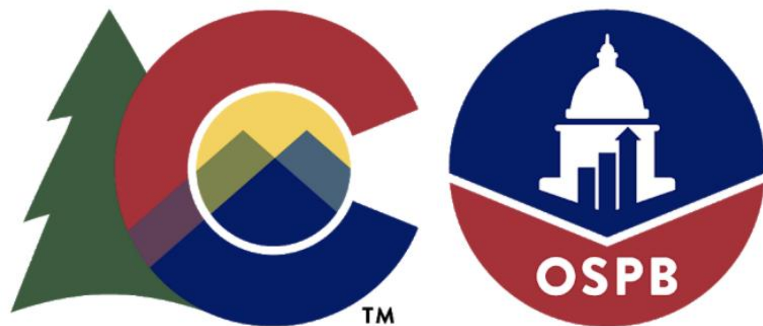
Colorado Economic & Fiscal Outlook

March 15, 2024



STATE OF COLORADO

Governor's Office of State Planning & Budgeting

COLORADO

Governor Jared Polis

Contents

Forecast in Brief	2
Economic Outlook	3
Revenue Outlook – General Fund	44
Revenue Outlook – Cash Funds	61
Budget Outlook	81
TABOR Outlook	89
Reference Tables	92

Jared Polis - Governor
Mark Ferrandino - Budget Director
Bryce Cooke - Deputy Director
Alex Carlson - Manager
Will Mixon - Manager
Anders Shropshire - Tax Policy Analyst
Clint Saloga - Economist
Edward Crandall - Economist
Emily Hrovat - Economist
Samantha Krejcik - Federal Funds Analyst
Skyler Schuck - Economist
Soumanetra Ghosh - Economist

Governor's Revenue Estimating Advisory Committee

Tatiana Bailey
Kelly Campbell
Alison Felix
Ryan Gedney
Sol Halpern
Laura Jackson
Ian Lange
Wendy Lea
Brian Lewandowski
Tom Lipetzky
Jessica Ostermick
Shawn Osthoff
Nathan Perry
Trini Rodriguez
Rachel Rose
Ken White Jr.

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

Forecast in Brief

OSPB has revised up its national economic growth expectations from the December forecast due to elevated consumption in the fourth quarter of 2023. Real disposable income is positive and outpacing pre-pandemic growth as inflation is resettling more quickly than moderation of wages. As consumer demand shifts from goods to services, there are anticipated sector-specific slowdowns in labor demand as a result. Local inflation growth is currently above the nation's inflation rate due to higher services demand, but positive developments in local shelter and energy inflation have shrunk the gap.

OSPB expects the economy to achieve a moderately soft landing despite restrictive monetary policy, and the risk of recession in the next 12 months is stable at 30 percent. The economy is expected to avoid a contraction as consumer demand holds firm, in large part due to services spending and increased investments as the Federal Reserve begins to cut rates.

In FY 2023-24, as a result of General Fund growth expectations underpinned by a stronger economy, TABOR refunds are expected to total $2,028.1 million, a $376.8 million upward revision from December. Additionally, revenue subject to TABOR is expected to stabilize and remain above this cap through the duration of the forecast period. Currently, revenue projections are $1,293.8 and $1,767.1 million above the cap in FY 2024-25 and FY 2025-26, respectively.

Under this forecast, the General Fund ending balance is projected to be $166.8 million and $147.7 million above the statutory reserve level of 15 percent in FY 2023-24 and FY 2024-25, respectively. This accounts for the November 1st budget submission, as well as all supplemental bills and any other bills signed by the Governor by March 1st, 2024.

<u>General Fund</u>	• **General Fund revenue is revised up $308.9 million in FY 2023-24**, largely a result of stronger than anticipated **corporate income revenue**, with smaller upward revisions in individual income, insurance, and interest income. • **FY 2024-25 is revised down $140.8 million** largely due to business earnings slowing alongside consumer demand, which impacts **income estimated payments revenue**. • **General Fund revenue is expected to grow 5.8 percent to $19.1 billion in FY 2025-26** due to stable growth in **income and sales revenue** as the economy grows at potential GDP.
<u>Cash Funds</u>	• **Cash funds are expected to remain about flat** in the current year, growing an expected 0.3 percent in FY 2023-24 and then increasing 5.1 percent in FY 2024-25. Compared with the December forecast, cash funds are revised up $35.1 million and $31.0 million in FY 2023-24 and FY 2024-25 respectively, as **miscellaneous** cash funds are accruing higher interest revenue **and transportation revenue** exceeds previous expectations.

Economic Outlook

Economic growth continues to outpace expectations and a near-term recession is not expected. However, as certain sectors experience rolling downturns in consumption patterns and labor demand, sentiment may dip for people across the economy. The labor market remains strong despite slowing jobs growth at both the state and national level. Consumer demand shows downward momentum off recent highs as growth in national retail sales are expected to follow Colorado's retail slowdown in the coming months before rebounding into 2025. The inflation gap between Colorado and the U.S. has closed significantly.

On net, due to stronger recent performance, GDP growth expectations are revised up in 2024, but a slowdown is still anticipated in the second half of the year due to reduced consumer demand paired with slowing inventories and investments. Longer term, reduced fed funds rates, combined with a return to trend consumption patterns will move the economy back in line with potential GDP growth. Colorado GDP growth has been stronger than the nation through the third quarter of 2023 (most recent available data), likely a result of a tighter labor market with high productivity and outsized services spending. However, OSPB expects lower growth in Colorado relative to the nation in the final quarter of last year and into early 2024 as a result of further declining local demand for goods and retail in the short term. Heading into 2025, Colorado economic growth is expected to rebound back above national growth due to a stronger consumption mix. A deep or protracted recession is still not currently expected, and OSPB views the likelihood of a recession in the next 12 months to be 30 percent. Future risks are largely weighted to the downside.

Overview of Economic Indicators

GDP: Real GDP growth improved from 1.9 percent in 2022 to 2.5 percent in 2023 due to a strong second half of the year, with consumption, investment, and government spending above expectations. GDP expectations remain in line with a soft landing as quarter over quarter GDP growth is expected to slow in mid-2024 but remain at or above 0.5 percent. As financial conditions ease in the second half of 2024 and into 2025, GDP growth is expected to slowly rebound on stronger growth in consumer spending and investment contributions. Overall, annual 2024 GDP growth is expected to rise 2.2 percent, 0.7 percent above the previous forecast primarily due to base effects, while 2025 growth is revised down 0.1 percentage points to 1.5 percent as GDP is now expected to trough and then return to potential growth a quarter later.

Labor Market: Both the current U.S. unemployment rate of 3.9 percent and the Colorado rate of 3.4 percent remain above full employment and job growth continues. The gap between the number of job openings and unemployed workers remains elevated though it continues to decline, signifying tight but loosening labor market conditions. In particular, rolling slowdowns have already begun affecting certain sectors across the economy. Going forward, labor market slowdowns are expected in 2024 and 2025 before accelerating job growth resumes later that year. Generally, labor market outcomes lag consumption and GDP indicators, thus leading to peak expected unemployment of 4.4 percent for the U.S. and 4.2 percent in Colorado in mid-2025, nearly a year after the trough in economic growth. In addition, OSPB observes that varying trends in labor turnover and wages across supersectors demonstrates a possible mismatch in labor supply and demand and speaks to the need for upskilling.

Wages and Income: Strength in both wage and non-wage income growth buoyed the national economy in 2023 and led to positive real disposable personal income growth in contrast to reduced real disposable income in 2022 and mixed trends coming out of the COVID-19 pandemic. As a result of strong income growth, the economy outpaced prior expectations for consumption and GDP growth. As wage growth continues to decelerate through the second half of 2024 and other sources of income rebound, non-wage income is expected to boost personal income growth in 2025. Overall strength in personal income muffles more pronounced weakness among lower- to middle-income earners, as credit card and auto loan delinquency rates are now above long-term average levels. As a result, personal income growth continues to power a robust economy going forward, although the benefits are distributed relatively unevenly across the economy.

Consumer Spending: Consumer spending closed out 2023 strong across the U.S. as holiday spending surprised to the upside against headwinds, leading to increased GDP growth to close out 2023. However, as real disposable income growth slows and consumer confidence remains below pre-pandemic levels, capacity for additional growth in consumer spending is reduced going forward. Colorado trends in retail sales have exhibited this reduced capacity already in recent months and the U.S. is expected to follow. In 2024, growth in retail sales is expected to slow further in the U.S., while retail sales in Colorado are expected to grow from recent troughs, as the gap between local and national sales narrows before spending begins to rebound into 2025.

Inflation: The U.S. disinflationary path generally continues but at a slower rate than expected, still allowing the Federal Reserve to shift its stance away from additional hikes and a slower path of cuts for the Federal Funds Rates. The PCE Price Index, the Federal Reserve's target inflation measure, has already fallen to 2.4 percent growth year-over-year and OSPB expects five 25 basis point cuts in 2024, beginning in June. Additionally, the gap between national and local inflation has narrowed significantly since the previous forecast and the remaining gap pertains largely to higher growth in services prices.

Energy: Oil and gas energy markets have maintained relative stability since the December forecast, despite increasing geopolitical risks and attacks on shipping in the Red Sea which have increased supply uncertainty. Crude oil prices are in a similar position to December and natural gas prices have recorded a decline, outside of short-lived, seasonally impacted price increases. Domestic production of both U.S. crude oil and natural gas reached all-time highs in 2023 and is expected to beat those records in 2024. Retail gasoline prices at the state and national level also remain below the average price over the past three years, primarily from lower seasonal demand and a lower-cost winter gasoline blend. Once these short-term factors weaken, however, prices are expected to increase entering the spring and summer months. Upside risk remains from geopolitical conflicts potentially disrupting supply and OPEC-Plus production cuts continuing to ripple through global markets. In addition, the Inflation Reduction Act (IRA), which was introduced in 2022 and has primarily been used to address the country's investment in clean energy manufacturing, domestic supply chains, and create avenues for lowered energy project costs, is likely to have a significant impact on energy costs going forward, both nationally and at the state level.

Affordability and Demographics of Homeownership: The focus on disparities in housing affordability and ownership in Colorado has increased in recent years due to rising housing costs and limited availability. Policies and efforts to alleviate costs and increase inventories took off during the COVID pandemic, but their effects have been hampered due to increased interest rates that discourage new home purchases and construction. The gap between home price growth and income growth remains, especially in some of the state's highest price counties and for marginalized groups.

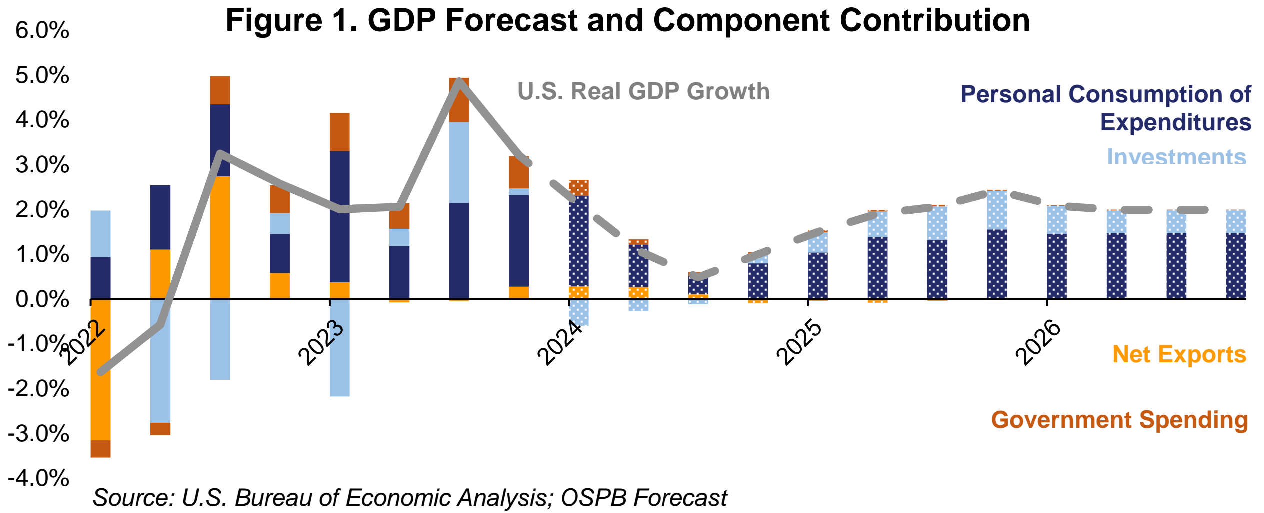
Property Tax Valuations: Assessed values on property are calculated by taking the county assessor's market value estimate, reducing that value by any eligible exemptions like the senior homestead exemption, then multiplying that value times the assessment rate as defined in statute. The property owner then pays taxes based on mill levies for all local taxing districts applied to that assessed value. Between Tax Year 2021 and 2023, there was significant growth in property values which led to legislative action in the last three years in order to provide tax relief in the form of lower assessment rates and expanded exemptions to residential and commercial property owners alike. Looking ahead, OSPB expects slow growth in residential property values between now and the Tax Year 2025 reassessment cycle, but relatively weak demand for commercial property and falling oil and gas prices are expected to be a drag on overall property value growth. However, the assessed value of that underlying property may additionally change depending on any additional legislative action, such as continuations of expanded exemptions or lower assessment rates.

Gross Domestic Product

After growing 1.9 percent on average in 2022, economic growth improved in 2023 to 2.5 percent due to a strong second half of the year. First, GDP growth rose significantly in the third quarter of 2023, with a 4.9 percent quarter-over-quarter annualized (QoQ ann.) increase, driven by a combination of stronger consumption, investment, and government spending than the previous quarter. In the fourth quarter report, real GDP again exceeded consensus expectations of 2.0 percent by growing 3.2 percent on a QoQ ann. basis. Consumer spending grew 2.8 percent in that quarter as both goods and services spending increased in real terms. Leading contributors to that increase included food services, nondurable goods and recreational and vehicle spending. Investment growth softened relative to the third quarter overall, as non-residential structure and residential investments both slowed. Meanwhile, net exports contributed 0.3 percent to GDP growth last quarter as exports exceeded expectations.

In 2024, GDP growth is expected to cool down due to demand-driven pressures that slow consumer demand and drag inventory and investment growth. However, a healthy job market combined with easing financial conditions that begin to re-emerge in mid-2024 limits the cool down. With easing financial conditions in the second half of 2024 and into 2025, GDP growth is expected to slowly rebound on stronger growth in consumer spending and investment contributions. Into 2025, overall growth in GDP is expected to remain contained at or near potential GDP due to the lagged effects of relatively restrictive monetary policy and limited growth in consumer spending as real gains in disposable personal income are diverted to pay back increasing household debt levels. Overall, annual 2024 GDP growth is expected to rise 2.2 percent, 0.7 percent above the previous forecast primarily due to base effects, while 2025 growth is revised down 0.1 percentage points to 1.5 percent as GDP is now expected to trough and then return to potential growth a quarter later. Reporting in annual averages masks the timing of the expected slowdown, but it is the traditional way for OSPB to report its forecast. If reported on a year-over year basis, OSPB’s forecast is 1.2 and 2.0 percent growth in the final quarter of 2024 and 2025 respectively. This is largely in line with the Federal Reserve’s midpoint forecast of 1.4 and 1.8 percent as reported in the December 2023 Summary of Economic Projections, which is also on a year-over-year growth in the final quarter of each year.

Figure 1 below depicts QoQ ann. 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.



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

Personal Consumption Expenditures

Real PCE, the largest component of GDP, has been buoyed by stronger than expected goods demand as well as continued strength in services demand through the end of 2023. Strong services demand was largely expected but less than half of the services growth in the most recent quarter was due to food services, accommodations, or recreation, implying a broader base but also one less linked to taxable services. Meanwhile, continued real growth in U.S. goods consumption was not expected, but accounted for approximately half of all PCE growth in the second half of 2023. In particular, durable goods consumption (particularly from recreational goods and vehicles) have accounted for a quarter of growth despite earlier expectations of minimal contributions. A higher savings rate amongst the wealthiest quartile who can more easily afford growth in such consumption has likely contributed to this additional growth despite lower income individuals' minimal remaining savings and greater dependency on access to credit. Looking ahead, there remains a clear shift towards services spending, as real durable goods consumption growth is expected to turn negative in the first quarter of 2024 and remain below fourth quarter of 2023 levels until the end of this calendar year. Meanwhile, non-durable goods spending growth is expected to slow but remain in positive territory. Combined, all goods currently make up more than their historical share of consumption, but OSPB expects this share to fall to just below trend levels in 2024 before rebounding to trend in 2025. However, there is upside risk to future goods consumption as falling interest rates might increase the appetite to take out loans for expensive goods purchases such as automobiles or large appliances. Services spending is expected to grow and more than offset the decline in goods consumption levels, but OSPB now assumes that the services share of overall consumption is likely settling at a new normal closer to 65 percent, lower than the 67 percent pre-pandemic share of total consumption. Real services spending as a proportion of overall real PCE spending has been on slight decline since before the pandemic, but the work-from-home lifestyle likely accelerated the country to a new steady state. Overall, consumer spending is anticipated to rise in 2024, but will likely grow

more slowly due than in recent years to tighter credit conditions and higher borrowing costs. Then in 2025, the pace of PCE growth is expected to increase relatively slowly as growth in real personal income is likely to go toward easing increased debt obligations rather than an acceleration in new spending.

Investments (Including Inventories)

Investments are expected to be a drag in 2024, led by falling non-residential structures and equipment investment, which more than offset slow growth in residential investments. As discussed in the property values section, perceived weakness in commercial real estate is reflective of sector-specific downturns and longer lease terms expiring in a lower demand marketplace. Overall, growth is expected in 2025 for residential and non-residential investments alike as a continued softening in monetary policy creates more attractive opportunities.

Net Exports

Net exports are expected to boost economic growth over the next year as the net trade balance has improved from last quarter's expectations, due to continued U.S. production strength and a weakening dollar (thereby making U.S. goods and services bought internationally more affordable). However, as goods demand slowly returns in 2025, net exports are expected to stabilize and contribute minimally to GDP growth for the rest of the forecast period.

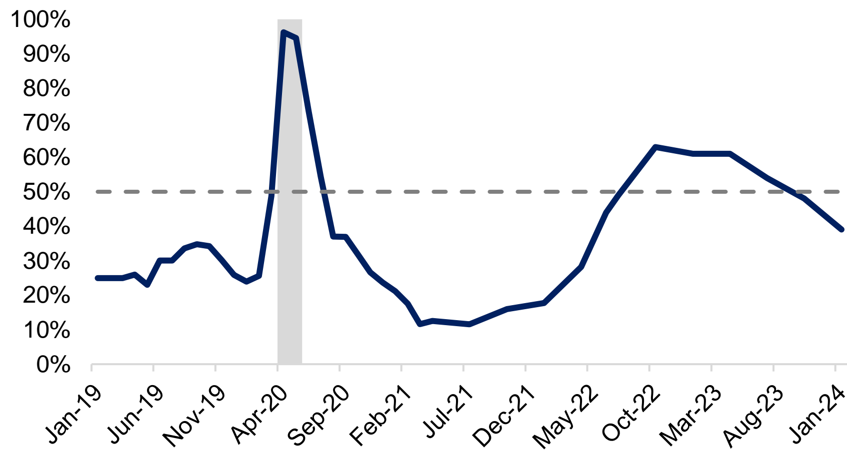
Government Spending

Finally, government spending is expected to have a small positive impact on GDP in the year ahead as the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA) slightly 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 to water infrastructure. Additionally, the IRA will incentivize investments in clean energy projects, domestic manufacturing capacity, and subsidize health care costs. These impacts are discussed further in the energy section below. However, government spending is expected to flatten more due to the current political climate likely leading to congressional stalemates, driving a near net neutral impact on economic growth in the outyears.

Recession Risk

OSPB maintained its expected likelihood of a recession in the next 12 months at 30 percent. OSPB expects the U.S. to avoid a recession due to real disposable income growth, transparency of monetary policy, unaligned sector-specific downturns, and slow moving commercial real estate drags that avoid a concentrated impact on the broader economy. OSPB's expectation of 30 percent is slightly below *Wall Street Journal's* consensus chance of a recession in the next year of 39 percent, as reported in January, see figure 2 below.

Figure 2. Market Consensus Recession Risk



Source: Wall Street Journal Economic Forecasting Survey

OSPB has revised up its point estimate forecast of GDP slightly and notes that the current environment would have been considered an upside scenario in this forecast publication from one year ago. However, there are now fewer upside risks left and so the distribution of outcomes around the OSPB baseline scenario is currently weighted more heavily to the downside.

These downside risks include: 1) new supply chain risks and further increases in shipping costs; 2) escalation in geopolitical conflicts around the world, including in Eastern Europe, the Middle East, and Asia; 3) sticky inflation combined with high interest rates, which dampen both consumer buying and business investment; 4) accelerated increases in consumer debt; 5) larger than anticipated impacts of consumption due to the resumption of student loan payments; 6) lower levels of government spending than currently anticipated alongside the risk of a government shutdown; and 7) a large structural deficit facing federal fiscal policy.

For upside risks: 1) the labor shortages putting additional upward pressure on real disposable income and consumption; 2) quicker than expected disinflation despite stronger consumer demand; 3) more quickly falling interest rates which support additional borrowing for goods consumption and investments; and 4) federal and state policies to support affordable housing and workforce development could help bridge existing gaps and further support the economy.

Overall, the baseline forecast is that the U.S. economy will avoid a recession, despite consumer sentiment that will increasingly report feelings of a recession as consumer spending and labor demand continue to slow. Forecast risk is weighted to the downside, and a confluence of downside risks could quickly push the economy into a recession.

Labor Market

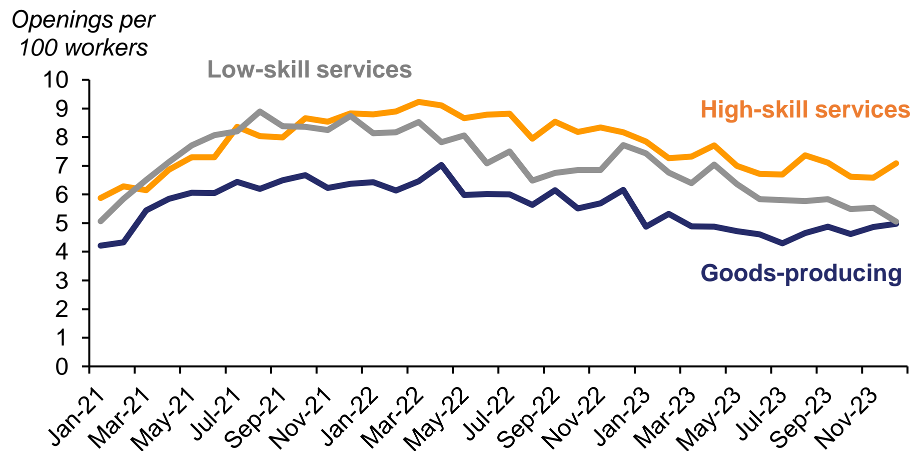
In aggregate, the labor market has seen strong gains to start off 2024, as both the U.S. and Colorado have reported job increases above what was expected. The U.S. added 275,000 jobs in February 2024, above the year-over-year average of 233,000 jobs per month. Colorado added 8,000 jobs, the highest since June 2023. Slower job growth (and job losses, in Colorado's case) throughout the fall months had suggested a continued cooling of the labor market in the new year, but OSPB now expects higher growth at both the state and national levels in 2024 relative to the December forecast. The market is then expected to cool in 2025 and return to a faster trajectory in 2026. OSPB's upward revision to Colorado job growth is informed by the Colorado Department of Labor and Employment (CDLE)'s recently revised benchmarking estimates, which have resulted in a significant increase in actual Colorado job growth throughout 2023. While OSPB's December forecast estimated an overall 1.4 percent increase in jobs for the year, the new benchmarks show that Colorado's job growth in 2023 was 2.5 percent, placing the state more in line with national trends.

Figure 3: Jobs Growth, Annual Forecast

	2023	2024	2025	2026
Colorado	2.5%	1.6%	1.2%	2.0%
United States	2.3%	1.6%	0.8%	1.5%

The overall jobs growth numbers mask a divergence in the reality of the labor market at the sectoral level, pointing to a potential mismatch of skills, wages, and the types of jobs available. Since January 2021, national labor supply and demand in the goods-producing sector (made up of the mining & logging, construction, and manufacturing industries) has remained lower than in the service sector and has had more consistency in hiring, separations, and openings. In contrast, these indicators have been more volatile in the service sector, both among high-skill (information, finance, professional & business services, and education & health) and low-skill (transportation, trade, & utilities; hospitality & leisure; and other services) industries. Further, while the low-skill services sector

Figure 4: U.S. Openings by Supersector

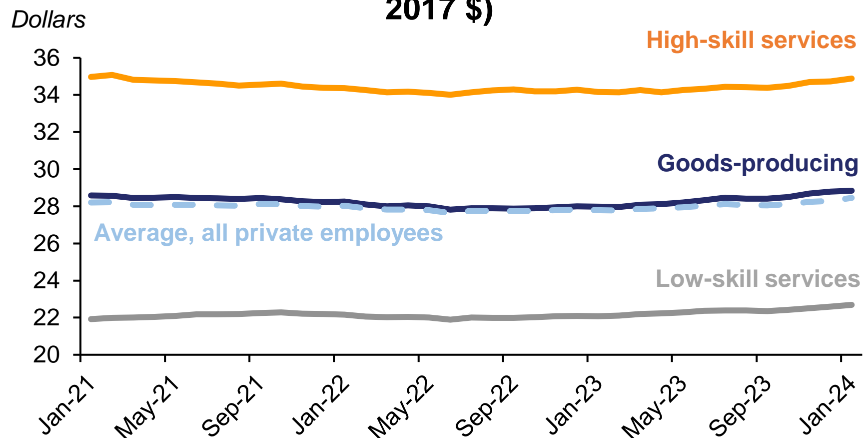


Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

consistently has a greater hire rate, there is a higher rate of job openings among high-skill industries, with the exception of the post-pandemic consumer spending boom of mid-2021. This divergence between openings and hires for high-skill industries suggests the presence of a skills mismatch, in which not enough high-skill workers are available to meet industry demand. This mismatch may be a result of the inadequacy or inaccessibility of education or could speak to a geographic mismatch, as high-skill service jobs tend to be concentrated in cities[1] while low-skill service jobs can be found anywhere.

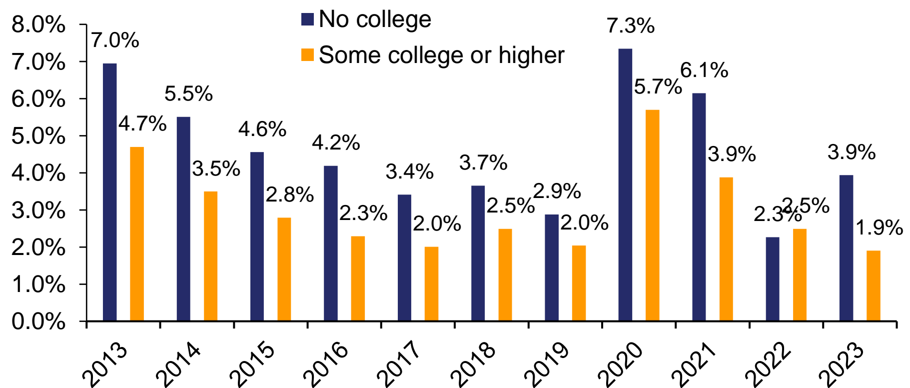
The wage discrepancy among sectors further bolsters these findings. In December 2023, the average hourly (nominal) wage for all private employees was $34.36. For goods-producing workers, the average hourly wage was right around the average for all private sector workers at $34.95, while the average hourly wage for high-skill service workers was much higher than the national average at $42.17. The hourly wage for low-skill service workers, however, was much lower than average at $27.43, barely above a living wage (estimated by MIT's Living Wage Institute to be $25.02 nationally for a family of two working adults and two children).[2] Real wages have stayed relatively consistent within and across sectors

Figure 5: Average Hourly Real Wage, U.S. (in 2017 $)



Source: Bureau of Labor Statistics

Figure 6: Unemployment Rate by Educational Attainment, CO



Source: Colorado Department of Labor and Employment, Current Population Survey

[1] Shearer, Vey, & Kim (2019). Where jobs are concentrating and why it matters to cities and regions. Brookings Institute. https://www.centercityphila.org/uploads/attachments/cjzvmlqyy1t9gi1qdeefxetzs-where-jobs-are-concentrating-brookings-report-2019-06-new.pdf.

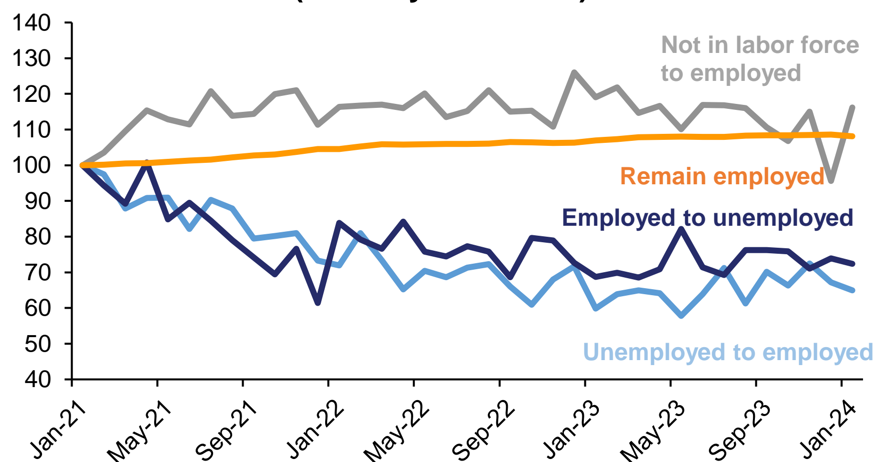
[2] Glasmeier (2023). NEW DATA POSTED: 2023 Living Wage Calculator. MIT Living Wage Institute. https://livingwage.mit.edu/articles/103-new-data-posted-2023-living-wage-calculator.

since 2021, with goods-producing jobs tracking closely to the national average, while high-skill jobs pay well above and low-skill jobs pay well below.

Given the higher number of job openings and wages, it is expected that there is higher worker demand for high-skill jobs, but these jobs may be out of reach in terms of skill and/or location for many workers, resulting in insufficient supply. This assertion is consistent with trends in Colorado's labor market, as Figure 6 provides further support for the need of upskilling to alleviate this gap given the relative unemployment rates over time by educational attainment. Unemployment rates are significantly higher than they were in 2019 for individuals without any college education. However, individuals 25 years old and older with at least some college have very low unemployment rates of 1.9 percent, in line with that employment cohort's rate at the end of the last economic expansion.

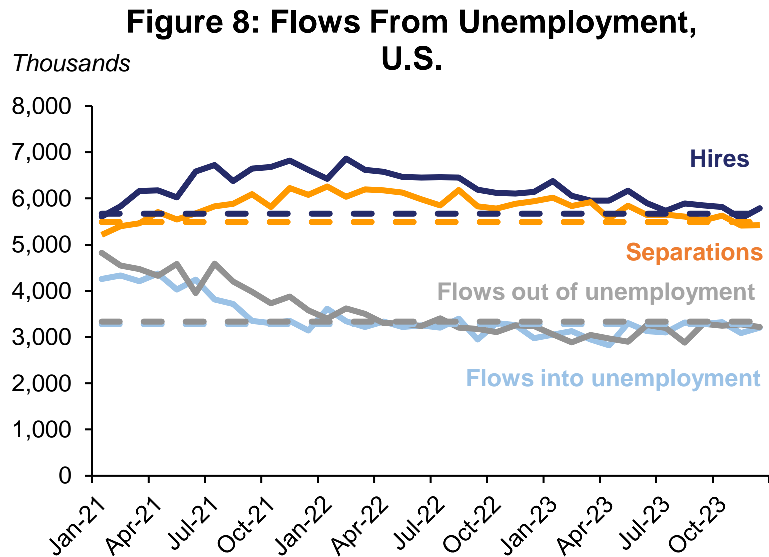
On a broader level, an analysis of job flows indicates that the labor market remains tight. Since January 2021, the number of U.S. workers remaining employed month to month has increased modestly by approximately 10 million, while the number of employed workers becoming unemployed each month has declined by 27.6 percent. The number of workers who moved into employment from being out of the labor force has similarly increased.

Figure 7: Indexed Employment Flows, U.S. (January 2021=100)



Source: Bureau of Labor Statistics, author's calculations

On the other hand, the number of unemployed workers finding work has decreased. There are fewer unemployed workers staying unemployed month-to-month, but the number of workers leaving the labor force from unemployment has tracked closely with the number of unemployed workers finding jobs. Combined with the trajectory of the number of monthly hires over the same time period, this suggests that the consistency of the level of workers remaining unemployed is driven by relatively equal flows of workers become unemployed and leaving unemployment.



Source: Bureau of Labor Statistics, author's calculations
Dotted lines denote average level in 2017-2019

While there are relatively stable employment flows at a macroeconomic level, there are differences by subsectors which drive disparaties in consumer confidence depending on an individual's field. Credit intermediation jobs within the Financial Activities supersector, along with truck transportation, computer and electronics manufacturing, and home appliance retailers have experienced a reduction in jobs by mid 2023 according to Quarterly Census of Employment and Wages (QCEW) data. However, QCEW data indicates relative strength of recreation and accomodation industry jobs, as well as continue strength in hiring nursing and residential care as well as social assistance employees. Such undercurrents indicate a relative demand of workers in certain industries to be cognizant of, in addition to a general need for upskilling discussed earlier in this section.

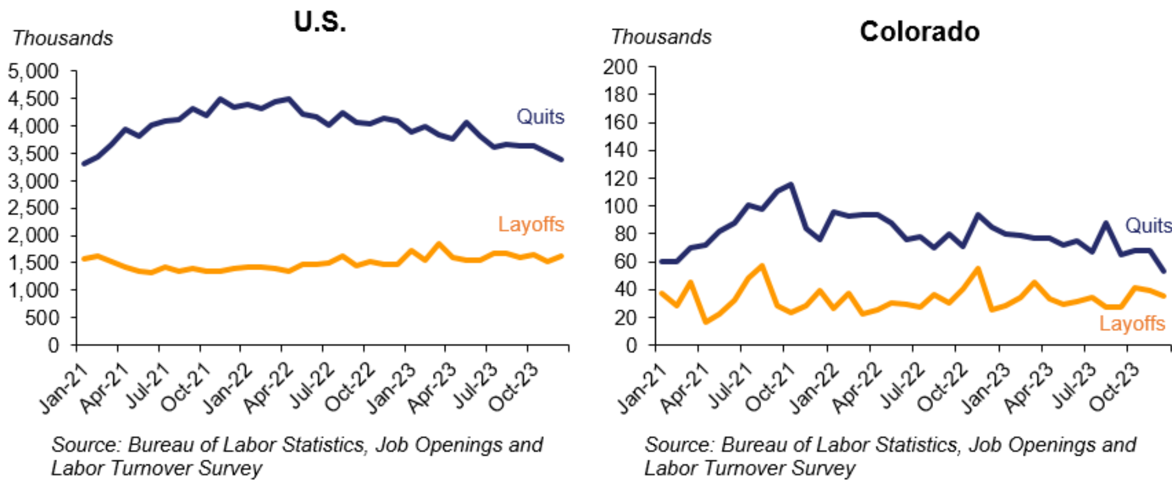
With respect to unemployment, OSPB expects both the U.S. and Colorado to continue the current trajectory, in which unemployment will rise modestly, peaking in mid-2025, and then begin to fall again in the second half of that year before stabilizing in 2026. However, the unemployment rate is expected to remain below the 10-year average of 4.1 percent for Colorado and 5.1 percent for the U.S. throughout the forecast period.

