registrations. Motor fuel taxes make up over half of the HUTF and comprise both gas and diesel tax revenue. OSPB has made a revision upward from March for the HUTF for FY 2022-23 by $1.7 million, with downward revisions in the out-years by $5.0 million in FY 2023-24 and $0.9 million in FY 2024-25.

Gasoline prices have been unstable over the past year, affected by the war in Ukraine, other global factors pushing prices to highs across the U.S., and the Suncor shutdown recently affecting supply in Colorado. The turbulent conditions for gasoline prices across the state have had minor downstream effects for gasoline tax revenue. In both FY 2021-22 and FY 2022-23 (through the third quarter of the fiscal year), revenue for gasoline taxes performed strongly and surpassed the average for the first nine months of revenue from fiscal years 2011-12 through 2018-19. Despite the elevated prices, consistent revenues further reinforced gasoline's relatively inelastic demand. Gasoline tax revenue was further supported by a continuing return to the office via car as well as strength in leisure travel by car throughout Colorado. While OSPB forecasts a slight drop off in gasoline tax revenue in FY 2022-23 from the previous year, this drop can be attributed to the effects of SB21-260 and HB22-1351 limiting the revenue for fuel taxes. As these impacts begin to roll off, OSPB expects continued strength to levels previously seen in 2016 and 2017 and steady growth through the end of the forecast horizon. However, in the absence of these policy changes, gas tax revenue would likely have a muted, but similar shape as diesel tax revenue depicted below as a result of rebalancing consumer demand that will likely negatively impact travel in FY 2023-24.



Note: Dotted line indicates forecast; shading denotes recession.
Source: Colorado Department of Revenue



Note: Dotted line indicates forecast; shading denotes recession.
Source: Colorado Department of Revenue

Diesel tax revenue is expected to continue its strong trend of growth into FY 2022-23. Elevated consumer spending has increased business operations and shipping and placed significant upward pressure on diesel tax revenue. OSPB has revised up the estimate for FY 2022-23 by $6.4 million, or 3.8 percent, based on strong performance for received revenue for this fiscal year. However, with weaker economic conditions on the horizon and an expected continuation of elevated interest rates, business activity and consumer spending are likely to slow. There is an expectation for a drop-off in diesel tax revenue in FY 2023-24 to $134.3 million. By historical standards, though, it will still be a strong year for diesel revenue, before ticking back up in FY 2024-25 to $142.7 million.

OSPB also forecasts a notable decline of 6.8 percent from the previous year's revenue in the Total Registrations account within the HUTF. This revision downward from the March forecast is largely driven by revenue received in recent months. However, contrary to previous expectations, consumers have been purchasing cars despite high interest rates, which will apply slight upward pressure to Registration revenue. Another substantial portion of Total Registrations is the Road Safety Surcharge. The Road Safety Surcharge has been limited by reductions laid out in SB21-260 and HB22-1351. HB22-1351 is set to expire halfway through FY 2023-24, which will apply upward pressure on the Road Safety Surcharge revenue that fiscal year.

Figure 50. HUTF Distributions

	Actual FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
First Stream				
Off-the-Top Deductions	$165.8	$181.2	$191.3	$191.3
CDOT - State Highway Fund (65%)	$185.6	$193.5	$187.4	$181.8
Counties (26%)	$74.2	$77.4	$75.0	$72.7
Cities (9%)	$25.7	$26.8	$25.9	$25.2
Total First Stream	**$451.3**	**$478.9**	**$479.6**	**$471.0**
Second Stream				
CDOT - State Highway Fund (60%)	$372.9	$363.3	$413.4	$473.3
Counties (22%)	$136.7	$133.2	$151.6	$173.5
Cities (18%)	$111.9	$109.0	$124.0	$142.0
Total Second Stream	**$621.4**	**$605.6**	**$688.9**	**$788.8**
Total HUTF Distributions				
Total HUTF	**$1,072.7**	**$1,084.5**	**$1,168.6**	**$1,259.9**

Other transportation-related funds include the State Highway Fund (SHF) and other miscellaneous revenue, which make up a smaller portion of total revenue than the HUTF. Revenue to the SHF is made up of various smaller revenue streams including sales of state property and earned interest. Based on revenue received through April, OSPB forecasts the continuation of a stronger year for the SHF, followed by a stabilization for the out-years driven by special transport permits and other services returning to historical norms. The category of "other transportation funds" forecast has been realigned to include the entire DRIVES account, as HB22-1339 wraps the revenue from the Licensing Services Cash Fund into the DRIVES account. Thus, DRIVES will now be counted within the transportation forecast, rather than within the "other miscellaneous cash fund" revenue stream. Continued strength in aviation revenue has also driven the revision upward from the March forecast by $11.6 million, as received revenue for the first ten months of this fiscal year has already surpassed the entire total from FY 2021-22. This is because of greater strength in air travel shown through a 16.6 percent[3] increase in total passengers through Denver International Airport from January to April compared to 2022. Between the addition of DRIVES and strong aviation revenue, OSPB estimates strong other transportation funds revenue in FY 2022-23, with a slight decrease 3.1 percent in growth in FY 2023-24 before a moderate 5.6 percent expected increase in FY 2024-25.

[3] https://www.flydenver.com/about/financials/passenger_traffic?date_filter%5Bvalue%5D%5Byear%5D=2022

Limited Gaming

Continued strength in demand and the impacts of Amendment 77 on gaming revenue drove total gaming revenue up 34.5 percent to $163.7 million in FY 2021-22. Based on strong growth in FY 2021-22 and revenue received to date, OSPB has revised slightly up from previous expectations to 6.7 percent growth in FY 2022-23. Going forward, it is expected that out-year gaming revenue will grow at or around pre-Amendment 77 trend levels in FY 2023-24 and FY 2024-25. These numbers and the corresponding distributions are shown in Figure 51 below.

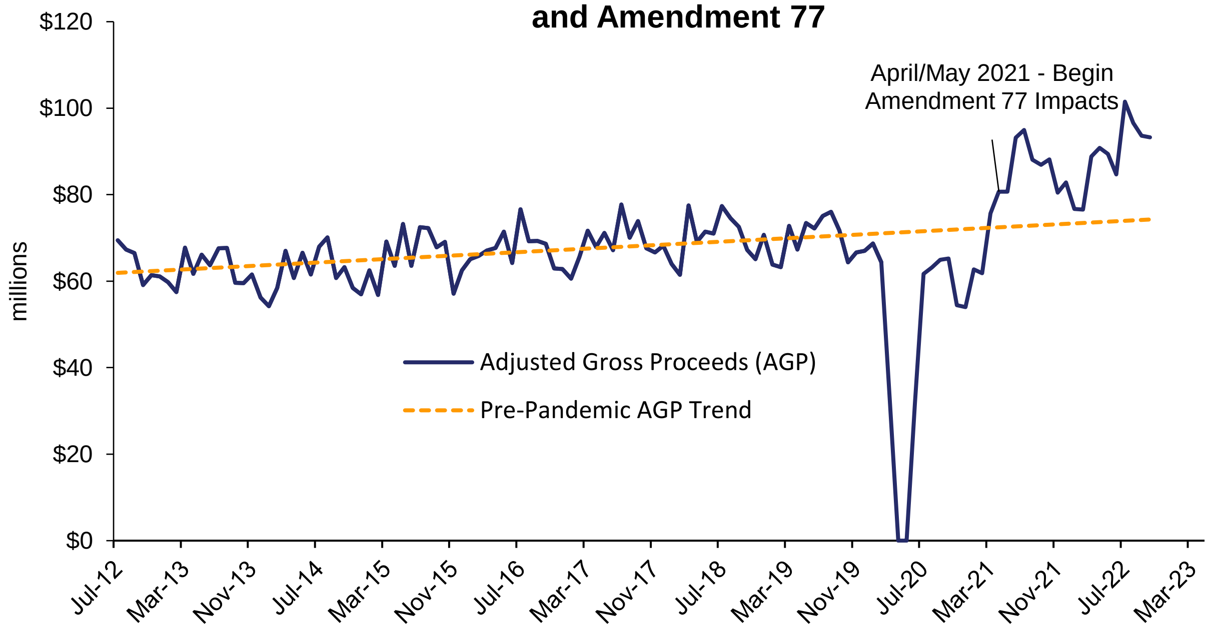
Figure 51. Limited Gaming Distributions

Distribution of Limited Gaming Revenues	Actual FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
A. Total Limited Gaming Revenues (Includes Fees and Interest)	**$163.7**	**$174.6**	**$177.0**	**$182.0**
Annual Percent Change	34.5%	6.7%	1.3%	2.8%
3.5% Cap	N/A	$169.38	N/A	N/A
B. Gaming Revenue Exempt from TABOR (Extended Limited)	**$48.3**	**$53.2**	**$56.5**	**$58.1**
Annual Percent Change	143.3%	10.2%	6.3%	2.8%
C. Gaming Revenue Subject to TABOR (Limited)	**$115.4**	**$116.2**	**$120.4**	**$123.8**
Annual Percent Change	13.3%	0.7%	3.7%	2.8%
D. Total Amount to Base Revenue Recipients	**$101.8**	**$106.1**	**$110.3**	**$113.7**
Amount to State Historical Society (28%)	$28.5	$29.7	$30.9	$31.8
History Colorado (80% of 28%)	$22.8	$23.8	$24.7	$25.5
Grants to Cities for Historical Preservation (20% of 28%)	$5.7	$5.9	$6.2	$6.4
Amount to Counties (12%)	$12.2	$12.7	$13.2	$13.6
Amount to Cities (10%)	$10.2	$10.6	$11.0	$11.4
Amount to Distribute to Remaining Programs (State Share) (50%)	$50.9	$53.1	$55.1	$56.8
Local Government Impact Fund	$6.3	$6.6	$6.9	$7.1
Colorado Tourism Promotion Fund	$15.0	$15.0	$15.0	$15.0
Creative Industries Cash Fund	$2.0	$2.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.5	$0.5	$0.5	$0.5
Bioscience Discovery Evaluation Fund	N/A	N/A	N/A	N/A
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.1	$2.1	$2.1	$2.1
Responsible Gaming Fund	$2.5	$2.5	$2.5	$2.5
State Historical Society Strategic Initiatives Fund	$3.0	$0.0	$0.0	$0.0
Transfer to the General Fund	$13.99	$18.86	$20.7	$22.2
E. Total Amount to Amendment 50 Revenue Recipients	**$46.8**	**$48.4**	**$51.8**	**$53.4**
Community Colleges, Mesa and Adams State (78%)	$36.5	$37.8	$40.4	$41.6
Counties (12%)	$5.6	$5.8	$6.2	$6.4
Cities (10%)	$4.7	$4.8	$5.2	$5.3

As shown in Figure 51, OSPB forecasts total gaming revenue to grow 6.7 percent in fiscal year 2022-23. As result of a taxation of free play rule that was delayed due to the pandemic, growth in total gaming revenue is capped at 3.5 percent starting with a base year of FY 2021-22. If gaming revenues exceed this threshold, casinos get a share of the amount, which exceeded this threshold in the form of a tax rate adjustment. This is the only forecast year that OSPB expects to exceed this 3.5 percent cap, as OSPB forecasts slower growth in the out-years as adjusted gross proceeds (AGP) and revenue return to slower pre pandemic growth trends. This is the main driver behind the $2.6 million downward revision from the prior forecast.

