Colorado Economic & Fiscal Outlook

September 19, 2024

STATE OF COLORADO

Governor's Office of State Planning & Budgeting

COLORADO

Governor Jared Polis

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Forecast in Brief

Economic growth in the first half of 2024 remained resilient, although a softening labor market has led OSPB to revise down forecasts for growth in personal income, wages and salaries, new housing, and retail trade for 2024-26. While Colorado has slightly outperformed U.S. wages and income, they are also trending lower towards more normalized levels after several quarters of strong growth. Consumer spending in early 2024 shows Colorado slowing faster than the U.S. in all retail industries, driven by reduced goods spending growth. Inflation continues to cool in the U.S. and Colorado, with Colorado inflation falling faster than the U.S. Falling inflation, combined with the slowing labor market growth and slight increase in unemployment, will likely prompt further Federal Reserve interest rate cuts in the coming months after a 50 basis point cut in September. As GDP growth and unemployment are expected to remain near their potential, OSPB views the likelihood of a recession in the next 12 months to be 33 percent.

In FY 2023-24, TABOR refunds are estimated to be $1,660.3 million, a $219.5 million upward revision from June, largely due to prior years' refunds reported in the OSC TABOR Certification Letter. Additionally, revenue subject to TABOR is expected to remain above this cap through the duration of the forecast period. Currently, revenue projections are $520.3, $381.6, and $968.3 million above the cap in FY 2024-25, FY 2025-26, and FY 2026-27 respectively.

Under this forecast, the General Fund ending balance is projected to be $1,042.8 million above the statutory reserve level in FY 2023-24 and $313.7 million below the statutory reserve level in FY 2024-25.

General Fund	• Preliminary General Fund revenue came in $85.9 million below the June forecast in FY 2023-24, largely a result of stronger than anticipated individual income refunds and weaker withholdings more than offsetting elevated corporate income revenue. • FY 2024-25 and FY 2025-26 are revised down $210.5 million and $502.0 million respectively, largely due to revisions down in aggregate wages and salaries and consumer demand for retail that impact individual income and sales tax revenue. In FY 2025-26, corporate income revenue is also expected to be weaker than anticipated in June.
Cash Funds	• Cash funds are expected to grow by 4.9 percent in FY 2024-25 and then increase 3.4 percent in FY 2025-26. Compared with the June forecast, cash funds are revised up $49.5 million and $14.4 million in FY 2024-25 and FY 2025-26 respectively, as miscellaneous and transportation revenue exceed prior expectations.

Economic Outlook

Current Conditions and Long-Term Trends

Overview of Current Economic Conditions

Economic growth in the first half of 2024 remained resilient, although a softening labor market has led OSPB to revise down forecasts for growth in personal income, wages and salaries, new housing, and retail trade for 2024-26. While Colorado has slightly outperformed U.S. wages and income, they are also trending lower towards more normalized levels after several quarters of strong growth. Consumer spending in early 2024 shows Colorado slowing faster than the U.S. in nearly all retail industries, driven by reduced goods spending growth. Inflation continues to cool in the U.S. and Colorado, with Colorado inflation falling faster than the U.S. Falling inflation, combined with the slowing labor market growth and slight increase in unemployment, will likely further prompt Federal Reserve interest rate cuts in the coming months. As GDP growth and unemployment are expected to remain near their potential, OSPB views the likelihood of a recession in the next 12 months to be 33 percent.

Overview of Economic Indicators

GDP: After growing 2.5 percent on average in 2023, economic growth slowed to 1.4 percent in the first quarter of 2024 but then rose 3.0 percent in the second quarter, slightly stronger than OSPB's previously forecasted 2.5 percent growth. The higher-than-anticipated growth was driven by increases in private inventories, investment in equipment, and durable goods expenditures, while investments in nonresidential structures were lower than expected. OSPB expects 2.5 percent growth in 2024, with forecasted 1.7 percent growth in 2025 as overall consumption slows, but is partially offset by rising investments as interest rates fall.

Labor Market: The labor market has continued to cool, with Colorado slightly outperforming the U.S., which added below-average jobs in recent months. Colorado unemployment rose to 3.9 percent in the most recent reading from July, while the U.S. reached 4.2 percent in the last report in August. Despite rising unemployment triggering the Sahm rule recession indicator, OSPB and most external economic forecasts do not anticipate an imminent recession as GDP growth remains strong and unemployment remains near economists' expectations for non-accelerating inflation rate of unemployment (NAIRU), a measure for full employment under normal wage conditions. Data suggests that the increasing unemployment is due primarily to new labor market entrants looking for work, as opposed to people losing their jobs.