Figure 9: Unemployment Rate, Annual Forecast

	2023	2024	2025	2026
Colorado	3.2%	3.7%	3.8%	3.4%
United States	3.6%	4.0%	4.1%	3.8%

For both Colorado and the U.S., quits have remained above layoffs since January 2021, but these levels are beginning to converge, bolstering OSPB's expectation of a cooling labor market. Quits tend to be higher than layoffs when the economy is good, as workers can expect to more easily get a new job if they quit, while recessions are marked by layoffs outpacing quits. In Colorado, the gap between quits and layoffs is smaller than it is for the U.S. as a whole.

Figure 10: Quits vs. Layoffs



While OSPB does not anticipate a looming recession in the forecast period, the predicted loosening of the labor market suggests, along with other indicators, that the coming months may feel like one for some – for instance, workers in sectors like manufacturing, information, and financial activities – based on recent job market trends.

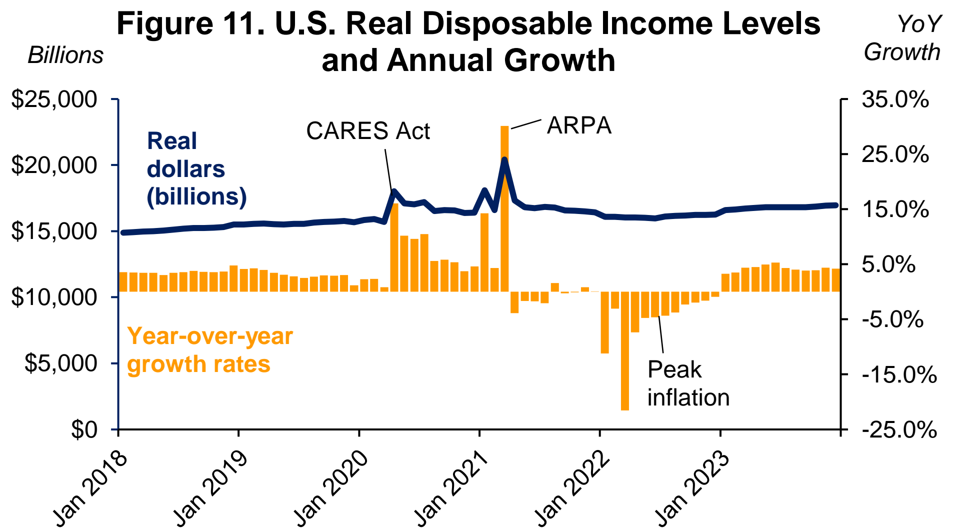
Wages and Income

Throughout 2023, the national economy was buoyed by increasing real disposable personal income in contrast to reduced real disposable income in 2022. As a result, the economy outpaced prior expectations through strong consumption that led to GDP growth above consensus expectations. However, if viewed over the past few years, trends in real disposable income have been more mixed due to inflation that has outpaced disposable income growth since mid-2021 and led to areas of weakness within the economy. Strength in both wage and non-wage income growth highlighted 2023, and while wage growth is decelerating, it is expected to still drive positive income growth in 2024. Then, as wage growth continues to decelerate and other sources of income rebound, non-wage income is expected to boost personal income growth in 2025. Despite overall strength in personal income, there is more pronounced weakness among lower- to middle-income earners, as credit card and auto loan delinquency rates are now above long-term average levels. Consumer sentiment among higher-income earners is also rising at a faster pace than among lower- and middle-income earners, as higher income consumers have largely been able to weather elevated inflation and a tight monetary policy environment. Overall,

personal income growth continues to power a robust economy, although the benefits – both perceived and in hard economic data – are distributed relatively unevenly across the economy.

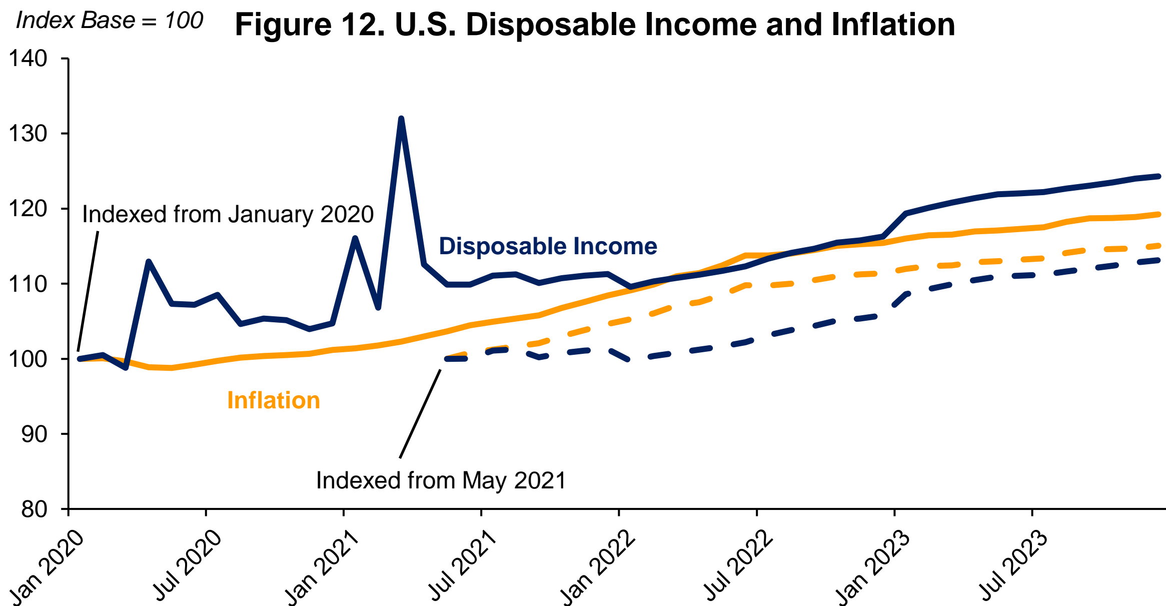
Following negative real disposable personal income growth in 2022 of -6.0 percent, growth turned decidedly positive in 2023 at 4.2 percent as inflation receded from 2022 heights, wage growth remained strong, and non-wage income recorded gains. Real disposable personal income reflects personal income that an individual or household has after subtracting income taxes and adjusting for inflation, or what an individual or household has available to spend or save in real terms. Higher real disposable income indicates that an individual has a greater ability to spend and significant increases throughout 2023 have provided upside growth to the economy as consumption has accelerated at greater rates than previously expected. The balance struck between continual disinflation and strong, yet slowing, wage growth is providing the consumer greater purchasing power that it did not have in 2022 due to higher inflationary headwinds coupled with lower nominal personal income growth. As reflected in Figure 11 below, real disposable personal income saw growth over 2018 and 2019 before sharply accelerating in 2020 and early 2021, largely from government transfer payments from the CARES Act and ARPA. As inflation reached its peak over 2022, real disposable personal income turned negative as income growth did not keep up with inflation and the roll-off of government transfer payments also contributed downward pressure. Real annual growth in 2023 reached 4.2 percent, reflecting the highest growth rate since 2000 (4.9 percent), with the exception of 2020 which saw real growth of 6.4 percent as government transfer payments coupled with low inflation led to large increases in real disposable personal income. Moving forward, real disposable income is projected to remain positive over 2024, although growth will likely slow from the rate reached in 2023.

Figure 11. U.S. Real Disposable Income Levels and Annual Growth



Note: Real disposable income levels displayed in billions of chained 2017 dollars.
Source: Bureau of Economic Analysis

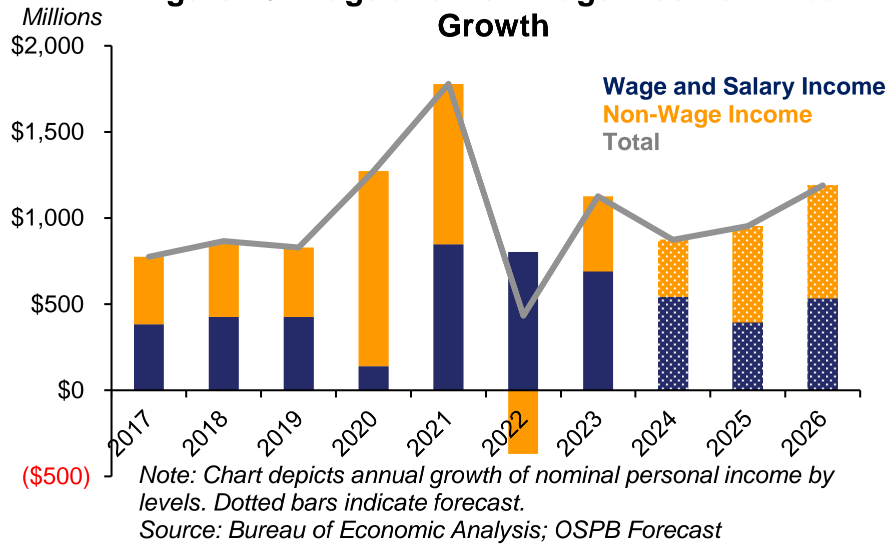
Outcomes for real disposable income growth are mixed when looking cumulatively over the past four years. Economic shocks have resulted in volatile swings in real disposable income where it grew sharply positive over 2020 and early 2021 before turning decidedly negative over the second half of 2021 and all of 2022. The sharp increases in real disposable income over 2020 and early 2021 were due to government transfer payments largely from the CARES Act in 2020 and the ARPA in 2021. Once those payments rolled off in mid-2021, inflation also accelerated, which led to real disposable income turning negative. When looking at the totality of the past four years since January 2020, disposable income has recorded real growth, as illustrated in Figure 12. However, when looking since May 2021, inflation has outpaced disposable income, leading to negative real growth. Disposable income has recorded real growth since January 2020 due to the historic government transfer payments and low inflation during that year providing a buffer for the elevated inflation levels that came over the next two years. Disposable income has recorded negative real growth since May 2021, because that was after the most significant government transfer payments, and inflation has outpaced both wage and non-wage personal income growth since then, although they are converging.



Note: The solid lines are indexed to January 2020, and the dotted lines are indexed to May 2021. Nominal disposable income has outpaced inflation when indexed to January 2020, however, inflation has outpaced nominal disposable income since May 2021.
Source: Bureau of Labor Statistics; Bureau of Economic Analysis

The increase in real disposable income in 2023 was a product of continued strength in national salary and wage growth at approximately $689 billion, or 6.2 percent, while non-wage income grew in 2023 by approximately $436 billion after retracting in 2022 by $370 billion following the roll-off of federal transfer payments. Non-wage income includes categories such as assets, proprietor income, rental income, government transfer payments, and supplements to salaries and wages. While wage growth in 2023 decelerated from the elevated growth experienced in 2021 and 2022 (9.0 percent and 7.8 percent, respectively), it remained elevated above pre-pandemic levels. Over 2024 and 2025, aggregate wage growth is projected to continue to decelerate closer to historical norms to 4.6 percent and 3.2 percent, respectively, as the labor market loosens before increasing to 4.2 percent in 2026. Non-wage income growth is expected to remain positive in 2024 but fall from 2023 rates due to comparative softness in equities, fixed income, and proprietor income. Recent historical data and the projected trajectory of wage and non-wage income is illustrated in Figure 13.

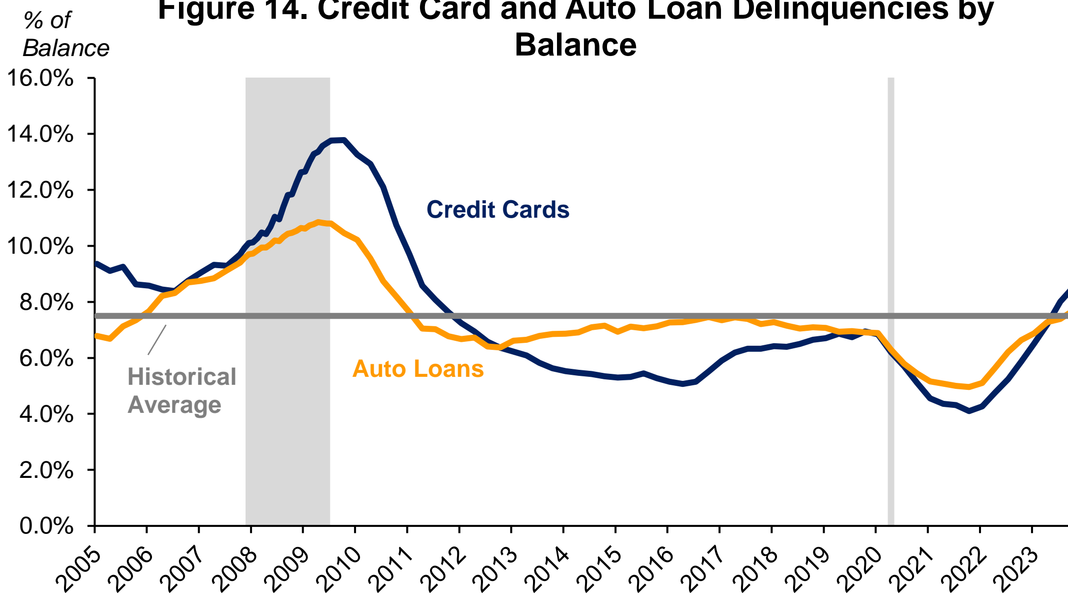
Figure 13. Wage and Non-Wage Income Annual Growth



Note: Chart depicts annual growth of nominal personal income by levels. Dotted bars indicate forecast.
Source: Bureau of Economic Analysis; OSPB Forecast

While personal income growth was strong in 2023, its relative weakness in 2022 alongside elevated inflation has resulted in lower- and middle-income earners facing more financial distress compared to higher-income earners. Figure 14 below depicts this disproportionate financial distress regarding increasing credit card and auto loan delinquencies. Both credit card and auto loan delinquent balances have risen above pre-pandemic levels and long-term average levels. As of the final quarter of 2023, delinquent credit card balances reached 8.5 percent and delinquent auto loan balances reached 7.7 percent, the highest levels seen since 2010 and 2011, respectively, at which point the economy was emerging from the Great Recession. While these rates are still just above their long-term averages, the trajectory has also turned sharply positive, reflecting financial distress within certain groups across the economy following multiple years of elevated inflation outpacing income growth that weakened their financial position. These increasing delinquent balances are likely to weigh on overall consumer spending in 2024 and pose some downside risk to the overall economy.

Figure 14. Credit Card and Auto Loan Delinquencies by Balance

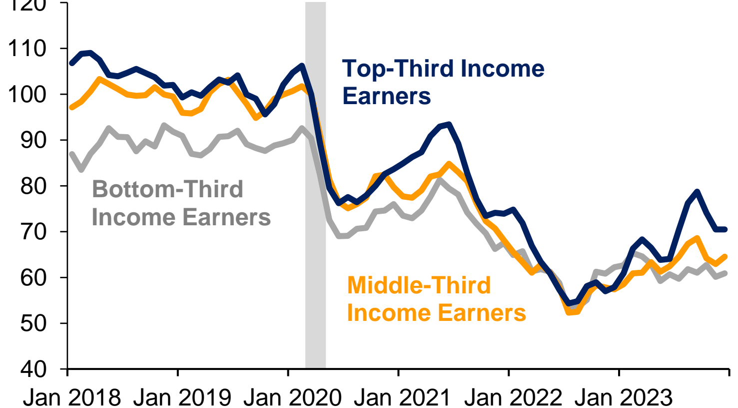


Note: Shaded area denotes recession. The historical average reflects the average since 2005.
Source: Federal Reserve Bank of New York

The financial distress among lower- and middle-income earners is further reflected in consumer sentiment, as higher-income earners' sentiment has grown at an accelerated level over the final six months of 2023 compared to lower-income earners. While higher-income earners generally have higher consumer sentiment compared to lower-income cohorts, the gap has grown above five-year average levels to end 2023, reflecting diverging sentiment about the economy dependent on income level.

A large portion of the strength in the economy over the past year has been due to strength in real disposable income; however, this strength is spread relatively unevenly as lower- and middle-income earners have borne the brunt of inflation and higher interest rates in a more pronounced way, which has led to increased credit card and auto loan delinquencies and sour consumer sentiment among those groups. Going forward, wage growth is projected to maintain strength in 2024 with non-wage income expected to accelerate in 2025, which, along with continued disinflation and a less-restrictive monetary policy environment, is likely to provide a buoy to the economy even with a loosening labor market.

Figure 15. Consumer Sentiment by Income

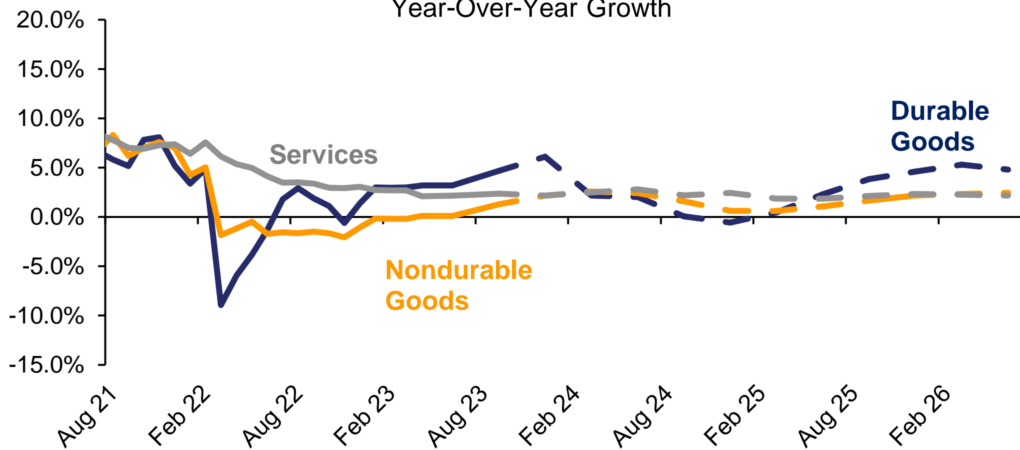


Note: Shaded area denotes recession.
Source: University of Michigan Survey of Consumers

Consumer Spending

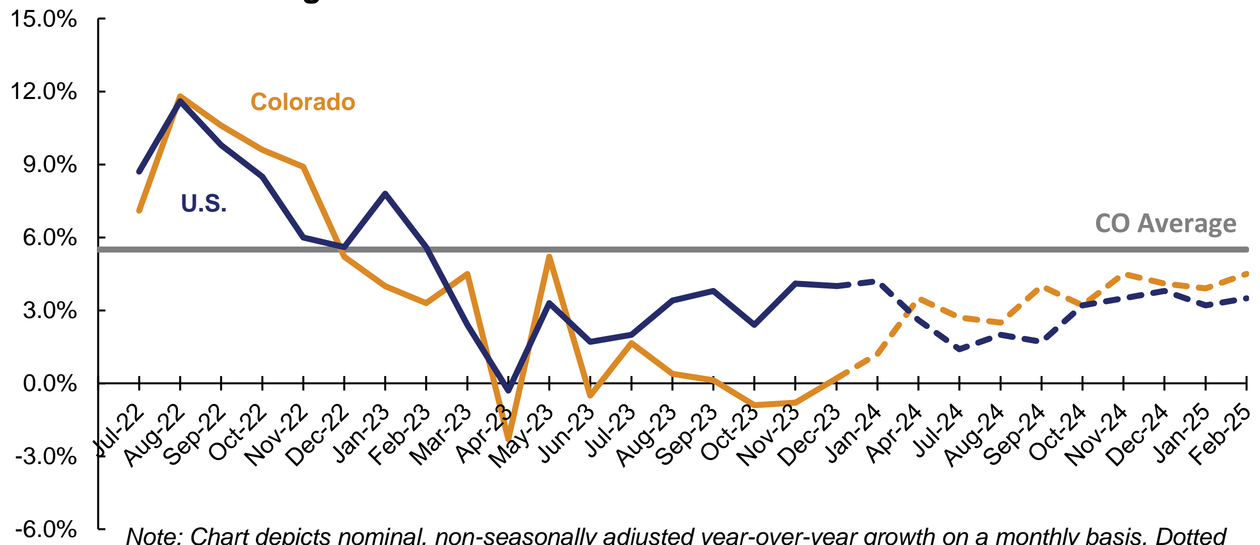
Consumers nationwide increased their spending at retailers this holiday season resulting in surprising consumer spending strength in the final quarter of 2023 to close out a year of unexpectedly resilient spending despite headwinds. This spending endurance is underpinned by several factors, including increasing real disposable income over 2023, a robust labor market, surplus savings within the top two income quintiles, elevated usage of consumer credit, and overall wealth accumulation predominantly concentrated among the higher income quintiles. Consumer confidence, as measured by the University of Michigan's Consumer Sentiment Index, has been improving, with an uptick observed towards the end of 2023 and into early 2024. However, it remains well below pre-pandemic levels after falling precipitously in 2021 and 2022 as a result of the roll off of government transfers and increasing inflationary pressures, but the deflationary path has the index above reporting since mid-2021. Going forward, question shifts to one of continued spending capacity. Financial stress is on the rise for two groups: (1) those who had minimal savings before the pandemic; and (2) those whose savings have diminished due to inflationary pressures and fiscal roll-off over the past two years. This escalating financial stress is expected to result in decreased spending. Despite national consumer trends showing steady performance, Colorado has experienced a more notable slowdown in spending, particularly in retail. National retail sales growth has consistently outpaced that of Colorado since June 2023, with the gap widening during the holiday season.

In the fourth quarter of 2023, there was a notable surge in national spending, as real PCE increasing by 2.6 percent year over year. This increase suggests that the holiday season surpassed predictions of sluggish retail sales compared to the previous year. In the latter half of 2024, consumers are anticipated to begin tightening their spending habits, prioritizing savings accumulation and addressing ongoing credit challenges. Looking ahead, OSPB anticipates a transition towards an increased share of spending on services, with a projected decrease in the combined level of goods spending anticipated for the second and third quarters of 2024. As the spending on goods declines, services spending will remain relatively stronger and still experience growth in real terms, resulting in overall increases in personal consumption albeit at a slower growth rate. Entering 2025, real services spending as a proportion of overall PCE spending is projected to settle into a new normal lower than the pre-pandemic share of total consumption.



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

The U.S. economy has consistently outperformed expectations since the start of 2023, thanks in large part to resilient consumer spending. However, subsets of consumers have spent down their savings, leading to low savings rates and increased credit card balances after battling elevated inflation for close to two years. In the fourth quarter of 2023, total household debt rose by $212 billion from the previous quarter to reach $17.5 trillion, according to the Quarterly Report on Household Debt and Credit published by the New York Federal Reserve. Moreover, as of December 2023, 3.1 percent of all outstanding debt was in some stage of delinquency and delinquency transition rates increased for all debt types except student loans. With credit card transitions into delinquency persistently surpassing pre-pandemic levels, financial strain is escalating, particularly among younger and lower-income households, which haven't experienced the wealth effect stemming from increased housing and equity prices. Another indicator which tells us that consumers are choosing to delay their purchase payments is the Buy Now Pay Later (BNPL) indicator. The Adobe Analytics Report, which provides a comprehensive view into U.S. ecommerce by analyzing commerce transactions online, reported that the BNPL option (a form of short-term financing) saw an increase of $2.1 billion (14 percent) in the 2023 holiday season as compared to the 2022 holiday season. In fact, Cyber Monday of 2023 saw a 42.5 percent increase in the BNPL option from the prior year. These statistics prompt a reevaluation of consumer capacity entering 2024. Given that consumer spending comprises approximately two-thirds of GDP, it is a pivotal driver of GDP growth, and any shifts in consumer spending behaviors are likely to impact national growth levels as well.



Note: Chart depicts nominal, 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 March 2024 Forecast.

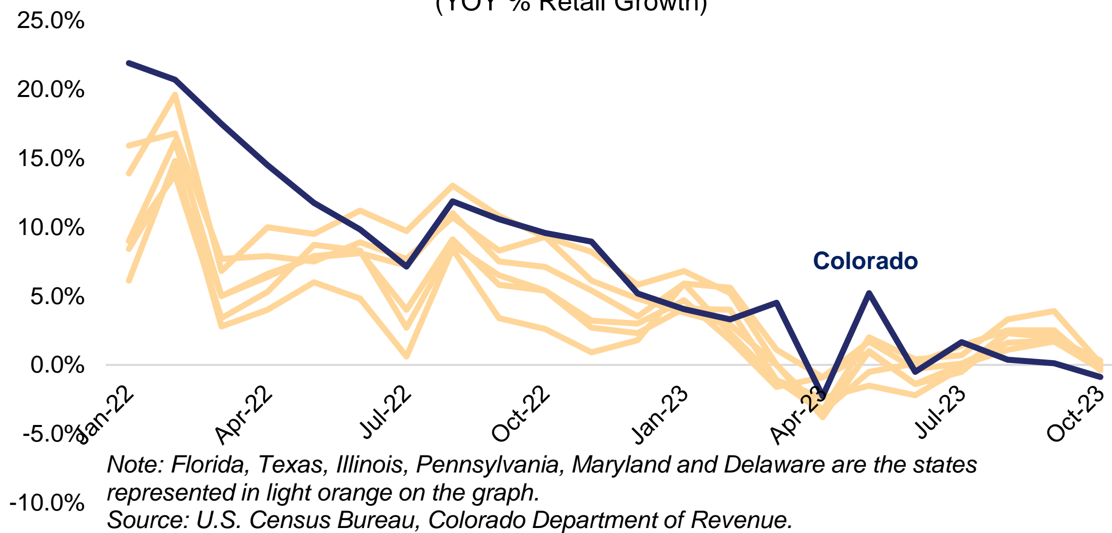
On the retail sales front, national sales recorded 0.5 percent growth from the third to fourth quarter of 2023, resulting in 3.5 percent retail growth over the fourth quarter of 2022. However, a spending slowdown is likely, and OSPB expects this slowdown in the second and third quarter of 2024 to constrain retail growth to 2.9 percent for 2024, slightly below the 3.2 percent retail growth recorded in 2023. In 2025, retail growth is expected to settle into pre-pandemic trends with growth expected at 3.1 percent in 2025, followed by 4.2 percent in 2026. As depicted in Figure 17, national retail growth has outpaced Colorado's since the second quarter of 2023, with this gap widening through the fourth quarter. As a result of the retail slowdown in the third and fourth quarters, Colorado retail growth for 2023 came in at 0.9 percent, a downward revision of 0.9 percent from the December forecast. The OSPB forecast for Colorado retail growth in 2024 is revised up by 0.6 percent to 2.9 percent growth in 2024. This upward revision is primarily due to the anticipated recovery of Colorado retail following a significant slowdown in 2023. OSPB anticipates that Colorado’s retail sector will begin to outpace national retail growth, especially in the latter half of 2024, coinciding with a projected dip in consumer spending at the national level. In 2025, Colorado retail sales are expected to start outperforming the U.S. with 3.9 percent and 5.6 percent retail growth in 2025 and 2026, respectively.

Colorado recorded negative year-over-year retail growth of -1.4 percent in the fourth quarter of 2023 in contrast to 3.5 percent growth nationally during the same period. The retail slowdown in Colorado may appear more pronounced due to the substantial surge in retail growth following the pandemic, with historically high levels of 17.3 percent and 11.8 percent in 2021 and 2022 respectively, rates that are unusually high for the state to sustain. Another reason for Colorado’s underperformance could result from shelter inflationary pressures Coloradans are facing, which

were particularly strong over the course of 2023. Colorado's retail trajectory is not an isolated case as states including Florida, Texas, Illinois, Pennsylvania, Maryland, and Delaware, as illustrated in Figure 18, have followed a similar path. Like Colorado, many of these states have also faced significant shelter inflation, with all recording rates above the national average in 2023. For instance, in Florida and Texas, shelter prices surged by 8.5 percent and 7.9 percent respectively in 2023 compared to 2022. Consequently, as consumers in these states grapple with heightened inflationary pressures, particularly concerning essential needs such as shelter, their remaining purchasing power declines, resulting in a slowdown in consumer spending.

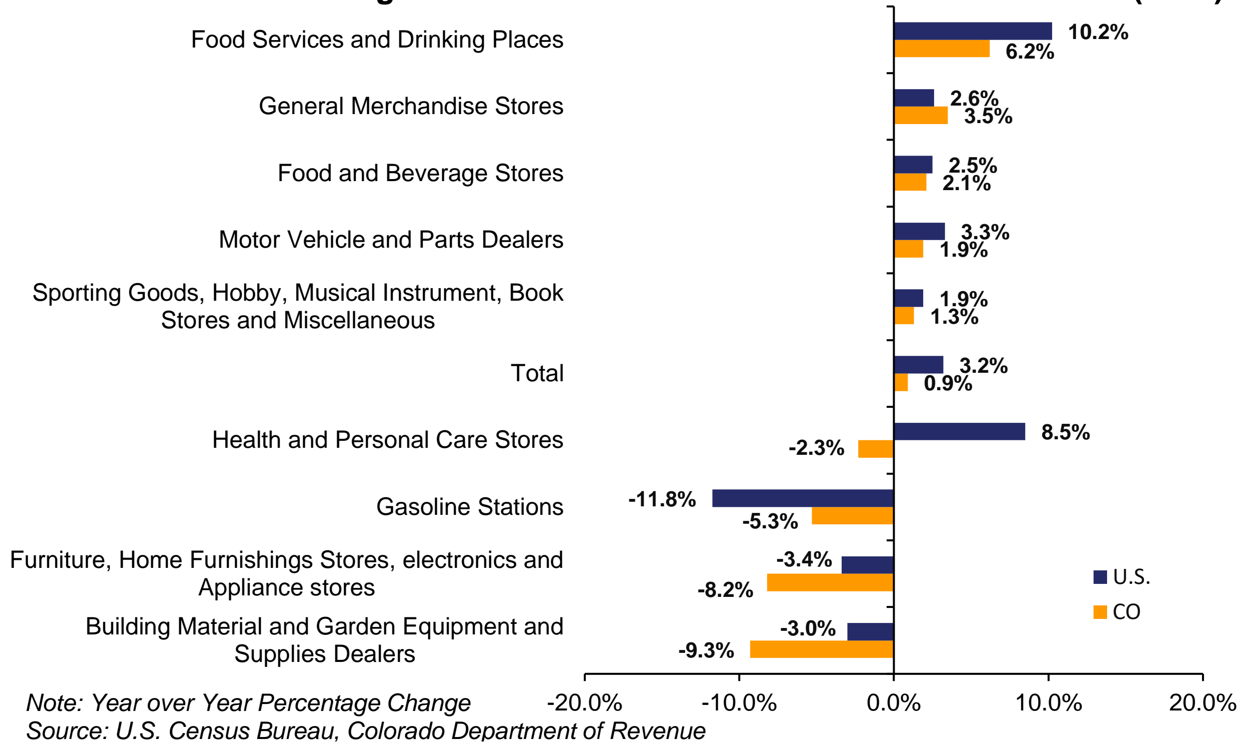
Figure 18. States With Similar Retail Trend to Colorado

(YOY % Retail Growth)



Note: Florida, Texas, Illinois, Pennsylvania, Maryland and Delaware are the states represented in light orange on the graph.
Source: U.S. Census Bureau, Colorado Department of Revenue.

As seen in Figure 19, there is one industry that has significantly outperformed national retail in the state for 2023 with a 6.2 percent year-over-year growth – Food Services and Drinking Places This is the primary sector within retail sales most tied to the services industry, which largely outpaced the goods economy in 2023 and is expected to in 2024 as consumer spending shifts more to services. In contrast, the two retail sectors that have performed the worst in the state over the past year are Building Material and Garden Equipment, as well as Furniture and Home Furnishing stores. This aligns with the fact that the Colorado housing market slowed more relative to the national housing market during 2023.



In January, consumer sentiment experienced a significant increase of 14 percent for the month, marking its highest level since July 2021, which largely remained stable in February. According to the University of Michigan's survey results, the primary factor contributing to this bettering of consumer sentiment is the substantial improvement in how consumers perceive the trajectory of inflation. Inflation expectations for the year ahead plunged from 4.5 percent in November to 3.1 percent in December, which is in line with views that the Federal Reserve is expected to cut interest rates in 2024. As noted in the Wages and Income section, there is disparity between higher and lower income individuals, with lower income households reporting lower confidence, which is likely tied to increased price sensitivity. Sentiment towards housing has also improved as The Federal National Mortgage Association's home purchase sentiment index (HPSI) - which tracks the U.S. housing market and consumer confidence to sell or buy a home - rose 10 percent in December when compared to a year earlier. Nevertheless, it is premature to consider this two-month increase in sentiment as a likely indicator for stronger consumer spending as sentiment remains at below-average levels, and risks such as rising financial burdens, a loosening labor market, and continued restrictive monetary policy place an expected damper on spending.

The consumer economy is strong by many measures in the aggregate as the labor market remains tight, real disposable income is decidedly positive, inflation is cooling, and wages are growing faster than inflation. However, a disconnect remains between strength in recorded spending data, and how consumers are perceiving the economy. While consumer sentiment saw an uptick

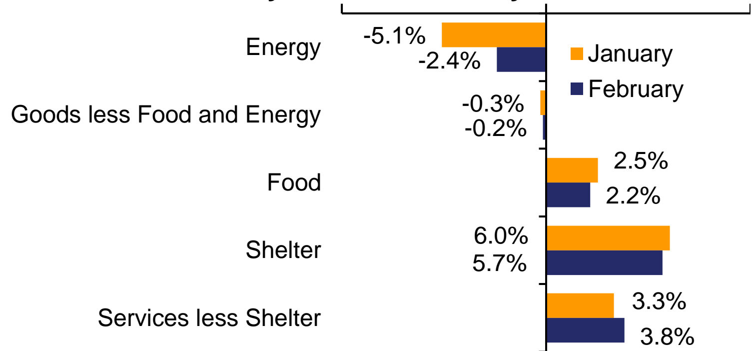
towards the end of the year, consumers are likely to contend with headwinds in 2024, including rising debt, dwindling savings, and a slowdown in job growth. While factors such as loosening monetary policy, lower inflation, and real wage growth are expected to support spending, consumers are generally facing more downside than upside risks. Consequently, these challenges are expected to lead to a weakening in consumer spending in 2024, although not to the extent previously anticipated, before gradually returning to pre-pandemic spending patterns entering 2025.