Strength in gaming revenue in FY 2022-23 and the out-years is a result of a continuation in elevated tax collections and AGP after the passage and implementation of Amendment 77. Specifically, AGP in FY 2021-22 was up 22.4 percent over FY 2018-19. AGP through April 2023 is 6.1 percent higher than the same period in FY 2021-22 and 30.5 percent higher than the same period in FY 2018-2019. These trends in AGP pre- and post-Amendment 77 are shown in Figure 52. Going forward, it is expected that AGP, and thus revenue, will continue to come in at a relatively consistent but elevated trend now that the revenue impacts of Amendment 77 expanding gaming revenue have been fully incorporated.

Figure 52. Adjusted Gross Proceeds (AGP) and Amendment 77



Source: Colorado Department of Revenue, Division of Gaming.

Severance

Following the second-highest annual severance tax revenue collection on record in FY 2021-22 at $325.0 million, revenue collections remain elevated in FY 2022-23 as oil and gas prices maintained above-average levels over the first half of the fiscal year, though they have retreated since the turn of the calendar year. Revenue collections year-to-date at $325.7 million have already surpassed last year's total and are now expected to increase year-over-year by 9.5 percent to $356.0 million, which would reflect the highest annual severance tax revenue collection on record. This represents an upward revenue revision from the March forecast of $58.6 million following an above-expectation April collection of $65.9 million – the fourth-highest monthly collection on record. With oil and gas prices projected to fall on average in FY 2023-24 compared to FY 2022-23, along with ad valorem credit claims causing a drag on revenue, collections are forecast to fall by 48.4 percent to $183.6 million. However, this is a $13.6 million upward revision from March due to a policy adjustment provided for in HB23-1272, Tax Policy that Advances Decarbonization, which is related to a reduction in the ad valorem credit that oil and gas taxpayers can claim. More information related to ad valorem tax credits and the policy adjustment is provided below. Revenue in FY 2024-25 is forecast to increase by 21.6 percent to $223.2 million, reflecting an upward revision of $28.3 million from March due to the policy adjustment from HB23-1272. Without the policy adjustment, FY 2023-24 would have been revised down by $3.2 million and FY 2024-25 revised down by $7.0 million due to lowered oil and gas price expectations.

Figure 53. Severance Tax Revenue

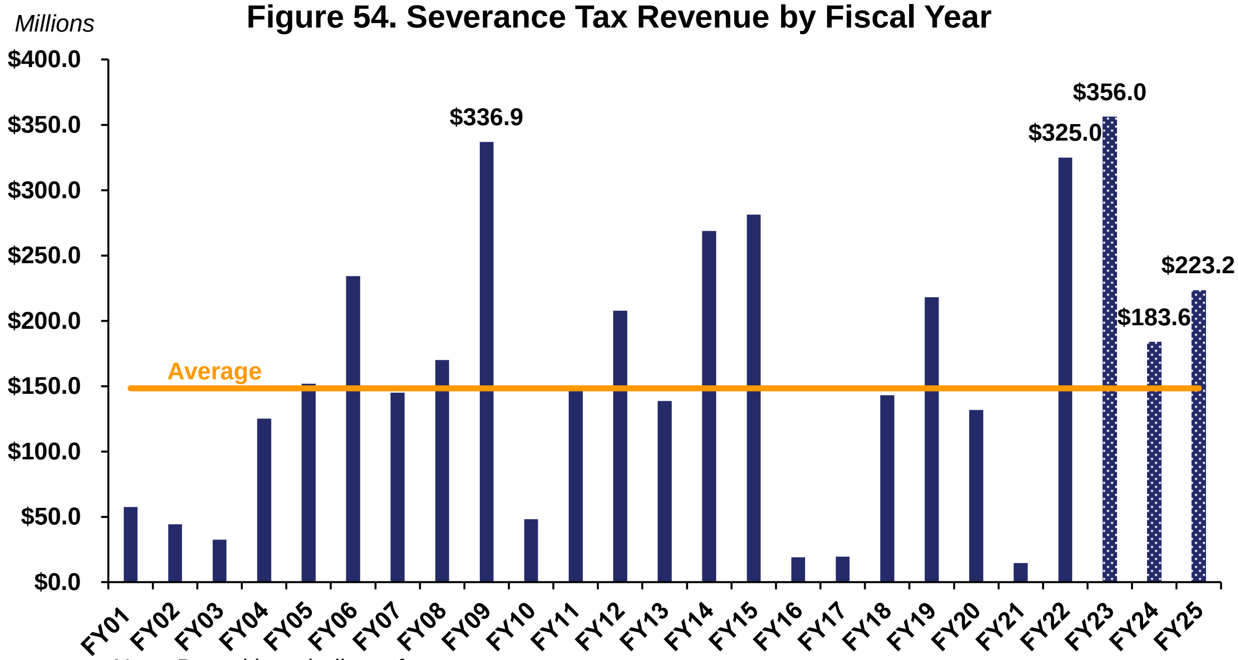
	Actual FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25
Oil & Gas	$310.4	$337.9	$163.2	$203.6
Coal	$3.2	$4.5	$4.5	$4.3
Moly & Metals	$2.7	$0.9	$2.4	$2.2
Interest	$8.6	$12.7	$13.5	$13.2
Total	**$325.0**	**$356.0**	**$183.6**	**$223.2**
Change	***2110.7%***	***9.5%***	***-48.4%***	***21.6%***

Source: OSPB forecast

The current annual record for severance tax revenue is $336.9 million in FY 2008-09, and FY 2022-23 is now expected to outpace the record year by nearly $20 million. In previous forecasts, OSPB projected FY 2022-23 severance tax revenue to retreat from FY 2021-22 levels due to lower oil and gas prices on average compared to last fiscal year along with projected ad valorem credit claims creating a more significant revenue drag over the final quarter of the fiscal year. Ad valorem credit claims, which are based on local property tax assessments of the value of oil and gas production, allow oil and gas taxpayers to reduce their severance tax liability by up to 87.5

percent of the real property taxes they most recently paid to their local governments, school districts, and special districts. That said, there is a one-to-two-year lag between when the production is valued by county assessors and when the credit is applied against state severance taxes. Thus, increased ad valorem credit claims related to Tax Year 2022 are expected to drag on revenue in FY 2022-23 and FY 2023-24. At this time, it is now expected that most of the revenue drag from ad valorem credit claims will take place in FY 2023-24 as well above average oil and prices in the first half of FY 2022-23 muted the effects in the current fiscal year. With oil prices projected to remain slightly above the long-term average in FY 2023-24 and natural gas prices anticipated to remain below average, ad valorem credit claims are forecast to have a more pronounced effect and reduce severance tax revenue collections closer to their long-term average in FY 2023-24. Despite the projected revenue drag from ad valorem credit claims, revenue is still expected to remain above the long-term average in FY 2023-24 with production levels remaining relatively strong and oil prices remaining above the long-term average.

Figure 54. Severance Tax Revenue by Fiscal Year



Note: Dotted bars indicate forecast.
Source: Colorado Department of Revenue

Further, severance tax revenue collections for FY 2023-24 and FY 2024-25 are projected to increase more than previously anticipated due to the passage of HB23-1272, Tax Policy that Advances Decarbonization. Among the bill's various provisions, it reduces the ad valorem credit for oil and gas taxpayers from 87.5 percent to 75 percent for Tax Years 2024 and 2025. This is forecast to result in $16.8 million additional revenue in FY 2023-24, and $35.3 million more in FY 2024-25 as oil and gas taxpayer liability will increase relative to current law. With the tax change beginning in Tax Year 2024, there is only a half-year fiscal impact for FY 2023-24 before the full-year revenue impact takes place in FY 2024-25. Further policy changes to the ad valorem credit are made in tax years beyond the forecast period. The additional revenue from this tax change will be allocated to the Decarbonization Tax Credits Administration Cash Fund for costs associated with the administration of an array of decarbonization tax credits provided for within the bill.

After first taking into account the additional revenue provided for by HB23-1272 through the reduction of the ad valorem credit, by statute, the remaining 50 percent of severance tax revenue is distributed to the Department of Natural Resources and the other 50 percent is allocated to the Department of Local Affairs. Of the amount distributed to the Department of Natural Resources, 50 percent is allocated toward water projects and loans while the other 50 percent is used for departmental programs, including natural resource and energy-related programs. For the Department of Local Affairs, 70 percent of their share is allocated toward local impact grants and loans for local governments socially or economically impacted by mineral extraction, while 30 percent is distributed to local governments based on measures related to oil, gas, and mining activities.

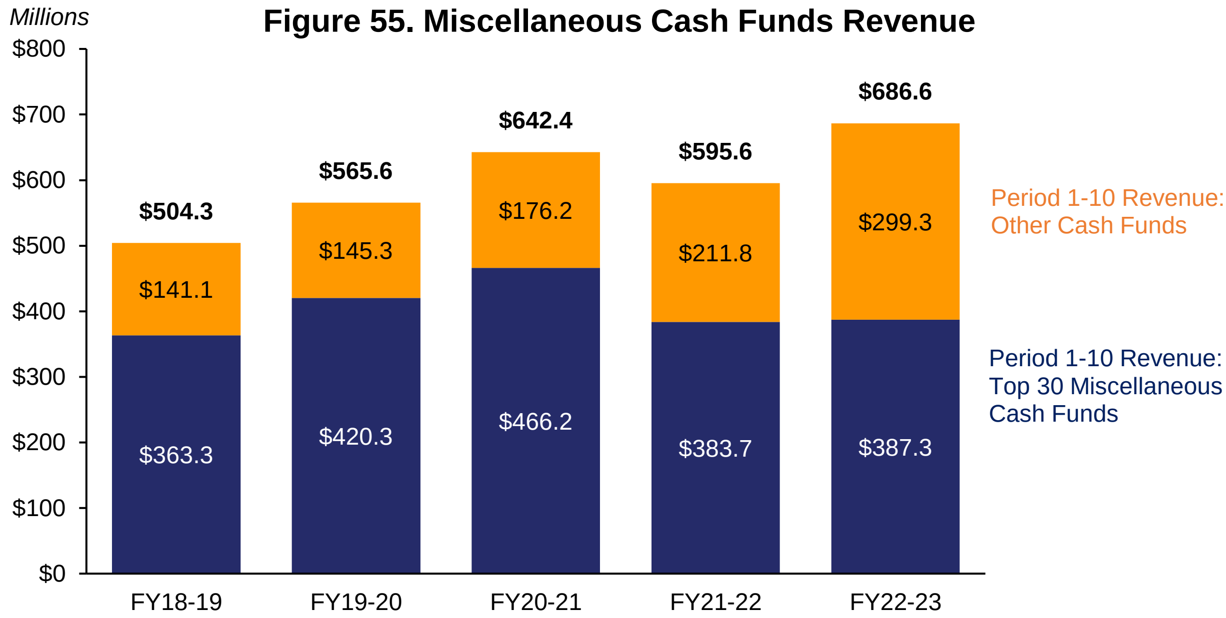
Other Cash Funds Subject to TABOR

The State receives revenue from a variety of other, smaller cash funds. This includes non-exempt cash fund revenue to the Department of Regulatory Agencies (DORA), which is made up of revenue from professional and occupational licensing, the Public Utilities Commission, and other sources. DORA's revenue in FY 2021-22 came in at $92.3 million, but OSPB expects a decline in revenue for FY 2022-23 as a result of fee reductions for nurses and mental health professionals for two years passed in H.B. 22-1298, Fee Relief Nurses Nurse Aides and Technicians, and H.B. 22-1299, License Registration Fee Relief for Mental Health Professionals.