Wages and Income: Wage and salary growth generally exceeded expectations in 2022 and 2023 but has decelerated in 2024 at a quicker pace than previous forecast expectations at the national and state level. Average hourly earnings growth at the national and state level are also national and state level. Average hourly earnings growth at the national and state level are also decelerating, but both metrics continue to normalize along long-term average growth rates. With wage and salary growth projected to continue to decelerate into 2025, non-wage income is expected to bolster overall personal income growth. Since the June 2024 forecast, OSPB has moderately revised down aggregate wage and salary growth following softening jobs reports and an uptick in the unemployment rate.

Consumer Spending: Consumer spending remained strong throughout 2023, driven by increasing real disposable income, a strong labor market, increased credit usage, and increased surplus savings, specifically among higher earners. Overall U.S. consumer spending is expected to remain strong in 2024, largely a result of wealthier households spending on services. However, early 2024 data indicates wavering consumer spending resilience in Colorado, driven by reduced goods spending growth - services spending has maintained steady growth. So far in 2024, nearly all retail industries in Colorado have underperformed the U.S. Depressed consumer sentiment has likely tightened retail sales spending in the near term, as Colorado retail trade growth has fallen below the historic average of 5.3 percent in 2023 and 2024. OSPB forecasts a small rebound in Colorado growth to 2.5 percent in 2024, accelerating to 3.7 percent in 2025 and 4.7 percent in 2026. After outpacing Colorado in 2023 and 2024, national retail trade growth is expected to be slower than Colorado in 2025 and 2026.

Inflation: Inflation continues to cool in the U.S. and Colorado. Nationally, negative goods inflation, low energy inflation, and improving service and shelter inflation contributed to year over year 2.5 percent headline inflation in August, the lowest since 2021. Denver year over year inflation was 1.9 percent in July, declining faster than the U.S. due to lower goods, services, and shelter inflation, as well as some seasonal, local-specific effects on energy prices. OSPB expectations for U.S. CPI are revised down 0.3 percentage points to 2.9 percent in 2024 and 0.1 percentage points to 2.4 percent in 2025. Denver CPI expectations for 2024 are changed incrementally from the June forecast, down 0.1 percentage points to 2.5 percent in 2024 with no revision to 3.0 percent in 2025.

Energy: Oil and gas energy markets remain largely stable in the third quarter of 2024, with relatively weak global demand, strong non-OPEC production, and healthy global inventories offsetting risks from geopolitical turmoil and uncertain OPEC-Plus production. Domestic crude oil and natural gas production continues to increase following record 2023 levels, while Colorado production increases but remains below pre-pandemic levels. OSPB projects slow statewide crude oil and natural gas production growth, with potential for a full recovery to pre-pandemic levels of production in the latter portion of the forecast period if recent trends hold. Crude oil prices are expected to remain stable at above-average levels despite downward price pressure in September, and natural gas prices are projected to gradually increase back to historical average levels in 2025.

Housing: Colorado's housing market remains cool as the number of homes sold and new housing unit construction permits continue to decline. OSPB forecasts a -18.0 percent year-

2026 as interest rates decline. New listings of homes for sale have increased since late 2023, suggesting that sellers may anticipate more demand side buyers in the near term. While listings have increased and the sentiment for buying a house is hovering around all-time lows, home values remain resilient near all-time highs, although Colorado prices have flattened since mid-2023, relative to the continued growth in U.S. prices. An average of nearly 19,000 more housing units were built than new households formed each year since 2020 in Colorado, alleviating some of the housing supply and demand imbalance. If recent population and housing unit growth trends continue, the structural housing shortage may be addressed by 2028-29.

Long-Term Trends

Higher Education and the Workforce: Colorado's higher education institutions continue to face financial, demographic, and public sentiment challenges. Similar to trends in the U.S., the state's college enrollment rate is declining. However, high school graduates are increasingly likely to attend out of state colleges. Yet, given the high demand for jobs in industries that generally require higher education, populations from other states have helped to close the gap between labor supply and demand. As a result, Colorado has the second most highly-educated state population in the U.S., behind Massachusetts.