Inflation

Overview

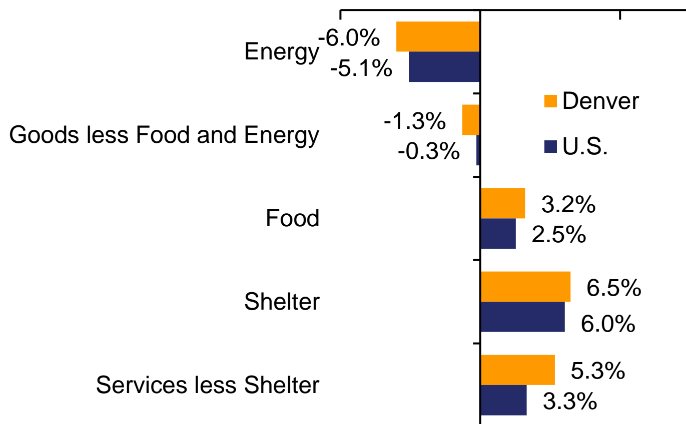
Consumer price inflation generally remains on a downward trajectory despite slowing disinflation. The most recent readings have come in at 3.2 percent (February, U.S.) and 3.5 percent (January, Denver) year over year. Slowing CPI growth has stemmed from outright declines in energy and goods prices paired with reduced price pressure from shelter, services, and food. In particular, local CPI inflation has declined even more quickly than anticipated in recent months, from 5.4 percent in November to 3.5 percent in January. The gap between the U.S. and Denver has resultantly declined from an average of 1.5 percentage points in the second half of 2023 to just 0.5 percentage points in January and is expected to continue to fall as price growth for shelter and services fall in line with national levels. These trends are expected to remain as inflation returns to near normal levels of around 2.5 percent both nationally and locally by the end of 2024, which supports the Federal Reserve's likely rate cuts starting in mid-2024. Figures 20 and 21 highlight both the downward trajectory of most categories (top) and the convergence between the U.S. and Denver (bottom).

Figure 20. U.S. YoY Inflation by Major Component February 2024 vs. January 2024



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

Figure 21. YoY Inflation by Major Component January 2024, Denver vs. U.S.



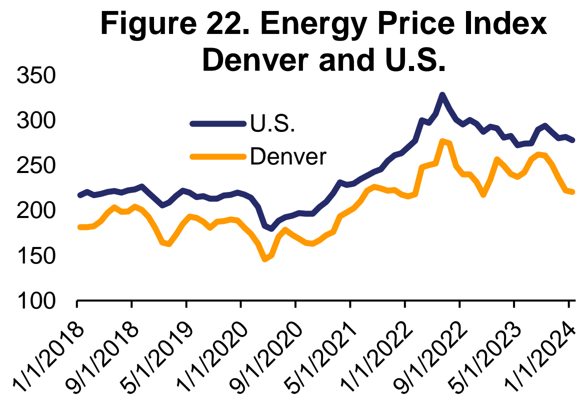
Source: Bureau of Labor Statistics; Author's Calculations.

Expectations for U.S. CPI are revised up slightly on net from the previous (December) forecast at 2.9 percent in 2024, 2.4 percent in 2025, and 2.3 percent in 2026. This U.S. path hinges on a slowing of the disinflationary pace as energy and goods price declines flatten and shelter costs continue to notch downward through the end of 2024. Year over year U.S. CPI growth is expected to decelerate to around 2.5 percent by the end of 2024. While the general trends for Denver inflation are in-line with those on the U.S. side, recent month over month deflation in both November and January due to energy and goods price declines has led to a revision downward to 2.7 percent (from 3.1 percent) for 2024. Denver CPI growth for 2025 and 2026 is largely unchanged, at 2.8 percent and 2.6 percent, respectively. Additional context on these overall expectations is discussed below, including a more detailed discussion of energy and shelter trends and implications of the current inflationary environment for Federal Reserve action.

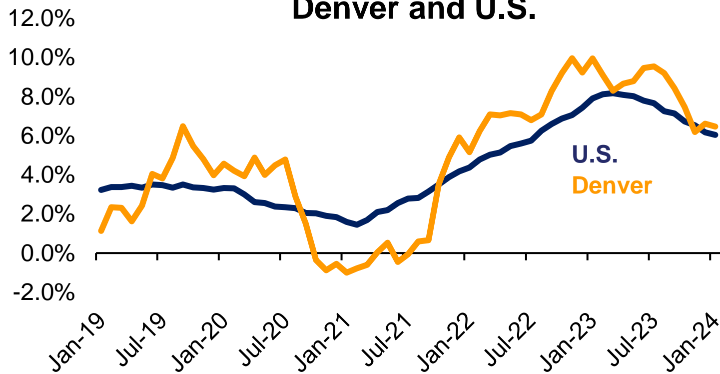
Varying Component Trends – Energy and Shelter

While inflation is trending downward quite smoothly in the aggregate, each component has been affected by unique factors impacting trends (and thus prices facing consumers). For example, both energy and shelter have contributed to disinflationary trends in recent months, but their recent paths have looked quite different. Shelter continues to exhibit the highest inflation while energy prices have experienced consistent deflation in recent months. Accordingly, their impacts on future inflation are also expected to look quite different going forward. Notably, as shown in the graph to the right, after price growth peaked over the course of 2022, energy prices have experienced deflation on net since late 2022 due to reduced demand and increased production. These forces are expected to level out going forward as prices for both gasoline and natural gas tick back up in the second half of 2024. More detailed discussion of these trends for energy prices can be found in the energy section below.

Figure 22. Energy Price Index Denver and U.S.



Source: Bureau of Labor Statistics.



Source: Bureau of Labor Statistics.

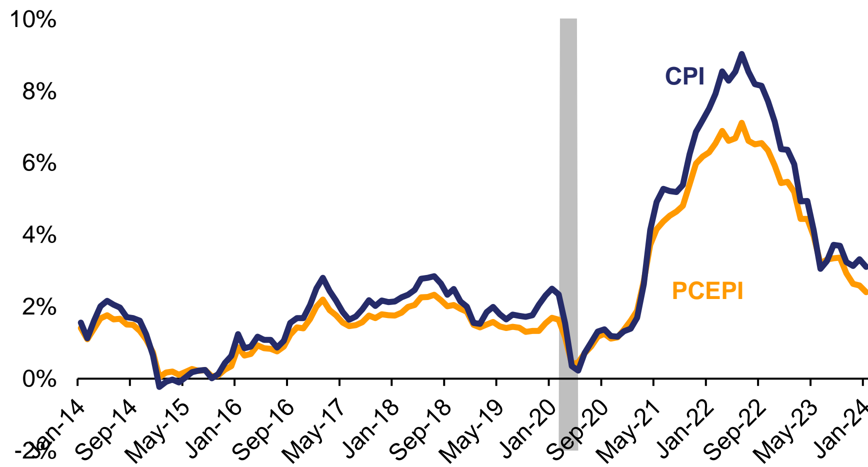
Meanwhile, while the magnitude of growth in shelter costs continues to decline, costs have continued to increase well above normal inflationary levels, as can be seen by the elevated nature of the lines on the graph to the left. Year over year shelter inflation came in at 6.5 percent in Denver and 6.0 percent nationally in January. In contrast to the outlook for energy prices, shelter price growth is expected to continue to decline in line with downward pressure from both rental and home prices across the country.

Financial Conditions and Federal Reserve Action

As U.S. inflation has continued its disinflationary path, the Federal Reserve's Federal Open Market Committee (FOMC) has indicated that it has completed the rate hikes. Now, the FOMC is turning its attention to an appropriate path of cuts based on its dual mandate to stabilize prices alongside a maximum estimated sustainable employment level. Specifically, the committee assesses price stability by targeting 2.0 percent growth in the annual change in the Personal Consumption Expenditures Price Index (PCEPI). Additionally, while an explicit employment goal is not identified, the FOMC's median member considers 4.1 percent unemployment to be a sustainable long term unemployment rate per the December 2023 Summary of Economic Projections (SEP).

Notably, PCEPI is comprised of a broader cost of living when compared with CPI. Generally, PCEPI growth is lower than CPI growth as CPI focuses more on spending by households in urban areas, which tend to experience higher inflation. In contrast, PCEPI accounts for all goods and services purchased by governments, firms, or nonprofits on behalf of the household sector, like subsidized health care costs, which also tend to grow more slowly than the CPI consumption basket. Finally, the expenditure weights are different, with housing costs being a higher contribution to CPI than PCEPI at 33 percent compared with 16 percent nationwide. Given upwardly sticky shelter inflation, this also helps to drive the separation. Figure 24 below compares the year over year inflationary paths of PCEPI and CPI for the U.S. In the most recent (January) report, PCEPI was 2.4 percent compared with 3.1 percent CPI inflation.

Figure 24. PCE PI and CPI growth



Source: Bureau of Labor Statistics; Bureau of Economic Analysis

In the most recent December SEP, FOMC members expected 1.4 percent year over year GDP growth, 4.1 percent unemployment, and 2.4 percent PCEPI by the end of 2024, which they indicated would likely result in 3 cuts. At that time, the market consensus was optimistic that rate cuts would be more aggressive than indicated, with a possibility of starting in March, as the jobs and inflation reports released in December showed slowing growth in both measures. However, since 2024 has begun, jobs reports and economic growth data have shown elevated strength, which has been widely interpreted as a sign that the FOMC can delay cuts until the second quarter of 2024.

OSPB expects the first Federal Funds rate cut to likely be in June as labor market weakness begins to emerge alongside further normalization of PCEPI. By the fourth quarter of 2024, OSPB expects slower economic growth of 1.2 percent combined with 4.1 percent U.S. unemployment and 2.2 percent PCEPI year over year growth, which should support a quicker path of rate cuts than indicated by the 3 cuts in 2024 indicated in the FOMC's December 2023 SEP. While such rate cuts are reason for optimism, the move will simply push rates into less restrictive monetary policy territory. OSPB currently expects five 25 basis point cuts in 2024, beginning in June and continuing for each of the remaining meetings this year. As PCEPI stabilizes and labor demand continues to slow in 2025, OSPB also expects 25 basis point cuts every other Federal Open Market Committee meeting next year as the committee works its way out of restrictive territory by the end of 2026.

Energy

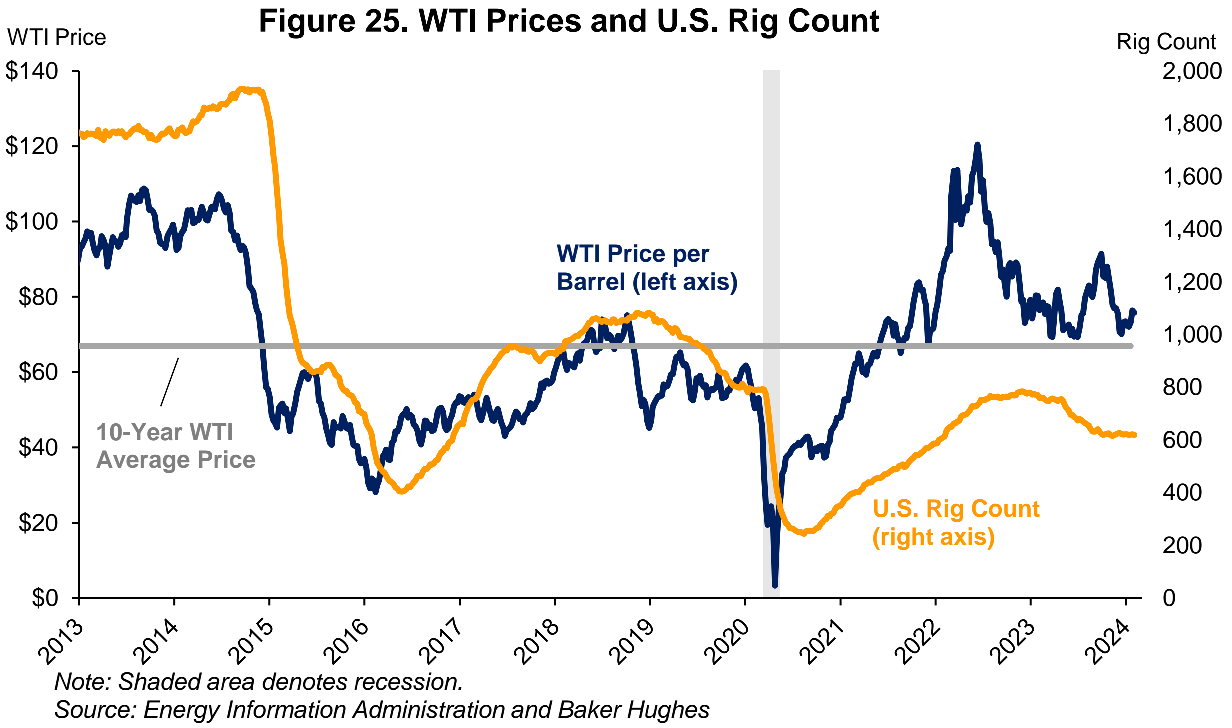
Oil and gas energy markets have maintained relative stability since the December forecast, despite increasing geopolitical risks, primarily from attacks on shipping in the Red Sea which have

increased supply uncertainty. Thus far, energy markets have withstood these risks, as crude oil prices are in a similar position to December while natural gas prices have recorded a decline, outside of short-lived, seasonally impacted price increases. Domestic production of both U.S. crude oil and natural gas reached all-time highs in 2023 and is expected to beat those records in 2024. Retail gasoline prices at the state and national level are also in a similar position to December, maintaining a position below the average price over the past three years, primarily from lower seasonal demand and a lower-cost winter gasoline blend. Once these short-term factors weaken, however, prices are expected to increase entering the spring and summer months. Going forward, upside risk remains from geopolitical conflicts potentially disrupting supply and OPEC-Plus production cuts continuing to ripple through global markets.

Since the December forecast, West Texas Intermediate (WTI) crude oil prices have remained relatively static, averaging $71.90 per barrel in December, $74.15 in January, and $74.96 through mid-February. Increased domestic crude oil production and from non-OPEC countries have largely offset production cuts from OPEC-Plus and supply disruptions caused by attacks on shipping in the Red Sea, creating a relatively balanced, yet tenuous market. The WTI price is estimated to increase to $79.36 in the second quarter of the year, according to the Energy Information Administration (EIA). This price increase is forecast to take place due to global oil inventory withdrawals expected over February and March, as global demand is projected to slightly outstrip production. While this is expected to place some upward price pressure on crude oil over the first half of the year, strength in non-OPEC global production is projected to maintain WTI price stability over the second half of the year. For 2024, the EIA estimates the average price per barrel for WTI crude oil at $77.68 compared to a similar 2023 average of $77.58. However, significant supply interruptions caused by heightened geopolitical risk or increased production cuts from OPEC-Plus would likely create an increased price trajectory.

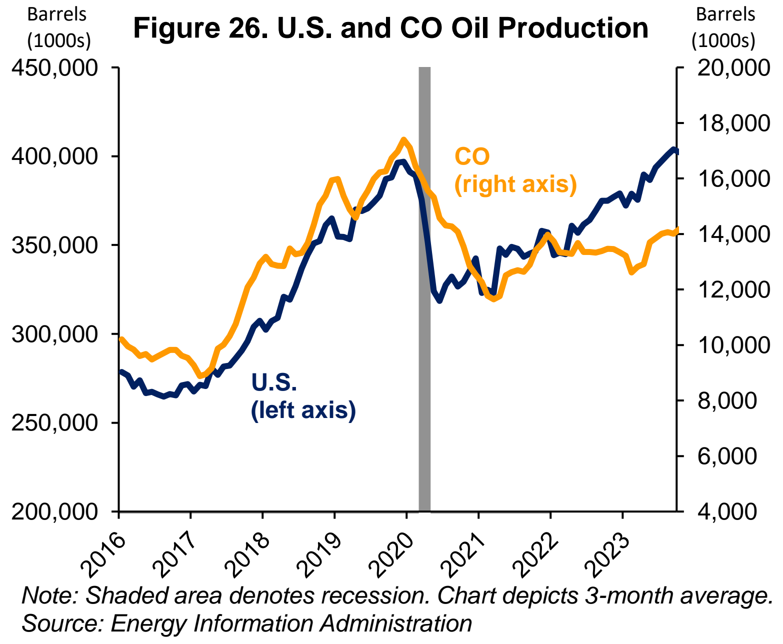
Over 2022 and 2023, domestic oil and gas rig counts increased as energy commodity prices jumped following the pandemic market downturn, which has led to increased domestic production and stabilized prices over 2023 and early 2024. Figure 25 below depicts U.S. oil and gas rig counts alongside WTI prices and the significant positive relationship between them. Generally, when WTI prices increase, rig counts increase. However, the relationship is not as closely correlated in recent months as it was in previous years due to increased efficiency and technological advancements in horizontal drilling, which have allowed wells to become more effective in oil and gas extraction. This leads to increased production from individual wells, which

has resulted in domestic crude oil and natural gas production reaching an all-time record in 2023, despite lower rig counts than in the past.



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

Annual U.S. crude oil production in 2023 outpaced 2022 levels by 8.6 percent and beat the previous annual record set in 2019 by 5.1 percent. November 2023 set the monthly production record at 13.3 million barrels produced per day, which was virtually matched again in December. This record strength in domestic production is a significant contributor in placing the global oil and gas market into a relative balance despite the supply constraints caused by OPEC-Plus production cut decisions. Domestic natural gas production also broke an all-time annual record in 2023, despite below-average prices, as associated natural gas production from wells primarily drilled for oil provide a significant buoy to overall natural gas production. Associated natural gas production made up 15 percent of all domestic natural gas production in 2022 and likely grew off that number in 2023. In Colorado, crude oil production is seeing slower growth compared to national

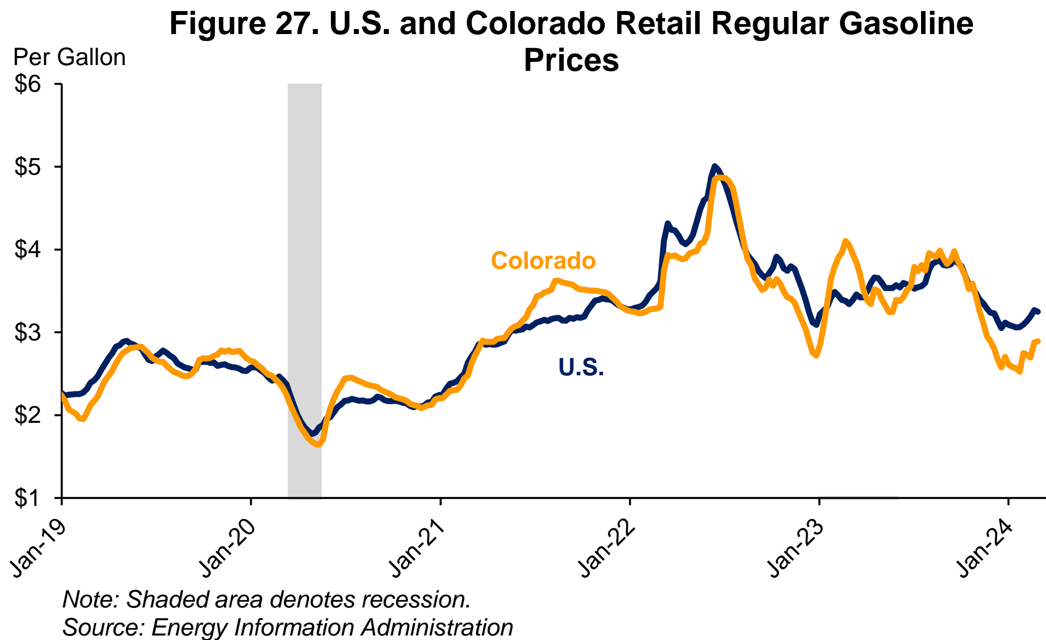


Note: Shaded area denotes recession. Chart depicts 3-month average.
Source: Energy Information Administration

production – which is driven by the Permian Basin in Texas and New Mexico – but 2023 production did record 3.4 percent growth over 2022 levels. Statewide crude oil production in 2023 remained 13.8 percent below the record level set in 2019. Nationwide, crude oil production is forecast to set another annual record in 2024 according to the EIA as increased production efficiency in the Permian Basin provides a tailwind to overall production, while in Colorado, slow growth is expected over 2023 levels.

With increased domestic production creating a relatively balanced market, crude oil prices declined on average in 2023 compared to 2022, averaging $77.58 over the course of the year compared to $94.90 in 2022. Decreased crude oil prices have resulted in lower retail gasoline prices as well. In 2022, the weekly average retail gasoline price per gallon nationwide was $3.95 before falling to an average of $3.52 per gallon in 2023. Thus far in 2024, the average price per gallon has been $3.14 through February, however, this is primarily due to lower seasonal demand in the winter and a lower-cost winter blend gasoline. Prices are expected to increase over the spring and summer months as demand increases and the higher-cost gasoline blend is deployed. Despite the seasonal effects, average national prices are still down from this time period a year ago when they averaged $3.36 per gallon. In Colorado, retail gasoline prices have dipped well below the nation, averaging $2.69 per gallon thus far in 2024 – a $0.45 difference, although prices are beginning to converge. Compared to a year ago, Colorado prices are down $0.95 for this time period, as prices spiked over January and February 2023 due to the Suncor refinery shutdown.

Figure 27. U.S. and Colorado Retail Regular Gasoline Prices



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

Regional industry sentiment within the oil and gas sector was relatively positive over the final quarter of 2023 even as drilling activity, revenues, and profits have fallen year-over year, according to a survey of energy firms that was administered by the Federal Reserve's Tenth

District. The Tenth District includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, and parts of Missouri and New Mexico. While activity and profits are down year-over-year, industry expectations are positive, as they expect revenues, profits, capital expenditures, the number of employees, and drilling and business activity to increase over the next six months. The regional sector reports that the breakeven price for a barrel of oil is $64, while the WTI price necessary to substantially increase drilling is $84 per barrel. With prices expected to remain in the $64 to $84 per barrel range over the next year, alongside more upside risk, the sector is in a generally positive fiscal position.

Overall, energy prices remain relatively stable in the first quarter of 2024 in the face of global production cuts and geopolitical conflicts as record domestic oil and gas production maintains balance in the market. Despite the current balance, substantial risk and uncertainty remain as future production decisions or supply disruptions from geopolitical conflicts could cause volatility in the market.

IRA Analysis and Economic Impact

The Inflation Reduction Act (IRA) was introduced in 2022 and has primarily been used to address the country's investment in clean energy manufacturing, domestic supply chains, and create avenues for lowered energy project costs, with the goal of reducing carbon emissions by 40 percent by 2030. The IRA introduced an estimated $369 billion in spending through tax credits and direct spending over the next ten years on energy security and climate change programs, based on conservative estimates by the Congressional Budget Office (CBO). As of 2024, Colorado has received $530 million total in IRA investment across the state through both competitive and formula funding, of which the largest amount ($145.9 million) has been accrued by the Colorado Energy Office.

The federal government has categorized investment into states in the following categories: semiconductors and electrics, EVs & batteries, clean energy manufacturing, biomanufacturing, and clean power, also further identified by private and public investment. In Colorado, private companies and public investments have committed $7 billion to industries; ($1 billion in semiconductors and electrics, $140 million for EVs and batteries, $3 billion for clean energy manufacturing, $725 million in biomanufacturing, and $2 billion in clean power.[3] Additionally, Colorado estimates $19.6 million in rebates and tax credits through Climate-Aligned Uptake through consumers and businesses adopting clean energy technologies and strategies.

Many of these credits are uncapped, such that their utilization through 2032 is able to exceed an estimate for a particular state or the country as a whole. In Colorado, it is estimated that the IRA will include $6.6 billion in total provisions primarily through grants and tax credits. It is also estimated that Colorado will be eligible for up to $140.3 million in rebates from the Department of Energy to enable individual consumers and communities to electrify homes. Similar to IIJA

[3] White House federal infrastructure investment tracker. https://www.whitehouse.gov/invest/

legislation discussed in the previous forecast, these impacts are expected to support additional job growth and decarbonization through the next ten fiscal years.

One of the largest impacts expected from the influx of federal investments into clean energy is the reduction in energy costs, estimated to decline by up to 9 percent by 2030, including commercial rate reductions of 13-15 percent.[4] These price reductions are expected to reduce aggregate costs to individuals by $27-$28 billion. In addition to its impacts on consumer energy spending, the IRA is also expected to improve the domestic supply chain of clean energy products in American industries, primarily in the form of light duty electric vehicles, solar, hydrogen hubs, and battery manufacturing to promote meeting demands for these industries by 2030[5]. As a result, the IRA, like the IIJA, will also impact the U.S. and Colorado job markets. Colorado anticipates seeing a $13.2 billion investment in clean energy power generation and storage, a market that employed approximately 61,179 jobs in Colorado as of 2021, prior to the introduction of IRA.[6] Further investment could produce an increase in available jobs within the state, along with incentives provided to fill available jobs through prevailing wage.

Affordability and Demographics of Homeownership

The focus on disparities in housing affordability and ownership in Colorado has increased in recent years due to rising housing costs and limited availability. Policies and efforts to alleviate costs and increase inventories have increased since the onset of the COVID pandemic, but their effects have been hampered recently due largely to increased interest rates that discourage new home purchases and construction. This section highlights the historical context behind Colorado's housing supply constraints and affordability, and illustrates the geographic and racial disparities of home ownership.

Figure 28 shows Colorado and U.S. population and housing unit growth, illustrating that the number of available housing units in Colorado has not kept up with population growth since 1990. By comparison, the U.S. gap between population and housing has remained much tighter, indicating that housing levels grew at similar rates to population. Except for the housing boom in the mid-2000s that led to the Great Recession in 2008 and 2009, Colorado housing unit growth has consistently lagged population growth. In 2022, amidst slower population growth, the housing stock has temporarily approached the same population-to-housing unit ratio as 1990. Despite regaining 1990 levels, Colorado still faces a housing shortage of over 100,000 units.[7]

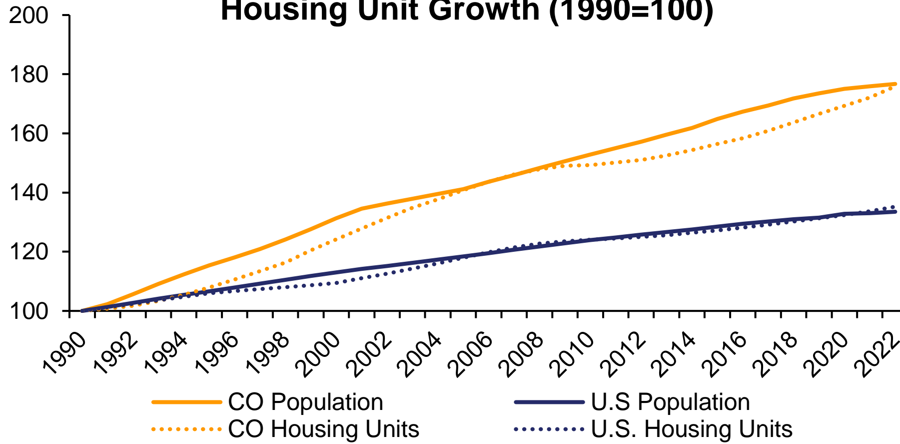
[4] Fact Sheet: Lowering Home Energy Costs Through President Biden's Inflation Reduction Act (2024). https://www.whitehouse.gov/briefing-room/statements-releases/2024/02/12/fact-sheet-lowering-home-energy-costs-through-president-bidens-inflation-reduction-act/

[5] Department of Energy (2023). Significant Impacts of the Inflation Reduction Act and Bipartisan Infrastructure Law on US Energy Economics and Emissions Reductions. https://www.energy.gov/policy/articles/investing-american-energy-significant-impacts-inflation-reduction-act-and

[6] White House, Colorado Fact Sheet (2022). https://www.whitehouse.gov/wp-content/uploads/2022/08/Colorado.pdf

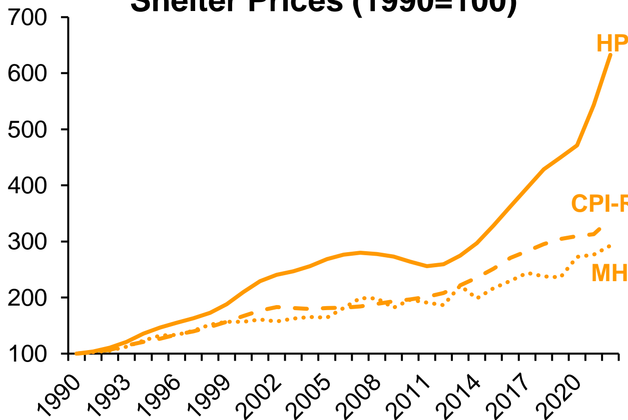
[7] The Denver Post (2023). Colorado is short over 100,000 housing units despite help from construction surge, slow population growth. https://www.denverpost.com/2023/10/23/colorado-housing-home-shortfall-pandemic/?clearUserState=true

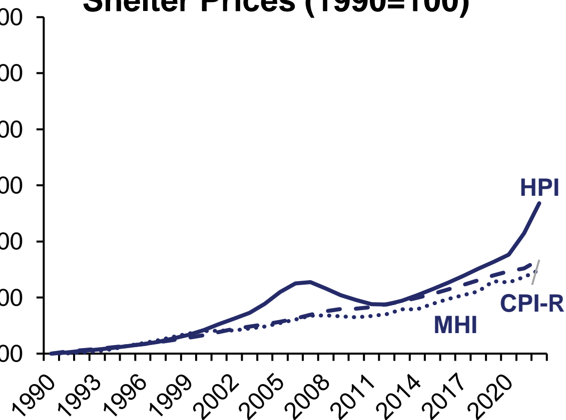
Recent policies have been enacted to expand the housing stock but may still be stifled by elevated interest rates in the near term.



Source: Colorado State Demography Office, U.S. Census Bureau.

Figures 29 and 30 below compare the median household income (MHI), the Consumer Price Index for Rent of Primary Residence (CPI-R), and the All-Transactions House Price Index[8] (HPI), for Colorado and the U.S. over time, illustrating how Colorado's Single Family Home (SFH) price and rental price growth have steadily outpaced income growth for decades. For the median Colorado household, the average home has grown increasingly unaffordable, as indicated by the widening gap. By comparison, the national shelter price indices and median household incomes have stayed relatively close.



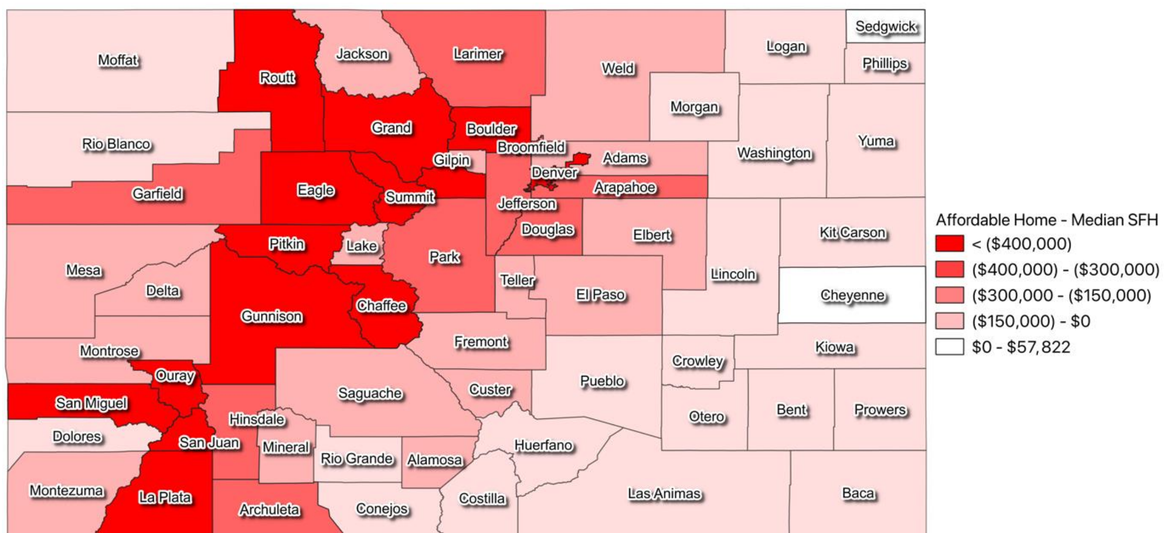


Source: U.S. Census Bureau, U.S. Federal Housing Finance Agency, U.S. Bureau of Labor Statistics.

[8] The All-Transactions House Price Index is estimated using SFH sales prices and appraisal data. https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx

The map in Figure 31 below illustrates the gap between the home price that the median household income in each county can afford[9] and the median SFH price, for each county. Darker red indicates that the median home is more unaffordable for the median household. In some mountain counties, the median SFH can be upwards of $400,000 more expensive than the median home can afford. In Pitkin, San Miguel, Eagle, Summit, and Routt counties, median SFHs are more than a million dollars too expensive for median households.

Figure 31. 2023 Affordable Home for Median Households vs. Median SFH Price



Note: 2021 Median Household Income estimates are grown to 2023 levels based on OSPB forecast estimates.
Source: U.S. Census Bureau, Colorado Association of Realtors (October 2023 reports), OSPB calculations.

Counties with less affordable median homes compared to median incomes also tend to have higher rent prices and income inequality, lower diversity, and a lower ratio of residents per housing unit. Notable examples of these patterns include Pitkin, Routt, Boulder, Jefferson, and Douglas counties.

Moving from geographic differences to disparities across demographic groups, there are notable differences in homeownership rates along racial lines in Colorado.[10] Compared to overall U.S. rates, Hispanic homeownership is higher in Colorado, while the Black homeownership rate is lower. Other groups' and the overall homeownership rates are similar. Differences also exist in

---

[9] The affordable home price is based on an FDIC rule-of-thumb of 2.5x the median household income and assumes a 20 percent down payment. https://www.fdic.gov/consumers/consumer/moneysmart/podcast/documents/borrowing-money-how-much-mortgage-can-i-afford.pdf

[10] Urban Institute (2021). Forecasting State and National Trends in Household Formation and Ownership. https://www.urban.org/policy-centers/housing-finance-policy-center/projects/forecasting-state-and-national-trends-household-formation-and-homeownership/colorado

terms of renters' ability to buy a typical home in Colorado (U.S.),[11] where 11 percent of white renters in Colorado could afford a typical home (17 percent at the national level), five percent of Hispanic renters (13 percent), 10 percent of Black renters (9 percent), and 19 percent of Asian renters (30 percent). These figures further illustrate how achieving homeownership is more difficult for Colorado renters than in the broader U.S. Figure 32 demonstrates these disparities by combining estimates of homeownership rates, population data, and average persons per household to estimate the percentage of housing units owned by each group. Most notably, white residents comprise 66 percent of the state's population, but own approximately 75 percent of the homes. Meanwhile, Black and Hispanic people account for four and 23 percent of the population, but only two and 17 percent of homes owned, respectively.

Figure 32. 2020 Housing Units Owned and Occupied by Race/Ethnicity

Race/Ethnicity	Population %	Homeownership Rate	Percent of Homes Owned*
White	66%	72%	75%
Black	4%	37%	2%
Hispanic	23%	53%	17%
Other	7%	58%	6%

**Note: Percent of Homes Owned estimates are based on ownership rates, population, and average household size estimates.*
Source: Colorado State Demography Office, U.S. Census Bureau, OSPB calculations.

Homeownership also tends to be a function of age, as indicated in the following table. Nearly 82 percent of individuals over the age of 65 own their residence, compared to 62 percent of people under 65.[12] Therefore, the under-65 group accounts for 85 percent of the population but owns approximately 75 percent of all units, while the 65+ group is 15 percent of the population but owns 25 percent of the homes. Looking forward, tightness in the housing market, elevated mortgage rates, existing qualifications for the state senior homestead exemption, and continued home value appreciation provide additional incentives for older homeowners to age in place. The housing implications of these trends are reduced availability and churn, which could further exacerbate housing shortages and unaffordability across the state, particularly among younger, non-white residents.