These two bills are expected to reduce revenue by $6.8 million in FY 2022-23 and $8.6 million in FY 2023-24. As a result, FY 2022-23 is expected to drop 4.8 percent to $87.8 million, before growing 2.0 percent to $89.6 million in FY 2023-24. In FY 2024-25, revenue is expected to bounce back to $106.3 million as these fee reductions roll off alongside an increase in revenue as a result of the passage of Proposition 122, Access to Natural Psychedelic Substances. Approximately four-fifths of the $16.7 million increase in DORA CF revenue in FY 2024-25 is a result of these legislative changes.

The category of "Other Miscellaneous Cash Funds" includes revenue from over 300 cash fund programs that collect revenue from fines, fees, and interest earnings. OSPB breaks down this forecast into the 30 funds that tend to have the largest revenue separately from the rest of the smaller cash funds. Historically, these 30 funds have made up for over 75 percent of the entire Miscellaneous Cash Fund revenue. Forecast revenue for FY 2022-23 is estimated at $894.2 million, $4.1 million above the March forecast.

Figure 55. Miscellaneous Cash Funds Revenue



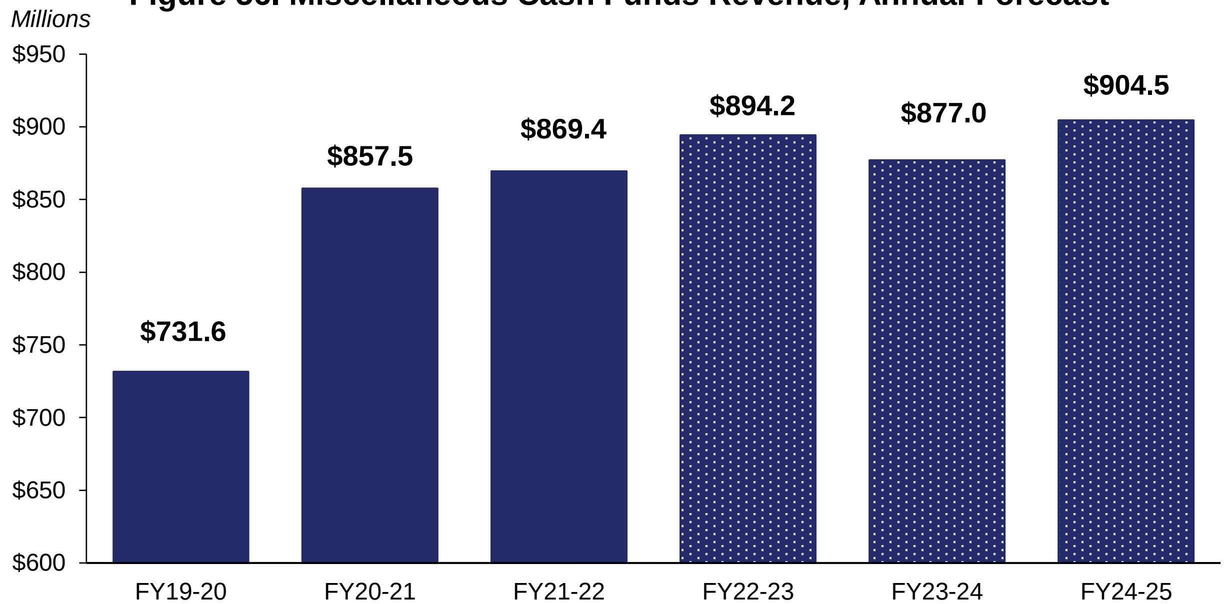
Source: Colorado Department of Revenue

Revenue from both the top 30 funds and other funds for the middle months of FY 2022-23 came in around expectation relative to the March forecast. Total revenue collected for Miscellaneous Cash Funds is up 15.3 percent year-over-year for revenue collected through April. There are certain funds causing this increase in revenue collected through April thus far, but overall Miscellaneous Cash Funds are expected to land at 2.9 percent year-over-year growth from FY 2021-22 to FY 2022-23. Namely, the Oil and Gas Conservation Fund in February had its second highest monthly revenue collection to date due to increased local oil prices caused by the temporary Suncor refinery shutdown.

Year-to-date collections for FY 2022-23 continue to come in at high growth levels compared to FY 2021-22 with February, March, and April revenue coming in $16.7 million over expectations. However, FY 2021-22 had an end of fiscal year revenue acceleration that was felt in part from the highest oil prices in over a decade, and May through June collections accounted for nearly a quarter of revenue for the fiscal year. With oil prices currently closer to average levels, along with other moderating economic factors, OSPB is forecasting end of year revenues for FY 2022-23 in May and June at similar levels seen historically from 2018-2021 but at reduced growth rates compared to FY 2021-22. This has shifted the base for the current fiscal year forecast slightly but is not a significant revision. Another important reminder is the revision to the Colorado DRIVES

Fund from the March Forecast, where OSPB moved the fund to the Transportation Forecast Section, which accounted for $53 million in revenue through April of FY 2022-23.

Figure 56. Miscellaneous Cash Funds Revenue, Annual Forecast



Note: Dotted region indicates forecast period
Source: Colorado Department of Revenue

Forecasts for FY 2022-23 have been revised up 0.5 percent from the March forecast. Out-year fiscal year forecasts have been revised down 5.8 percent in FY 2023-24 and 7.2 percent in FY 2024-25 from the March forecast because of legislative changes and an expected drop in oil prices leading the Oil and Gas Conservation Fund revenue to fall closer to historical averages. The primary drag on FY 2023-24 is SB23-232, Unemployment Insurance Premiums Allocation Federal Law Compliance, which will cap the amount of revenue that can be credited to the Employment Support Fund and is expected to reduce the overall forecast by $46.2M for that fiscal year. This drag on FY 2023-24 will reduce the starting point for FY 2024-25 and is the primary cause for the 7.2 percent revision from the March Forecast. The shape of our forecast is updated to show slow growth in FY 2022-23, an overall decline in FY 2023-24, and a rebound in FY 2024-25. The new miscellaneous forecast is as follows: FY 2022-23: $894.2M (+2.9 percent YoY), FY 2023-24: $877.0M (-1.9 percent YoY), FY 2024-25: $904.5M (+3.1 percent YoY).

TABOR Exempt Funds with Significant Fiscal Implications

Outside of the cash funds subject to TABOR discussed above, OSPB also forecasts marijuana, federal mineral lease (FML), and sports betting revenues because of the significant budgetary implications of these revenues. In particular, these revenues impact the General Fund, Marijuana Tax Cash Fund, distributions to local governments, BEST funding for school capital construction, the Public School Fund, and the Water Plan Implementation Cash Fund, each of which is shown in more detail below.

Marijuana

Expectations for marijuana revenue collections have stabilized in recent months after substantial downward revisions in recent forecasts. While record low prices have persisted due to oversupply in 2020 and 2021 paired with slowing growth in the quantity of marijuana sold, previous expectations have generally been revised to reflect these trends, resulting in smaller revisions in the June forecast. Going forward, it is still expected that these prices will eventually increase back to higher levels; however, these price increases are expected to be slower and smaller in magnitude than previously anticipated. Due to these continued trends, total marijuana revenue is expected to decline by 21.6 percent in FY 2022-23, before growing by 16.1 percent in FY 2023-24, followed by slow growth from more normal levels in FY 2024-25. Figure 57 shows expected revenue for each stream under these revised assumptions.

Figure 57. Tax Revenue from the Marijuana Industry

	Actual FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
Proposition AA Taxes (Not Subject to TABOR)				
Retail Marijuana 15% Special Sales Tax	$258.7	$223.1	$253.9	$259.0
Retail Marijuana 15% Excise Tax	$97.3	$57.9	$72.7	$77.8
Total Proposition AA Taxes	**$356.1**	**$281.0**	**$326.6**	**$336.8**
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$9.2	$6.0	$6.8	$6.3
Retail Marijuana 2.9% State Sales Tax	$2.3	$1.2	$1.2	$1.1
Interest Earnings	$0.4	$0.4	$0.4	$0.0
Total 2.9% Sales Taxes & Interest	**$11.9**	**$7.6**	**$8.4**	**$7.4**
Total Marijuana Taxes	**$368.0**	**$288.6**	**$335.0**	**$344.2**

Marijuana revenue goes to a number of different sources once collected, the largest being the Marijuana Tax Cash Fund from the retail special sales tax and BEST School Capital Construction from the excise tax on wholesale purchases. Allocations to each of these funds are shown in Figure 58 below in addition to the revisions downward from the previous forecast.

Figure 58. Tax Revenue from the Marijuana Industry

	Total Marijuana Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund
FY 2021-22 Actual	$368.0	$25.9	$36.2	$97.3	$29.3	$179.2
FY 2022-23 Projected	$288.6	$22.3	$31.2	$57.9	$25.3	$151.9
FY 2023-24 Projected	$335.0	$25.4	$35.6	$72.7	$28.8	$172.5
FY 2024-25 Projected	$344.6	$25.9	$36.3	$77.8	$29.3	$175.3
Change from March	**Total Marijuana Revenue**	**Local Share**	**General Fund**	**BEST School Capital Construction**	**Public School Fund**	**Marijuana Tax Cash Fund Revenue**
FY 2022-23 Projected	-$7.6	-$0.4	-$0.5	-$3.7	-$0.4	-$2.6
FY 2023-24 Projected	-$8.4	-$0.3	-$0.5	-$4.7	-$0.4	-$2.5
FY 2024-25 Projected	-$6.4	-$0.3	-$0.5	-$2.7	-$0.4	-$2.5

Marijuana taxes for both the 15 percent special sales tax charged at the point of sale and the 15 percent excise tax on wholesale purchases are directly linked to the price of marijuana. The special sales tax is charged on the final purchase price paid by the consumer (the "retail price" multiplied by volume sold) and the excise tax is calculated by multiplying the average market rate (AMR) by the quantity sold at the wholesale level. Both the retail prices and the wholesale market rates have dropped to historical lows for longer than anticipated. The wholesale market rate for flower, calculated each quarter by the Department of Revenue and at $649 per pound through April, remains down 51 percent compared levels seen in FY 2021-22 and retail price for flower is also down to $3.47 in March, 31 percent below levels seen in FY 2021-22. Notably, volume of marijuana sold has kept revenue elevated above what these drops in prices would have otherwise caused.

The result of these price and volume trends seen in the most recent DOR dashboard data is that, compared to the previous forecast, the following adjustments were made to recent months and to expectations going forward:

- Average monthly retail price per gram of flower for October 2022 through April 2023 came in at $3.50, as compared to an expectation of $3.66, a 4.4 percent downward adjustment.
- Average monthly retail volume of flower for October 2022 through April 2023 came in nearly at expectations of 33.6 million grams as compared to an expectation of 33.1 million grams.
- Current expectation for the FY 2023-24 (June 2024) ending price for retail marijuana is $4.44/g as compared to a March expectation of $4.56/g, a revision downward of 2.6 percent.