Forecast Risks

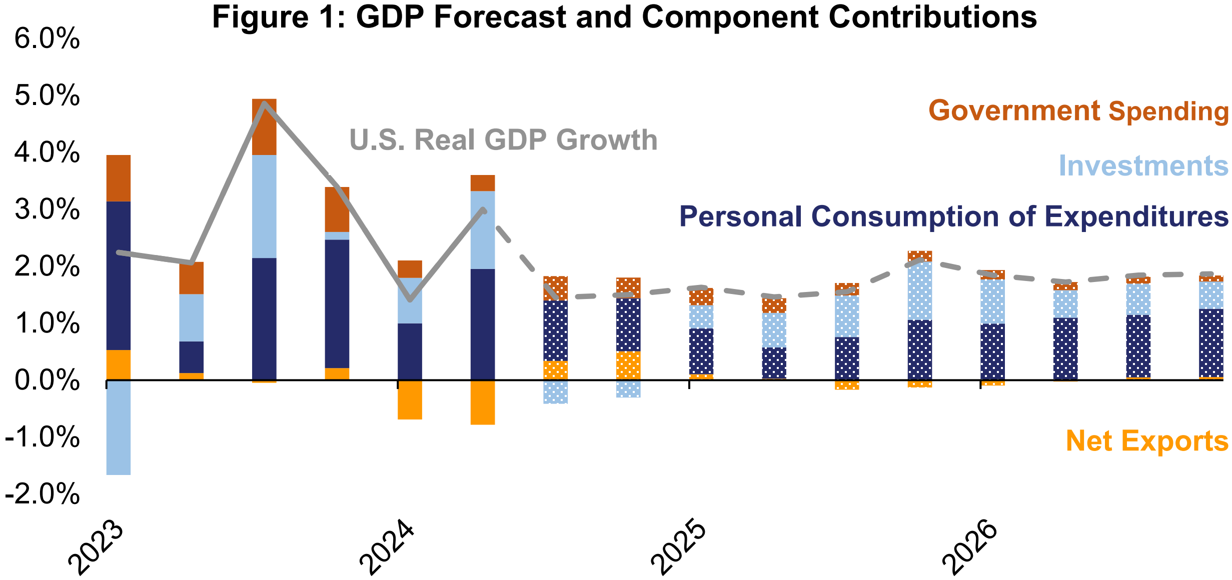
The economy faces near-term risks resulting from uncertainty around the economic response to Federal Reserve interest rate policy decisions, the potential for labor market deterioration, ongoing geopolitical turmoil, depressed commercial real estate market, and a supply and demand imbalance in the residential housing market that has contributed to dramatic price growth and unaffordability. Longer-term risks include the impacts of a growing retirement-age population combined with slowing population growth among working age adults, climate change risks that increase the frequency and costs of drought and wildfire, and growing local and interstate water demand.

Gross Domestic Product

After growing 2.5 percent on average in 2023, economic growth slowed to 1.4 percent in the first quarter of 2024 but then rose 3.0 percent in the second quarter. The second quarter growth was slightly stronger than OSPB's previously forecasted 2.5 percent growth of real GDP. The higher-than-anticipated growth was driven by increases in private inventories, investment in equipment, and durable goods expenditures, which more than offset lower-than-anticipated investments in nonresidential structures. Changes in inventories contributed 0.8 percentage points, meaning that without the upward pressure from private stocks, GDP growth in the second quarter would have been 2.2 percent. Real durable goods growth bounced back with 4.9 percent growth after a decline of 4.4 percent in the previous quarter, leaving growth relatively flat over the first half of 2024. The slowdown in nonresidential structures may indicate that the impacts of the Inflation Reduction Act (IRA) and CHIPS Act subsidies have peaked, and OSPB expects these investments to shift from structures to equipment as projects progress.

Figure 1 below depicts quarterly annualized growth in real GDP. The line represents GDP growth and the bars depict the four drivers of GDP growth/contraction: 1) personal consumption expenditures, 2) inventories/investments, 3) net exports, and 4) government spending.