[11] National Association of Realtors (NAR) Research Group (2023). Snapshot of Race and Home Buying in America. https://www.nar.realtor/sites/default/files/documents/2023-snapshot-of-race-and-home-buying-in-the-us-03-02-2023.pdf

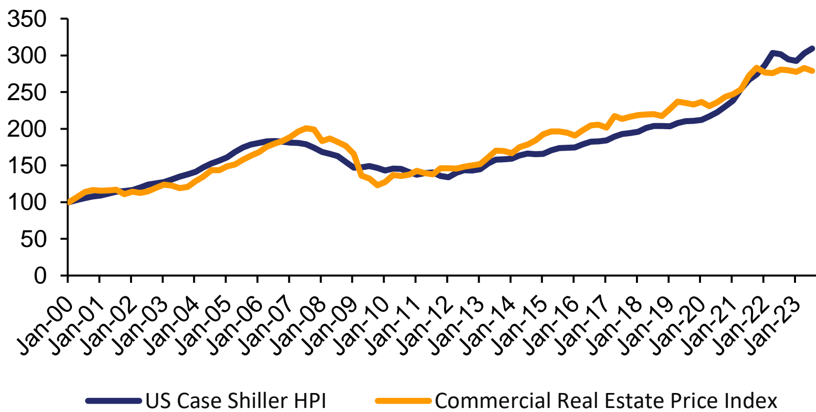
[12] Urban Institute (2021). Forecasting State and National Trends in Household Formation and Ownership. https://www.urban.org/policy-centers/housing-finance-policy-center/projects/forecasting-state-and-national-trends-household-formation-and-homeownership/colorado

Property Values

Residential real estate property values remain elevated and maintain the record levels seen post-pandemic across the United States and Colorado. Immediately following the COVID-19 pandemic, the United States and Colorado experienced some of the steepest growth in home prices and residential property values in the past 30 years. In 2022, residential real estate prices temporarily peaked, but after slight declines in 2023, have picked back up and now exceed 2022 peaks for the U.S. while Colorado valuations are likely to exceed 2022 peaks before mid-2024.

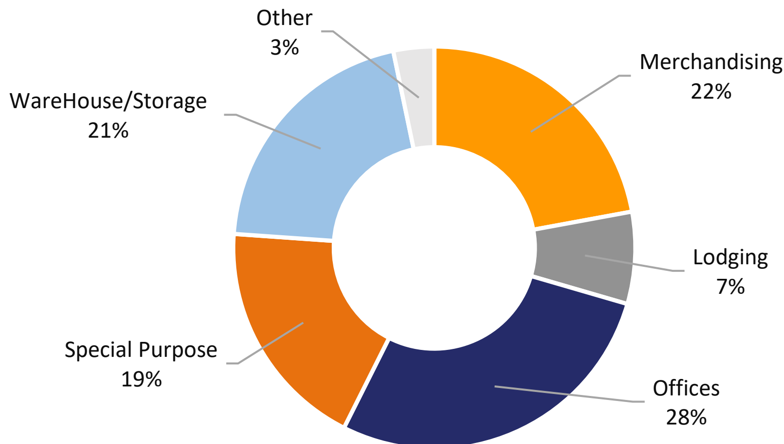
Driven by demand outstripping supply and high interest rates, residential real estate has become less affordable than it has ever been within Colorado with 47.2 percent growth in the average single family home price across the state since 2019 according to the Colorado Association of Realtors. Affordability is discussed more specifically in the section above. OSPB expects some relative stagnation in residential property values moving forward, as slowly increasing supply mitigates the effects of increased demand. Namely, as the Federal Reserve cuts interest rates over the coming years, some homeowners will opt to sell and return existing housing stock to the housing market while others will retain their low mortgage rate locked in during the pandemic. Any additional supply from new construction will apply downward price pressure which will offset some of the increased demand as mortgage rates fall.

Figure 33. U.S. Case Shiller Home Price Index vs U.S. Commercial Real Estate Price Index



While residential property values have experienced strong growth in recent years, commercial real estate price growth has stagnated, as shown in figure 33, and remains a concern to the national and state economies. The commercial real estate sector, specifically office space, has lagged since the pandemic which resulted in a shift from in-person to hybrid and remote models for companies. Office space makes up approximately 28 percent of assessed value for commercial real estate in Colorado, as shown in figure 34. It is worth noting that these totals do not include multifamily, as that is assessed by the Division of Property Tax as residential property and not within the commercial real estate bucket. This shift has left many cities and urban areas (Denver and Colorado Springs included) with vacant office space and, according to CBRE, decreasing net square feet absorption and increasing vacancy rates. The outlook for office space in the nation looks relatively weak with substantial risk tied to over high vacancy rates and debt set to mature in the coming years and a likely wave of defaults to follow. The other sectors of commercial real estate have become a point of strength within Colorado. For retail commercial real estate, Colorado boasts strong market fundamentals, with low availability of space despite weakening retail sales. Additionally, industrial commercial real estate demonstrates similar strength to retail throughout the state.

Figure 34. Total Assessed Value for Commercial by Category from Tax Year 2022



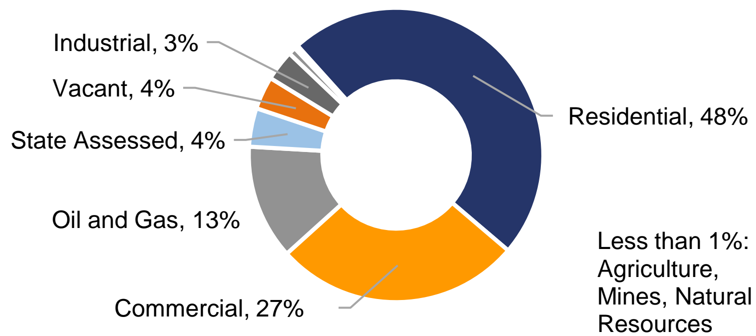
Source: DOLA Division of Property Taxes 2022 Annual Report

Changes in residential and commercial real estate values have a significant impact on property tax revenues, which are an essential funding source for municipal and county governments, as well as public schools and other local services. They are paid annually by landowners based on a calculation of the actual value of the property and developments built upon it, the application of any relevant exemptions such as senior homestead, the assessment rate applied to the property based on the nature of its use, and the local tax rates set by local governments and other special districts, known as mill levies. According to the Division of Property Taxation (DPT) under the Department of Local Affairs (DOLA), in Tax Year (TY) 2022[13], property tax revenue was nearly $12.8 billion, a 246 percent growth from $3.7 billion in TY2000, and even 34 percent growth from the $9.6 billion in revenue collected in TY2018. The growth in tax revenue from 2000 to 2022 is

[13] Note: Tax Years align to the same calendar year, but the revenue is collected in the following calendar year. For example, Tax Year 2023 assesses taxes based on the occupant and value for calendar year 2023, but are billed and collected in calendar year 2024

lower than the 292 percent growth in actual value across all classes in that period, and 334 percent growth in residential actual value. However, after normalizing for inflation and population, OSPB estimates that the growth in property tax revenue between TY2000 and TY2022 was 8 percent.

Figure 35. Projected Share of Statewide Assessed Value in TY2023 by Property Type



As noted, property taxes vary by parcel and jurisdiction. The first basis of assessing property taxes is the actual value of the property. For most property types, including residential and commercial property, this is determined by county assessors based on market value on June 30th of each even numbered year, and applied for the next two calendar years, first taking effect in the following odd numbered tax year. Any exemptions are then subtracted from the statewide value, such as the senior homestead exemption (worth up to $100,000) or the statewide residential exemption in SB23B-001 (worth up to $55,000). Then, the actual value after any qualifying exemptions is multiplied by the assessment rate for that property type to obtain the taxable value, also known as the assessed value. Assessment rates are set in statute and vary by property class. Most broadly, properties are split into residential and non-residential, with subcategories of single family and multi-family for residential, and commercial, industrial, state assessed, vacant, agricultural, natural resources, mines, and oil and gas for non-residential. Following the repeal of the Gallagher Amendment in 2020, which is discussed in further detail below, statutory assessment rates for residential properties were 7.15 percent of the actual value, whereas most non-residential properties were assessed at 29 percent of the actual value, with exceptions for extractive industries such as oil and gas and mines. As discussed further below, recent legislative sessions have enacted temporary reductions to both residential and non-residential assessment rates to address recent steep increases in actual values. Residential properties contribute the largest share of assessed value in the state, around 48 percent in TY2023 according to DPT, followed by commercial and oil and gas. The remaining property classes each represent a small share of the state's assessed value.

The actual property tax due is calculated by multiplying the assessed value by the local mill levies, which can be a combination of municipal, county, school, and special districts on which the property sits. There is variation in the determination and process for adjusting these levies, some

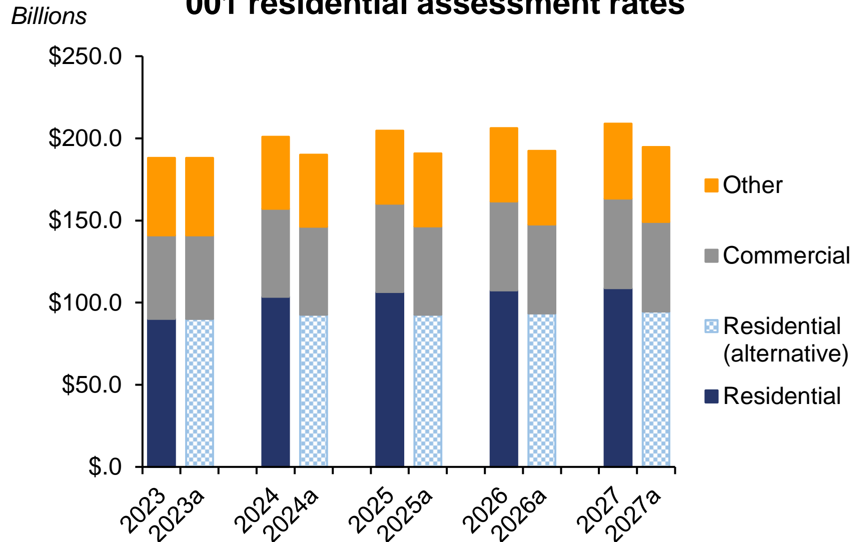
are considered 'floating' and will move up and down each year to baseline an actual amount of voter-approved revenue, while others remain fixed.

Property tax policy discussions and decision-making have been prevalent within the General Assembly over the last several years, in part due to the changes brought about in the pandemic, but even predating that time period. A significant structural change occurred with the state referendum that led to the repeal of the Gallagher Amendment from the State Constitution in 2020. Under this amendment, the share of assessed value in the state originating from residential properties was to be fixed at 45 percent, meaning that assessment rates would vary in order to maintain that ratio. As residential properties comprised an increasing share of the actual value in the state, the assessment rate was continually lowered to maintain the constitutional ratio, and repeal of the amendment was intended to stabilize the rate and improve predictability.

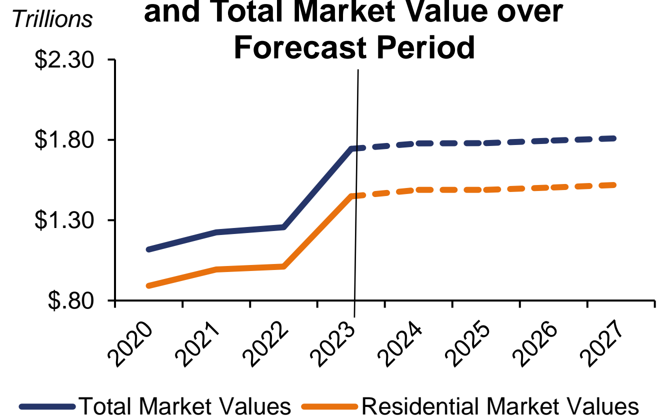
Soon after the Gallagher Amendment's repeal, the COVID-19 pandemic and its aftermath imposed a significant shock on real estate markets in shaping both the places people were choosing to live, and where and how they work, with rippling impacts on property values. Initially, the pandemic caused a slowdown in housing markets, such that the June 2020 reassessment cycle calculated lower property values. However, by the June 2022 reassessment cycle this trend reversed as people chose to relocate to more spacious areas like Colorado, and the increased adoption of remote work allowed more freedom to do so. The stimulation of the housing market drove up actual values at a rapid rate, filtering down into higher property taxes for Coloradans for the TY2023 cycle. Alternatively, remote work has had an opposite effect on commercial properties, as discussed earlier in this section. With more employees working from home and companies downsizing their office footprint, the value of many commercial properties - especially in the office sector - is declining.

As the effects of the pandemic on property values and taxes were realized, the General Assembly enacted legislation over the course of several sessions making numerous reductions to the statutory assessment rates. The first reduction was enacted through SB21-293, which created new subclasses of properties, and reduced residential rates from 7.15 percent to 6.95 percent and 6.8 percent for single family and multi-family homes, respectively, for the 2022 and 2023 tax years. Next session, SB22-238 reduced rates again for the 2023 tax year, lowering non-residential assessment rates from 29 percent to 27.9 percent, adding an exemption of $30,000 from the actual values of commercial properties, and further reducing residential assessment rates to 6.765 percent. For the 2024 tax year, residential assessment rates were reduced by an amount that would reduce local property tax revenue by $700 million, with the rate calculation due March 21st. Local governments are to be reimbursed by the state for the lost revenue for both tax years, with the amount of reimbursement dependent on certain characteristics including population and assessment value growth, with the SB23B-001 backfill limited to $54 million. Further, in 2023, Proposition HH was referred to the ballot to further reduce property taxes, but

its failure prompted a special session in November 2023. During that session, SB23B-001 was enacted, which reduced the residential assessment rate further to 6.7 percent for TY2023, and added a $55,000 exemption from the actual value.



After housing prices fell during 2023, OSPB expects housing prices to again grow and exceed June 2022 valuations on average by June 2024. In TY2024, which is not a reassessment year, OSPB's expectations based on current law, which generally align with the December 2023 LCS forecast, includes an increase in assessed value for residential properties of 15 percent, while non-residential properties are projected to decline by 0.7 percent. The increase for residential is notably large for a non-reassessment year, however the expiration of temporary reductions in assessment rates and the $55,000 exemption are major drivers of current expectations for TY2024 growth, while new properties coming online contribute less meaningfully to this increase. The decline in non-residential growth is largely due to changes in volatile sources like oil and gas, which are projected to slip in value in connection with declining market prices for oil and gas, as well as the risks to commercial real estate, particularly in office space, limiting anticipated growth in that sector.

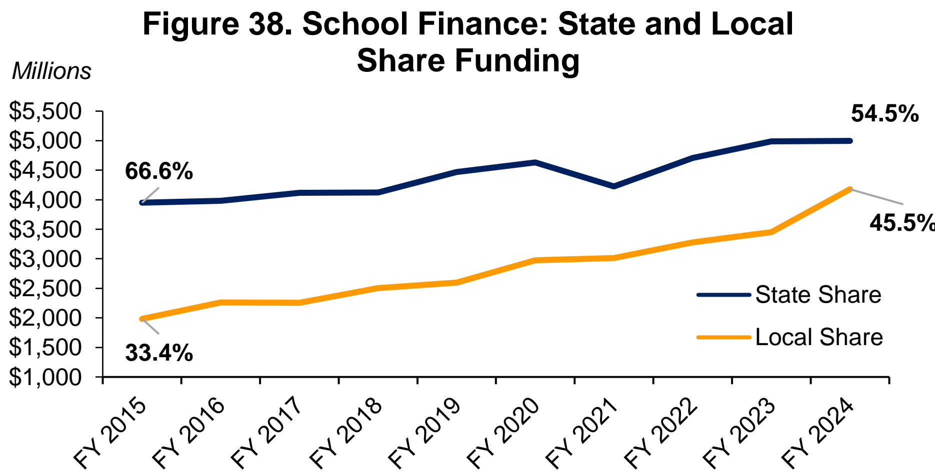


TY2025 is a reassessment year and the forecast projects modest growth in the market values in both residential and non-residential property classes. Relatively high interest rates and mortgage

costs have cooled the housing market and are projected to hold down the rise in housing values compared to the historic increase in the 2023 reassessment cycle, while non-residential properties will grow modestly from non-commercial sources, despite the threats to commercial properties resulting from decreasing office footprints. As figure 37 illustrates, the market values of nonresidential property are relatively flat while residential market movements shape the total market value of property for Colorado.

As noted, the General Assembly instituted property tax relief measures for TY2023 and 2024, and due to the continued elevated values in future assessment cycles, similar actions may be considered for additional tax years within the forecast period. If current policy for TY2023 was to be maintained for residential properties, including the 6.7 percent assessment rate and an exemption on the first $55,000 of value, assessed value would be reduced by nearly $11 billion in TY2024, and nearly $14 billion TY2025 and TY2026. The revenue cost to all local districts would be approximately $763 million in TY2024, $960 million in TY2025, and $971 million in TY2026, with revenue from Total Program levies which support K-12 education reducing by approximately $275 million in TY2024 (aligned with FY 2024-25), $346 million in TY2025, and $350 million in TY2026.

The residential and non-residential real estate markets, along with the property tax policy structure, play an important role in the State's financial position related to school finance, which funds K-12 education in Colorado. School districts across the state are reliant upon local property tax revenue (local share) to fund at least a portion of school operations, while the State contributes the remainder of funding to school districts to make up the difference between local share revenue and total funding requirements. In FY 2023-24, the total cost of school finance to fund K-12 education is $9.2 billion, with the State funding $5.0 billion and local share revenue funding $4.2 billion. While the State funds the majority of school finance, the local share portion of school finance funding has grown over the past decade as property values increased, especially accelerating in FY 2023-24 after sharp valuation increases during TY2023. In FY 2014-15, the State funded 66.6 percent of the $5.9 billion school finance total compared to 33.4 percent from local share revenue. The shares



between the two have narrowed since with the state funding 54.5 percent of school finance in the current fiscal year. Since FY 2014-15, school finance funding has increased $3.2 billion, and local share revenue has funded $2.2 billion of that increase, while the state has funded $1.0 billion. With local share making up a more prominent share of school finance funding, it has alleviated some State funding constraints. However, moving forward it places the State in a position of greater financial exposure to the real estate market and property tax policy decisions, as downside revenue risks exist from both as illuminated in this section above. If downside risks related to the commercial real estate sector come to fruition, or if legislative policy decisions are made to reduce property tax revenue, it will result in a need for an increased state share of funding for school finance. More detailed budget-related information related to this can be found in the State Education Fund section of this forecast publication.

Homeowners Insurance

Insurance is an additional factor related to property values and housing affordability. According to a National Association of Insurance Commissioners report[14], the average homeowners insurance (HO-3) in the U.S. in 2021 was $1,411, the average condo insurance (HO-6) was $531, and the average renters insurance (HO-4) was $170. In Colorado the average homeowners insurance in 2021 was $1,802, the average condo insurance was $484, and the average renters insurance was $159. Colorado ranked as having the 6th most expensive homeowners insurance in the nation. Over the last 10-years, Colorado's homeowners insurance premiums increased 73.6 percent, the second fastest increasing rates in the country.

Compared to the U.S., Colorado has more expensive homeowners insurance likely due to increased risk from higher than average property values and natural disasters such as hail, wind, and wildfire. For homeowners with the standard HO-3 policy, the national average price increased by 7.6 percent year over year and in Colorado, prices increased by 8.1 percent from 2020 to 2021[15]. However, according to the 2023 National Multifamily Housing Council's Multifamily Housing Report[16], multifamily housing insurance increased by an average of 26 percent nationally from 2022 to 2023. Similar to the rise of Colorado single-family insurance cost increases from natural disasters, with multifamily there is significant concentration of risk from property damage. For example, if a pipe breaks in a multifamily housing unit, it can damage multiple units on one floor.

[14] NAIC Report: Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report: Data for 2021 National, https://content.naic.org/sites/default/files/publication-hmr-zu-homeowners-report.pdf

[15] Author's calculation by comparing 2021 to 2020 NAIC Report: Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report

[16] 2023 NMHC State of Multifamily Risk Survey & Report, https://www.nmhc.org/research-insight/research-report/2023-nmhc-state-of-multifamily-risk-survey-report/

These concerns for affordability of insurance in Colorado led to the passage of HB23-1174 (Homeowner's Insurance Underinsurance)[17], which then led the Colorado DORA Division of Insurance to launch a study on insurance affordability and potential solutions[18]. One potential solution that the Division discussed was to use parametric insurance to bring more capital to our homeowners market to increase affordability and availability in that market. Parametric insurance differs from traditional insurance in that a set amount of coverage is paid out when triggered by a predefined events or metrics, such as wind speed reaching a certain level, regardless of the actual loss sustained. The Division is in the exploratory phase and is engaged with multiple stakeholders to analyze any and all potential solutions.

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 a soft landing for the economy, including slowing GDP in mid-2024 followed by growth in the out-years constrained by potential GDP as sustained restrictive monetary policy works its way through the economy. Existing monetary policy is expected to lead to a loosening job market but the impacts are not expected to reverse overall trends in labor market tightness. Accordingly, job openings are still expected to outnumber unemployed people through the forecast period. While a spending slowdown is expected to occur, it is not expected to significantly slow the economy as positive real disposable income and wealth support personal consumption driven by the upper income quartiles.

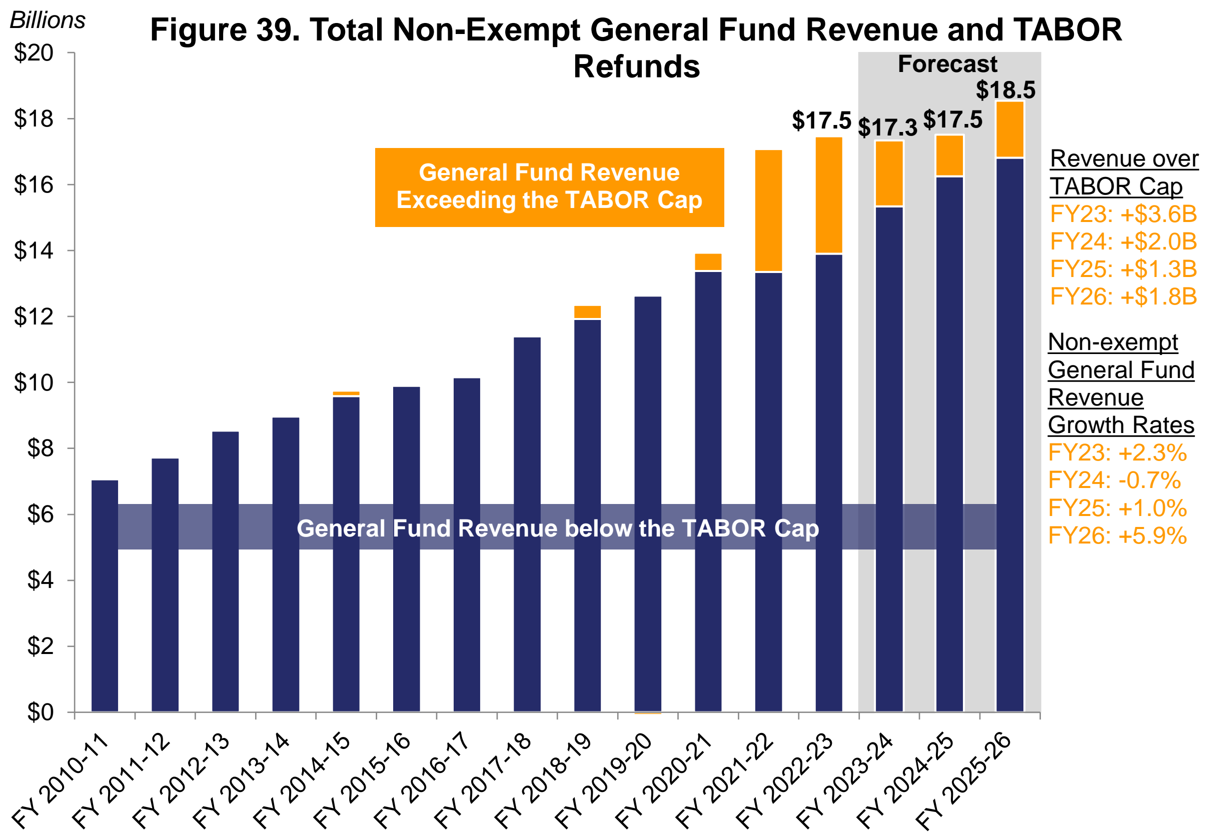
Downside risks include: supply chains shocks affecting shipping costs, high interest rates, outsized impacts on residential and commercial construction financing, increasing consumer debt, geopolitical risks, and a partial Federal government shutdown. Upside risks include: slowing in shelter inflation despite strong demand for housing and continued supply shortages, labor shortages continuing to put upward pressure on real disposable income and consumption, and Federal and state policies to support affordable housing and workforce development. Overall, OSPB views economic risks to this forecast as weighted to the downside. That being said, OSPB views the probability of a recession occurring in the next 12 months at 30 percent.

[17] https://leg.colorado.gov/bills/hb23-1174

[18] https://doi.colorado.gov/homeowners-insurance-affordability-accessibility

General Fund Outlook

General Fund revenue in FY 2022-23 increased 1.7 percent to $17,998.0 million ($18.0 billion). General Fund revenue expectations in FY 2023-24 are upwardly revised from the December forecast due to year-to-date corporate income tax revenue collections above previous forecast expectations alongside stronger wage growth increasing individual income revenue. General Fund revenue in FY 2024-25 is downwardly revised on lower individual income revenue from expected softening in asset returns. In FY 2023-24, revenue is expected to decrease by 0.7 percent year-over-year to $17,866.0 million before increasing by 1.3 percent in FY 2024-25 to $18,090.3 million. General Fund revenue is projected to grow an additional 5.8 percent in FY 2025-26 to $19,139.2 million. General Fund revenue for FY 2023-24 is revised up by $308.9 million from December, while revenue in FY 2024-25 is revised down by $140.8 million and FY 2025-26 revenue is revised up by $68.8 million.



General Fund revenue is projected to exceed the TABOR cap throughout the forecast period. Revenue exceeded the cap by $3.6 billion in FY 2022-23. General Fund revenue exceeding the TABOR cap is projected at $2.0 billion in FY 2023-24, $1.3 billion in FY 2024-25, and $1.8 billion in FY 2025-26. This is an upward revision of $376.8 million from the December forecast for FY 2023-24, an upward revision of $13.4 million for FY 2024-25, and an upward revision of $354.1 million in FY 2025-26.

Overview of General Fund Revenue Streams

Individual Income Tax: Revenue from individual income tax in FY 2023-24 is projected to grow slowly at 0.4 percent to $11,000.1 million following a contraction of 6.5 percent in FY 2022-23. Growth is projected to rebound to 3.9 percent in FY 2024-25 to $11,433.3 million before accelerating in FY 2025-26 by 7.0 percent to $12,230.5 million. Between FY 2023-24 and FY 2025-26, this is a total downward revision of $110.5 million due to weakening expectations in FY 2024-25.

Corporate Income Tax: Revenue from corporate income tax in FY 2023-24 is estimated to fall from the annual record set last fiscal year by 4.6 percent to $2,257.1 million. Revenue is expected to again fall in FY 2024-25 by 21.2 percent to $1,778.4 million in FY 2024-25 on slower consumer demand and the corresponding declines in earnings before rebounding in FY 2025-26 with 5.1 percent growth to $1,869.2 million. For the full forecast period, this is a total upward revision of $176.9 million due to continued corporate resiliency.

Sales and Use Tax: Revenue from sales and use tax in FY 2023-24 is forecast to grow slowly, by 1.2 percent, to $4,605.9 million on softening retail sales following 5.3 percent growth in FY 2022-23. Revenue growth is projected to rebound from the current trough and grow by 5.1 percent in FY 2024-25 to $4,840.6 million before accelerating by 5.7 percent in FY 2025-26 to $5,116.0 million. For the full forecast period, this is a total downward revision of $16.6 million, largely from downward revenue revisions in FY 2023-24 caused by weaker than expected statewide retail sales.

Proposition EE Tax and Other Excise Tax: Revenue from Proposition EE is projected to decline 10.2 percent in FY 2023-24 on falling cigarette tax revenue to $211.1 million before increasing over the forecast period to $231.9 million in FY 2024-25 and $231.1 million in FY 2025-26.

Other General Fund Revenue: Other General Fund revenue is estimated to grow by 11.6 percent in FY 2023-24 to $885.7 million even after elevated growth of 56.2 percent in the prior year, as interest earnings revenue reaches historically high levels. Over the forecast period, this revenue is projected to tick downward as interest earnings fall due to lower expected interest rates in FY 2024-25 and FY 2025-26 along with decreased cash balances.

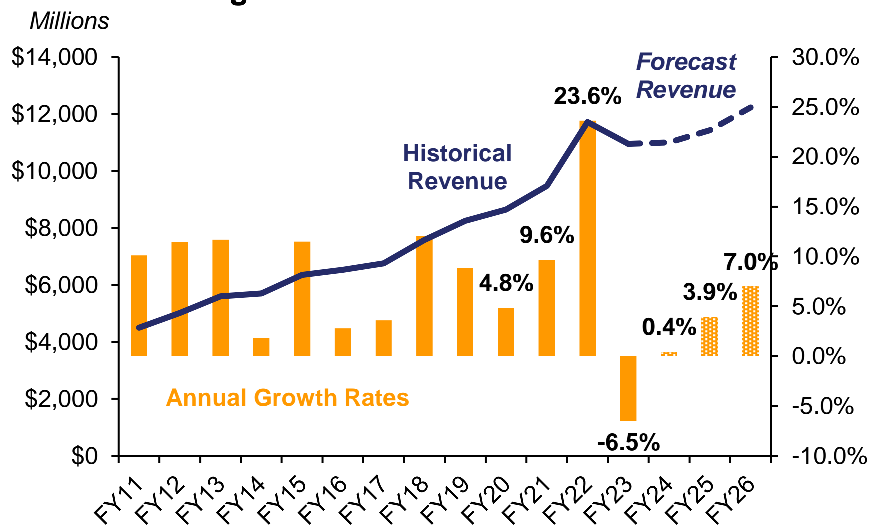
State Education Fund Revenue: Income tax revenue to the State Education Fund is projected to grow by 1.6 percent to $1,083.0 million following growth of 7.3 percent in FY 2022-23. Over the forecast period, the income tax revenue diversion to the State Education Fund is forecast to grow to $1,151.9 million by FY 2025-26.

Individual Income Tax

Overall Forecast Trends

Individual income tax revenue in FY 2022-23 decreased by 6.5 percent to $10,952.7 million ($10.95 billion) following historic 23.6 percent growth in FY 2021-22. In FY 2023-24, individual income revenue is expected to record slow growth of 0.4 percent to $11,000.1 million with positive wage growth offsetting lower business earnings for smaller firms. This is an upward revision from the December forecast of $61.5 million primarily from wage growth maintaining more elevated rates than previously expected. Withholdings revenue – paid via payroll taxes and closely related to the labor market – is anticipated to grow, but below its trend rate as aggregate Colorado wage and salary growth is forecast to decelerate to 5.1 percent in 2024 following growth from 2021 to 2023 of 9.4 percent, 9.1 percent, and 7.0 percent, respectively. Although this is a slowdown from recent highs, statewide wage growth is still projected to outpace the nation, and Colorado wage growth is upwardly revised by 0.8 percent in 2024 from the December forecast. In FY 2024-25, overall individual income revenue is forecast to increase by 3.9 percent to $11,433.3 million as aggregate wage growth slows alongside slower jobs growth but maintains resilience with small business earnings increasing from recent troughs. However, this is a downward revision of $227.0 million from the December forecast due to a weaker business and asset environment than previously expected. In FY 2025-26, accelerating growth of 7.0 percent to $12,230.5 billion is projected as the economy re-balances, which is an upward revision of $55.0 million from December primarily from base effects of higher wage growth in FY 2023-24 and FY 2024-25.

Figure 40. Individual Income Tax



Note: Dotted line and bars indicate forecast.
Source: Colorado Department of Revenue, OSPB Forecast

Figure 41. Individual Income Revenue Forecast and Revisions

Fiscal Year	Total Individual Income Revenue (in $M)	Growth	Revision from Previous Forecast (in $M)	Reasons for Revisions/Assumptions
FY 2022-23	$10,952.7	-6.5%	$0.0	No year-end revisions
FY 2023-24	$11,000.1	0.4%	$61.5	Higher wage growth than previously anticipated more than offsets weaker estimated payments
FY 2024-25	$11,433.3	3.9%	($227.0)	Estimated payments revised down on softening equities, weaker business earnings than previously anticipated more than offsets stronger wage growth expectations
FY 2025-26	$12,230.5	7.0%	$55.0	Stronger wage growth in FY 2023-24 and FY 2024-25 lifts withholdings base leading to overall upward revision

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 remain strong in response to a continually tight labor market yet are expected to slow over the forecast period as the labor market loosens. In FY 2022-23, $9,457.2 million in withholdings were recorded, reflecting 4.4 percent growth off extraordinarily high 16.4 percent growth in FY 2021-22, exhibiting a tight labor market and strong aggregate wage growth. In FY 2023-24, withholdings are expected to sustain growth at 3.1 percent and $9,752.1 million in collections, which is an upward revision of $197.4 million from the prior forecast as recorded wage growth has been above expectations. In FY 2024-25, withholdings are projected to grow by 2.9 percent to $10,032.6 million as aggregate wage growth decelerates from current rates. This is a $104.9 million upward revision from December, however, as wage growth continues to surprise to the upside and is projected to maintain greater strength than previously expected as the labor market is expected to remain tighter during that time period. Accelerated growth of 4.7 percent in withholdings is forecast in FY 2025-26, which is an upward revision of $187.4 million from December primarily due to base effects from higher withholdings in the prior two years. Over the forecast period, withholdings growth is expected to remain below the ten-year average annual rate of 7.9 percent following significant, above-average increases in FY 2020-21 and FY 2021-22.

Estimated Payments

In FY 2022-23, estimated payment receipts fell from a record level of $2,641.0 million in the prior year to $1,614.6 million, reflecting a decline of 38.9 percent, as softening equities, tightening monetary policy, and the roll-off of expansionary fiscal policy placed downward pressure on that revenue stream. In FY 2023-24, although non-wage income maintains strength, estimated payments are expected to decline year-over-year by 18.8 percent to $1,310.9 million as year-to-date revenue continues to consistently fall below previous forecast expectations. This is a downward revision of $370.6 million from the prior forecast as year-to-date collections on a cash basis through February are at their lowest level since FY 2013-14 when estimated payments ended the year at $1,068.9 million. These lower than anticipated estimated payment collections are partially made up in cash with returns once taxpayers, including small businesses, reconcile their tax liability. In FY 2024-25, estimated payments are expected to grow by 10.3 percent to $1,445.5 million in a loosening monetary policy environment, although this is a downward revision of $341.4 million largely from base effects from FY 2023-24. In FY 2025-26, estimated payments are expected to accelerate by 24.9 percent to $1,806.1 million as the economy re-balances and monetary policy turns more neutral.

Cash with Returns and Refunds

In general, OSPB assumes cash with returns and refunds largely offset each other, meaning that filers in aggregate cover expected tax obligations through withholdings and estimated payments. Cash with returns ended FY 2022-23 at $2,109.4 million, reflecting strong 32.6 percent growth year-over-year. This significant growth is primarily recorded from proprietor profits coming in above their expectations from last year. In FY 2023-24, cash with returns are forecast to fall by 15.6 percent, reflecting an upward revision of $193.9 million to $1,781.1 million, which partially offsets the downward revision in estimated payments that fiscal year. In FY 2024-25, cash with returns are revised up by $78.8 million to $1,815.9 million, reflecting 2.0 percent year-over-year growth. Flat growth of 0.6 percent is projected in FY 2025-26 to $1,826.5 million, as more growth in estimated payments is projected that fiscal year. This is an upward revision of $75.0 million from the December forecast.