Federal Mineral Lease

Federal Mineral Lease (FML) revenue increased by 52.5 percent to $125.1 million in FY 2021-22 and is forecast to increase by an additional 39.5 percent in FY 2022-23 to $174.5 million primarily due to elevated natural gas prices throughout the first half of the fiscal year driving higher revenue collections. This is an upward revision of $30.5 million from the March forecast predicated upon above-expectation FML revenue collections in the third quarter of the fiscal year. Since the recent peak of Henry Hub natural gas prices in late summer at nearly $10 per million BTU, prices have plummeted well below the long-term average to around $2 per million BTU as of mid-May. With the price decline, revenue is also expected to soften in the final quarter of FY 2022-23 and into FY 2023-24.

In the third quarter of FY 2022-23, a total of $52.4 million in FML revenue was recorded, leading to year-to-date revenue collections at approximately $148 million. With the natural gas price drop, however, revenue in the final quarter is expected in the $25 to $30 million range. Though natural gas prices are expected to remain below average early in FY 2023-24, they are expected to rebound throughout the year to around the ten-year average of $3.40 per million BTU. With production remaining relatively strong in certain areas on federal land, particularly in Garfield County, FY 2023-24 revenue is revised up by $13.7 million to $105.3 million. Natural gas prices are expected to rebound above the long-term average in FY 2024-25, leading to an upward revision of $16.8 million to $113.4 million. In calendar year 2022, royalty revenue derived from natural gas production on federal leases accounted for roughly half of total FML revenue in Colorado, resulting in natural gas price fluctuations driving FML revenue collections more than severance tax revenue, which is more reliant on oil prices. Price assumptions are discussed in more detail in the energy section of the economic outlook. Detailed FML revenue and distribution forecast expectations can be found in Figure 59.

Figure 59. FML Forecast Distribution Table

	Actual FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25
Total FML Revenue	**$125.1**	**$174.5**	**$105.3**	**$113.4**
Change	52.5%	39.5%	-39.6%	7.7%
Bonus Payments (portion of total FML revenue)	$0.8	$1.6	$1.2	$1.2
Local Government Perm Fund	$0.4	$0.8	$0.6	$0.6
Higher Ed FML Revenues Fund	$0.4	$0.8	$0.6	$0.6
Other (non-bonus) FML Revenue	$124.4	$172.9	$104.1	$112.2
State Public School Fund	$60.1	$83.5	$50.3	$54.2
Colorado Water Conservation Board	$12.4	$17.3	$10.4	$11.2
DOLA Grants	$24.9	$34.6	$20.8	$22.4
DOLA Direct Distribution	$24.9	$34.6	$20.8	$22.4
School Districts	$2.1	$2.9	$1.8	$1.9

Overall, there has been a long-term, downward oil and gas lease trend in the state as industry investment interest on federal land has waned. In federal FY 2021-22, the number of leases in Colorado declined from the prior fiscal year by 4.4 percent from 3,245 to 3,103. Over the past ten years, from federal FY 2012-13 to 2021-22, the number of leases declined annually by 4.9 percent on average dropping from 4,963 to 3,103. Leased acreage dropped by 42.5 percent over that same period. During the forecast period, the number of leases is expected to continue on a similar, declining trajectory. Despite the downward trend, there remains areas of strength in the state for FML royalty revenue, including the counties of Garfield, Rio Blanco, Weld, and Montezuma, which made up approximately 85 percent of FML revenue in calendar year 2022.

While FML revenue is exempt from TABOR, it is included here because a portion of the money is distributed to the Public School Fund as detailed in the table above.

Sports Betting

As FY 2022-23 comes to an end, sports betting tax revenue has maintained its elevated pace as Colorado has already received revenue through ten months of the current fiscal year that is 84 percent higher than the amount that was collected in the entire previous fiscal year. Specifically, in FY 2021-22, Colorado collected $12.4 million in sports betting tax revenue, while in the first ten months of FY 2022-23, Colorado has collected $22.9 million. Expectations are for sports betting revenue to continue its current strong pace for the rest of this fiscal year, especially as home teams are finding success, including the Denver Nuggets winning the NBA Championship. Professional basketball is the most popular sport to wager on in Colorado. Since its legalization in May of 2020, 24.7 percent of all wagers in Colorado have been on professional basketball.

Colorado will likely see much slower growth in FY 2023-24 but resume stronger revenue growth in FY 2024-25. In FY 2023-24, it is expected that sports betting in Colorado will slow alongside weakening economic conditions. Sports betting operators are then expected to focus on maintaining their current customer base, as many potential new users will opt to save instead of wagering their savings. Revenue in FY 2023-24 is buoyed though by the increasing hold potential of sports betting operators. Hold is the overall win percentage of the operators. According to the Legal Sports Report[4], the long-term U.S. average Hold percentage is about eight percent, and Colorado is below this at 6.92 percent. It is likely that over the coming months that Colorado will continue to approach the U.S. average, increasing the amount of taxable income for operators. FY 2024-25 will return to a more normal growth rate, as economic and hold percentage conditions are both expected to continue to improve.

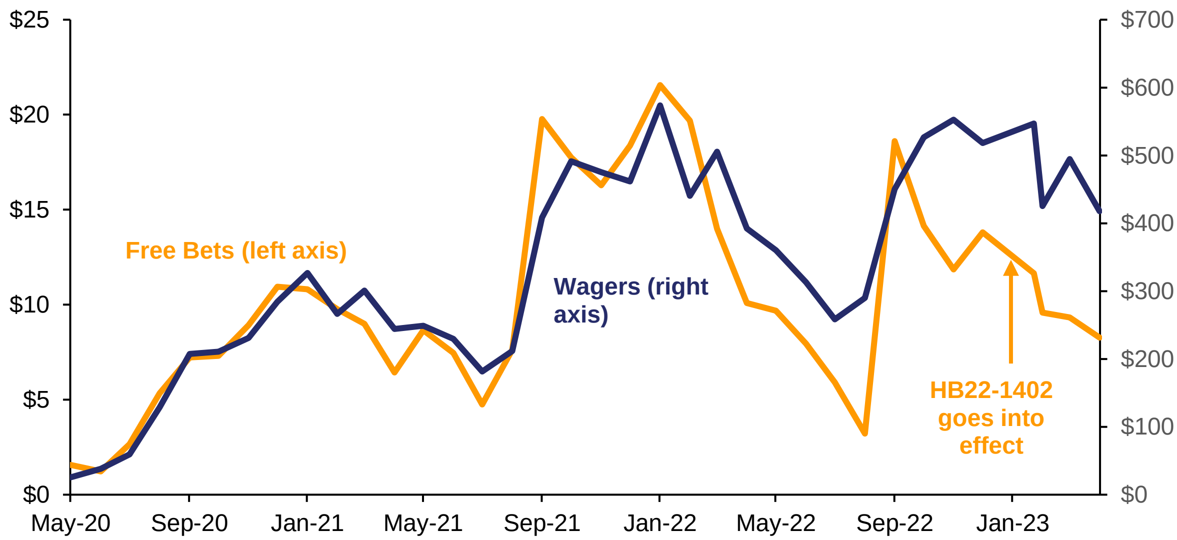
[4] https://www.legalsportsreport.com/sports-betting/revenue/

Figure 60. Sports Betting Distribution Formula

Distribution Formula (in millions)	Actual FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25
Total Sports Betting Tax Revenue	**$12.44**	**$26.65**	**$27.82**	**$31.39**
Change	*53.4%*	*114.1%*	*4.4%*	*12.8%*
Hold-Harmless Fund (6%)	$0.75	$1.60	$1.67	$1.88
Behavioral Health Administration	$0.13	$0.13	$0.13	$0.00
Water Plan Implementation Cash Fund	$11.36	$24.92	$26.02	$29.51

As shown in Figure 60 above, sports betting revenues are distributed by a formula. Six percent of the sports betting revenue goes to the 'Wagering Revenue Recipients Hold-Harmless Fund' to offset any demonstrated loss of revenue attributable to sports betting. Additionally, $130,000 goes to the Behavioral Health Administration in the Department of Human Services to operate a crisis hotline for gamblers and to assist the prevention, education, treatment, and workforce development by counselors certified in the treatment of gambling disorders and is distributed through FY 2023-24 under current law. Last, the remaining funds (minus administration costs) are disbursed to the Water Plan Implementation Cash Fund. Over 90 percent of sports betting revenues ends up going to the Water Plan Implementation Cash Fund.

Figure 61. Free Bets vs. Wagers in CO Monthly



Source: Department of Revenue: Division of Gaming

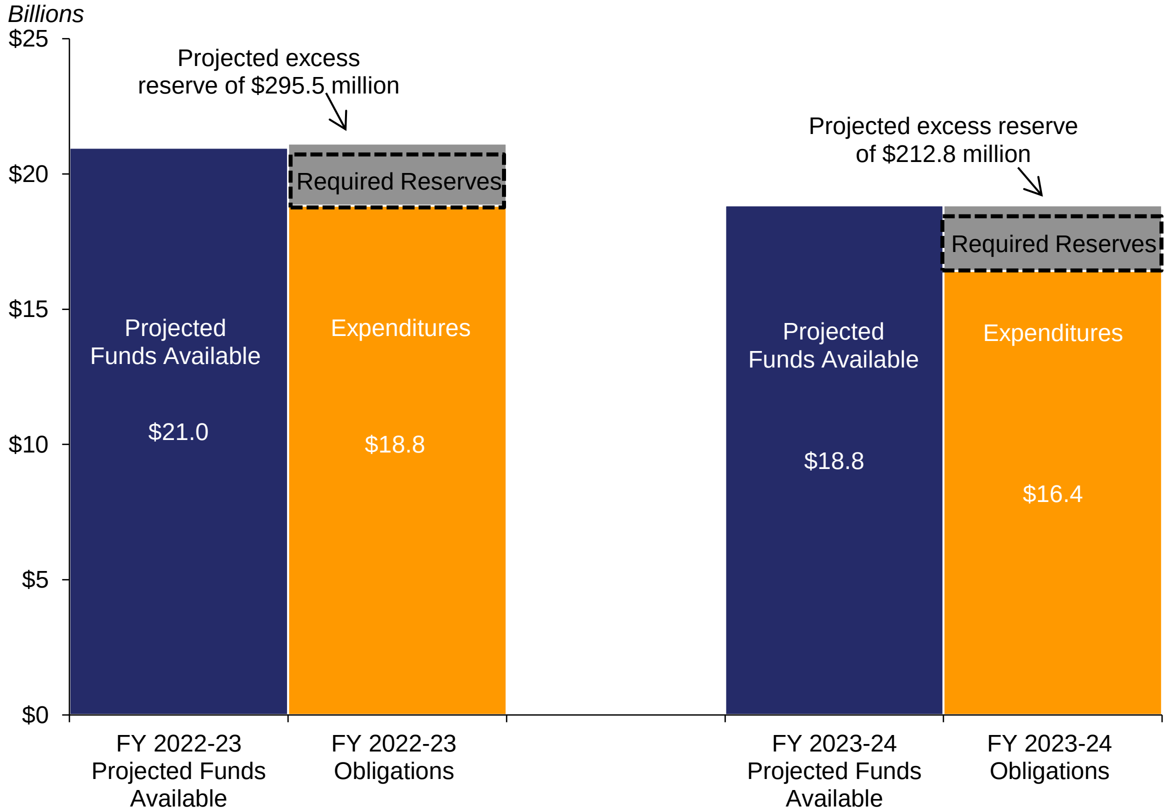
In recent months, the effects of HB22-1402, Responsible Gaming Grant Program, have been observed, as free bets offered after this legislation went into effect declined 41 percent compared to free bets offered over the same period in the previous year. This is due to the fact that the bill modifies the amount of free bets that may be deducted from net sports betting proceeds. As is the nature of sports betting, free bets offered by sports betting operators are also quite seasonal, however, the declines are expected to continue as HB22-1402 continues to limit free bets as a percentage of wagers across Colorado. Therefore, HB22-1402 will continue have a positive impact on the effective tax rate in the long term. Sports betting revenue will likely continue to remain strong with elevated wagers from Colorado players, increasing hold percentage from operators, and decreasing levels of free bets.

Budget Outlook

General Fund

General Fund revenue increased 23.7 percent in FY 2021-22 to $17,697.9 million. In FY 2022-23, revenue is expected to grow slightly, by 0.5 percent above the previous year's record instead of a decline as projected in March. However, revenues are revised to decline by a greater amount in FY 2023-24, contracting by 7.1 percent before rebounding with 10.0 percent growth in FY 2024-25. The General Fund forecast for FY 2022-23 is $806.6 million higher than estimated in March, as corporate income revenue came in well above recent expectations on a stronger business environment as consumer demand and firm behavior both show their resiliency. The forecast in FY 2023-24 is revised down $178.9 million from March, largely as a result of decreased estimated payments from smaller businesses as lending conditions tighten, particularly at small and regional banks.

Figure 62. General Fund Revenue and Expenditures



The General Fund estimated ending balance is expected to be $295.5 million above the statutory reserve level of 15.0 percent of appropriations in FY 2022-23 and estimated to be $212.8 million above the statutory reserve level of 15.0 percent of appropriations in FY 2023-24. Note, however, that the FY 2023-24 forecast does not include Proposition HH, which if passed would commit $200 million in general fund transfers to the State Public School Fund and the Local Government Backfill Cash Fund. Therefore, if Proposition HH passes, the excess reserve amount would drop to $12.8 million. Note that Proposition II – the only other referred measure to the ballot – is not currently expected to impact ending balances though it would allow the state to retain Proposition EE revenue above the 2020 Blue Book estimates for Universal Preschool. Figure 62 summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2022-23 and FY 2023-24 under current law.

In the current forecast, there is $295.5 million in funds available above the statutory reserve limit for FY 2022-23, $172.6 million below the $468.1 million in the March forecast. This is largely a result of increased cash fund expectations and additional appropriations and transfers in the 2023 legislative session. In FY 2023-24, the funds available above the statutory reserve limit increased $185.5 million from $27.3 million to $212.8 million, largely as a result of the $200 million in transfers set aside for property tax reform not being included in balancing given that Proposition HH has not yet been voted on. If Proposition HH indeed passes, the statutory limit would be revised down $14.5 million from March as a result of revisions to the cash fund forecast not quite offsetting changes to appropriations and transfers by the legislature that differed from the Governor's budget, including the January 17th requests and the Department of Healthcare Policy and Financing caseload adjustment, as well as non-executive department requests.

State Education Fund

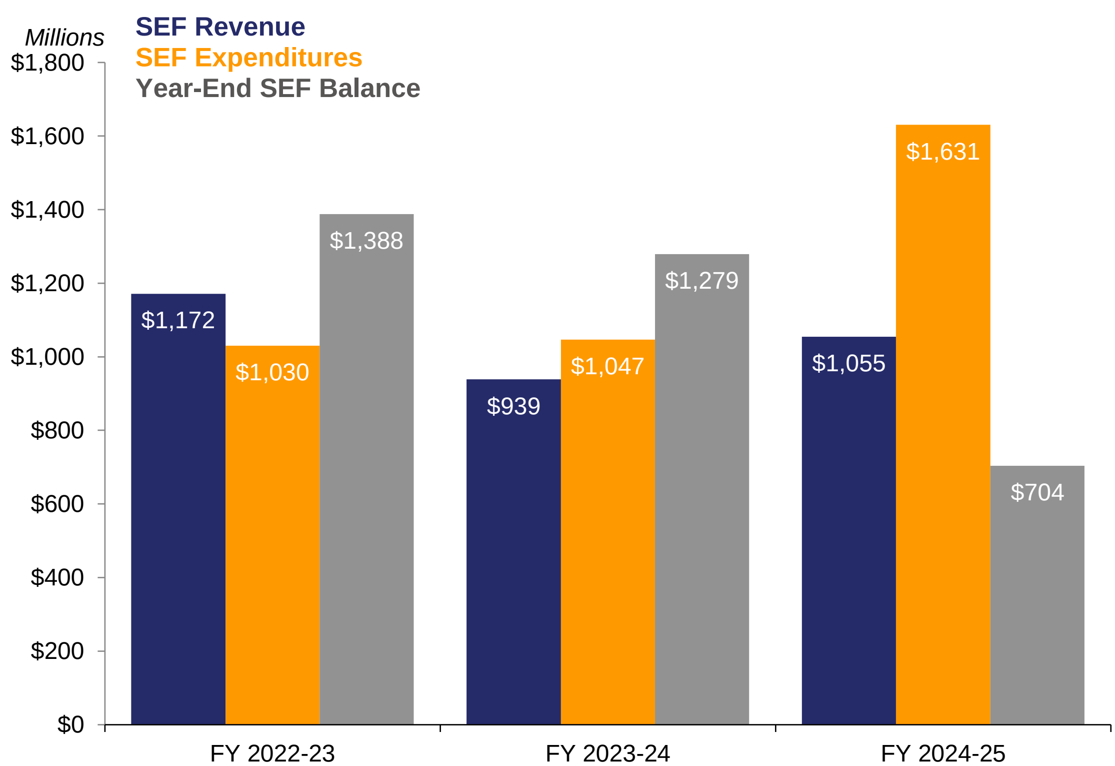
The State Education Fund's (SEF) year-end balance was $955.9 million in FY 2021-22, including transfers. In FY 2022-23, the year-end balance is revised up $78.2 million above the March forecast to $1,387.7 million due to upward revisions of income tax revenue and interest earnings. These ending balances include the $290 million transfer to the SEF in FY 2022-23 as provided for in HB22-1390 and amended by SB22-202. In FY 2023-24, the year-end balance is expected to tick down to $1,279.5 million, reflecting an upward revision of $35.3 million from March due to the upward revision to income tax revenue in FY 2022-23 outweighing the downward revision to income tax revenue in FY 2023-24. The revised FY 2023-24 ending balance takes into account all SEF appropriations enacted in the 2023 legislative session. In FY 2024-25, the SEF fund balance is forecast to decrease to $703.5 million, which is a downward revision of $244.9 million following budget actions passed in the 2023 legislative session, including the statutorily approved full buy-down of the Budget Stabilization Factor in FY 2024-25.

While the assumptions presented in this baseline forecast only account for current law, Proposition HH, which is on the statewide ballot in November 2023, would have a fiscal impact to the SEF due to the reduction in local share property tax revenue if it were to pass. If Proposition

HH passes, the SEF ending balance remains the same as current law for FY 2022-23, declines by a projected $106.7 million more compared to current law in FY 2023-24 to $1,172.8 million, and declines by a projected $177.7 million more compared to current law in FY 2024-25. These fund balance declines under passage of Proposition HH are due to the requirement to fully backfill school districts for local share property tax reductions with state share, as the ballot measure would reduce Colorado taxpayers' property tax liability, including to school districts. However, under passage of Proposition HH, $72 million would be transferred from the General Fund to the State Public School Fund in order to provide school finance funding stability. Further, approximately 80 percent of the additional revenue received from the new Proposition HH cap would be diverted to the SEF, so while the SEF would see increased expenses over the forecast period with passage of Proposition HH, the long-term impact of SEF fund balances would be dependent upon future revenue retained between the current Referendum C cap and new Proposition HH cap.

The SEF fund balance is forecast to remain above historical averages throughout the forecast period under current law or under enactment of Proposition HH, but economic uncertainty remains a downside risk that could negatively weigh on the fund's revenue streams. Figure 63 summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2022-23, FY 2023-24, and FY 2024-25.

Figure 63. SEF Revenue, Expenditures, and Ending Balances



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, labor demand may remain resilient in the face of slowing economic growth, avoiding a small uptick in unemployment in the out-years and keeping income withholdings elevated with it. Tightening financial conditions and slowing consumption in the out-years are the main downside risk, as this might eat into aggregate demand, thereby slowing economic growth. This is likely to impact both sales revenue directly and estimated payments and cash with returns from income revenue indirectly. Economic conditions currently underlying this forecast are weighted equally.

Supplemental Materials

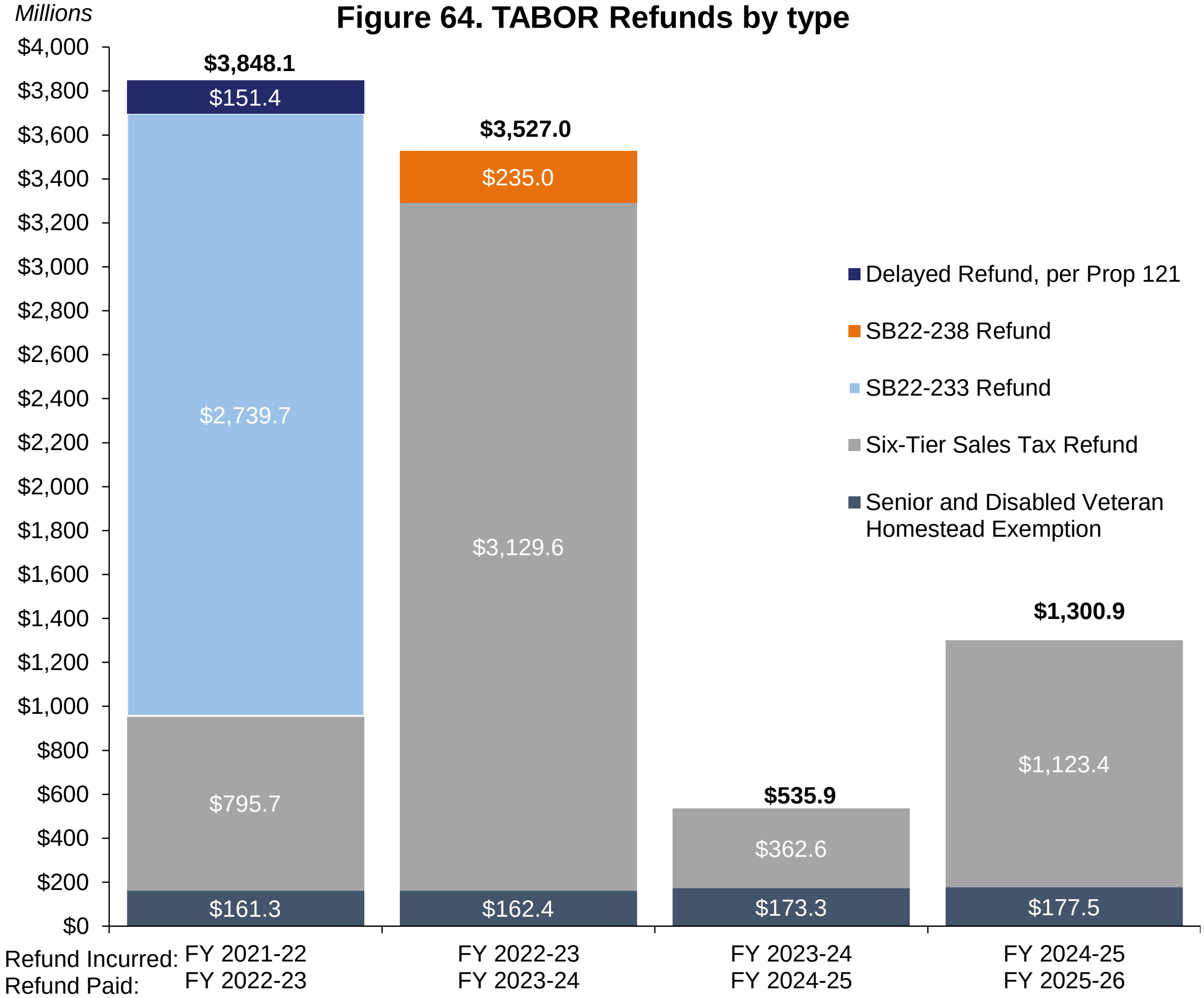
An overview of General Fund and State Education Fund revenue, expenditures, and end-of-year reserves is provided in the Reference Tables at the end of this document. A more detailed discussion of the information presented in the Reference Tables can be found at the Office of State Planning and Budgeting's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