Policy Adjustments and Dedicated Revenue via Ballot Initiatives

In the 2023 regular legislative session, there were a variety of bills passed and signed into law with revenue impacts on individual income tax. As of this forecast, no bills have passed and been signed into law in the 2024 regular legislative session that impact individual income tax revenue. The range of income tax credit bills passed in the 2023 legislative session 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, and continuing in the out years. 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 remainder 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, with continuing impacts in the outyears. These reductions are the result of a range of tax credits to encourage purchasing electric or hybrid vehicles, utilize geothermal energy, purchase e-bikes, and additional tax credit programs. 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. Various other bills with smaller impacts include 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 regular legislative session, the 2022 November election also had impacts on income tax revenue via passage of Proposition FF, Proposition 123, and Proposition 121. Proposition FF Healthy School Meals for All increased taxes on households with more than $300,000 in income, which increased FY 2022-23 individual income revenue by an estimated $42.7 million and is projected to increase FY 2023-24 revenue by $113.3 million, FY 2024-25 revenue by a projected $116.2 million, and FY 2025-26 by $121.3 million. These are upward revisions in FY 2023-24 and FY 2024-25 from the December forecast of $9.1 million and $5.7 million, respectively, along with a downward revision of $8.1 million in FY 2025-26. This revenue is dedicated to the Healthy School Meals for All Program within the Colorado Department of Education, which provides free school meals to all public school students. Additionally, Proposition 123 Dedicate Revenue for Affordable Housing Programs affects retained General Fund revenue, with $160.0 million diverted to affordable housing programs in FY 2022-23 and an estimated $318.2 million projected to be diverted in FY 2023-24, $317.1 million in FY 2024-25, and $338.4 million in FY 2025-26 from the General Fund to affordable housing programs. This reflects an upward revision of $6.8 million in FY 2023-24, a downward revision of $5.6 million in FY 2024-25, and an upward revision of $0.4 million in FY 2025-26. Proposition 121 State Income Tax Rate Reduction passed in that election, as well, which reduced the income tax rate from 4.55 percent to 4.4 percent, thus reducing income tax revenue remitted to the State.

There are also three federal bills within recent years driving policy adjustments. First, the IRA, signed into law in 2022, has a minimal, positive impact on revenue, mostly as a result of increased IRS audit enforcement. Second, the IIJA, enacted in late 2021, also has a minimal impact through the forecast period. The Federal December 2022 omnibus appropriations 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.

Finally, the federal Tax Cuts and Jobs Act (TCJA), which was enacted in 2017, will sunset in 2025 and result in an estimated decrease in income tax revenue of $67 million beginning in FY 2025-26. The reduction in revenue is largely due to the roll-off of repealing certain personal exemptions more than offsetting the reduced standard deduction. This expected policy adjustment will continue to be monitored and analyzed over the forecast period.

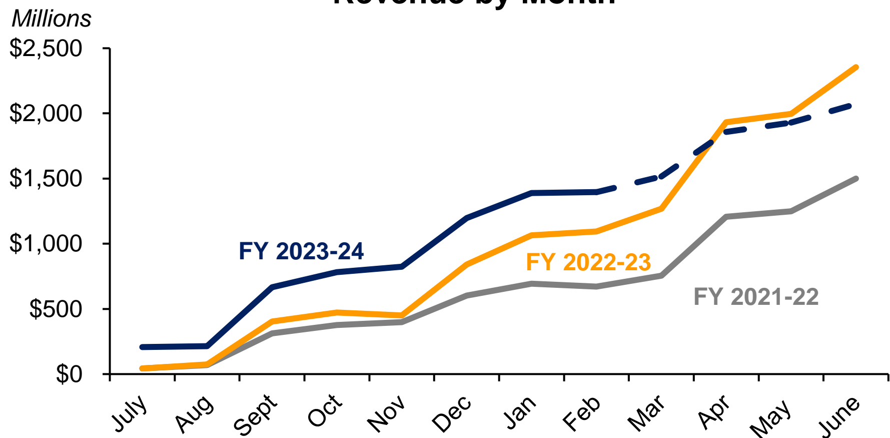
Corporate Income Tax

Corporate income tax revenue grew by 50.9 percent to a record $2,366.7 million ($2.37 billion) in FY 2022-23, surpassing the record set in FY 2021-22 of $1,568.6 million. The continued growth in corporate income tax revenue is largely due to U.S. corporate profits remaining at elevated levels above $3 trillion throughout 2022 and 2023, with elevated profits also being recorded at the state level. OSPB also expects that changes related to pass-through entity rules are likely resulting in a portion of revenue previously allocated as individual income revenue now being classified as corporate income revenue. In FY 2023-24, corporate income tax revenue is expected to drop by 4.6 percent to $2,257.1 million, however, this is a sizable revision up of $218.9 million from the December forecast following year-to-date collections continuing to outpace collections from FY 2022-23. In FY 2024-25 corporate income revenue is forecast to fall by 21.2 percent to $1,778.4 million, reflecting a downward revision of $5.4 million from December. Corporate income tax revenue is forecast to grow by 5.1 percent to $1,869.2 million in FY 2025-26, reflecting a $36.6 million downward revision from the December forecast.

Thus far in FY 2023-24, corporate income tax revenue collections have outpaced collections from last fiscal year on a monthly cash basis. Through February, collections in the current fiscal year are $1,395.5 million compared to $1,094.4 million through the same period last fiscal year. However, revenue is projected to decline year-over-year primarily due to lower April expectations. April is generally the highest month of collections for corporate income tax revenue as that is when tax returns are due. In April 2023, a monthly record $662.4 million was remitted in corporate income tax revenue as taxpayers had underestimated their tax liability over the course of Tax Year 2022, but this April, revenue expectations are approximately half that amount as taxpayers have likely estimated their tax liability better over the course of the past year. This is likely indicated through the higher monthly payments year-to-date in this fiscal year. Revenue expectations this year for the month of April are more closely aligned with April 2022 collections, which were $453.2 million. Figure 42 illustrates monthly collections over the past three years and the expectations over the final four months of FY 2023-24.

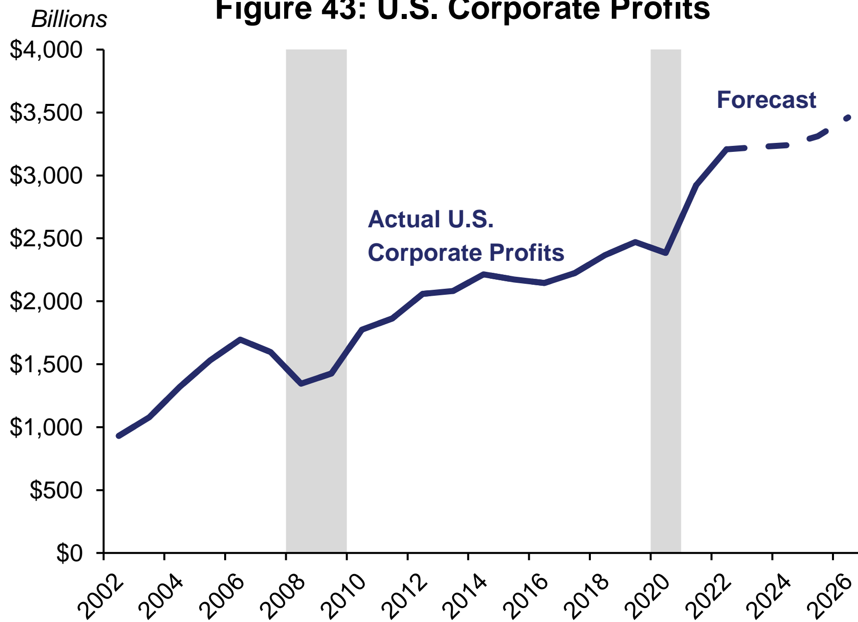
When developing expectations on future corporate income tax revenue, an important explanatory variable is corporate profits before taxes, accounting for inventory and capital adjustments. During 2021 and 2022, expansionary fiscal and monetary policy helped promote a healthy business environment with high profits, resulting in U.S. corporate profits before taxes growing by 22.6 percent and 9.8 percent respectively in those years to record levels. With surprising strength in the economy over 2023, corporate profits continued to grow slowly by a projected 0.5 percent to a new record annual level of $3.2 trillion. This is an upward revision from the December forecast, which projected growth of 0.1 percent in 2023, as strong consumer demand has offset rising investment costs and led to still growing corporate profits. In 2024, corporate profits are forecast to grow again by 0.5 percent, as businesses navigate a restrictive monetary environment and slowing consumer spending growth. Corporate profits are projected to grow at a quicker pace in 2025 alongside loosening monetary policy allowing for 2.2 percent growth and new record levels at $3.3 trillion. This is a downward revision from December, however, which projected 5.7 percent growth in corporate profits, as a weaker labor

Figure 42. Cumulative Corporate Income Tax Revenue by Month



Note: Revenue displayed on a monthly cash basis, excluding year-end accounting accruals and adjustments. Dotted line indicates forecast.

Figure 43: U.S. Corporate Profits



Note: Shaded area denotes recession. Dotted line indicates forecast.
Source: Bureau of Economic Analysis, OSPB Forecast

market is now expected in 2025 relative to the last forecast publication. Corporate profits growth is expected to accelerate to 4.5 percent in 2026 within a rebalanced economic environment.

Outside of economic assumptions, there are also policy impacts from the most recent regular legislative session, as well as prior impacts from previous legislative sessions which impact corporate income tax revenue. In the most recent legislative 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.

There are two federal bills also driving policy adjustments. First, the IRA 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. Second, the Infrastructure Investment and Jobs Act also has a minimal impact through the forecast period. Finally, the sunsetting of the federal TCJA, which is set to end in 2025, is not expected to have a material impact on the corporate income revenue forecast.

Sales and Use Taxes

Sales Tax

Sales tax revenue for FY 2022-23 recorded 5.2 percent growth reaching $4,301.6 million, following 19.6 percent growth in FY 2021-22. In earlier forecasts, OSPB anticipated a retail slowdown for Colorado in the latter half of the calendar year 2023, but the fourth quarter of 2023 experienced marginally worse than expected sales, with a year-over-year retail growth rate of -1.5 percent. Specifically, sales collections slightly fell short of expectations, with December and January recording year-over-year growth rates of 1.0 percent and -0.1 percent, respectively. However, OSPB forecasts that the retail slowdown phase in Colorado is beginning to dissipate as calendar year 2024 begins. Therefore, as FY 2023-24 concludes, Colorado retail is anticipated to rebound from the negative growth observed over the past 6 months, moving towards a trajectory of positive retail spending in the state for FY 2024-25. For FY 2023-24, sales tax growth of 1.6 percent is projected, reflecting a downward growth revision of 0.3 percent relative to the

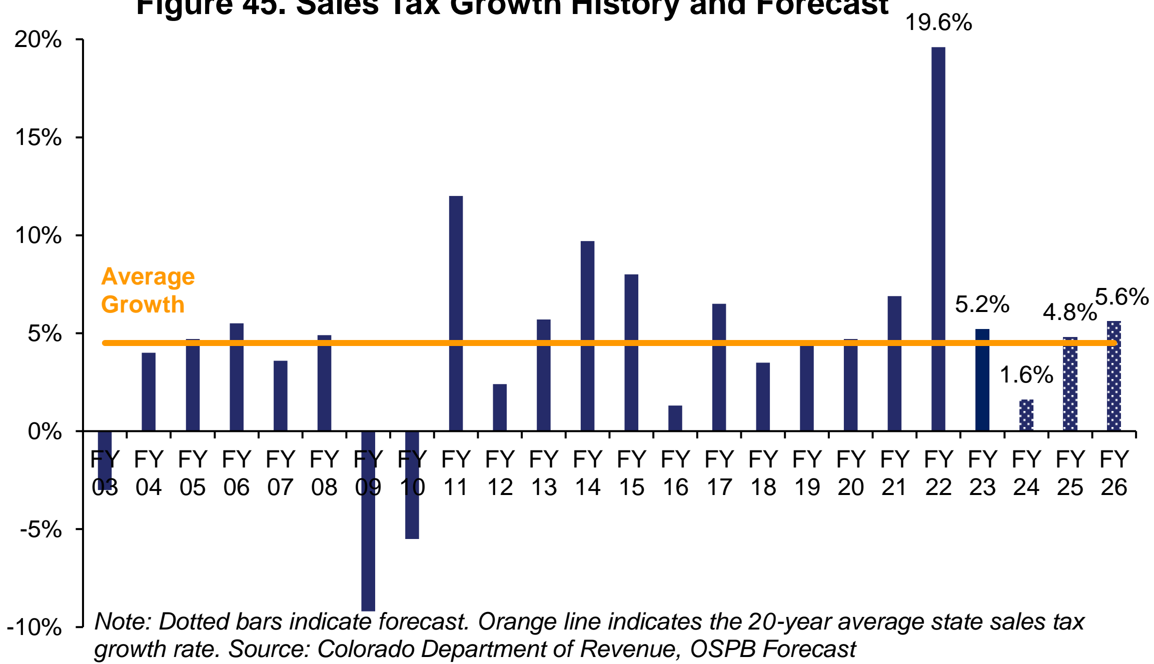
December forecast, which is a $14.8 million downward revision. The primary reason for this revision is the low sales tax revenue collection from November 2023 through January 2024. Sales revenue collections for February 2024 registered growth of 1.9 percent, aligned with expectations of a slow retail recovery in the state.

Colorado retail is expected to grow at a faster pace towards the second half of calendar year 2024, outpacing national retail growth. Hence, due to expectations of a strong retail environment in the state towards the beginning of FY 2024-25, there is a 0.3 percent upward revision for FY 2024-25 to 4.8 percent and $4,583.7 million in collections. However, sales tax revenue in FY 2024-25 is revised down by $2.6 million due to lower base effects from FY 2023-24. In calendar year 2025, retail growth is anticipated to return to historical growth levels within the state, with a parallel trend expected for sales tax revenue collections. Given that these expectations align with the December forecast, there is only a 0.1 percent upward revision for sales revenue growth for FY 2025-26 to 5.6 percent and $4,842.2 million in collections.

Figure 44. Sales and Use Tax Revenue Forecast

Fiscal Year	Sales Revenue (millions)	Growth	Use Revenue (millions)	Growth	Total Revenue (millions)	Growth
FY 2022-23	$4,301.6	5.2%	$251.2	8.0%	$4,552.8	5.3%
FY 2023-24	$4,372.3	1.6%	$233.6	-7.0%	$4,605.9	1.2%
FY 2024-25	$4,583.7	4.8%	$256.8	10.0%	$4,840.6	5.1%
FY 2025-26	$4,842.2	5.6%	$273.8	6.6%	$5,116.0	5.7%

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 increase of $15.0 million in FY 2023-24, and a decrease of $2.9 million in FY 2024-25. In the 2023 legislative session, two bills were passed and enacted into law that will have an impact on sales and use tax revenue. The most significant fiscal impact of the two bills comes from HB23-140, 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.



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 (HDGF) for affordable housing initiatives. While the fiscal note for the bill initially projected new net revenue of $49.4 million in FY 2021-22, the actual collection exceeded expectations. This was attributed to subsequent legislation (HB21-1312) and stronger-than-anticipated sales tax collections, including vendor fee collections. Consequently, a total of $66.1 million in revenue, stemming from these changes, was collected and directed to the Housing Development Grant Cash Fund during that fiscal year. Vendor fee revenue dedicated to affordable housing came in at $71.0 million in FY 2022-23. Vendor fees projections are $71.2 million for FY 2023-24, $75.4 million for FY 2024-25, and $79.6 million for FY 2025-26. While these forecasted collections are based on current law and thus reflected throughout the revenue projection tables, note that Tables 4B and 4C remove $35 million of this transfer in FY 2024-25 and beyond in order to reflect the Governor's Budget. Specifically, the budget request had reallocated a portion of the HDGF into a tax credit, aiming to increase investments in housing and simultaneously broaden the scope of the state Affordable Housing Tax Credit.

Figure 46. Vendor Fee Revenue Forecast

	FY 2022-23	FY 2023-24 Forecast	FY 2024-25 Forecast	FY 2025-26 Forecast
Vendor Fee Revenue (millions)	**$71.0**	**$71.2**	**$75.4**	**$79.6**
Change	**7.4%**	**1.4%**	**4.7%**	**5.7%**

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 was 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 was $251.2 million in FY 2022-23, which translated into 8.0 percent growth from the previous fiscal year. In FY 2023-24, revenue is expected to fall by 7.0 percent to $233.6 million, which is a downward revision of 0.5 million from the previous forecast. The downward revision is mainly driven by lower collections reported in January and February. During this period, year-over-year growth for each month recorded declines of 15.1 percent and 3.8 percent, respectively. Similar to sales tax revenue, OSPB anticipates that use tax revenue will begin to experience positive growth towards the end of FY 2023-24. Overall, the negative year-over-year growth in FY 2023-24 is partly attributed to the deceleration in residential construction activity, which makes up a larger portion of the use tax base relative to the sales tax base. Following this subdued growth period, OSPB projects that increased investment and heightened construction activity will drive a revenue upswing, anticipated to start in the first half of FY 2024-25 and extend though FY 2025-26. OSPB forecasts use tax revenue collections to rise to $256.8 million in FY 2024-25, reflecting 10.0 percent growth. This growth rate surpasses historical averages, attributed to the recovery of use tax revenue from a significant downturn in the preceding year. Finally, revenue collections for FY 2025-26 are expected to be $273.8 million, which is 6.6 percent growth – closer to historical growth levels. 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 declined by 15.0 percent to $219.9 million in FY 2022-23 and is expected to drop further in FY 2023-24 to $205.7 million, followed by an expected rebound to $233.1 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

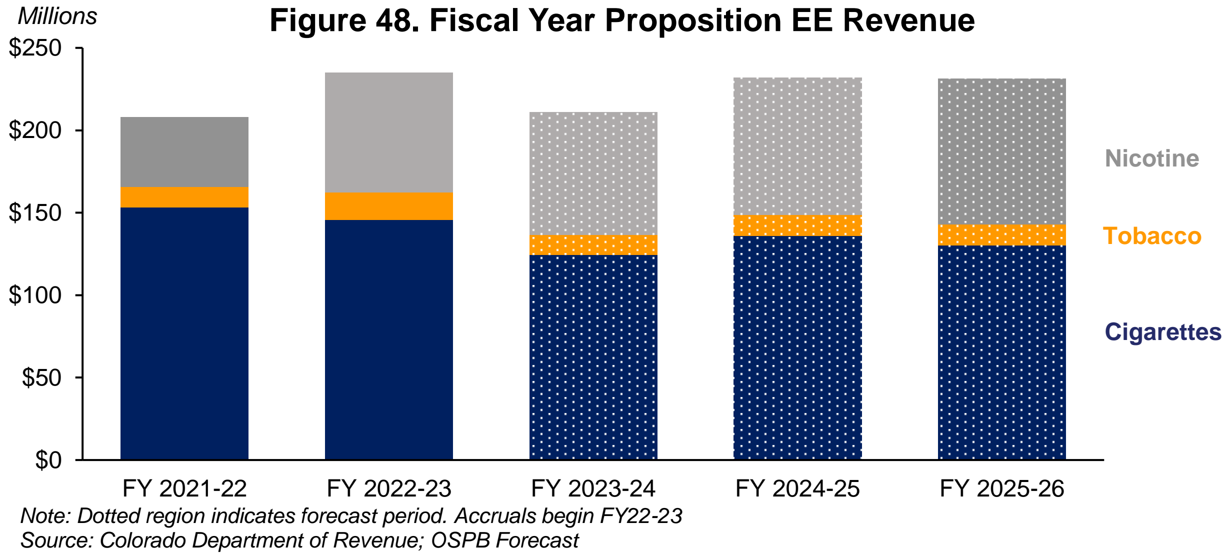
Proposition EE, approved in 2020 and effective in 2021, imposes additional taxes on cigarettes and tobacco products and charges a new tax on other nicotine products such as e-cigarettes. Through FY 2022-23, revenue from the Proposition EE-imposed taxes was largely transferred to the State Education Fund. In FY 2023-24, revenue is transferred almost entirely into the Preschool Programs Cash Fund, aside from relatively small transfers of $11.0 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 – the 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 required that the General Assembly refer a ballot measure to retain the excess revenue. In the 2023 legislative session, the General Assembly passed HB23-1290[19] to refer Proposition II[20] 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. On December 4th the Secretary of State certified the Election and Proposition II was approved by voters[21], and thus the tax schedule remains as shown in Figure 47 below.

Figure 47: Proposition EE Tax Rates

	2021	2022	2023	January 2024-June 2024	July 2024 - June 2027	July 2027 Onward
Cigarettes (Per Pack)	1.94	1.94	1.94	1.94	2.24	2.64
Tobacco	50%	50%	50%	50%	56%	62%
Nicotine	30%	35%	50%	50%	56%	62%

The March forecast has been revised up by $5.5 million to $211.1 million in FY 2023-24, down by $6.1 million to $231.9 million in FY 2024-25, and down by $9.8 million to $231.1 million in FY 2025-26. As shown in Figure 47, taxes on all three types of products will increase on July 1, 2024 and again to its maximum rate on July 1, 2027. As noted above, the bulk of these taxes are for the purposes of the implementation of universal preschool and will be deposited primarily in the Preschool Programs Cash Fund in FY 2023-24 and ongoing. The specific distributions are summarized below in Figure 49.

[19] More information about *HB23-1290, Proposition EE Funding Retention Rate Reduction* can be found at: https://leg.colorado.gov/bills/HB23-1290
[20] More information about the Blue Book Final Draft Packet for *Proposition II* can be found at: https://leg.colorado.gov/ballots/retain-nicotine-tax-revenue-excess-blue-book-estimate
[21] More information about the 2023 Coordinate Election can be found at: https://www.coloradosos.gov/pubs/newsRoom/pressReleases/2023/PR20231204ElectionCertification.html



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

Figure 49. Proposition EE Revenue
($millions)

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Total	**$208.0**	**$235.0**	**$211.1**	**$231.9**	**$231.1**
Other Transfers	$206.6	$233.6	$15.0	$35.0	$35.0
Preschool Programs Cash Fund	$1.4	$1.4	$196.1	$196.9	$196.1

The bulk of Proposition EE revenue (65.0 percent in FY 2022-23) currently comes from taxes on cigarettes, for which the long-term consumption trends are negative. Cigarette sales dropped from FY 2021-22 to FY 2022-23 and are expected to decline again in FY 2023-24. The percentage of revenue coming from cigarette taxes will average 61.0 percent during the forecast period and the percentage stemming from nicotine will increase considerably over the forecast period to match the drop from cigarettes. Nicotine consumption is estimated to increase over time, but OSPB estimates a drop in revenue in FY 2023-24, an increase in FY 2024-25, and a slight increase in FY 2025-26 for two reasons:

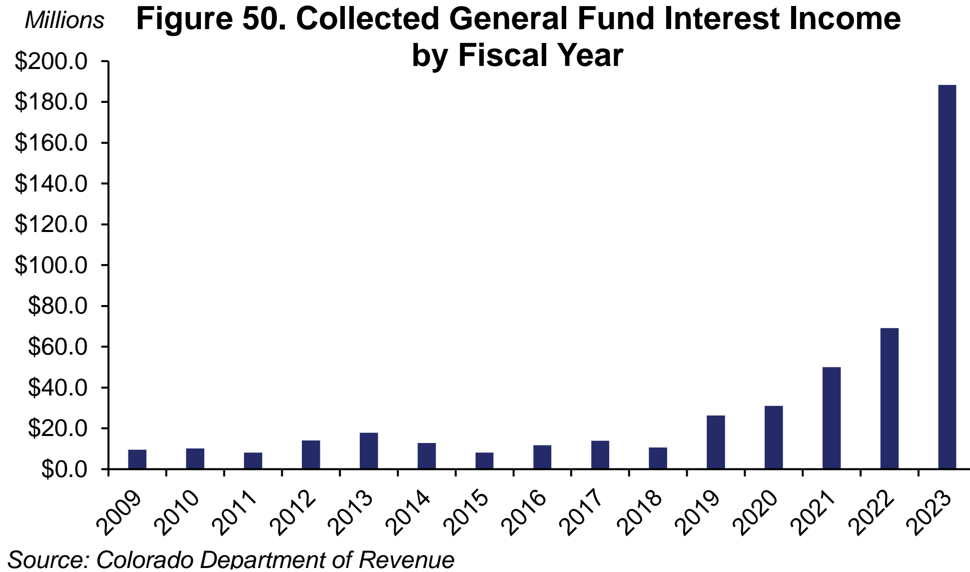
- The timing of the tax rate increase in calendar year 2024 being on July 1, rather than January 1 like other years, means that FY 2023-24 will be the first fiscal year of Proposition EE revenue without an increase during the fiscal year. This means year-over-year growth from FY 2023-2024 to FY 2024-25 is pronounced compared to other fiscal years and is primarily driven by the increased tax rates.
- Cigarette consumption continues to fall and electronic cigarette (nicotine) consumption continues to climb amongst all age groups[22]. This trend is particularly strong amongst the 18-34 age demographic, which from 2019 to 2023 saw cigarette consumption drop from 13.8 percent to 7.5 percent and electronic cigarette (nicotine) consumption increase from 8.1 percent to 12.1 percent.

[22] National Center for Health Statistics, National Health Interview Survey. wwwn.cdc.gov/NHISDataQueryTool/ER_Biannual/index_biannual.html

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. Revenue for liquor is forecast to grow by 2.3 percent in FY 2023-24 to $57.6 million, by 3.2 percent to $59.4 million in FY 2024-25, and by 2.9 percent to $61.2 million in FY 2025-26. Tobacco revenue is forecast to drop 7.9 percent to $21.8 million in FY 2023-24, grow by 5.2 percent to $23.0 million in FY 2024-25, and fall by 1.5 percent to $22.6 million in FY 2025-26. Cigarette revenue is forecast to decline 7.0 percent to $22.3 million in FY 2023-24, by 5.6 percent to $21.0 million in FY 2024-25, and by 4.2 percent to $20.1 million in FY 2025-26. Compared to the December forecast, downward revisions to tobacco excise taxes total $7.9 million across the three forecast fiscal years, while cigarette excise taxes were revised up $0.2 million each forecasted fiscal year.

Other General Fund Revenue

Other General Fund revenue includes insurance premium tax revenue, interest and investment income, and court receipts. Other General Fund Revenue increased by a substantial 56.2 percent in FY 2022-23 to $793.3 million, as insurance premium tax revenue and interest income grew by 32.4 percent and 172.2 percent, respectively. General Fund interest earnings in FY 2022-23 were higher than all the interest revenue collected from FY 2008-09 to FY 2019-20 combined, driving the significant overall Other General Fund revenue increase as seen below in Figure 50. In FY 2023-24, Other General Fund revenue is expected to increase by 11.6 percent to $885.7 million total as insurance premiums increase and changes to insurance tax policy are fully integrated, interest income continues its strong growth, while the category of other income applies some downward pressure to trend after a one-time jump. For FY 2023-24 and FY 2024-25, projections are revised up by $92.0 million and $104.4 million respectively.



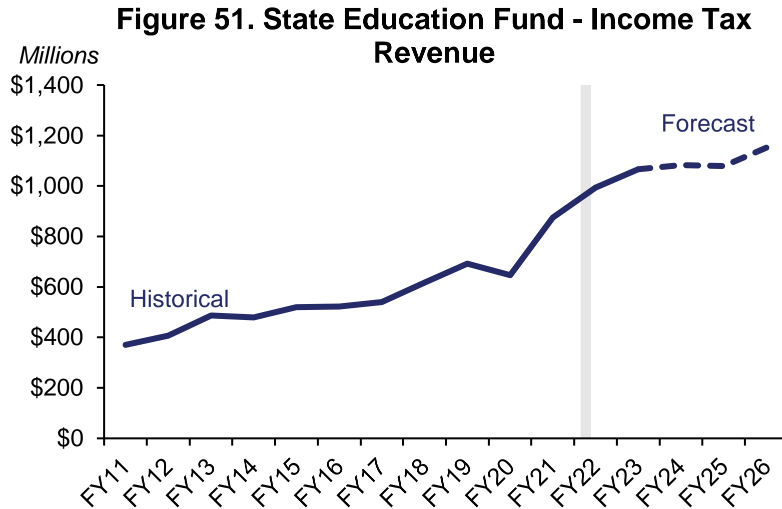
Interest income is forecast to increase by 30.5 percent to $246.0 million in FY 2023-24. On average, General Fund investment income earned interest at 1.13 percent in FY 2021-22. Comparatively, General Fund investment income earned an average interest rate of 2.79 percent in FY 2022-23, and in the first few months of this fiscal year surpassed 3.6 percent. Currently, interest revenue received through the first seven periods of FY 2023-24 is 62.2 percent higher than the revenue received during the same period in the previous fiscal year. Additionally, interest rates are likely to remain stable and elevated through the end of the fiscal year which, alongside significant amounts of TABOR refunds and reserves accruing interest income, applies upward pressure on Other General Fund revenue in FY 2023-24. During FY 2024-25, interest income is revised up by $31.6 million, though it is expected to decrease 26.4 percent year-over-year to $181.0 million due to the lower cash balances relative to prior years and projected Federal Funds rate cuts. OSPB expects FY 2024-25 to be a similar interest rate environment as FY 2022-23 on average, leading to similar revenue in that fiscal year. Additionally, OSPB anticipates this downward trend to continue into FY 2025-26 with a 28.9 percent decrease to $128.8 million in interest income due to falling interest rates as monetary policy is expected to ease.

During FY 2022-23, insurance revenue grew by 32.4 percent from the prior year to $516.7 million, strengthening its pace during the second half of the fiscal year. One driver of this revenue growth is HB21-1312, which reduced the size of the annuities exemption and the regional home office rate reduction. The March forecast for insurance revenue in the current fiscal year has been revised up by $48.8 million from the December forecast due to signs of strength from early collections and rising insurance premiums. As discussed in the Property Values economic section earlier in this publication, Colorado has some of the highest homeowners insurance costs in the nation and has been experiencing larger than expected year-over-year growth in insurance costs. In FY 2023-24, revenue is projected to grow by 13.0 percent to $584.0 million before it begins to normalize to 7.3 percent growth and $626.4 million in collections in FY 2024-25.

State Education Fund

Revenue to the State Education Fund (SEF) from income taxes reached $1,066.4 million (or $1.07 billion) in FY 2022-23, reflecting 7.3 percent growth and an additional $72.9 million from the $993.5 million in revenue collected in FY 2021-22. In FY 2023-24, income tax revenue to the SEF is expected to increase by $16.6 million, or 1.6 percent, to $1,083.0 million as individual income tax revenue is now projected to increase year-over-year, offsetting falling corporate income tax revenue. This is an upward revision from the December forecast of $22.9 million largely due to upward revisions in cash with returns for both individual and corporate income revenue. In FY 2024-25, revenue is forecast to decline by 0.3 percent and $3.7 million to $1,079.3 million as falling corporate income tax revenue more than offsets growing individual income revenue. This is a downward revision of $19.0 million from the December forecast. Finally, in FY 2025-26, growth is forecast to accelerate by 6.7 percent, leading to SEF revenue of $1,151.9 million and a small upward revision of $1.5 million from the December forecast.

Figure 51. State Education Fund - Income Tax Revenue



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.

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. Note that in this section, all forecasts reported here do not include adjustments based on the Governor's Budget proposals that create General Fund balancing measures. Those adjustments are handled separately and discussed further in the Budget section that follows. In the previous forecast, Governor's budget requests were incorporated into reporting in this section, but in order to have like comparisons, this forecast takes December forecast figures prior to those adjustments.

After strong 19.0 percent growth in FY 2021-22, cash funds returned to a more tempered 3.4 percent growth in FY 2022-23. Total cash fund revenue in the recently completed fiscal year totaled $2,757.1 million. Forecast revenue for FY 2023-24 is revised up by $35.1 million, largely due to upward revisions in other miscellaneous cash funds and transportation-related cash fund revenue. The end result is a 0.3 percent increase in cash funds subject to TABOR. Expectations were also revised up for FY 2024-25 by $31.0 million from the prior forecast largely driven by transportation and miscellaneous cash funds. However, FY 2024-25 is expected to rebound to 5.1 percent growth of revenue after a year in declining revenue in FY 2023-24. Revenue is projected to further stabilize and grow 3.2 percent in FY 2025-26.

<u>**Overview of Cash Funds**</u>

Transportation: Transportation revenue is expected to have strong growth in FY 2023-24, as OSPB forecasts 11.4 percent increase from the previous year, driven by motor and special fuel taxes and increasing Road Usage Fees. In FY 2024-25, revenue growth is revised up to 5.7 percent, due to upward revisions to the Road Safety Surcharge and quicker growth of Road Usage Fees.

Limited Gaming: Limited gaming had a strong year in FY 2022-23 with 5.2 percent growth from the previous fiscal year, due to record numbers of adjusted gross proceeds (AGP). However, AGP is expected to return to more normal trends applying downward pressure on gaming revenue in the long term.

Severance: Severance tax revenue collections broke the all-time state annual collection record in FY 2022-23 at $374.7 million as oil and gas prices maintained above-average levels in the first half of that fiscal year. In FY 2023-24, revenue is projected to decline by 39.6 percent to $226.3 million even with similar forecast oil prices as FY 2022-23 due to higher taxpayer usage of ad valorem credit claims and lower natural gas prices dragging on revenue collections. In FY 2024-

25, collections are estimated to increase by 13.0 percent to $255.8 million despite lower oil price expectations compared to FY 2023-24, as there is less of a projected revenue drag from ad valorem credit claims. In FY 2025-26, revenue is forecast to drop by 3.0 percent to $248.1 million. Throughout the forecast period, revenue is forecast to remain above the long-term average.

Other Cash Funds Subject to TABOR: The March 2024 OSPB Forecast for Other Miscellaneous Cash Funds is revised up across all three fiscal years, largely a result of greater expected interest earnings. The influence of interest income growth is concentrated to the Top 25 funds of the Miscellaneous Cash Fund portfolio, namely the Colorado Water Conservation Board Construction Fund and Housing Development Grant Fund. Overall, revenue collections for miscellaneous cash funds are forecasted to increase by 1.9 percent to $895.1 million in FY 2023-24, with moderate growth of 1.6 percent in FY 2024-25 to $909.1 million and 2.8 percent in FY 2025-26 to $934.8 million.

Notable Cash Funds Not Subject to TABOR: OSPB continues to revise marijuana revenue forecasts down due to stable prices and lower sales volume, though moderate growth is expected to re-emerge in FY 2024-25. Federal Mineral Lease (FML) revenue is expected to decrease 39.1 percent to $105.7 million in FY 2023-24 due to lower natural gas prices, before growing 4.7 percent in FY 2024-25 to $110.6 million and stabilizing at those levels. Sports betting tax revenue in the coming fiscal years will be driven by rising wagers, hold percentage, and effective tax rate, all of which OSPB expects to continue their rapid growth before stabilizing sports betting revenue in the outyears.