TABOR Outlook

TABOR

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 is expected to exceed the cap in each of the forecast years, but the highest refund amount is expected to have occurred in the most recently completed fiscal year. In that year, FY 2021-22, the TABOR surplus was $3,848.1 million due primarily to strength in individual income tax revenue. In FY 2022-23, revenue is projected at $3,375.6 million above the cap, reflecting an $869.3 million revision as increased income and severance revenue are above previous expectations. In FY 2023-24, revenue above the cap is expected to fall to $535.9 million due to tax policy changes, tightening financial conditions that are a headwind to revenue, and high 2022 inflation that allows for further growth in the Referendum C limit. In FY 2024-25, refunds are expected to increase as the economy is expected to grow more quickly than the previous year, totaling $1,300.9 million.

Current law specifies two mechanisms by which revenue in excess of the cap is to be refunded to taxpayers: the senior homestead and disabled veterans property tax exemptions and a sales tax refund. Prior to the passage of Proposition 121 last fall, there was also a temporary income tax rate reduction from 4.55 to 4.5 percent, but this no longer applies as the permanent rate is now reduced to 4.4 percent. The size of the refund determines which refund mechanisms are utilized. In addition to these mechanisms, SB22-233, Tabor Refund Mechanism for FY 2021-22 Only, refunded $750 checks to single filers and $1,500 to joint filers as a part of the Colorado Cash Back program in FY 2021-22. Finally, SB22-238, 2023 and 2024 Property Tax, provides an estimated $235.0 million in refunds in FY 2023-24 to backfill local governments' losses as a result of reduced property tax revenue.



An estimated $2,739.7 million of the $3,848.1 million refund obligation from FY 2021-22 was paid out as a part of the Colorado Cash Back last fall. Additionally, $161.3 million is refunded via the senior homestead and disabled veterans property tax exemption expenditures and $795.7 million via a sales tax refund this year. Note that $151.4 million is currently listed as an under-refunded amount. This is because the TABOR certification occurred after the passage of Proposition 121, which eliminated the need for this mechanism, meaning that the $151.4 million will not be sent out in the FY 2021-22 refunds repaid in FY 2022-23, but instead be applied to the following year's refund under current law.

Therefore, the TABOR refund amount in FY 2022-23 is estimated at $3,527.0 million instead of the expected $3,375.6 million from the current fiscal year. After the $162.4 million refunded via the senior homestead and disabled veteran property tax exemption expenditures and $235.0 million via SB23-238, there is an expected $3,129.6 million available for the sales tax refund. Note, that if Proposition HH passes, this refund will be a one-tier sales tax refund instead of the normal six-tier mechanism. In such a case, all individuals would then receive the average amount, an estimated $873 per single filer, and therefore lower-income individuals would receive higher amounts than they would under the normal six-tier mechanism, while higher-income individuals would receive lesser amounts.

TABOR refunds in FY 2023-24 are expected to fall in response to tightening financial conditions that limit firm profits, reduce consumer demand, and lead to falling wage and job growth. However, despite a small downturn in economic growth during the fiscal year, there are still expected to be $173.3 million in senior homestead and disabled veteran property tax exemption refunds and $362.6 million via the six-tier sales tax refund. The FY 2023-24 sales tax refund translates to an average $100 refund for a single filer in 2025. In FY 2024-25, with the economy rebounding, revenue does as well, resulting in a $1,123.4 million sales tax refund (averaging an estimated $307 per single filer) after accounting for the senior homestead and disabled veteran exemption.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

		Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Forecast 2023	Forecast 2024	Forecast 2025
	Income										
1	Personal Income (Billions) /A	$289.7	$309.4	$331.9	$356.3	$378.1	$410.9	$433.1	$456.5	$473.9	$501.3
2	Change	1.7%	6.8%	7.3%	7.4%	6.1%	8.7%	5.4%	5.4%	3.8%	5.8%
3	Wage and Salary Income (Billions)	$151.2	$160.9	$170.8	$183.0	$187.6	$205.3	$226.9	$242.1	$249.3	$262.3
4	Change	3.1%	6.5%	6.1%	7.1%	2.5%	9.4%	10.5%	6.7%	3.0%	5.2%
5	Per-Capita Income ($/person) /A	$52,386.0	$55,257.0	$58,456.0	$62,135.4	$65,359.8	$70,673.9	$74,183.0	$77,453.0	$79,573.0	$83,334.0
6	Change	0.2%	5.5%	5.8%	6.3%	5.2%	8.1%	4.9%	4.4%	2.7%	4.7%
	Population & Employment										
7	Population (Thousands)	5,529.6	5,599.6	5,676.9	5,734.9	5,784.2	5,814.7	5,838.6	5,894.1	5,955.1	6,016.1
8	Change	1.5%	1.3%	1.4%	1.0%	0.9%	0.5%	0.5%	1.0%	1.0%	1.0%
9	Net Migration (Thousands)	53.3	42.4	51.8	34.2	28.6	15.1	14.9	35.0	40.0	40.0
10	Unemployment Rate	3.1%	2.6%	3.0%	2.7%	6.8%	5.5%	3.0%	3.0%	3.6%	3.4%
11	Total Nonagricultural Employment (Thousands)	2,601.7	2,660.3	2,727.3	2,790.1	2,652.7	2,750.9	2,868.0	2,922.5	2,942.9	2,998.9
12	Change	2.4%	2.3%	2.5%	2.3%	-4.9%	3.7%	4.3%	1.9%	0.7%	1.9%
	Construction Variables										
13	Total Housing Permits Issued (Thousands)	39.0	40.7	42.6	38.6	40.5	56.5	48.8	40.2	41.0	44.7
14	Change	22.3%	4.4%	4.8%	-9.4%	4.8%	39.7%	-13.6%	-17.6%	1.9%	9.1%
15	Nonresidential Construction Value (Millions) /B	$5,987.8	$6,150.7	$8,151.0	$5,157.4	$5,585.6	$5,729.3	$6,605.2	$5,900.9	$5,439.9	$5,762.2
16	Change	20.0%	2.7%	32.5%	-36.7%	8.3%	2.6%	15.3%	-10.7%	-7.8%	5.9%
	Price Variables										
17	Retail Trade (Billions) /C	$184.7	$194.6	$206.1	$224.6	$228.8	$268.3	$299.9	$308.3	$317.3	$334.4
18	Change	1.0%	5.4%	5.9%	9.0%	1.9%	17.3%	11.8%	2.8%	2.9%	5.4%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100)	246.6	255.0	262.0	267.0	272.2	281.8	304.4	318.7	327.3	336.2
20	Change	2.8%	3.4%	2.7%	1.9%	2.0%	3.5%	8.0%	4.7%	2.7%	2.7%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.
/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges and utilities).
/C Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

Table 2: National Economic Variables – History and Forecast

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Forecast 2023	Forecast 2024	Forecast 2025
Inflation-Adjusted & Current Dollar Income Accounts										
Inflation-Adjusted Gross Domestic Product (Billions) /A	$17,680.3	$18,076.7	$18,609.1	$19,036.1	$18,509.1	$19,609.8	$20,014.1	$20,294.3	$20,456.7	$20,927.2
Change	1.7%	2.2%	2.9%	2.3%	-2.8%	5.9%	2.1%	1.4%	0.8%	2.3%
Personal Income (Billions) /B	$16,096.9	$16,839.8	$17,683.8	$18,587.0	$19,832.3	$21,294.8	$21,809.0	$22,746.8	$23,247.2	$24,339.8
Change	2.6%	4.6%	5.0%	5.1%	6.7%	7.4%	2.4%	4.3%	2.2%	4.7%
Per-Capita Income ($/person) /B	$49,880	$51,829	$54,061	$56,443	$59,826	$64,162	$65,436	$67,978	$69,197	$72,160
Change	1.9%	3.9%	4.3%	4.4%	6.0%	7.2%	2.0%	3.9%	1.8%	4.3%
Wage and Salary Income (Billions)	$8,091.2	$8,474.4	$8,900.0	$9,324.6	$9,457.4	$10,290.1	$11,223.5	$11,818.3	$12,054.7	$12,585.1
Change	2.9%	4.7%	5.0%	4.8%	1.4%	8.8%	9.1%	5.3%	2.0%	4.4%
Population & Employment										
Population (Millions)	322.7	324.9	327.1	329.3	331.5	331.9	333.3	334.6	336.0	337.3
Change	0.7%	0.7%	0.7%	0.7%	0.7%	0.1%	0.4%	0.4%	0.4%	0.4%
Unemployment Rate	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.7%	3.7%	4.2%	4.0%
Total Nonagricultural Employment (Millions)	144.3	146.6	148.9	150.9	142.2	146.3	152.6	156.1	156.7	158.7
Change	1.8%	1.6%	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	0.4%	1.3%
Other Key Indicators										
Consumer Price Index (1982-84=100)	240.0	245.1	251.1	255.7	258.8	271.0	292.7	304.4	311.7	319.1
Change	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.0%	2.4%	2.4%
Corporate Profits (Billions)	$2,037.7	$2,128.6	$2,311.9	$2,402.2	$2,260.1	$2,771.1	$2,952.6	$2,937.8	$2,946.7	$3,135.2
Change	-1.1%	4.5%	8.6%	3.9%	-5.9%	22.6%	6.6%	-0.5%	0.3%	6.4%
Housing Permits (Millions)	1.210	1.280	1.330	1.386	1.471	1.737	1.670	1.420	1.470	1.560
Change	2.0%	6.3%	3.6%	4.3%	6.1%	18.1%	-4.1%	-14.8%	3.4%	6.3%
Retail Trade (Billions)	$5,506.0	$5,732.9	$5,987.4	$6,175.0	$6,219.6	$7,441.4	$8,070.9	$8,264.6	$8,438.2	$8,817.9
Change	2.9%	4.1%	4.4%	3.1%	0.7%	19.6%	9.6%	2.4%	2.1%	4.5%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts
/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

	Category	Actual FY 2021-22	Percent Change	Estimate FY 2022-23	Percent Change	Estimate FY 2023-24	Percent Change	Estimate FY 2024-25	Percent Change
	Excise Taxes								
1	Sales	$4,089.0	19.6%	$4,313.1	5.5%	$4,364.6	1.2%	$4,625.5	6.0%
2	Use	$232.6	8.6%	$254.5	9.4%	$243.9	-4.2%	$265.9	9.0%
3	Retail Marijuana Sales - Special Sales Tax	$258.7	-10.2%	$223.1	-13.8%	$253.9	13.8%	$259.0	2.0%
4	Cigarette	$26.0	-13.8%	$23.7	-8.9%	$22.7	-4.2%	$21.4	-5.6%
5	Tobacco Products	$26.6	-8.3%	$24.0	-9.7%	$26.0	8.2%	$27.2	4.5%
6	Liquor	$56.3	5.6%	$56.3	-0.1%	$58.3	3.6%	$59.9	2.8%
7	Total Proposition EE	$208.0	324.3%	$233.7	12.4%	$200.2	-14.3%	$218.3	9.1%
8	**Total Excise**	**$4,897.2**	**20.0%**	**$5,128.4**	**4.7%**	**$5,169.5**	**0.8%**	**$5,477.1**	**6.0%**
	Income Taxes								
9	Net Individual Income	$11,717.8	23.6%	$10,894.6	-7.0%	$10,518.8	-3.4%	$11,861.0	12.8%
10	Net Corporate Income	$1,568.6	32.5%	$2,221.8	41.6%	$1,346.1	-39.4%	$1,540.1	14.4%
11	**Total Income**	**$13,286.4**	**24.6%**	**$13,116.3**	**-1.3%**	**$11,864.9**	**-9.5%**	**$13,401.0**	**12.9%**
12	*Less: State Education Fund Diversion*	*$993.5*	*13.6%*	*$1,017.3*	*2.4%*	*$920.2*	*-9.5%*	*$1,039.3*	*12.9%*
13	*Less: Proposition 123 Diversion*	*$0.0*	*NA*	*$154.1*	*NA*	*$284.8*	*84.8%*	*$321.6*	*12.9%*
14	**Total Income to General Fund**	**$12,292.9**	**25.6%**	**$11,944.9**	**-2.8%**	**$10,659.9**	**-10.8%**	**$12,040.1**	**12.9%**
	Other Revenue								
15	Insurance	$390.2	16.0%	$490.5	25.7%	$509.8	3.9%	$534.7	4.9%
16	Interest Income	$69.2	38.3%	$154.8	123.7%	$134.8	-12.9%	$76.3	-43.4%
17	Pari-Mutuel	$0.4	34.8%	$0.4	-12.2%	$0.4	18.1%	$0.4	-14.1%
18	Court Receipts	$2.4	-31.4%	$3.3	38.1%	$3.5	6.1%	$3.2	-9.5%
19	Other Income	$45.6	-10.1%	$56.9	24.7%	$38.8	-31.8%	$39.6	2.2%
20	**Total Other**	**$507.8**	**15.2%**	**$705.9**	**39.0%**	**$687.4**	**-2.6%**	**$654.2**	**-4.8%**
21	**GROSS GENERAL FUND**	**$17,697.9**	**23.7%**	**$17,779.2**	**0.5%**	**$16,516.8**	**-7.1%**	**$18,171.4**	**10.0%**

/A Dollars in Millions

Table 4: General Fund Overview /A

		Actual FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
Revenue					
1	**Beginning Reserve**	**$3,181.5**	**$3,201.9**	**$2,292.5**	**$2,428.4**
2	**Gross General Fund Revenue**	**$17,697.9**	**$17,779.2**	**$16,516.8**	**$18,171.4**
3	*Transfers to the General Fund*	$71.3	$24.8	$44.1	$51.9
4	**TOTAL GENERAL FUND AVAILABLE**	**$20,950.8**	**$21,005.9**	**$18,853.4**	**$20,651.7**
Expenditures					
5	**Appropriation Subject to Limit**	**$12,031.2**	**$13,313.7**	**$14,885.8**	**$16,179.5**
6	*Dollar Change (from prior year)*	$1,052.1	$1,282.5	$1,572.0	$1,293.7
7	*Percent Change (from prior year)*	9.6%	10.7%	11.8%	8.7%
8	**Spending Outside Limit**	**$5,797.5**	**$5,551.0**	**$1,539.2**	**$2,045.3**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$3,848.1	$3,527.0	$535.9	$1,300.86
10	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$0.0	$0.0	$0.0
11	*Other Rebates and Expenditures*	$149.6	$150.2	$154.5	$152.9
12	*Transfers for Capital Construction*	$354.0	$493.2	$314.2	$50.0
13	*Transfers for Transportation*	$512.9	$88.0	$0.0	$117.5
14	*Transfers to State Education Fund*	$123.0	$290.0	$0.0	$0.0
15	*Transfers to Other Funds*	$809.9	$1,002.6	$534.7	$424.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$17,828.7**	**$18,864.8**	**$16,425.0**	**$18,224.7**
17	*Percent Change (from prior year)*	33.8%	5.8%	-12.9%	11.0%
18	Reversions and Accounting Adjustments	-$79.8	-$151.4	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$3,201.9**	**$2,292.5**	**$2,428.4**	**$2,426.9**
20	*Year-End General Fund as a % of Appropriations*	26.6%	17.2%	16.3%	15.0%
21	*General Fund Statutory Reserve*	$1,612.2	$1,997.1	$2,215.6	$2,426.9
22	*Statutory Reserve %*	13.4%	15.0%	15.0%	15.0%
23	***Above/Below Statutory Reserve***	**$1,589.7**	**$295.5**	**$212.8**	**$0.0**

/A. FY 2022-23 and FY 2023-24 expenditures reflect all legislation that has passed through both the Colorado House and Senate as of June 20, 2023. Proposition HH is not included in balancing at this time, as the appropriations only go into effect upon voter approval. See the Budget section for more information. FY 2024-25 appropriations will be adopted in future budget legislation. Therefore, FY 2024-25 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

Table 5: General Fund and State Education Fund Overview /A

		Actual FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
	Revenue				
1	**Beginning Reserves**	**$3,735.2**	**$4,157.8**	**$3,680.3**	**$3,707.9**
2	*State Education Fund*	$553.7	$955.9	$1,387.7	$1,279.5
3	*General Fund*	$3,181.5	$3,201.9	$2,292.5	$2,428.4
4	**Gross State Education Fund Revenue**	**$1,268.4**	**$1,171.6**	**$938.6**	**$1,054.6**
5	Transfer to State Education Fund	$0.0	$290.0	$0.0	$0.0
6	**Gross General Fund Revenue /B**	**$17,769.3**	**$17,804.0**	**$16,560.9**	**$18,223.2**
7	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$22,772.9**	**$23,133.4**	**$21,179.7**	**$22,985.8**
	Expenditures				
8	General Fund Expenditures /C	$17,828.7	$18,864.8	$16,425.0	$16,923.9
9	State Education Fund Expenditures	$888.0	$1,029.8	$1,046.9	$1,630.6
10	**TOTAL OBLIGATIONS**	**$18,716.7**	**$19,894.5**	**$17,471.9**	**$18,554.5**
11	*Percent Change (from prior year)*	33.9%	6.3%	-12.2%	6.2%
12	*Reversions and Accounting Adjustments*	-$101.6	-$151.4	$0.0	$0.0
	Reserves				
13	**Year-End Balance**	**$4,157.8**	**$3,680.3**	**$3,707.9**	**$4,431.3**
14	State Education Fund	$955.9	$1,387.7	$1,279.5	$703.5
15	General Fund	$3,201.9	$2,292.5	$2,428.4	$3,727.8
16	*General Fund Above/Below Statutory Reserve*	$3,179.4	$590.9	$425.7	$2,601.7

/A See the General Fund and Budget sections discussing the State Education Fund for information on the figures in this table. Note that Proposition HH is not accounted for in balancing at this time, as the appropriations only go into effect upon voter approval. The aforementioned sections also have additional information on how this measure interacts with the SEF and backfilling local share to school districts for Total Program.
/B This amount includes transfers to the General Fund shown in line 3 in Table 4.
/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.

Table 6: Cash Fund Revenue Subject to TABOR /A

	Category	Final FY 2020-21	Final FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
1	**Transportation-Related /A**	**$1,155.8**	**$1,239.5**	**$1,290.9**	**$1,365.8**	**$1,458.8**
2	Change	-3.5%	7.2%	4.1%	5.8%	6.8%
3	**Limited Gaming Fund /B**	**$101.8**	**$115.4**	**$116.2**	**$120.4**	**$123.8**
4	Change	47.2%	13.3%	0.7%	3.7%	2.8%
7	**Regulatory Agencies**	**$89.1**	**$92.3**	**$87.8**	**$89.6**	**$106.3**
8	Change	9.9%	3.6%	-4.8%	2.0%	18.7%
9	**Insurance-Related**	**$21.0**	**$24.3**	**$23.8**	**$21.9**	**$22.3**
10	Change	-15.7%	15.4%	-1.9%	-8.0%	1.8%
11	**Severance Tax**	**$14.7**	**$325.0**	**$356.0**	**$183.6**	**$223.2**
12	Change	-84.3%	2113.0%	9.6%	-48.4%	21.6%
13	**Other Miscellaneous Cash Funds**	**$857.5**	**$869.4**	**$894.2**	**$877.0**	**$904.5**
14	Change	17.2%	1.4%	2.9%	-1.9%	3.1%
15	**TOTAL CASH FUND REVENUE**	**$2,240.0**	**$2,665.9**	**$2,769.0**	**$2,658.4**	**$2,839.0**
16	Change	1.6%	19.0%	3.9%	-4.0%	6.8%

/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. Additionally, includes the impact of SB21-260, which dedicates funding and creates new state enterprises to enable the planning, funding, development, construction, maintenance, and supervision of a sustainable transportation system.
/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

		Actual FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25
	TABOR Revenues				
1	General Fund /A	$17,075.4	$17,279.7	$15,967.8	$17,583.3
2	Cash Funds /A	$2,665.9	$2,769.0	$2,658.4	$2,839.0
3	**Total TABOR Revenues**	**$19,741.3**	**$20,048.7**	**$18,626.2**	**$20,422.3**
	Revenue Limit Calculation				
4	Previous calendar year population growth	0.3%	0.7%	0.5%	1.0%
5	Previous calendar year inflation	2.0%	3.5%	8.0%	4.7%
6	**Allowable TABOR Growth Rate**	**2.2%**	**4.3%**	**8.5%**	**5.7%**
7	TABOR Limit /B	$12,929.8	$13,457.4	$14,601.3	$15,433.6
8	General Fund Exempt Revenue Under Ref. C /C	$3,083.1	$3,215.7	$3,489.0	$3,687.9
9	**Revenue Cap Under Ref. C /B /D**	**$16,012.9**	**$16,673.1**	**$18,090.3**	**$19,121.4**
10	***Amount Above/Below Cap***	**$3,728.4**	**$3,375.6**	**$535.9**	**$1,300.9**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$3,848.1**	**$3,527.0**	**$535.9**	**$1,300.9**
12	TABOR State Emergency Reserve Requirement	$480.4	$500.2	$542.7	$573.6

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

/B The TABOR limit and Referendum C Cap is adjusted to account for changes in the enterprise status of various State entities.

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

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" 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.

/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 the total refund amount distributed to taxpayers is adjusted.