Transportation

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a handful of other cash funds. These transportation-related cash funds were substantially impacted by the pandemic as well as legislation such as SB21-260, Sustainability of the Transportation System. After these considerable changes' effects on these cash funds, transportation-related revenue is beginning to return to, and even grow beyond, its prior peaks. After sizeable 9.6 percent growth was observed in FY 2022-23, OSPB forecasts that FY 2023-24 will exceed this prior-year growth with 11.4 percent growth anticipated and $1,411.3 million in revenue. OSPB expects a slower and flatter growth rate in the out-years with 5.7 percent in FY 2024-25 and 4.7 percent growth forecast in FY 2025-26. The full breakdown of OSPB's forecast for transportation-related cash funds can be seen in Figure 52 below.

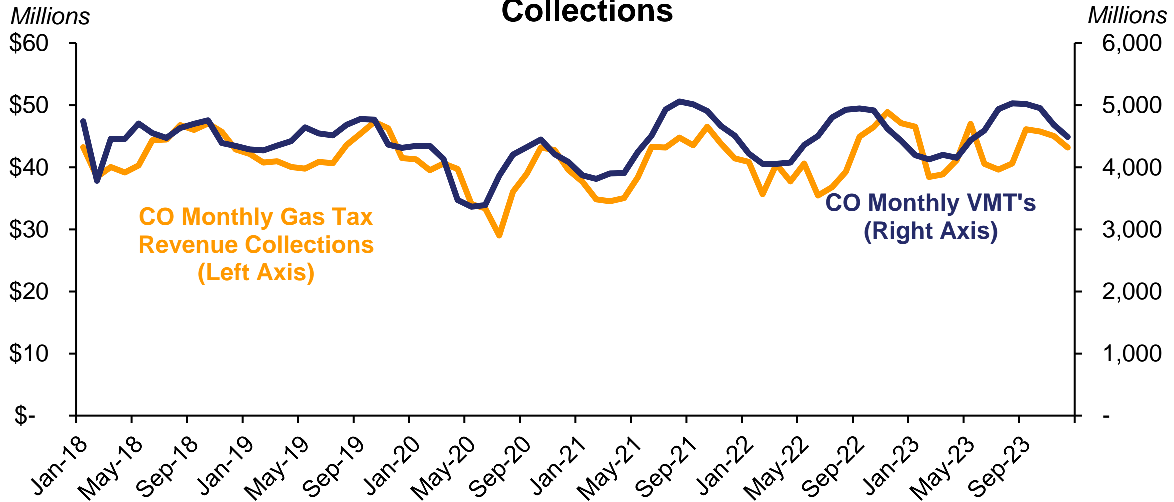
Figure 52. Detailed Transportation Cash Fund Forecast
($millions)

	Actual FY 22-23	Forecast FY 23-24	Forecast FY 24-25	Forecast FY 25-26
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	$652.3	$669.1	$674.1	$686.7
Percent Change	*4.4%*	*2.6%*	*0.7%*	*1.9%*
Road Usage Fees	$12.7	$89.4	$125.7	$162.3
Percent Change	*N/A*	*603.9%*	*40.6%*	*29.1%*
Total Registrations	**$328.6**	**$374.7**	**$410.8**	**$424.9**
Percent Change	***-13.9%***	***14.0%***	***9.6%***	***3.4%***
Registrations	$219.9	$231.7	$234.3	$244.3
Road Safety Surcharge	$72.4	$102.1	$135.1	$138.0
Late Registration Fees	$36.3	$40.9	$41.3	$42.6
Other HUTF	$72.4	$75.4	$77.9	$81.1
Percent Change	*15.3%*	*4.0%*	*3.3%*	*4.1%*
Total HUTF	**$1,066.0**	**$1,208.6**	**$1,288.5**	**$1,355.0**
Percent Change	***-0.3%***	***13.4%***	***6.6%***	***5.2%***
Non-HUTF				
State Highway Fund	$27.5	$27.7	$25.5	$24.8
Percent Change	*-8.1%*	*0.7%*	*-8.1%*	*-2.7%*
Other Transportation Funds	$173.3	$175.0	$178.3	$182.5
Percent Change	*71.0%*	*1.0%*	*1.9%*	*2.3%*
Total Transportation Revenue				
Total Transportation	**$1,266.7**	**$1,411.3**	**$1,492.3**	**$1,562.3**
Percent Change	***9.6%***	***11.4%***	***5.7%***	***4.7%***

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 is comprised of both gas and special fuel tax revenue. Motor and

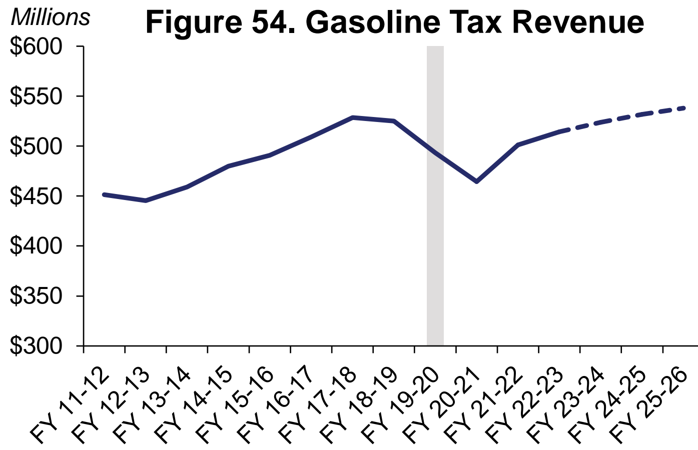
Special Fuel Taxes reached its highest level in FY 2017-18, with $655.8 million in total revenue driven by a record $528.4 million collected in gasoline taxes that year. This peak has yet to be exceeded, largely due to the decline in travel due to the pandemic, as well as decreased commuting. However, OSPB forecasts Colorado will finally exceed the record set in FY 2017-18, with the main driver being exceptional growth in special fuel (diesel) tax revenue. Special fuel (diesel) tax revenue is expected to continue its upward trajectory, receiving pressure from commercial motor vehicles, farm equipment, and other vehicles consuming diesel fuel and such growth drove the majority of the revision upward from OSPB's prior forecast.

Figure 53. CO Vehicle Miles Traveled (VMT) vs Monthly Gas Tax Collections

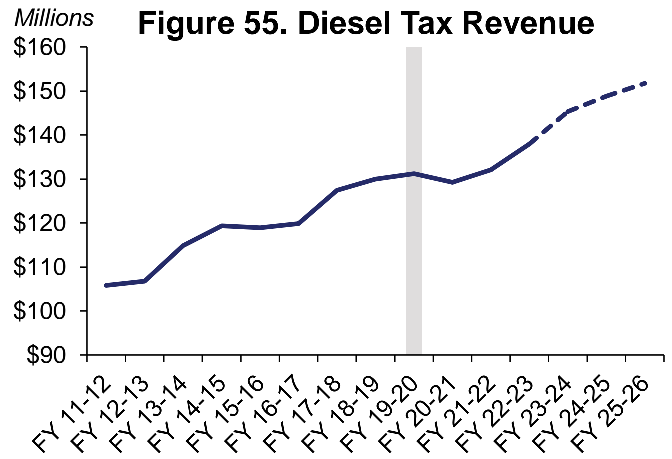


**Totals are calculations of three month averages*
Source: CO Department of Revenue and the U.S. Depatement of Transportation: Federal Highway Administration

Meanwhile, OSPB expects gasoline revenue to grow slowly off of current trends during the forecast period, as seen in Figure 53. Vehicle Miles Traveled (VMT) data suggests Colorado has lower growth in VMTs relative to the national average and when compared to VMT levels prior to the pandemic. It is important to monitor VMT's with increasing adoption of Electric Vehicles and improving mileage for newer vehicles.



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

The other major piece of the Highway Users Tax Fund is Registration revenue. Within the past few years, vehicle sales have been turbulent with a record year in 2022 followed by a slight drop off in 2023 in the face of high interest rates. Since then, the market has returned to a steadier state, as indicated by received registration revenue in the current fiscal year. Through period 7 in FY 2021-22, the HUTF collected $234.7 million, whereas through the same period in FY 2022-23 the HUTF collected only $193.8 million. FY 2023-24 is growing slightly from the previous fiscal year as collections are 4.0 percent higher through the first seven periods of collections.

It is also worth mentioning that Late Registration Fees have surprised to the upside as people may be finally returning to registering their vehicle after missing years due to the pandemic. This is likely in part due to HB22-1254, Vehicle Taxes and Fees Late Registration, which requires individuals to pay taxes and fees in arrears as well as new late fees imposed on temporary registrations. Lastly, as of January of 2024, the Road Safety Surcharge has finally been fully restored to the full fee as the HUTF returns to full strength after legislative limitations on the fund. OSPB expects the Road Safety Surcharge to return to the full strength shown prior to the reduction and the pandemic within the forecast period. From FY 2016-17 to FY 2020-21 the average for collections the Road Safety Surcharge was $133.5 million. OSPB expects the restored Road Safety Surcharge will follow a similar trend and return to pre-pandemic peaks before growing beyond those previous levels. OSPB forecasts $135.1 million for the Road Safety Surcharge Collections for FY 2024-25. These anticipated growth trends are expected to be similar to those of revenue collections as a whole, to return to pre-pandemic averages.

Figure 56. HUTF Distributions, Annual Forecast
($millions)

	Actual FY 22-23	Forecast FY 23-24	Forecast FY 24-25	Forecast FY 25-26
First Stream				
Off-the-Top Deductions	$165.8	$181.2	$191.3	$191.3
CDOT - State Highway Fund (65%)	$185.6	$193.5	$177.1	$191.2
Counties (26%)	$74.2	$77.4	$70.8	$76.5
Cities (9%)	$25.7	$26.8	$24.5	$26.5
Total First Stream	**$451.3**	**$478.9**	**$463.7**	**$485.5**
Second Stream				
CDOT - State Highway Fund (60%)	$368.8	$437.8	$494.8	$521.7
Counties (22%)	$135.2	$160.5	$181.4	$191.3
Cities (18%)	$110.6	$131.4	$148.5	$156.5
Total Second Stream	**$614.7**	**$729.7**	**$824.7**	**$869.5**
Total HUTF Distributions				
Total HUTF	**$1,066.0**	**$1,208.6**	**$1,288.5**	**$1,355.0**

Other transportation-related funds include the State Highway Fund (SHF) and other miscellaneous revenue, which makes 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. Interest has been providing an upward boost to cash funds and General Fund alike in the high interest rate environment, but even with additional upward pressure, the other miscellaneous sources of SHF continue to decline driven by special transport permits and other services returning to historical norms. Changes in the “Other Transportation Funds” category are often driven by fluctuations in aviation tax revenue, which OSPB anticipates will drop off after a strong FY 2022-23, as well as the DRIVES cash fund, and the Multimodal Transportation Options Fund.

Limited Gaming

Gaming is another cash fund revenue stream that experienced a great deal of variability because of the pandemic and recent legislation. Amendment 77 was approved by Colorado voters in 2020 which expanded bet maximums, as well as approved different game types. Between new regulations and individuals accumulated excess savings, FY 2021-22 and FY 2022-23 saw a rapid rise of gaming revenue across the state. FY 2021-22 saw a 34.5 percent growth and FY 2022-23 saw $176.0 million in total limited gaming revenues, which was a 7.5 percent growth on FY 2021-22. Following this array of changes, OSPB anticipates that stabilization has been achieved after these disruptions in the market. OSPB forecasts for the current and upcoming fiscal years can be

seen in Figure 57 below, without adjustments based on the Governor's budget proposals that impact non-exempt revenue forecasts. Further detail on those adjustments can be found in the Budget section.

Figure 57. Limited Gaming Distributions
($millions)

Distribution of Limited Gaming Revenues	Actual FY 22-23	Forecast FY 23-24	Forecast FY 24-25	Forecast FY 25-26
A. Total Limited Gaming Revenues (Includes Fees and Interest)	**$176.0**	**$177.3**	**$182.5**	**$186.6**
Annual Percent Change	7.5%	0.7%	2.9%	2.2%
3.5% Cap	$169.38	N/A	N/A	N/A
B. Gaming Revenue Exempt from TABOR (Extended Limited)	**$52.1**	**$55.1**	**$56.7**	**$58.0**
Annual Percent Change	7.9%	5.8%	2.9%	2.2%
C. Gaming Revenue Subject to TABOR (Limited)	**$121.3**	**$122.2**	**$125.8**	**$128.7**
Annual Percent Change	5.2%	0.7%	2.9%	2.2%
D. Total Amount to Base Revenue Recipients	**$108.5**	**$112.0**	**$115.5**	**$118.3**
Amount to State Historical Society (28%)	$30.4	$31.3	$32.3	$33.1
History Colorado (80% of 28%)	$24.3	$25.1	$25.9	$26.5
Grants to Cities for Historical Preservation (20% of 28%)	$6.1	$6.3	$6.5	$6.6
Amount to Counties (12%)	$13.0	$13.4	$13.9	$14.2
Amount to Cities (10%)	$10.8	$11.2	$11.6	$11.8
Amount to Distribute to Remaining Programs (State Share) (50%)	$54.2	$56.0	$57.8	$59.2
Local Government Impact Fund	$6.7	$7.0	$7.2	$7.4
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	$0.0	$0.0	$0.0	$0.0
Transfer to the General Fund	$19.89	$21.4	$23.0	$24.2
E. Total Amount to Amendment 50 Revenue Recipients	**$47.5**	**$50.5**	**$52.1**	**$53.3**
Community Colleges, Mesa and Adams State (78%)	$37.0	$39.4	$40.6	$41.6
Counties (12%)	$5.7	$6.1	$6.2	$6.4
Cities (10%)	$4.7	$5.0	$5.2	$5.3

For FY 2023-24, OSPB revised down total limited gaming revenues by $0.2 million, resulting in 0.7 percent growth from the prior fiscal year. This relatively slight rise in revenue year-over-

year is due to consistent Adjusted Gross Proceeds (AGP) levels to the prior fiscal year. AGP is only $0.5 million higher when compared to the same period from the previous fiscal year while revenue is about $1 million higher. The divergence in slightly higher revenue than AGP could be explained by larger operators receiving higher revenue earlier in the year, and thus are taxed at a higher tier for their revenues earlier in the fiscal year. Colorado has a tiered revenue taxation system for limited gaming which is seen in Figure 58 below.

Figure 58. Colorado Tax Rate on Adjusted Gross Proceeds

Casino Adjusted Gross Proceeds (AGP)	Tax Rate
Up to $2,000,000	0.25%
$2,000,001 to $5,000,000	2%
$5,000,001 to $8,000,000	9%
$8,000,001 to $10,000,000	11%
$10,000,001 to $13,000,000	16%
$13,000,000 and over	20%

The anticipated growth in the out-years is driven by operators' motivation to hit the permanent trigger in the current pilot-EPC Credit rule. 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. If the FY 2024-25 total amount of gaming revenues exceeds 10.87 percent of growth compared to the base year (FY 2021-22) total gaming revenues, this pilot program will become permanent. While FY 2022-23 revenue growth was well above 3.5 percent, OSPB does not expect growth to exceed this 3.5 percent cap in forecast years, as adjusted gross proceeds (AGP) and revenue return to slower pre-pandemic growth trends. However, OSPB expects this rule to become permanent and for total gaming revenues to grow by more than the 10.87 threshold by the end of FY 2024-25.

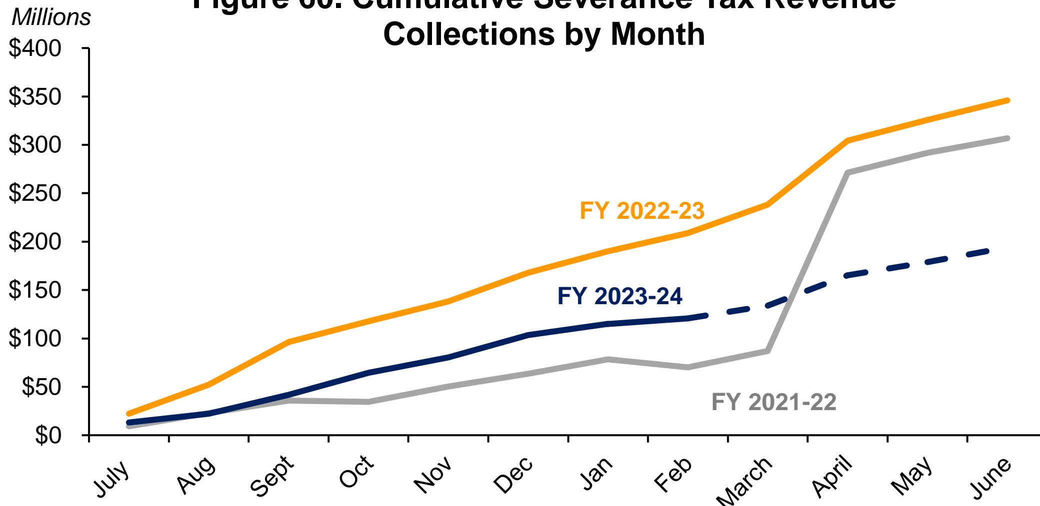
Severance

Severance tax revenue broke the all-time state annual collections record in FY 2022-23 at $374.7 million as oil and gas prices maintained elevated levels over the first half of the fiscal year. In FY 2023-24, revenue is projected to decline by 39.6 percent to $226.3 million even with similar average oil prices as FY 2022-23 due to higher taxpayer usage of ad valorem credit claims and lower natural gas prices dragging on revenue collections. However, this is a $7.8 million upward revision from the December forecast primarily from elevated interest earnings as oil and gas revenue remitted has been relatively close to expectations. In FY 2024-25, collections are estimated to increase by 13.0 percent to $255.8 million even with slightly lower oil price expectations compared to FY 2023-24, as there is less of a projected revenue drag from ad valorem credit claims. This is a $3.5 million downward revision from the December forecast due to decreasing oil price expectations. Finally, in FY 2025-26, revenue is forecast to drop by 3.0 percent to $248.1 million, representing a $4.9 million upward revision from December. Throughout the forecast period, revenue is forecast to remain above the long-term average of $158.1 million.

Figure 59. Severance Tax Revenue
($millions)

	Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
Oil & Gas	$347.1	$192.1	$227.0	$223.7
Coal	$4.4	$5.5	$5.2	$5.1
Moly & Metals	$0.6	$2.2	$2.3	$2.3
Interest	$22.4	$26.5	$21.2	$16.9
Total	**$374.7**	**$226.3**	**$255.8**	**$248.1**
Change	***15.3%***	***-39.6%***	***13.0%***	***-3.0%***

Following the record $374.7 million in severance tax revenue collected in FY 2022-23, revenue has softened in FY 2023-24. In the current fiscal year through February, there has been $120.7 million in non-interest revenue collected compared to $208.8 million at this point last fiscal year, reflecting an $88.1 million (42.2 percent) decline. While oil prices over the first half of FY 2023-24 are off the levels from the first half of FY 2022-23, the larger difference in revenue collections is likely due to increased usage of ad valorem credit claims. 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 75 percent (prior to Tax Year 2024 it was 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 were forecast to drag on revenue in FY 2022-23 in previous publications, however, ad valorem credit claims were significantly lower than anticipated in Tax Year 2022. 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 claims will likely be more utilized than in FY 2022-23. With oil prices in FY 2023-24 projected to remain around the same average price compared to the whole of FY 2022-23 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 year-over-year in FY 2023-24. Figure 60 illustrates this effect, with lower revenue collections year-to-date compared to last year along with a lower projected April tax payment this fiscal year compared to FY 2022-23 and FY 2021-22 due to lower projected cash with tax returns. 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 and throughout the forecast period with production levels increasing year-over-year in 2023. Statewide production growth expectations remain positive going forward alongside oil prices remaining above the long-term average.



Note: Revenue displayed on a monthly cash basis, excluding interest revenue earnings and year-end accounting adjustments. Dotted line indicates monthly revenue forecast.

Beginning in January of FY 2023-24, the distribution for severance tax revenue has changed due to provisions within HB23-1272, Tax Policy that Advances Decarbonization, which reduces the ad valorem credit for oil and gas taxpayers from 87.5 percent to 75 percent in Tax Years 2024 and 2025 and allocates the additional revenue from this tax change to the Decarbonization Tax Credits Administration Cash Fund for costs associated with the administration of decarbonization tax credits provided for within the bill. Tax Year 2026 includes additional changes to the ad valorem credit, which are accounted for in this forecast. Any funds above $100,000 remaining in the Decarbonization Tax Credits Administration Cash Fund at the end of a fiscal year are transferred to the General Fund.

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. That distribution is reflected in Figure 61.

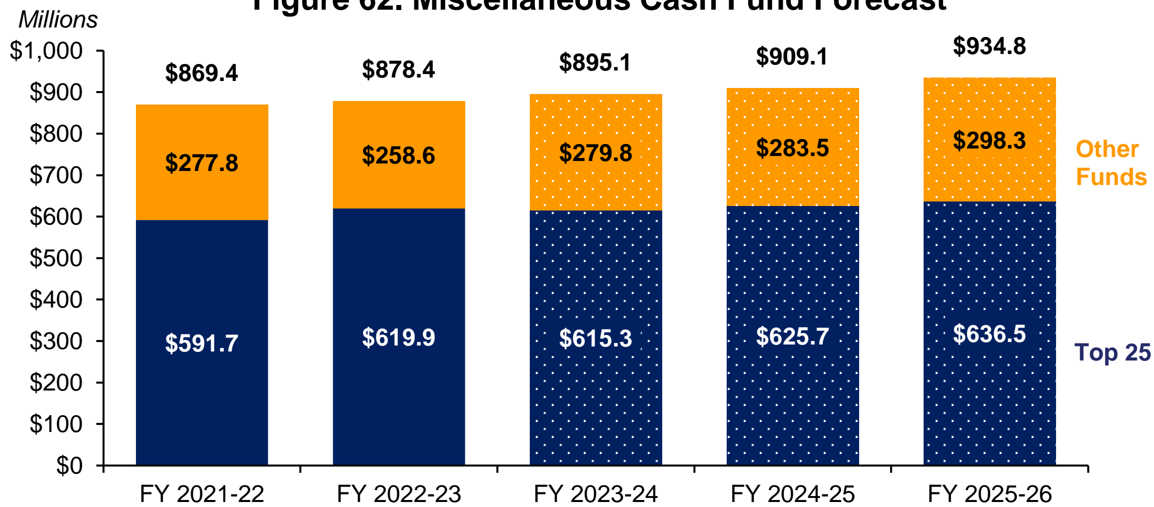
Figure 61. Severance Tax Forecast Distribution Table
($millions)

	Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
Total Severance Tax Revenue (excluding interest, in millions)	**$352.2**	**$199.8**	**$234.6**	**$231.2**
Distribution				
Decarbonization Tax Credits Administration	$0.0	$13.7	$31.0	$32.7
Department of Natural Resources	$176.1	$93.1	$101.8	$99.3
Department of Local Affairs	$176.1	$93.1	$101.8	$99.3

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 revenue collections in FY 2022-23 were $89.4 million, but OSPB expects a decline in revenue for FY 2023-24 as a result of increased revenue impacts for nurses and mental health professionals passed in HB22-1298, Fee Relief Nurses Nurse Aides and Technicians, and HB22-1299, License Registration Fee Relief for Mental Health Professionals.

These two bills are expected to reduce revenue by $8.6 million in the current fiscal year, compared with a $6.8 million reduction in the recently completed FY 2022-23. As a result of this legislative impact and a reversion to trend fee collections, FY 2023-24 revenue is expected to drop 3.6 percent to $86.1 million. In FY 2024-25, revenue is expected to bounce back by 14.6 percent to $98.7 million, largely a result of these fee reductions rolling off, followed by a more moderate 3.1 percent increase in revenue in FY 2025-26 to $101.7 million.



The category of "Other Miscellaneous Cash Funds" includes revenue from over 300 cash fund programs that collect revenue from fees, fines, and interest earnings. Historically, OSPB has broken this forecast down into the 30 funds that tend to have the largest revenue separately from the rest of the smaller cash funds. Beginning with the December 2023 revenue forecast, OSPB has transitioned to a structure that breaks down this forecast into an updated list of 25 funds that had the most revenue in FY 2022-23 and separate out the rest of the smaller cash funds.

The updated list of 25 funds, or the "Top 25", accounted for 71.3 percent of revenue in the Miscellaneous Cash Fund forecast in FY 2022-23. The individual annual estimates for the Top 25 group of cash funds within the miscellaneous revenue forecast are detailed in the appendix in Table 6b. The other important change from the December 2023 Forecast is that the Governor's November 1st Budget submission items, which caused downward revenue pressure for Miscellaneous Cash Fund, are not included in the March 2024 forecast for Miscellaneous Cash Funds.

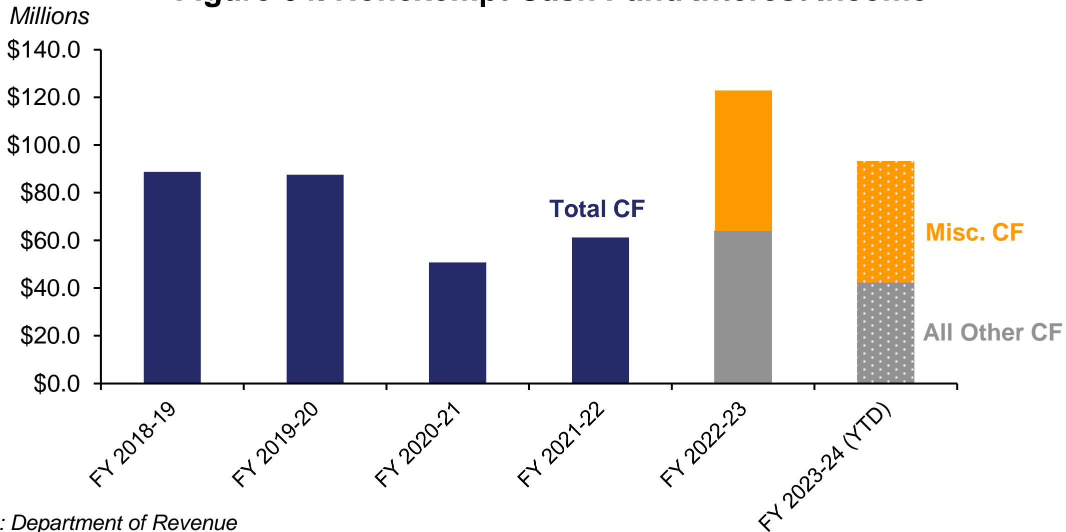
However, in the December 2023 Forecast there was downward pressure on revenue in the miscellaneous cash funds from the inclusion of proposals within the Governor's November 1st Budget, which are included in the below table:

Figure 63. Revenue Impacts to Other Miscellaneous Cash Funds from the Governor's Budget from December 2023 Forecast
($millions)

Item	Forecast Section	FY24 Impact	FY25 Impact	FY26 Impact
HDGF Change	Vendor Fees/Misc CF	$0.0	-$35.0	-$35.0
Recycling Resources Program Fee	Miscellaneous	$0.0	-$3.3	-$3.3
ESF Change	Miscellaneous	-$52.5	-$23.5	-$23.5
Expected Fee Increases	Miscellaneous	$0.0	$19.9	$19.9
Total		**-$52.5**	**-$41.9**	**-$41.9**

On a pure forecast basis, OSPB is revising the Miscellaneous Cash Fund forecast upward by $15.2 million and $10.9 million in FY 2023-24 and FY 2024-25 respectively, largely due to greater than expected interest earnings.

Figure 64. Nonexempt Cash Fund Interest Income



Source: Department of Revenue
Note: Dotted region is Year-To-Date through Period 7 of Fiscal Year

Through January (Period 7) in FY 2022-23, Miscellaneous Cash Funds earned $26.8 million in interest income. In the current FY 2023-24 through January, Miscellaneous Cash Funds has already earned $50.9 million in interest income and typically, during recent fiscal years, more interest income is allocated in the second half of the fiscal year than the first half. This is driven by two factors: 1) Interest rates have been gradually rising since January 2022 through August 2023 and, 2) Funds typically have higher balances to end the fiscal year. Therefore, there is still sufficient upside risk to the revenue forecast based on a continued high interest environment. The upward revisions from interest income are most concentrated in the Top 25 Funds as the Colorado Water Conservation Board Construction Fund (#14 of 25 in FY 2022-23) and Housing Development Grant Fund (#1 of 25 in FY 2022-23) carry large comparative fund balances and account for a quarter of all interest earned in Miscellaneous Cash Funds.

Figure 65. Miscellaneous Cash Fund Forecast
($millions)

Fiscal Year	FY22-23	FY23-24	FY24-25	FY25-26
Top 25	$619.9	$615.3	$625.7	$636.5
Other	$258.6	$279.8	$283.5	$298.3
Total	$878.4	$895.1	$909.1	$934.8

In FY 2023-24, revenue collections for aggregated miscellaneous cash funds are expected to grow 1.9 percent to $895.1 million. Out-year fiscal year forecasts are expected to grow at a moderate pace of 1.6 percent in FY 2024-25 to $909.1 million and 2.8 percent in FY 2025-26 to $934.8 million.

Figure 66. Miscellaneous Cash Fund Forecast
(Growth Rate - Percent)

Fiscal Year	FY22-23	FY23-24	FY24-25	FY25-26
Top 25	4.8%	-0.7%	1.7%	1.7%
Other	-6.9%	7.9%	1.3%	5.2%
Total	1.0%	1.9%	1.6%	2.8%

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

Marijuana revenue continues to come in lower than anticipated, but now due to different drivers than in previous forecasts. In prior forecasts, OSPB's price expectations were higher than actuals while stable sales volumes were largely in line with actuals up until the fall of 2023. Starting in the fourth quarter of 2023, prices across the board have remained stable at depressed levels (in line with expectations). However, quantity sold has started to decline more substantially such that total marijuana revenue in the months since the December forecast has come in $15.4 million below expectations, a 20.6 percent decline from what was anticipated. The relative

stability of prices through this period suggests that this decline is primarily demand-driven, likely tied to slowing goods consumption and weakening household finances. OSPB forecasts that this weakening of sales is likely to continue until the fourth quarter of 2024 and then rebound alongside the broader economy. Note that marijuana sales, similar to retail sales, experienced double-digit growth at the onset of the pandemic. As such, marijuana revenue is expected to drop throughout FY 2023-24 to a year-over-year decline of 6.0 percent, then resume positive growth as the market rebounds, growing by 14.2 percent in FY 2024-25 and 7.7 percent in FY 2025-26.

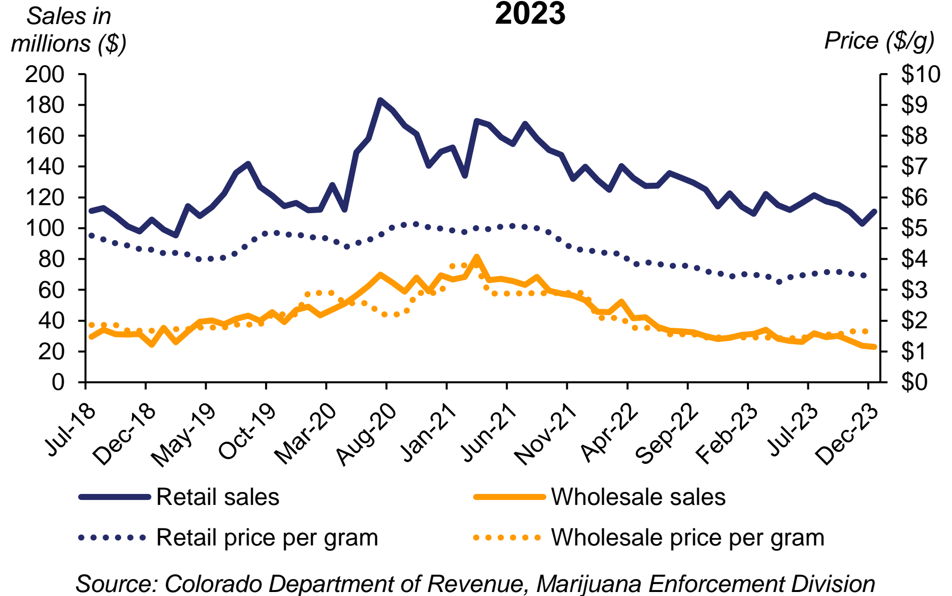
Figure 67: Marijuana Tax Revenue through FY 2025-26
($millions)

Marijuana Tax Revenue	Actual FY 22-23	Forecast FY 23-24	Forecast FY 24-25	Forecast FY 25-26
Proposition AA Taxes (Not Subject to TABOR)				
Retail Marijuana 15% Special Sales Tax	$219.9	$205.7	$233.1	$248.0
Retail Marijuana 15% Excise Tax	$57.8	$54.9	$65.0	$73.6
Total Proposition AA Taxes	**$277.7**	**$260.6**	**$298.1**	**$321.6**
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$5.6	$5.6	$6.0	$6.1
Retail Marijuana 2.9% State Sales Tax	$1.1	$1.3	$1.2	$1.1
Interest Earnings	$0.1	$0.1	$0.1	$0.1
Total 2.9% Sales Taxes & Interest	**$6.9**	**$6.9**	**$7.3**	**$7.4**
Total Marijuana Taxes	**$284.6**	**$267.5**	**$305.4**	**$329.0**

In contrast to FY 2022-23, the primary driver of reduced revenue is not prices but quantity. As noted in the December forecast, the industry has started to recover from the oversupply that drove prices down throughout FY 2022-23. Retail prices currently remain low but are expected to rise modestly through the second half of FY 2023-24 and into FY 2024-25. Likewise, quantity sold is expected to continue to decline, but at a decreasing rate, then begin to increase again in the middle of FY 2024-25 as overall consumer spending grows. Overall, OSPB views the Colorado marijuana market as a maturing one, with growth in the out-years above overall sales tax revenue but below historical trends when the industry was still developing.

The most substantial decline in sales is on the wholesale side. Through the fourth quarter of 2023, the quantity sold of both retail and medical marijuana declined by about 10 percent year-over-year, but wholesale sales declined by 20.5 percent in October, 25.8 percent in November, and 30.1 percent in December, resulting in the lowest sales since the first quarter of 2018. Given that neither retail nor medical marijuana experienced as large of a drop, this suggests that the post-pandemic oversupply issues resulted in a glut of shelf-stable retail marijuana products, of which retailers have plenty to meet consumer demand and as such have less of a need to restock with wholesale marijuana. OSPB expects that as the supply of these products diminishes, wholesale demand will increase to be more in line with consumer sales.

Figure 68. Marijuana Sales, July 2018-December 2023



Source: Colorado Department of Revenue, Marijuana Enforcement Division

Marijuana revenue goes to a number of different sources once collected, the largest being (1) the Marijuana Tax Cash Fund from the retail special sales tax and (2) BEST School Capital Construction from the excise tax on wholesale purchases. Allocations to each of these funds are shown in Figure 69 below in addition to the revisions downward from the previous forecast.

Figure 69: Forecast-Over-Forecast Revisions by Fund
($millions)

Marijuana Tax Revenue (March)	Total Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund
Actual FY 2022-23*	$284.5	$22.0	$30.8	$57.8	$24.9	$149.0
Forecast FY 2023-24	$267.4	$20.6	$28.8	$54.9	$23.3	$139.8
Forecast FY 2024-25	$305.3	$23.3	$32.6	$65.0	$26.4	$158.0
Forecast FY 2025-26	$328.8	$24.8	$34.7	$73.6	$28.1	$167.6

Change from December	Total Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund
Actual FY 2022-23*	-$0.4	$0.0	$0.0	$0.0	$0.0	-$0.4
Forecast FY 2023-24	-$33.1	-$2.3	-$3.2	-$9.9	-$2.6	-$15.1
Forecast FY 2024-25	-$32.9	-$2.6	-$3.7	-$6.1	-$3.0	-$17.5
Forecast FY 2025-26	-$18.5	-$1.8	-$2.5	-$0.3	-$2.0	-$11.9

**December's forecast included preliminary numbers for FY 2022-23, which have now been finalized.*

Marijuana taxes for both the 15 percent special sales tax collected 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. As discussed above, prices have remained stable and sales volume is lower than expected, necessitating a revision down from the December estimates in every category. Until the fourth quarter of 2024, prices are expected to increase slowly while the decline in sales volume slows, then in mid-2025, prices are expected to stabilize at higher prices similar to FY 2018-19 as sales volume strengthens.

Federal Mineral Lease

After elevated Federal Mineral Lease (FML) revenue collections of $173.6 million in FY 2022-23, revenue is expected to fall in FY 2023-24 to $105.7 million primarily due to lower natural gas prices. During FY 2022-23, Henry Hub natural gas prices averaged $4.63 per million BTU on a weekly basis, reaching a peak of $9.56 in August 2022. Thus far in FY 2023-24, Henry Hub prices have averaged $2.64 per million BTU on a weekly basis, reaching a recent trough of $1.56 in late February. This nearly $2 (-43.0 percent) average price decline year-over-year is the main driver in lower FML revenue collections. Throughout the forecast period, Henry Hub prices are projected to remain at below-average levels, which will result in lower revenue collections compared to the recent peak reached in FY 2022-23. In calendar year 2023, royalty revenue derived from natural gas production on federal leases accounted for roughly half of total FML revenue in Colorado, while oil made up approximately one-quarter. This results in natural gas price fluctuations driving FML revenue collections more than severance tax revenue, which is more reliant on oil production and price. However, with crude oil prices remaining at above-average levels, it will provide a buoy to overall FML revenue. Energy price assumptions are discussed in more detail in the energy section of the economic outlook.

Through two quarters of the fiscal year, $51.0 million in FML revenue has been collected compared to $95.6 million last year through two quarters, reflecting a 46.7 percent decline. Compared to the December forecast, revenue is revised down by $5.3 million in FY 2023-24 due to natural gas prices falling to lower levels than previously expected. In the first half of FY 2024-25, natural gas prices are expected to rebound closer to the long-term average, which is projected

to result in revenue growth of 4.7 percent to $110.6 million in that fiscal year. However, natural gas prices are forecast to remain at a lower level than previously projected, leading to a $4.5 million downward revision from the December forecast. In FY 2025-26, revenue is expected to tick up by 1.2 percent to $111.9 million, reflecting a $2.8 million downward revision from the prior forecast. Since FY 2016-17, annual FML revenue collections have averaged $104.9 million. Detailed FML revenue and distribution forecast expectations can be found in Figure 70.

Figure 70. Federal Mineral Lease Forecast Distribution Table
($millions)

	Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
Total FML Revenue	**$173.6**	**$105.7**	**$110.6**	**$111.9**
Change	38.8%	-39.1%	4.7%	1.2%
Bonus Payments (portion of total FML revenue)	$1.3	$1.0	$1.0	$1.0
Local Government Perm Fund	$0.6	$0.5	$0.5	$0.5
Higher Ed FML Revenues Fund	$0.6	$0.5	$0.5	$0.5
Non-Bonus FML Revenue	$172.4	$104.7	$109.6	$110.9
State Public School Fund	$83.3	$50.6	$52.9	$53.6
Colorado Water Conservation Board	$17.2	$10.5	$11.0	$11.1
DOLA Grants	$34.5	$20.9	$21.9	$22.2
DOLA Direct Distribution	$34.5	$20.9	$21.9	$22.2
School Districts	$2.9	$1.8	$1.9	$1.9

Overall, there has been a long-term, downward federal 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. Despite the downward trend, there remains areas of strength in the state for FML royalty revenue, including the counties of Garfield, Weld, Rio Blanco, Montezuma, and Moffat which made up nearly 90 percent of FML revenue in calendar year 2023. While the primary source of royalty revenue in Garfield, Weld, and Rio Blanco is from oil and natural gas extraction, the primary source in Montezuma is from carbon dioxide extraction, and the main source in Moffat is from coal extraction. During the forecast period, the number of oil and gas leases statewide is expected to continue on a similar, declining trajectory.

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

Sports Betting

In FY 2022-23, sports betting exceeded expectations and set a state record with over $5.1 billion wagered throughout Colorado, which led to record sports betting tax revenue of roughly $25.6 million. With continued underlying strength within the sports betting market, OSPB expects FY 2023-24 to continue the strong growth from FY 2022-23. In FY 2023-24, OSPB forecasts a 31.1 percent increase in revenue to $33.6 million, while FY 2024-25 revenue is forecast to grow by a more modest 5.7 percent, and lastly, in FY 2025-26, OSPB expects 6.3 percent growth.

Prior expectations were that sports betting would not be able to maintain the rapid growth experienced in FY 2022-23. However, wagers through January 2023 are 13.8 percent higher through the same period in the prior fiscal year. Increased wagers could be a direct result of an increased user base as online sports betting adoption rates soar, not only in Colorado, but across the country. Similar to the trend of wagers, sports betting tax revenue has been growing at a rate even faster than wagers, as revenue is 21.1 percent higher through seven months than it was through the same period in the prior fiscal year. The reason revenue outpaces wagers is twofold: 1) Colorado operators continue to raise their hold percentage (0.2 percent higher from last fiscal year), and 2) free bet limitations created by HB22-1402, Responsible Gaming Grant Program.

The maintained growth for sports betting revenue in the out-years is predicated on the assumptions that online sports betting usership will continue its upward trend. Additionally, a consolidation of the sports betting operators may be favorable to a higher hold percentage among operators in the future, and therefore lends itself to increased sports betting revenue. In the last calendar year, ten operators have left the sports betting market in Colorado, leaving 30 remaining operators. Additionally, there have been substantial declarations of tax loss carryforward, such as $12 million in January alone. Smaller operators are less likely to be well positioned for the entirety of their betting offerings and are more susceptible to losses.

Figure 71. Colorado Sports Betting Taxation Revenue Distribution
($millions)

Distribution Formula	Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
Total Sports Betting Tax Revenue	$25.59	$33.55	$35.47	$37.70
Change	105.7%	31.1%	5.7%	6.3%
Maximum State Collections	$25.59	$29.00	$29.00	$29.00
Hold-Harmless Fund (6%)	$1.54	$1.74	$1.74	$1.74
Behavioral Health Administration	$0.13	$0.13		
Water Plan Implementation Cash Fund	$23.92	$27.13	$27.26	$27.26

As shown in Figure 71 above, sports betting revenues are distributed by a formula. Under current state law as approved by the voters within Proposition DD, Colorado is limited to collecting up to $29 million from sports betting tax revenue. 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 revenue is allocated to the Water Plan Implementation Cash Fund.

Budget Outlook

General Fund

General Fund revenue increased 1.7 percent in FY 2022-23 to $17,998.0 million. In FY 2023-24, revenue is expected to decline by 0.7 percent off of the previous year's record, a more shallow decline than the 2.5 percent expected in December. This is an upward revision of $308.9 million compared to December, as OSPB's economic growth expectations are revised up in 2024. However, given the expected soft economic landing, revenue is expected to grow slightly slower in FY 2024-25 at 1.3 percent, compared with 3.8 percent in the December forecast. Therefore, the forecast in FY 2024-25 is revised down $140.8 million from December largely due to a small downward revision in Colorado personal income from non-wages that impacts individual estimated payments revenue.

Figure 72. Projected General Fund Reserves

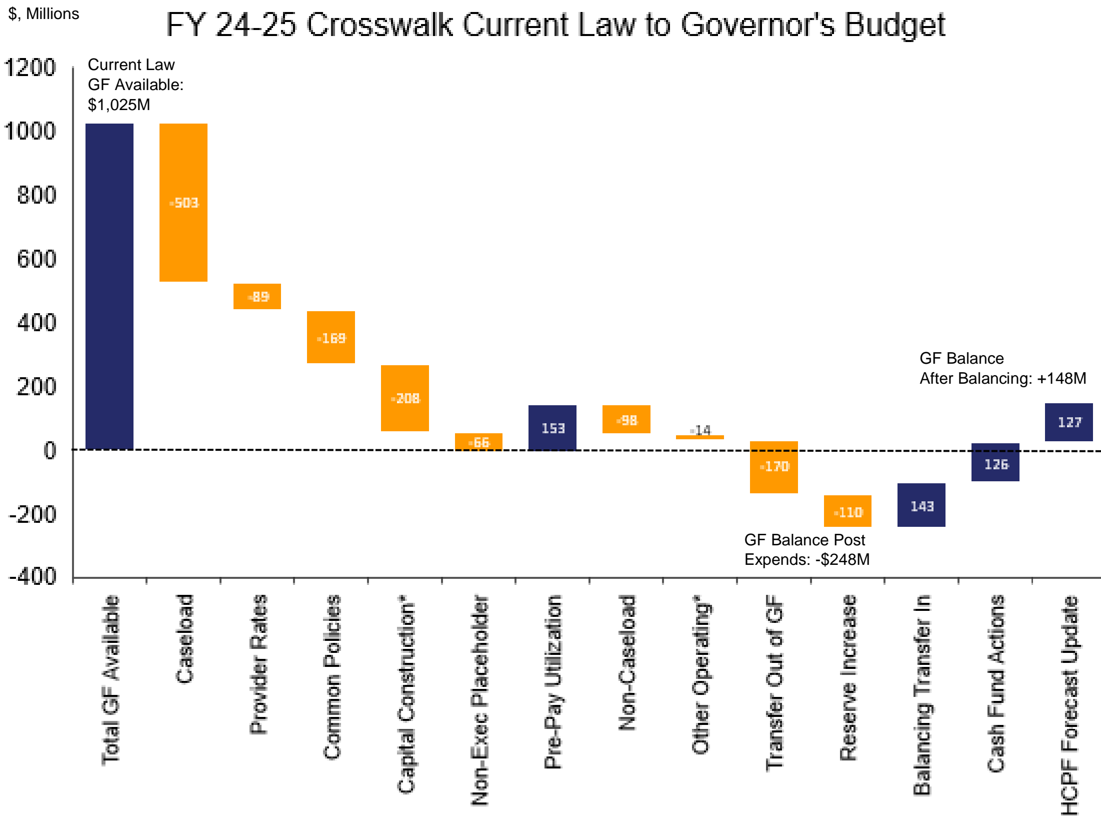
In Figure 72 above, OSPB presents the budgetary outcomes resulting from the revenue projections included in this forecast combined with the Governor's Budget submissions, up through the February Department of Health Care Policy and Financing (HCPF) caseload adjustment. However, to provide further clarity, OSPB also includes a version of the forecast below applied to current law, in order to illustrate how those budgetary items, including proposals for budgetary savings contribute to the final balancing above. As it stands, OSPB expects that supplemental bills and bills signed by the Governor this session by March 1st, combined with cost saving measures in the Governor's Budget, aligning with Table 4C shown in the appendix, would result in an estimated General Fund ending balance of $166.8 million above the statutory reserve level of 15.0 percent of appropriations in FY 2023-24. Furthermore, OSPB expects that the passage of the Governor's Budget, aligning with Table 4C, would result in an estimated ending balance $147.7 million above the statutory reserve level of 15.0 percent of appropriations in FY 2024-25.

In the current forecast, there is $431.2 million in room above the statutory reserve limit for FY 2022-23, $0.3 million below the $431.5 million in the December forecast as a result of the published Annual Comprehensive Financial Report compared with the preliminary unaudited General Fund reversions tallied by the Office of the State Controller. In FY 2023-24, the available room above the statutory reserve limit decreased by $0.1 million from $166.9 million to $166.8 million, due to offsetting adjustments in appropriations (largely as a result of HCPF's February forecast) paired with other changes to exempt General Fund, spending outside the limit, and appropriations from supplemental bills passed this session. In FY 2024-25, the available room increased $110.9 million from $36.8 million to $147.7 million, as downward revisions to HCPF's February forecast and other budget adjustments more than offset upward adjustments to cash fund and rebates and expenditures forecasts.

Crosswalk from Current Law to the Governor's Budget with OSPB Revenue Expectations

In addition to the above analysis, which includes all impacts of the Governor's Budget in accordance with Table 4C in the appendix, this forecast also includes two additional tables (4A and 4B), which show forecast expectations under current law (4A) and a translation between current law and the Governor's Budget (4B). Current law Table 4A contains the following: (1) current law appropriations including technical adjustments and annualizations through FY 2024-25; (2) all supplemental appropriations bills for FY 2023-24; and (3) all other bills signed into law by the Governor as of March 1, 2024.

Under the current law assumptions above, the FY 2023-24 balance above reserve is $17.0 million, $149.8 million lower than the Governor's Budget, as a result of two balancing actions (cash funds and capital construction) combined with reductions to appropriations per the updated HCPF forecast. For FY 2024-25, Table 4A shows $1.025.5 billion, an additional $877.8 million above the reserve before including the Governor's Budget and HCPF forecast adjustments. The graph below crosswalks that $877.8 million by identifying the specific impacts of expenditures and balancing actions within the Governor's Budget. In addition, Table 4B in the appendix provides a summary of these actions and maps directly to the lines within OSPB's General Fund Overview table.



Notable takeaways from the graph include:

- Increased caseload expenditures alone take up $503 million of the “budget room” available.
- Other largely non-discretionary expenditures and placeholders for non-executive branch agencies comprise an additional $532 million in expenses, taking the overall balance to $9 million below the 15 percent reserve.
- Utilization of $153 million in prepays from previous years brings the balance to $144 million prior to any discretionary expenditures or additional balancing actions.
- The combination of non-caseload operating increases to appropriations and discretionary spending outside the limit (largely transfers) comprise $282 million, bringing the balance to -$138 million.
- The 15 percent reserve obligation (largely from increases to non-discretionary appropriations) increases by $110 million, bringing the balance down to -$248M.
- Then, the Governor’s balancing actions (including cash fund transfers into the General Fund and other cash fund changes) provide an additional $269 million in budget room, bringing the balance positive to +$21 million.
- Finally, an additional bump is provided to ending balance above the reserve as a result of an aggregate reduction in the HCPF General Fund forecast of $126.9 million.

As noted above, the waterfall chart (Figure 73) shows a range of revenue and expenditure impacts resulting from the Governor's budget submissions, including nonexempt cash fund revenue impacts, transfers into and out of the General Fund, and tax credit impacts on General Fund revenue. In particular, the Governor's budget includes a range of appropriations and transfers to support fully funding K-12 education, support housing supply efforts in Colorado, investing in the state's workforce, among other goals. In addition to appropriations found in Table 4C, Figure 74 below shows an aggregated list of transfers that impact the balancing described above.

Figure 74. Transfer Impacts from the Governor's Budget
($millions)

Item	Forecast Section	FY24 Impact	FY25 Impact	FY26 Impact
Sev Tax Sweep	Transfers into GF	$0.0	$50.0	$0.0
IIJA Swap	Transfers into GF	$0.0	$19.3	$0.0
CSI Mill Levy Equalization	Transfers out GF	$0.0	$42.1	$0.0
Retail EV Charging Stations	Transfers out GF	$0.0	$0.3	$0.0
Creative Districts Modifications & Funding	Transfers out GF	$0.0	$0.5	$0.0
Reauthorization of PTAC	Transfers out GF	$0.0	$0.0	$0.0
Opportunity Now 2.0	Transfers out GF	$0.0	$5.3	$0.0
Investment in Local Crime Prevention Strategies	Transfers out GF	$0.0	$7.5	$0.0
Placeholder for Natural Medicine	Transfers out GF	$0.0	$0.1	$0.0
Broadband	Transfers out GF	$0.0	$11.4	$0.0
Workforce Housing	Transfers out GF	$0.0	$16.0	$0.0
STR Local Gov Reimbursement	Transfers out GF	$0.0	$15.0	$0.0
Transit-Oriented Development	Transfers out GF	$0.0	$35.0	$0.0
Other Governor's Requests	Transfers out GF	$0.0	$5.0	$0.0
HB23B-1001 ERA Transfer	Transfers out GF	$15.1	$0.0	$0.0
SB23B-001 SEF Transfer	Transfers out GF	$0.0	$146.0	$0.0

Additionally, the Governor's budget submission includes a range of revenue impacts to cash funds and general funds that had an overall impact of reducing revenue. These revenue adjustments are not included in Table 4A but are part of the translation from Table 4A to 4C. See Figure 75 below for a summary of these revenue impacts.

Figure 75. Revenue Impacts from the Governor's Budget
($millions)

Item	Forecast Section	FY24 Impact	FY25 Impact	FY26 Impact
HDGF Change	Vendor Fees/Misc CF	$0.0	-$35.0	-$35.0
Recycling Resources Program Fee	Miscellaneous	$0.0	-$3.3	-$3.3
Gaming Revenue Reclassification	Gaming	$0.0	-$25.4	-$26.3
Cig Revenue Reclassification	Other Excise	$0.0	-$6.1	-$5.8
ESF Change	Miscellaneous	-$52.5	-$23.5	-$23.5
Expected Fee Increases	Miscellaneous	$0.0	$19.9	$19.9
Tax Credits in the Governor's Budget*	Income	$0.0	-$10.4	-$79.8

**Note: Tax credits include Affordable Housing, HDGF Tax credit conversion, Opportunity Now tax credit, among others discussed in the budget letter*

State Education Fund

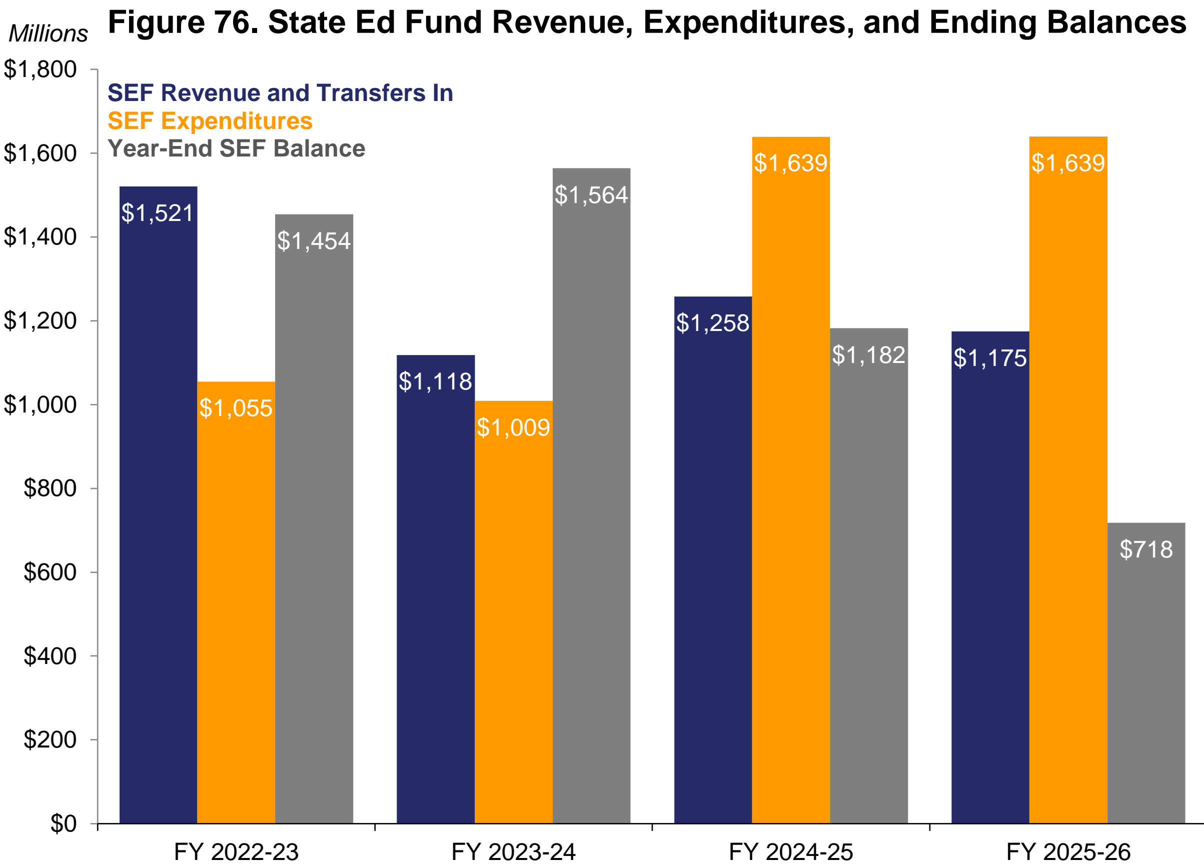
In FY 2022-23, the State Education Fund (SEF) year-end fund balance was $1,454.1 million ($1.5 billion), placing the fund in a strong fiscal position moving forward over the forecast period. In FY 2023-24, the year-end balance is expected to increase to $1,563.8 million, reflecting a downward revision of $72.8 million from December, primarily driven by lower local property tax revenue than what was previously expected, which increases the share of SEF expenses for school finance. Overall local share revenue was projected to grow by 23.8 percent in the December forecast, but the final revenue estimate resulted in 21.1 percent revenue growth, leading to the downward revision. The FY 2023-24 ending balance takes into account all SEF appropriations and legislative changes enacted in the 2023 regular legislative session, November's extraordinary legislative session, and supplemental legislation enacted in the 2024 regular legislative session, including HB24-1207, Adjustments to School Funding Budget Year 2023-24.

In FY 2024-25, the SEF fund balance is forecast to decrease to $1,182.2 million, which is a downward revision of $67.3 million from December due to lower local share revenue assumptions, largely from the lower-than-expected base in FY 2023-24. In FY 2025-26, the SEF fund balance is projected to decrease to $717.8 million as increasing state share of Total Program expenses begin to draw down the fund balance.

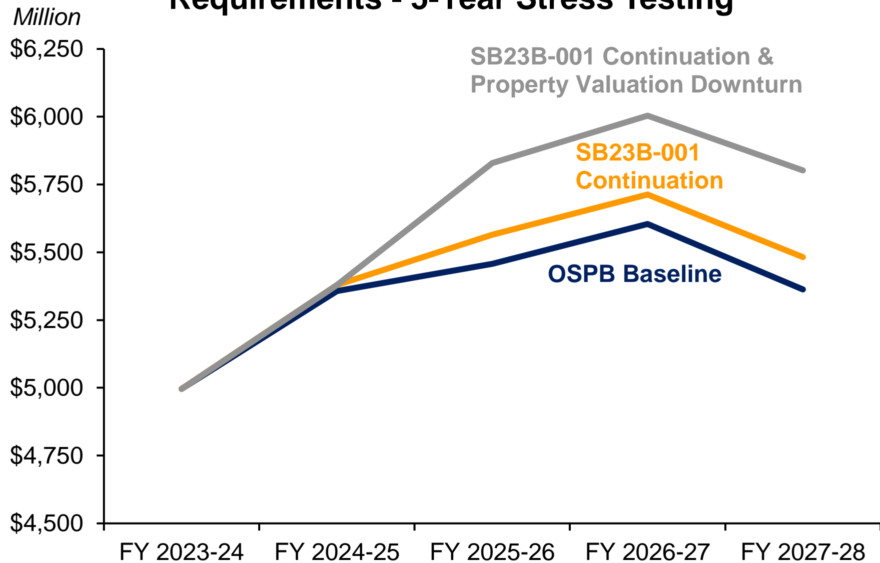
The SEF fund balance is forecast to remain above historical averages throughout the forecast period as a significant increase in the share of local property taxes contributing to school finance in FY 2023-24 alongside strong growth in income tax revenue diverted to the SEF have alleviated short-term fiscal concerns related to the fund. However, large increases in Total Program amounts due to elevated inflation (8.0 percent in FY 2023-24 and 5.2 percent in FY 2024-25) along

with the expected full buydown of the Budget Stabilization Factor are projected to result in total SEF expenses eclipsing $1.6 billion in FY 2024-25 and FY 2025-26. Total Program costs for school finance are projected to rise to $9.7 billion in FY 2024-25, reflecting a $2.5 billion increase since FY 2020-21, or $613.5 million on average annually. Of the overall Total Program increase over those years, state share requirements have grown by $1.1 billion. Further, revenue uncertainty surrounds local share property tax revenue moving forward from possible additional property tax legislation along with commercial real estate downside risk that could negatively weigh on the fund's revenue streams, especially in the out-years. Figure 76 summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2022-23, FY 2023-24, FY 2024-25, and FY 2025-26. The projections assume additional General Fund contributions of $25 million in FY 2024-25, as proposed in the Governor's January 16th budget submission and $100 million in FY 2025-26.

Figure 76. State Ed Fund Revenue, Expenditures, and Ending Balances



While the above provides a baseline forecast expectation of the SEF's fiscal position over the forecast period, there are various scenarios which would lead to additional state share requirements for school finance and place additional obligations on the SEF. The two main risks to the baseline forecast involve additional property tax provisions enacted that would reduce local share revenue to school finance and a potential property valuation downturn, likely focused within commercial real estate. Compared to the OSPB baseline, when analyzing a five-year school finance outlook, the continuation of property tax provisions within SB23B-001 beyond FY 2023-24 would result in an estimated combined $355.7 million more in state share requirements through FY 2027-28. In what represents a "worst-case scenario," if the continuation of the property tax provisions were coupled with a property valuation downturn – likely in the commercial office sector – it would result in an estimated $1.2 billion more in state share requirements through FY 2027-28. This would likely result in a more accelerated drawdown of the SEF fund balance along with increased General Fund requirements compared to the baseline forecast. The various scenarios are illustrated in Figure 77. While OSPB primarily uses its baseline forecast to make school finance budgetary assumptions, consideration of downside scenarios and understanding potential budgetary stress are other factors it uses in developing a five-year school finance outlook.



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 more resilient than expected in the baseline, avoiding an uptick in unemployment in the out-years and keeping income withholdings elevated with it. High interest rates, rising shipping costs, and increasing consumer debt are a few of the downside risks that could negatively weigh on aggregate demand. This is likely to impact both sales revenue

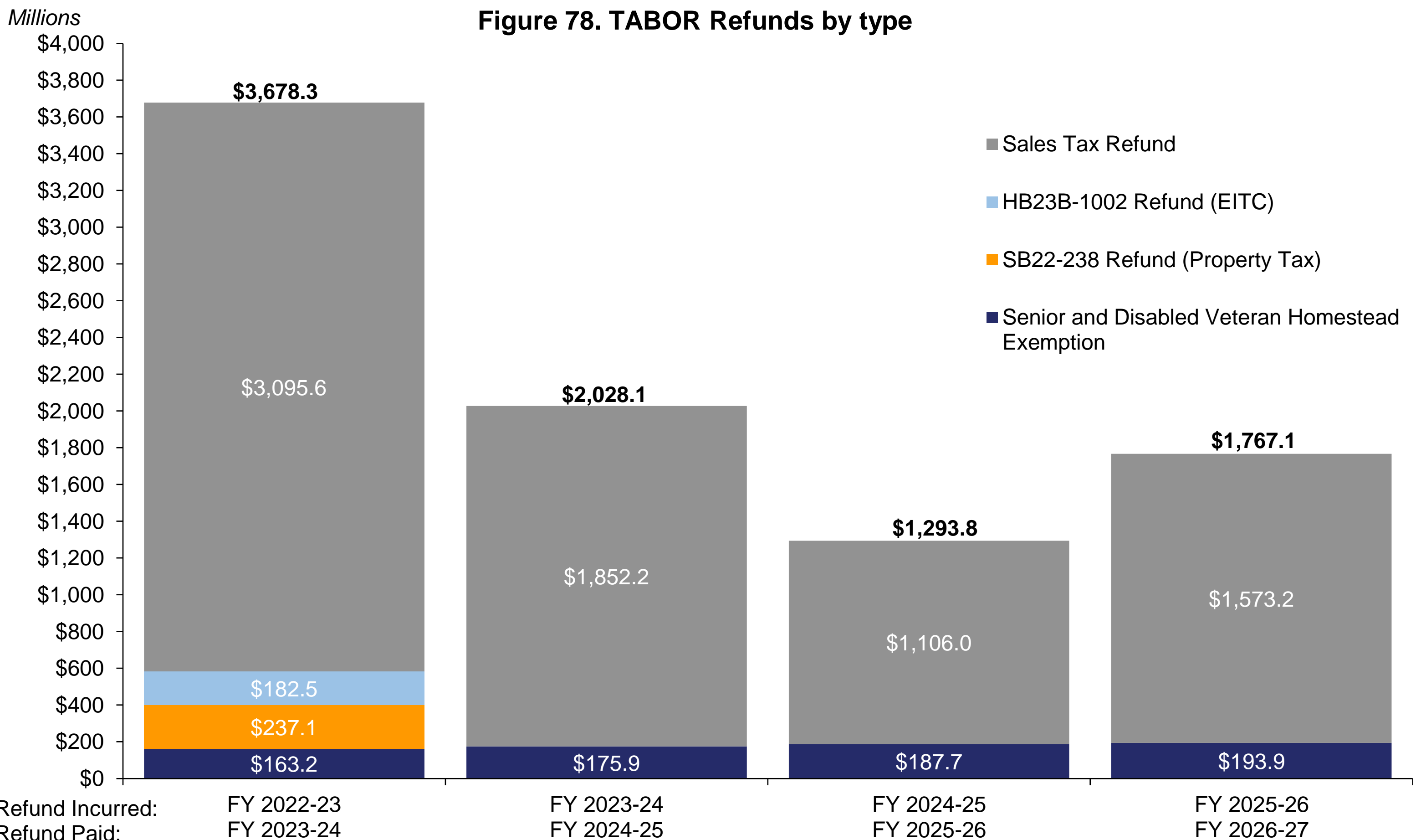
directly and estimated payments and cash with returns from income revenue indirectly. Economic conditions currently underlying this forecast are weighted towards downside risk.

Supplemental Materials

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

TABOR Outlook

Under Article X, Section 20 of the State Constitution, the Taxpayer's Bill of Rights (TABOR), revenue received from certain sources is subject to an annual limit determined by the prior year's limit after adjustments for inflation and population growth. Any TABOR revenue received above the cap is to be refunded to taxpayers in the subsequent fiscal year. Revenue subject to TABOR is expected to exceed the cap in each of the forecast years, with the second-highest refund amount on record occurring in the most recently completed fiscal year. In that year, FY 2022-23, the TABOR surplus is $3,563.4 million, with an additional $114.9 million in pending amounts distributed from prior year refunds. Therefore, the total combined $3,678.3 million in refunds is only $169.8 million below the record set in FY 2021-22. In FY 2023-24, revenue is projected to be $2,028.1 million above the cap, a $376.8 million upward revision, as increased income and miscellaneous cash fund revenue are above previous expectations. In FY 2024-25, the amount above the cap is expected to fall to $1,293.8 million, a $13.4 million increase as individual and corporate income revenue moderate. In FY 2025-26, refunds are expected to rebound to $1,767.1 million as the economy returns to growing at its potential.



Current law specifies two mechanisms by which revenue in excess of the cap is to be refunded to taxpayers for refunds incurred in FY 2023-24 and beyond: the senior homestead and disabled veteran property tax exemptions and a sales tax refund. Prior to the passage of Proposition 121 in November 2022, 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 reduced to 4.4 percent. In addition to these mechanisms, SB22-238, 2023 and 2024 Property Tax*,* provides an estimated $237.1 million in refunds to backfill local government losses as a result of reduced property tax revenue for revenue collected in FY 2022-23. For that fiscal year's revenue, there was also a refund mechanism created for that year only in the most recent special session. HB23B-1002 and HB24-1084 increased the state earned income tax credit from 25 to 50 percent of the federal credit, with the difference being paid out in a refund mechanism at a cost of $182.5 million.

Note that the $3,678.3 million includes $114.9 million in TABOR refunds going out based on refunds owed in FY 2018-19, FY 2020-21, and FY 2021-22, as can be seen in Table 7 in this document's appendix. This follows the normal process that any difference between estimated refunds and actual refunds will be corrected in the next fiscal year in which a refund is owed, which is incurred in FY 2022-23, to be refunded in FY 2023-24, in this forecast. Finally, $3,095.6 million is expected to be refunded via the sales tax refund mechanism. Note that another bill in the special session, SB23B-003, directed that the sales tax refund mechanism be a one-tier sales tax refund instead of the normal six-tier mechanism. The Colorado Department of Revenue has estimated that this payment will then be $800 per single filer and $1,600 for joint filers. Finally, an estimated $163.2 million of the $3,678.3 million refund obligation (including prior year refunds) will be refunded via the senior homestead and disabled veteran property tax exemption expenditures.

The senior homestead and disabled veteran property tax expenditures are projected to total $163.2 million in the refund paid in FY 2023-24, based on tax year 2023 property taxes and out of refunds incurred in the recently completed FY 2022-23. The projection is revised down from the December forecast as a result of updated data from the Division of Property Taxation within the Department of Local Affairs, which indicates a reduced amount of exemption when compared with previous data, with minimal changes to the projected number of recipients. Note that these figures are still an estimate and not yet finalized.

OSPB expects the value of the exemption to rise to $193.9 million by the refund distribution in FY 2026-27, which is due to two primary factors in addition to gradually increasing home values in lower property value areas. First, current statute has property tax relief in the form of $55,000 exemptions rolling off, which will then increase the amount of the homestead exemption that some homeowners will be eligible for. Second, continued increases in the number of eligible seniors and veterans expand the pool of exemption takers. This effect is more notable for

veterans as a result of HCR22-1003 that expanded eligibility for the exemption to a surviving spouse of a veteran who died in the line of duty, or who died as a result of a service-related injury.

TABOR refunds incurred in FY 2023-24 are revised up, given that OSPB now expects the economy to grow more strongly than expected in December for the current fiscal year. Therefore, in addition to the $175.9 million in the senior homestead and disabled veteran property tax exemption expenditures, OSPB expects $1,852.2 million via the six-tier sales tax refund. In FY 2024-25, with the economy growing its slowest in the forecast, revenue growth is also slower than its historical average, resulting in a $1,106.0 million sales tax refund after accounting for the senior homestead and disabled veteran exemption.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

		Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Estimate 2023	Forecast 2024	Forecast 2025	Forecast 2026
	Income									
1	Personal Income (Billions) /A	$328.1	$351.4	$375.2	$418.0	$442.2	$464.8	$484.7	$508.5	$538.5
2	Change	8.2%	7.1%	6.8%	11.4%	5.8%	5.1%	4.3%	4.9%	5.9%
3	Wage and Salary Income (Billions)	$170.8	$183.0	$187.8	$205.6	$224.3	$240.0	$252.3	$262.4	$276.0
4	Change	6.1%	7.1%	2.7%	9.4%	9.1%	7.0%	5.1%	4.0%	5.2%
5	Per-Capita Income ($/person) /A	$57,797	$61,269	$64,855	$71,927	$75,737	$79,104	$81,893	$85,174	$89,443
6	Change	6.7%	6.0%	5.9%	10.9%	5.3%	4.4%	3.5%	4.0%	5.0%
	Population & Employment									
7	Population (Thousands)	5,676.9	5,734.9	5,784.6	5,811.0	5,838.7	5,875.3	5,919.3	5,970.1	6,020.6
8	Change	1.4%	1.0%	0.9%	0.5%	0.5%	0.6%	0.7%	0.9%	0.8%
9	Net Migration (Thousands)	51.8	34.2	29.0	10.9	16.7	19.7	25.0	30.0	30.0
10	Unemployment Rate	3.0%	2.7%	6.8%	5.5%	3.0%	3.2%	3.7%	3.8%	3.4%
11	Total Nonagricultural Employment (Thousands)	2,727.3	2,790.1	2,652.7	2,750.9	2,869.7	2,942.0	2,989.1	3,024.9	3,085.4
12	Change	2.5%	2.3%	-4.9%	3.7%	4.3%	2.5%	1.6%	1.2%	2.0%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	42.6	38.6	40.5	56.5	48.8	39.3	39.1	41.6	43.6
14	Change	4.8%	-9.4%	4.8%	39.7%	-13.6%	-19.5%	-0.5%	6.2%	4.8%
15	Nonresidential Construction Value (Millions) /B	$8,132.0	$5,161.5	$5,607.4	$5,664.1	$6,651.7	$6,542.4	$6,398.5	$6,488.1	$6,598.4
16	Change	32.2%	-36.5%	8.6%	1.0%	17.4%	-1.6%	-2.2%	1.4%	1.7%
	Price Variables									
17	Retail Trade (Billions) /C	$206.1	$224.6	$228.8	$268.3	$299.9	$302.6	$311.3	$323.5	$341.6
18	Change	5.9%	9.0%	1.9%	17.3%	11.8%	0.9%	2.9%	3.9%	5.6%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100)	262.0	267.0	272.2	281.8	304.4	320.3	328.9	338.2	347.0
20	Change	2.7%	1.9%	2.0%	3.5%	8.0%	5.2%	2.7%	2.8%	2.6%

/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)
/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.