Table 8a: List of Transfers to/from General Fund

Bill Number and Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Pre 2023 Legislative Session Transfers				
12-47.1-701 (d) Ltd. Gaming Revenue Transfer to the General Fund	$14.0	$20.0	$20.7	$22.2
HB05-1262 A35 Tobacco Tax 24-22-117 (1)(c)(I)	$0.7	$0.6	$0.6	$0.6
HB08-1216 Consumer Outreach and Education Program	$0.0	$0.0	$0.0	$0.0
SB11-047 Bioscience Income Tax Transfer to OEDIT*	-$14.6	-$17.6	-$7.0	-$7.0
HB13-1318/SB 17-267 Transfers of Special Sales Tax to MTCF	-$165.7	-$144.3	-$164.2	-$167.5
SB17-261 Repeal of 2013 Flood Recovery Account	$8.3	$0.0	$0.0	$0.0
SB17-267 Sustainability of Rural CO	-$29.0	-$25.3	-$28.8	-$29.3
HB18-1323 Pay For Success Fund at OSPB	-$0.4			
HB20-1116 Procurement Technical Assistance Program Extension	-$0.2	-$0.2	-$0.2	-$0.2
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	-$208.0	-$233.7	-$200.2	-$218.3
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	$4.1	$4.1	$4.1	$4.1
Proposition EE - Preschool Programs Cash Fund	-$0.4	-$0.6	$0.0	$0.0
HB21-1149 Energy Sector Career Pathway in Higher Education	-$5.0			
HB21-1285 Funding To Support Creative Arts Industries	-$18.0			
SB21-209 Transfer to GF from Repealed Cash Funds		$0.1		
SB21-213 Use Of Increased Medicaid Match	$11.9			
SB21-225 Repay Cash Funds for 2020 Transfers	-$10.0			
SB21-251 General Fund Loan Family Medical Leave Program			$1.5	
SB 21-252 Community Revitalization Grant Program	-$65.0	$0.0	$0.0	$0.0
SB21-281 Severance Tax Trust Fund Allocation		-$9.5		
SB21-283 Cash Fund Solvency	-$4.3			
HB22-1001 Reduce Fees For Bus Filings	$0.0	-$8.4	$0.0	
HB22-1004 Driver License Fee Reduction	$0.0	-$3.9	$0.0	
HB22-1011 Wildfire Mitigation Incentives For Local Gov	$0.0	-$10.0	$0.0	
HB22-1012 Wildfire Mitigation and Recovery	$0.0	-$7.2	$0.0	
HB22-1115 Prescription Drug Monitoring Program	$0.0	-$2.0	$0.0	
HB22-1132 Regulation & Services For Wildfire Mitigation	$0.0	-$0.1	$0.0	
HB22-1151 Turf Replacement Program	$0.0	-$2.0	$0.0	
HB22-1194 Local Firefighter Safety Resources	-$5.0	$0.0	$0.0	

HB22-1197 Effective Date Of Dept. Of Early Childhood	-$3.0	$0.0	$0.0	
HB22-1298 Fee Relief Nurses Nurse Aides &Technicians	$0.0	-$11.7	$0.0	
HB22-1299 License Regis Fee Relief For Mental Health Profls	$0.0	-$3.7	$0.0	
HB22-1350 Regional Talent Development Initiative Grant Prog	$32.4	$0.0	$0.0	
HB22-1362 Building Greenhouse Gas Emissions	-$25.0	$0.0	$0.0	
HB22-1381 CO Energy Office Geothermal Energy Grant Program	$0.0	-$12.0	$0.0	
HB22-1382 Support Dark Sky Designation & Promotion In CO	$0.0	$0.0	$0.0	
HB22-1394 Fund Just Transition Community & Worker Supports	$0.0	-$15.0	$0.0	
HB22-1408 Modify Performance-based Incentive For Film Production	$0.0	-$2.0	$0.0	
HB22-1411 Money From Coronavirus State Fiscal Recovery Fund	-$28.0	$0.0	$0.0	
SB22-036 State Payment Old Hire Death And Disability Benefits	$0.0	-$6.7	$0.0	
SB22-130 State Entity Authority For Public-private Partnerships	$0.0	-$15.0	$0.0	
SB22-134 State Fair Master Plan Funding	-$4.0	$0.0	$0.0	
SB22-151 Safe Crossings For Colorado Wildlife & Motorists	$0.0	-$5.0	$0.0	
SB22-163 Establish State Procurement Equity Program	$0.0	-$2.0	$0.0	
SB 22-168 Backcountry Search and Rescue	-$1.0	$0.0	$0.0	
SB22-183 Crime Victims Services	-$6.0	-$1.0	$0.0	
SB22-191 Procurement Of Information Technology Resources	$0.0	$0.0	$0.0	
SB22-193 Air Quality Improvement Investments	-$102.0	-$1.5	$0.0	
SB22-195 Modifications To Conservation District Grant Fund	$0.0	-$0.1	-$0.1	-$0.1
SB22-202 State Match for Mill Levy Override Revenue	$0.0	-$10.0	$0.0	
SB22-206 Disaster Preparedness & Recovery Resources	-$35.0	$0.0	$0.0	
SB22-214 General Fund Transfer To PERA Payment Cash Fund	$0.0	-$198.5	$0.0	
SB22-215 Infrastructure Investment & Jobs Act Cash Fund	-$80.3	$0.0	$0.0	
SB22-238 2023 and 2024 Property Tax	$0.0	-$200.0	$0.0	
Transfers Enacted in 2023 Legislative Session				
HB23-1041 Prohibit Wagering On Simulcast Greyhound Races				$0.0
HB23-1107 Crime Victim Services Funding			-$3.0	
HB23-1272 Tax Policy That Advances Decarbonization			$12.2	$25.0
HB23-1273 Creation of Wildfire Resilient Homes Grant Program			-$0.1	
HB23-1290 Proposition EE Funding Retention Rate Reduction			$0.0	
HB23-1305 Continue Health Benefits in Work-related Death			-$0.2	-$0.2
SB23-001 Authority Of Public-private Collaboration Unit For Housing			-$5.0	
SB23-005 Forestry And Wildfire Mitigation Workforce		-$1.0	-$1.0	-$1.0

SB23-044 Veterinary Education Loan Repayment Program			-$0.5	
SB23-056 Compensatory Direct Distribution to PERA			-$10.0	
SB23-137 Transfer to Colorado Economic Development Fund		-$5.0		
SB23-161 Financing to Purchase Firefighting Aircraft		-$26.0		
SB23-166 Establishment of a Wildfire Resiliency Code Board			-$0.3	
SB23-205 Universal High School Scholarship Program			-$25.0	
SB23-215 State Employee Reserve Fund General Fund Transfer			$4.9	
SB23-246 Transfers to State Emergency Reserve		-$20.0		
SB23-255 Wolf Depredation Compensation Fund			-$0.2	-$0.4
SB23-257 Auto Theft Prevention Cash Fund			-$5.0	
SB23-263 General Fund Loan Natural Disaster Mitigation Enterprise		-$0.1		
SB23-275 Colorado Wild Horse Project		-$1.5		
SB23-283 Mechanisms For Federal Infrastructure Funding			-$84.0	
Transfers into General Fund	**$71.3**	**$24.8**	**$44.1**	**$51.9**
Transfers out of General Fund	**-$809.9**	**-$1,002.6**	**-$534.7**	**-$424.0**
Net Transfers	**-$738.6**	**-$977.8**	**-$490.6**	**-$372.1**

Table 8b: General Fund Transfers for Infrastructure and Capital Construction

Transfers from GF for State infrastructure	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Placeholder for Level 1 Controlled Maintenance				$30.0
HB15-1344 Fund National Western Center and Capital Projects	$20.0	$20.0	$20.0	$20.0
HB20-1378 Capital-Related Transfers				
SB21-064 Retaliation Against an Elected Official	$0.1			
SB21-112 Gen Fund Transfer to Cap Construction Fund State Parks				
SB21-224 Capital-related Transfers Of Money	$328.8			
HB22-1195 Transfers From General Fund To Cap Constr Fund	$5.1	$0.0	$0.0	$0.0
HB22-1340 Capital-related Transfers Of Money	$0.0	$462.2	$0.0	$0.0
SB22-239 Buildings In The Capitol Complex	$0.0	$0.0	$0.0	$0.0
SB23-141 Transfers for Capital Construction		$11.0		
SB23-243 General Fund Transfers to Capital Construction Fund	$0.0	$0.0	$294.2	$0.0
SB23-294 Increase General Fund Transfers to Capital Construction Fund			$18.2	
Total Capital Construction	**$354.0**	**$493.2**	**$314.2**	**$50.0**
SB21-110 Fund Safe Revitalization of Main Streets				
SB21-260 Sustainability of the Transportation System	$282.5	$2.5	$0.0	$117.5
SB21-265 Transfer from GF to SHF	$124.0			
HB22-1411 Money From Coronavirus State Fiscal Recovery Fund	$36.5	$0.0	$0.0	$0.0
HB22-1351 Temporarily Reduce Road User Charges	$0.0	$78.5	$0.0	$0.0
SB22-176 Early Stage Front Range Passenger Rail Funding	$1.9	$7.0	$0.0	$0.0
SB22-180 Programs To Reduce Ozone Through Increased Transit	$68.0	$0.0	$0.0	$0.0
SB23-283 Mechanisms for Federal Infrastructure Funding			$5.0	
TOTAL TRANSPORTATION	**$512.9**	**$88.0**	**$0.0**	**$117.5**

Table 8c: General Fund Transfers for State Education Fund

Bill Number and Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
HB 20-1420	$23.0			
SB 21-208	$100.0			
HB 22-1390 (Reduced by $10M as result of SB 22-202)		$290.0		
Total	**$123.0**	**$290.0**	**$0.0**	**$0.0**

Table 9: Rebates and Expenditures

June 2023 Estimate by Fiscal Year								
Category	**FY 2021-22**	**% Chg**	**FY 2022-23**	**% Chg**	**FY 2023-24**	**% Chg**	**FY 2024-25**	**% Chg**
Rebates & Expenditures:								
Cigarette Rebate to Local Governments	$8.2	-11.2%	$6.8	-17.8%	$6.6	-1.6%	$6.3	-5.6%
Marijuana Rebate to Local Governments	$25.6	-11.7%	$22.3	-12.9%	$25.4	13.8%	$25.9	2.0%
Old-Age Pension Fund/Older Coloradans Fund	$86.9	0.0%	$80.2	-7.8%	$81.9	2.1%	$82.0	0.1%
Aged Property Tax & Heating Credit	$5.9	-8.0%	$9.1	55.2%	$8.6	-5.2%	$7.5	-12.5%
Homestead Exemption	$162.1	2.7%	$161.3	-0.5%	$162.4	0.7%	$173.3	6.7%
TABOR Refund Portion of Homestead Exemption	*($162.1)*		*($161.3)*		*($162.4)*		*($173.3)*	
Debt Payment on Bonds for School Loans	$1.0	-20.9%	$9.3	831.8%	$8.9	-5.0%	$7.5	-15.0%
Fire/Police Pensions	$4.5	4.4%	$4.5	-0.2%	$4.6	2.2%	$4.7	2.2%
Amendment 35 General Fund Expenditure	$0.7	-6.9%	$0.6	-13.9%	$0.6	-1.2%	$0.6	-4.0%
Property Tax Exemption Reimbursement to Local Governments	$16.7	N/A	$17.4	4.0%	$17.9	2.8%	$18.4	2.8%
Total Rebates & Expenditures (Excluding TABOR Refund)	**$149.6**	**-49.4%**	**$150.2**	**0.4%**	**$154.5**	**2.9%**	**$152.9**	**-1.0%**