Table 2: National Economic Variables – History and Forecast

		Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Estimate 2023	Forecast 2024	Forecast 2025	Forecast 2026
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$20,193.9	$20,692.1	$20,234.1	$21,407.7	$21,822.0	$22,374.3	$22,866.6	$23,209.6	$23,697.0
2	Change	3.0%	2.5%	-2.2%	5.8%	1.9%	2.5%	2.2%	1.5%	2.1%
3	Personal Income (Billions) /B	$17,528.2	$18,356.2	$19,629.0	$21,407.7	$21,840.8	$22,975.7	$23,848.8	$24,802.7	$25,993.3
4	Change	5.2%	4.7%	6.9%	9.1%	2.0%	5.2%	3.8%	4.0%	4.8%
5	Per-Capita Income ($/person) /B	$53,585.6	$55,742.6	$59,212.5	$64,474.8	$65,531.3	$68,730.4	$71,057.9	$73,605.8	$76,831.5
6	Change	4.5%	4.0%	6.2%	8.9%	1.6%	4.9%	3.4%	3.6%	4.4%
7	Wage and Salary Income (Billions)	$8,899.8	$9,325.0	$9,464.6	$10,312.6	$11,116.0	$11,817.0	$12,360.6	$12,756.1	$13,291.8
8	Change	5.0%	4.8%	1.5%	9.0%	7.8%	6.3%	4.6%	3.2%	4.2%
	Population & Employment									
9	Population (Millions)	327.1	329.3	331.5	332.0	333.3	334.3	335.6	337.0	338.3
10	Change	0.7%	0.7%	0.7%	0.1%	0.4%	0.3%	0.4%	0.4%	0.4%
11	Unemployment Rate	3.9%	3.7%	8.1%	5.4%	3.7%	3.6%	4.0%	4.1%	3.8%
12	Total Nonagricultural Employment (Millions)	148.9	150.9	142.2	146.3	152.5	156.1	158.5	159.8	162.2
13	Change	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	1.6%	0.8%	1.5%
	Other Key Indicators									
14	Consumer Price Index (1982-84=100)	251.1	255.7	258.8	271.0	292.7	304.7	313.5	321.1	328.4
15	Change	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	2.9%	2.4%	2.3%
16	Corporate Profits (Billions)	$2,365.2	$2,470.3	$2,383.3	$2,922.8	$3,208.7	$3,224.7	$3,240.9	$3,312.2	$3,461.2
17	Change	6.3%	4.4%	-3.5%	22.6%	9.8%	0.5%	0.5%	2.2%	4.5%
18	Housing Permits (Millions)	1.33	1.39	1.47	1.74	1.67	1.45	1.43	1.52	1.58
19	Change	3.6%	4.3%	6.1%	18.1%	-4.1%	-12.8%	-1.2%	5.6%	4.1%
20	Retail Trade (Billions)	$5,983.1	$6,175.0	$6,223.3	$7,366.2	$8,070.9	$8,329.1	$8,570.7	$8,836.4	$9,207.5
21	Change	4.4%	3.2%	0.8%	18.4%	9.6%	3.2%	2.9%	3.1%	4.2%

/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 2022-23	Percent Change	Forecast FY 2023-24	Percent Change	Forecast FY 2024-25	Percent Change	Forecast FY 2025-26	Percent Change
	Excise Taxes								
1	Sales	$4,301.6	5.2%	$4,372.3	1.6%	$4,583.7	4.8%	$4,842.2	5.6%
2	Use	$251.2	8.0%	$233.6	-7.0%	$256.8	10.0%	$273.8	6.6%
3	Retail Marijuana Sales - Special Sales Tax	$219.9	-15.0%	$205.7	-6.5%	$233.1	13.4%	$248.0	6.4%
4	Cigarette	$23.9	-7.9%	$22.3	-7.0%	$21.0	-5.6%	$20.1	-4.2%
5	Tobacco Products	$23.7	-11.0%	$21.8	-7.9%	$23.0	5.2%	$22.6	-1.5%
6	Liquor	$56.3	-0.1%	$57.6	2.3%	$59.4	3.2%	$61.2	2.9%
7	Total Proposition EE	$235.0	13.0%	$211.1	-10.2%	$231.9	9.9%	$231.1	-0.3%
8	**Total Excise**	**$5,111.7**	**4.4%**	**$5,124.3**	**0.2%**	**$5,409.0**	**5.6%**	**$5,699.1**	**5.4%**
	Income Taxes								
9	Net Individual Income	$10,952.7	-6.5%	$11,000.1	0.4%	$11,433.3	3.9%	$12,230.5	7.0%
10	Net Corporate Income	$2,366.7	50.9%	$2,257.1	-4.6%	$1,778.4	-21.2%	$1,869.2	5.1%
11	**Total Income**	**$13,319.5**	**0.2%**	**$13,257.2**	**-0.5%**	**$13,211.7**	**-0.3%**	**$14,099.7**	**6.7%**
12	*Less: State Education Fund Diversion*	$1,066.4	7.3%	$1,083.0	1.6%	$1,079.3	-0.3%	$1,151.9	6.7%
13	*Less: Proposition 123 Diversion*	$160.0	NA	$318.2	98.9%	$317.1	-0.3%	$338.4	6.7%
14	**Total Income to General Fund**	**$12,093.1**	**-1.6%**	**$11,856.0**	**-2.0%**	**$11,815.3**	**-0.3%**	**$12,609.5**	**6.7%**
	Other Revenue								
15	Insurance	$516.7	32.4%	$584.0	13.0%	$626.4	7.3%	$642.4	2.6%
16	Interest Income	$188.4	172.2%	$246.0	30.5%	$181.0	-26.4%	$128.8	-28.9%
17	Pari-Mutuel	$0.3	-20.4%	$0.4	7.3%	$0.4	2.1%	$0.4	0.9%
18	Court Receipts	$3.1	30.6%	$3.2	3.1%	$3.2	-2.4%	$3.2	0.4%
19	Other Income	$84.8	85.9%	$52.1	-38.5%	$55.0	5.5%	$55.9	1.6%
20	**Total Other**	**$793.3**	**56.2%**	**$885.7**	**11.6%**	**$865.9**	**-2.2%**	**$830.6**	**-4.1%**
21	**GROSS GENERAL FUND**	**$17,998.0**	**1.7%**	**$17,866.0**	**-0.7%**	**$18,090.3**	**1.3%**	**$19,139.2**	**5.8%**

/A Dollars in Millions

Table 4a: General Fund Overview based on Current Law /A

		Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
Revenue					
1	**Beginning Reserve**	**$3,203.2**	**$2,427.4**	**$2,242.3**	**$3,254.3**
2	**Gross General Fund Revenue**	**$17,998.0**	**$17,866.0**	**$18,090.3**	**$19,139.2**
3	*Transfers to the General Fund*	$53.5	$61.6	$66.7	$62.6
4	**TOTAL GENERAL FUND AVAILABLE**	**$21,254.8**	**$20,355.0**	**$20,399.4**	**$22,456.1**
Expenditures					
5	**Appropriation Subject to Limit**	**$13,308.1**	**$14,950.8**	**$14,974.0**	**$17,344.5**
6	*Dollar Change (from prior year)*	$1,266.9	$1,642.7	$23.1	$2,370.5
7	*Percent Change (from prior year)*	10.5%	12.3%	0.2%	15.8%
8	**Spending Outside Limit**	**$5,719.1**	**$3,161.8**	**$2,171.2**	**$2,527.3**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$3,678.3	$2,028.1	$1,293.76	$1,767.08
10	*Homestead Exemption (Net of TABOR Refund)*	$0.1	$0.0	$0.0	$0.0
11	*Other Rebates and Expenditures*	$168.6	$231.8	$175.9	$171.4
12	*Transfers for Capital Construction*	$493.2	$351.4	$20.0	$50.0
13	*Transfers for Transportation*	$88.0	$5.0	$117.5	$117.5
14	*Transfers to State Education Fund*	$290.0	$0.0	$146.0	$0.0
15	*Transfers to Other Funds*	$1,000.8	$545.6	$417.9	$421.3
16	**TOTAL GENERAL FUND OBLIGATIONS**	$19,027.2	$18,112.7	$17,145.1	$19,871.8
17	*Percent Change (from prior year)*	6.7%	-4.8%	-5.3%	15.9%
18	Reversions and Accounting Adjustments	-$199.8	$0.0	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$2,427.4**	**$2,242.3**	**$3,254.3**	**$2,584.4**
20	*Year-End General Fund as a % of Appropriations*	18.2%	15.0%	21.9%	15.0%
21	*General Fund Statutory Reserve*	$1,996.2	$2,225.3	$2,228.8	$2,584.4
22	*Statutory Reserve %*	15.0%	15.0%	15.0%	15.0%
23	***Above/Below Statutory Reserve***	**$431.2**	**$17.0**	**$1,025.5**	**$0.0**

/A. FY 2023-24 and FY 2024-25 expenditures and transfers reflect all supplemental bills and legislation that has been signed by the Governor as of March 1, 2024. Reversions and accounting adjustments for FY 2022-23 reflect the published ACFR. Other FY 2024-25 and FY 2025-26 expenditures and fund balance projections are based on current law, without the Governor's Budget requests. Dollars in millions.

Table 4b: General Fund Overview Crosswalk to Governor's Budget /A

Table 4B - Translation from Current Law to Governor's Budget (Bolded Lines Sum to Overall Difference)				
	Delta ($M)			
Line from Table 4a/4c	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Description of Delta**
(1) Beginning Reserve	0.0	138.6	-780.0	Reserve Carryover from Previous Year
(2) Gross General Fund Revenue	0.0	-10.4	-79.8	Impacts of Tax Credit Package
(3) Transfers to the General Fund	0.0	142.7	0.0	Severance and IIJA Redirect to General Fund
(5) Appropriation Subject to Limit	0.0	785.6	0.0	Governor's Budget (Include Supplementals and Budget Amendments net of balancing proposals)
(5) Appropriation Subject to Limit	-74.7	-52.2	0.0	HCPF February Forecast Update
(8) Spending Outside Limit	-63.9	317.5	-134.9	Sum Rows 9+11+12+15 Changes
(9) TABOR Refund	-52.5	-77.7	-148.0	Cash Fund Revenue Balancing Proposals + GF Impacts of Tax Credits
(11) Other Rebates and Expenditures	0.0	6.1	5.8	Cigarette Rebate Reclassification
(12) Transfers for Capital Construction	-11.4	219.5	0.0	Capital Construction Transfers
(15) Transfer to Other Funds	0.0	169.6	7.2	Transfers in Governor's Budget
(21) General Fund Statutory Reserve	-11.2	110.0	0.0	Change in (5) Appropriation Subject to Limit * 15%
Total Difference (Net Increase for Governor's Budget and HCPF Forecast)	**-149.8**	**890.0**	**724.8**	

/A. This table includes all requests in the Governor's Budget that impact balancing. Table 4a above is based on current law, and the combination of that plus this table translates to the ending balance in Table 4c, which is final balancing with the Governor's budget submission.

Table 4c: General Fund Overview including the Governor's Budget /A

		Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
Revenue					
1	**Beginning Reserve**	**$3,203.2**	**$2,427.4**	**$2,380.9**	**$2,486.5**
2	**Gross General Fund Revenue**	**$17,998.0**	**$17,866.0**	**$18,079.9**	**$19,059.4**
3	*Transfers to the General Fund*	$53.5	$61.6	$209.4	$62.6
4	**TOTAL GENERAL FUND AVAILABLE**	**$21,254.8**	**$20,355.0**	**$20,670.3**	**$21,608.5**
Expenditures					
5	**Appropriation Subject to Limit**	**$13,308.1**	**$14,876.2**	**$15,707.4**	**$16,724.8**
6	*Dollar Change (from prior year)*	$1,266.9	$1,568.1	$831.2	$1,017.4
7	*Percent Change (from prior year)*	10.5%	11.8%	5.6%	6.5%
8	**Spending Outside Limit**	**$5,719.1**	**$3,097.9**	**$2,476.5**	**$2,392.4**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$3,678.3	$1,975.6	$1,216.06	$1,619.08
10	*Homestead Exemption (Net of TABOR Refund)*	$0.1	$0.0	$0.0	$0.0
11	*Other Rebates and Expenditures*	$168.6	$231.8	$169.9	$177.2
12	*Transfers for Capital Construction*	$493.2	$339.9	$239.5	$50.0
13	*Transfers for Transportation*	$88.0	$5.0	$117.5	$117.5
14	*Transfers to State Education Fund*	$290.0	$0.0	$146.0	$0.0
15	*Transfers to Other Funds*	$1,000.8	$545.6	$587.6	$428.6
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$19,027.2**	**$17,974.1**	**$18,183.8**	**$19,117.1**
17	*Percent Change (from prior year)*	6.7%	-5.5%	1.2%	5.1%
18	Reversions and Accounting Adjustments	-$199.8	$0.0	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$2,427.4**	**$2,380.9**	**$2,486.5**	**$2,491.4**
20	*Year-End General Fund as a % of Appropriations*	18.2%	16.0%	15.9%	15.0%
21	*General Fund Statutory Reserve*	$1,996.2	$2,214.1	$2,338.8	$2,491.4
22	*Statutory Reserve %*	15.0%	15.0%	15.0%	15.0%
23	***Above/Below Statutory Reserve***	**$431.2**	**$166.8**	**$147.7**	**$0.0**

/A. FY 2023-24 and FY 2024-25 expenditures and transfers reflect all supplemental bills and legislation that has been signed by the Governor as of March 1, 2024. Reversions and accounting adjustments for FY 2022-23 reflect the published ACFR. Balancing in this table reflects the FY 2023-24 and FY 2024-25 GF ending balances including requests and balancing measures in the Governor's budget. FY 2025-26 is for illustrative purposes only. Dollars in millions.

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

		Actual FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26
	Revenue				
1	**Beginning Reserves**	**$4,159.1**	**$3,881.5**	**$3,944.7**	**$3,668.7**
2	*State Education Fund*	$955.9	$1,454.1	$1,563.8	$1,182.2
3	*General Fund*	$3,203.2	$2,427.4	$2,380.9	$2,486.5
4	**Gross State Education Fund Revenue**	**$1,230.7**	**$1,118.2**	**$1,111.7**	**$1,174.9**
5	Transfer to State Education Fund	$290.0	$0.0	$146.0	$0.0
6	**Gross General Fund Revenue /B**	**$18,051.6**	**$17,927.6**	**$18,289.3**	**$19,122.1**
7	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$23,441.4**	**$22,927.3**	**$23,345.8**	**$23,965.7**
	Expenditures				
8	General Fund Expenditures /C	$19,027.1	$17,974.1	$18,183.8	$19,117.1
9	State Education Fund Expenditures	$1,047.4	$1,008.5	$1,639.2	$1,639.3
10	**TOTAL OBLIGATIONS**	**$20,074.5**	**$18,982.6**	**$19,823.1**	**$20,756.4**
11	*Percent Change (from prior year)*	8.1%	-5.4%	4.4%	4.7%
12	*Reversions and Accounting Adjustments*	-$224.7	$0.0	$0.0	$0.0
	Reserves				
13	**Year-End Balance**	**$3,881.6**	**$3,944.7**	**$3,668.7**	**$3,209.2**
14	State Education Fund	$1,454.1	$1,563.8	$1,182.2	$717.8
15	General Fund	$2,427.5	$2,380.9	$2,486.5	$2,491.4
16	*General Fund, SEF Combined Reserves*	$1,885.4	$1,730.6	$1,329.9	$717.8

/A See the General Fund and Budget sections discussing the State Education Fund for information on the figures in this table.
/B This amount includes transfers to the General Fund shown in line 3 in Table 4c.
/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	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
1	**Transportation-Related /A**	**$1,266.8**	**$1,411.3**	**$1,492.3**	**$1,562.3**
2	Change	2.2%	11.4%	5.7%	4.7%
3	**Limited Gaming Fund /B**	**$121.3**	**$122.2**	**$125.8**	**$128.7**
4	Change	5.2%	0.7%	2.9%	2.2%
7	**Regulatory Agencies**	**$89.4**	**$86.1**	**$98.7**	**$101.7**
8	Change	-3.1%	-3.6%	14.6%	3.1%
9	**Insurance-Related**	**$26.5**	**$24.2**	**$24.4**	**$24.3**
10	Change	9.3%	-8.8%	0.8%	-0.4%
11	**Severance Tax**	**$374.7**	**$226.3**	**$255.8**	**$248.1**
12	Change	15.3%	-39.6%	13.0%	-3.0%
13	**Other Miscellaneous Cash Funds**	**$878.4**	**$895.1**	**$909.1**	**$934.8**
14	Change	1.0%	1.9%	1.6%	2.8%
15	**TOTAL CASH FUND REVENUE**	**$2,757.1**	**$2,765.3**	**$2,906.1**	**$2,999.8**
16	Change	3.4%	0.3%	5.1%	3.2%

/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 6b: Top 25 Miscellaneous Cash Funds - Individual Fund Estimates

	Fund Name	Fund Code	Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
1	Housing Development Grant Fund	23V0	$71.7	$71.2	$75.4	$79.6
2	Medicaid Nursing Facility Cash Fund	22X0	$53.2	$50.4	$50.4	$50.7
3	General Fund - Unrestricted	1000	$46.6	$46.8	$46.7	$46.8
4	Employment Support Fund	2320	$42.4	$46.7	$53.8	$62.6
5	Oil and Gas Conservation Fund	1700	$35.0	$25.8	$24.8	$24.2
6	Judicial Stabilization Cash Fund	16D0	$33.2	$33.6	$33.5	$33.7
7	School Fund	7050	$33.0	$34.2	$34.3	$34.5
8	Auraria Higher Education Center - Nonenterprise Activities	305M	$32.8	$35.0	$34.4	$34.8
9	Information Technology Revolving Fund	6130	$31.4	$32.8	$32.7	$32.8
10	Judicial Information Technology Cash Fund	21X0	$29.6	$27.2	$27.8	$27.8
11	Adult Dental Fund	28C0	$26.7	$33.3	$32.1	$32.5
12	Offender Services Fund	1010	$24.6	$18.1	$19.7	$19.4
13	Department of State Cash Fund	2000	$22.3	$27.4	$26.1	$26.6
14	Colorado Water Conservation Board Construction Fund	4240	$15.0	$16.4	$16.1	$16.2
15	Victims Assistance Fund	7140	$14.0	$13.3	$13.3	$13.4
16	Supreme Court Committee Fund	7160	$13.9	$15.0	$14.7	$14.8
17	Fleet Management Fund	6070	$13.7	$13.2	$13.3	$9.9
18	Stationary Sources Fund	1190	$13.6	$14.4	$14.2	$14.3
19	Justice Center Cash Fund	21Y0	$11.3	$12.1	$11.9	$12.0
20	Victims Compensation Fund	7130	$11.2	$10.2	$10.3	$10.3
21	State Fair Authority Fund	5100	$10.7	$11.6	$11.3	$11.5
22	Judicial Collection Enhancement Fund	26J0	$9.4	$6.4	$7.2	$7.0
23	Colorado Bureau of Investigation Identification Unit Fund	22Q0	$8.7	$9.4	$9.3	$9.4
24	Correctional Treatment Cash Fund	2550	$7.9	$5.4	$6.0	$5.9
25	Perfluoroalkyl and Polyfluoroalkyl Substances Cash Fund	PPSF	$7.8	$5.5	$5.9	$5.9
	Total		**$619.9**	**$615.3**	**$625.7**	**$636.5**

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

		Actual FY 2022-23	Estimate FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26
1	General Fund /A	$17,463.6	$17,336.0	$17,509.1	$18,538.8
2	Cash Funds /A	$2,757.1	$2,765.3	$2,906.1	$2,999.8
3	**Total TABOR Revenues**	**$20,220.7**	**$20,101.2**	**$20,415.2**	**$21,538.6**
4	Previous calendar year population growth	0.7%	0.5%	0.6%	0.7%
5	Previous calendar year inflation	3.5%	8.0%	5.2%	2.7%
6	**Allowable TABOR Growth Rate**	**4.2%**	**8.5%**	**5.8%**	**3.4%**
7	TABOR Limit /B	$13,445.2	$14,588.1	$15,434.2	$15,958.9
8	General Fund Exempt Revenue Under Ref. C /C	$3,212.1	$3,485.1	$3,687.2	$3,812.6
9	**Revenue Cap Under Ref. C /B /D**	**$16,657.3**	**$18,073.2**	**$19,121.4**	**$19,771.5**
10	***Amount Above/Below Cap***	**$3,563.4**	**$2,028.1**	**$1,293.8**	**$1,767.1**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$3,678.3**	**$2,028.1**	**$1,293.8**	**$1,767.1**
12	TABOR State Emergency Reserve Requirement	$499.7	$542.2	$573.6	$593.1

/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 Current Law Transfers to/from General Fund (As of March 1, 2024)

Bill Number and Description	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Transfers from Other Funds				
12-47.1-701 (d) Ltd. Gaming Revenue Transfer to the General Fund	$21.646	$21.418	$22.985	$24.214
HB92-1126 Land and Water Management Fund	$0.052			
HB05-1262 A35 Tobacco Tax 24-22-117 (1)(c)(I)	$0.678	$0.606	$0.582	$0.565
HB08-1216 Consumer Outreach and Education Program				
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	$4.050	$4.050	$4.050	$4.050
HB17-1343 Repeal of Intellectual and Developmental Disabilities Services Cash Fund	$16.933			
SB17-261 Repeal of 2013 Flood Recovery Account				
SB20B-002 Repeal of Emergency Direct Assistance Grant Program Fund	$0.016			
SB21-209 Transfer to GF from Repealed Cash Funds	$0.054			
SB21-213 Use Of Increased Medicaid Match	$9.985	$9.171	$7.418	$1.128
SB21-222 Repeal of Recovery Audit Cash Fund	$0.029			
SB21-251 General Fund Loan Family Medical Leave Program		$1.530		
SB21-260 Community Access Enterprise	$0.100			
HB22-1350 Regional Talent Development Initiative Grant Prog				
HB23-1272 Tax Policy That Advances Decarbonization		$14.311	$31.709	$32.675
Proposition II Passage Return Funds to General Fund		$5.624		
SB23-215 State Employee Reserve Fund General Fund Transfer		$4.914		
Transfers to Other Funds				
SB11-047 Bioscience Income Tax Transfer to OEDIT	-$17.614	-$14.439	-$7.000	
HB13-1318/SB 17-267 Transfers of Special Sales Tax to MTCF	-$142.200	-$133.003	-$150.762	-$160.396
SB17-267 Sustainability of Rural CO (Transfer MJ Special Sales Tax to Public School Fund)	-$24.917	-$23.306	-$26.418	-$28.106
HB18-1323 Pay For Success Fund at OSPB				
HB20-1116 Procurement Technical Assistance Program Extension	-$0.220	-$0.220	-$0.220	
SB20B-004 Transfers for COVID Emergency				
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	-$234.993	-$211.052	-$231.869	-$231.144
Proposition EE - Preschool Programs Cash Fund				
HB21-1149 Energy Sector Career Pathway in Higher Education				
HB21-1285 Funding To Support Creative Arts Industries				
SB21-225 Repay Cash Funds for 2020 Transfers				
SB21-251 General Fund Loan Family Medical Leave Program				
SB21-252 Community Revitalization Grant Program				
SB21-281 Severance Tax Trust Fund Allocation	-$9.456			
SB21-283 Cash Fund Solvency				
HB22-1001 Reduce Fees For Bus Filings	-$8.435			
HB22-1004 Driver License Fee Reduction	-$3.900			
HB22-1011 Wildfire Mitigation Incentives For Local Gov	-$10.000			
HB22-1012 Wildfire Mitigation and Recovery	-$7.200			
HB22-1115 Prescription Drug Monitoring Program	-$2.045			
HB22-1132 Regulation & Services For Wildfire Mitigation	-$0.100			
HB22-1151 Turf Replacement Program	-$2.000			
HB22-1194 Local Firefighter Safety Resources				

HB22-1197 Effective Date Of Dept. Of Early Childhood				
HB22-1298 Fee Relief Nurses Nurse Aides &Technicians	-$11.720			
HB22-1299 License Regis Fee Relief For Mental Health Profls	-$3.699			
HB22-1362 Building Greenhouse Gas Emissions				
HB22-1381 CO Energy Office Geothermal Energy Grant Program	-$12.000			
HB22-1382 Support Dark Sky Designation & Promotion In CO	-$0.035			
HB22-1394 Fund Just Transition Community & Worker Supports	-$15.000			
HB22-1408 Modify Performance-based Incentive For Film Production	-$2.000			
HB22-1411 Money From Coronavirus State Fiscal Recovery Fund				
SB22-036 State Payment Old Hire Death And Disability Benefits	-$6.650			
SB22-130 State Entity Authority For Public-private Partnerships	-$15.000			
SB22-134 State Fair Master Plan Funding				
SB22-151 Safe Crossings For Colorado Wildlife & Motorists	-$5.000			
SB22-163 Establish State Procurement Equity Program	-$2.000			
SB 22-168 Backcountry Search and Rescue				
SB22-183 Crime Victims Services	-$1.000			
SB22-191 Procurement Of Information Technology Resources				
SB22-193 Air Quality Improvement Investments	-$1.500			
SB22-195 Modifications To Conservation District Grant Fund	-$0.148	-$0.148	-$0.148	-$0.148
SB22-202 State Match for Mill Levy Override Revenue	-$10.000			
SB22-206 Disaster Preparedness & Recovery Resources				
SB22-214 General Fund Transfer To PERA Payment Cash Fund	-$198.471			
SB22-215 Infrastructure Investment & Jobs Act Cash Fund				
SB22-238 2023 and 2024 Property Tax	-$200.000			
HB23-1041 Prohibit Wagering On Simulcast Greyhound Races			-$0.025	-$0.050
HB23-1107 Crime Victim Services Funding		-$3.000		
HB23-1273 Creation of Wildfire Resilient Homes Grant Program		-$0.100		
HB23-1290 Proposition EE Funding Retention Rate Reduction		-$5.624		
HB23-1305 Continue Health Benefits in Work-related Death		-$0.150	-$0.150	-$0.150
SB23-001 Authority Of Public-private Collaboration Unit For Housing		-$5.000		
SB23-005 Forestry And Wildfire Mitigation Workforce	-$1.000	-$1.000	-$1.000	-$1.000
SB23-044 Veterinary Education Loan Repayment Program		-$0.540		
SB23-056 Compensatory Direct Distribution to PERA		-$10.000		
SB23-137 Transfer to Colorado Economic Development Fund	-$5.000			
SB23-161 Financing to Purchase Firefighting Aircraft	-$26.000			
SB23-166 Establishment of a Wildfire Resiliency Code Board		-$0.250		
SB23-205 Universal High School Scholarship Program		-$25.000		
SB23-246 Transfers to State Emergency Reserve	-$20.000			
SB23-255 Wolf Depredation Compensation Fund		-$0.175	-$0.350	-$0.350
SB23-257 Auto Theft Prevention Cash Fund		-$5.000		
SB23-275 Colorado Wild Horse Project	-$1.500			
SB23-283 Mechanisms For Federal Infrastructure Funding		-$84.000		
HB23B-1001: ERA Transfer		-$15.100		
HB24-1211 State Funding for Senior Services Contingency Fund		-$2.000		
HB24-1213 General Fund Transfer Judicial Collection Enhancement		-$2.500		
HB24-1214 Community Crime Victims Funding		-$4.000		
Transfers for Capital Construction				

Placeholder for Level 1 Controlled Maintenance				-$30.000
HB15-1344 Fund National Western Center and Capital Projects	-$20.000	-$20.000	-$20.000	-$20.000
HB20-1378 Capital-Related Transfers				
SB21-064 Retaliation Against an Elected Official				
SB21-112 Gen Fund Transfer to Cap Construction Fund State Parks				
SB21-224 Capital-related Transfers Of Money				
HB22-1195 Transfers From General Fund To Cap Constr Fund				
HB22-1340 Capital-related Transfers Of Money	-$462.195			
SB22-239 Buildings In The Capitol Complex				
SB23-141 Transfers for Capital Construction	-$11.001			
SB23-243 General Fund Transfers to Capital Construction Fund		-$294.170		
SB23-294 Increase General Fund Transfers to Capital Construction Fund		-$18.213		
HB24-1215 Transfers to the Capital Construction Fund		-$18.971		
Transfers for Transportation				
SB21-110 Fund Safe Revitalization of Main Streets				
SB21-260 Sustainability of the Transportation System	-$2.521		-$117.500	-$117.500
SB21-265 Transfer from GF to SHF				
HB22-1411 Money From Coronavirus State Fiscal Recovery Fund				
HB22-1351 Temporarily Reduce Road User Charges	-$78.500			
SB22-176 Early Stage Front Range Passenger Rail Funding	-$7.000			
SB22-180 Programs To Reduce Ozone Through Increased Transit				
SB23-283 Mechanisms for Federal Infrastructure Funding		-$5.000		
Transfers to the State Education Fund				
HB 20-1420				
SB 21-208				
HB 22-1390 (Reduced by $10M as result of SB 22-202)	-$290.000			
SB23B-001 SEF Transfer			-$146.000	
Total transfers into General Fund	**$53.546**	**$61.624**	**$66.744**	**$62.632**
Total transfers out of General Fund	**-$1,872.020**	**-$901.959**	**-$701.442**	**-$588.844**
(Subtotal) Transfers to Other Funds	**-$1,000.802**	**-$545.606**	**-$417.942**	**-$421.344**
(Subtotal) Transfers for Capital Construction	**-$493.196**	**-$351.353**	**-$20.000**	**-$50.000**
(Subtotal) Transfers for Transportation	**-$88.021**	**-$5.000**	**-$117.500**	**-$117.500**
(Subtotal) Transfers to the State Education Fund	**-$290.000**		**-$146.000**	
Total Net Transfers	**-$1,818.474**	**-$840.335**	**-$634.699**	**-$526.213**

Table 8b: Transfers Included in Governor's November 1 Budget Request

	FY 2023-24	FY 2024-25	FY 2025-26
Severance Tax		$50.000	
IIJA Swap		$19.300	
State Employee Reserve Fund into General Fund		$31.500	
IT Capital and Capital Reversions into General Fund		$12.898	
Non-Cash Assets in State Emergency Reserve		$29.000	
Transfer to State Emergency Reserve		-$31.505	
CSI Mill Levy Equalization		-$42.123	
Retail EV Charging Stations		-$0.263	
Creative Districts Modifications & Funding		-$0.500	
Opportunity Now 2.0		-$5.250	
Investment in Local Crime Prevention Strategies		-$7.500	
Placeholder for Natural Medicine		-$0.100	
Broadband		-$11.407	
Workforce Housing		-$16.000	
STR Local Gov Reimbursement		-$15.000	
Transit-Oriented Development		-$35.000	
Other Governor's Requests		-$5.000	
Reauthorize SB11-047 Bioscience Income Tax Transfer to OEDIT			-$7.000
Reauthorize HB20-1116 Procurement Technical Assistance Program Extension			-$0.220
Governor's Budget Request for Capital and IT Capital		-$219.453	$0.000
Reduce Capital Construction Transfer due to Use of ARPA Recapture	$11.419		
Total transfers into General Fund	**$0.000**	**$142.698**	**$0.000**
Total transfers out of General Fund	**$11.419**	**-$389.102**	**-$7.220**
(Subtotal) Transfers to Other Funds	**$0.000**	**-$169.649**	**-$7.220**
(Subtotal) Transfers for Capital Construction	**$11.419**	**-$219.453**	**$0.000**
(Subtotal) Transfers for Transportation	**$0.000**	**$0.000**	**$0.000**
(Subtotal) Transfers to the State Education Fund	**$0.000**	**$0.000**	**$0.000**
Total Net Transfers	**$11.419**	**-$246.404**	**-$7.220**

Table 9: Rebates and Expenditures

Category	FY 2022-23	% Chg	FY 2023-24	% Chg	FY 2024-25	% Chg	FY 2025-26	% Chg
Rebates & Expenditures:								
Cigarette Rebate to Local Governments	$7.7	-7.0%	$6.5	-15.7%	$6.1	-5.6%	$5.8	-4.2%
Marijuana Rebate to Local Governments	$21.9	-14.5%	$20.6	-6.2%	$23.3	13.4%	$24.8	6.4%
Old-Age Pension Fund/Older Coloradans Fund	$94.9	9.2%	$92.6	-2.5%	$90.2	-2.6%	$90.3	0.1%
Aged Property Tax & Heating Credit	$12.0	105.2%	$11.0	-8.6%	$10.5	-4.3%	$10.6	1.2%
Homestead Exemption	$163.7	1.0%	$163.2	-0.3%	$175.9	7.8%	$187.7	6.7%
TABOR Refund Portion of Homestead Exemption	*($163.6)*		*($163.2)*		*($175.9)*		*($187.7)*	
Debt Payment on Bonds for School Loans	$10.5	952.4%	$25.4	140.9%	$22.8	-10.1%	$15.6	-31.8%
Fire/Police Pensions	$4.3	-5.0%	$4.6	8.4%	$4.7	1.1%	$4.7	1.1%
Amendment 35 General Fund Expenditure	$0.7	-6.9%	$0.6	-10.6%	$0.6	-4.0%	$0.6	-3.0%
Property Tax Exemption Reimbursement to Local Governments	$16.6	-0.5%	$16.6	-0.3%	$17.8	7.1%	$18.9	6.5%
Property Tax Assessed Value Reductions from SB22-238, SB23b-001	$0.0	N/A	$291.1	N/A	$0.0	-100.0%	$0.0	N/A
TABOR Refund Portion of Reductions	*$0.0*		*($237.1)*		*$0.0*		*$0.0*	
Total Rebates & Expenditures (Excluding TABOR Refund)	**$168.7**	**12.8%**	**$231.8**	**37.4%**	**$175.9**	**-24.1%**	**$171.4**	**-2.6%**