Figure 1: GDP Forecast and Component Contributions



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

OSPB expects GDP growth to remain at 2.5 percent in 2024 as overall consumption slows slightly in the second half of the year despite continued demand from wealthier consumers, while improving foreign demand drives higher net exports. The expected drag on GDP from lower investments in both residential and non-residential structures is largely unchanged from the previous forecast.

OSPB anticipates 1.7 percent GDP growth in 2025, due in part to stabilizing quarter-over-quarter growth in the first half of the year. On the downside, overall spending growth is expected to weaken further due to a dip in durable goods spending, along with slowing PCE growth in services. On the upside, overall investments are expected to pick up as equipment and residential investments growth is stimulated in part by falling interest rates, despite falling non-residential structures investments. OSPB anticipates stronger consumer demand in the second half of 2025 to contribute to GDP, along with strong investment growth. However, stronger domestic demand relative to foreign demand is expected to place a small drag on GDP growth via more negative net exports. The resulting overall growth is expected to rebound to 2.1 percent by the final quarter of the year on a quarterly annualized basis.

In 2026, OSPB expects the economy to stabilize around its full potential growth of 1.8 percent with stronger PCE and stable investments. Government spending is expected to contribute a small positive impact on GDP growth throughout the forecast period, driven by state and local spending.

Labor Market

The labor market has continued to cool from the post-pandemic boom in recent months. The U.S. added 142,000 jobs in August, well below the year-to-date average of 203,000 jobs added per month. Colorado's job market has fluctuated more in 2024, averaging 4,600 jobs added per month; 4,800 jobs were added in July[1], indicating a faster growth rate than the U.S. as a whole. Furthermore, the U.S. unemployment rate rose to 4.2 percent in August, a 0.5 percentage point increase since January. In Colorado, unemployment is at 3.9 percent, also an increase of 0.5 percentage points over the same period. OSPB's revised yearly forecast is shown in Figure 2.

Figure 2. Labor Market Annual Forecast

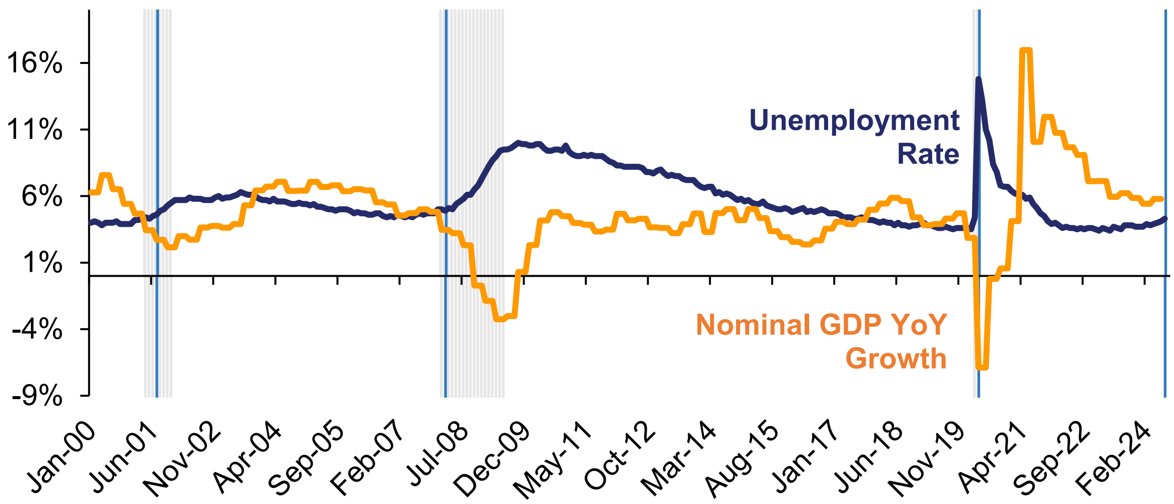
	2024	2025	2026
Jobs Growth			
Colorado	1.7%	1.1%	1.5%
United States	1.6%	0.8%	1.1%
Unemployment			
Colorado	3.8%	4.4%	4.1%
United States	4.1%	4.6%	4.4%

Despite the cooling labor market, OSPB does not anticipate an imminent recession, which is in line with most external forecasters. One reason relates to the Sahm Rule recession indicator

[1] State-level labor market data for August will not be released until after the September forecast is published.

developed by Federal Reserve economist Claudia Sahm. The Sahm Rule is "triggered" when the three-month moving average of the unemployment rate increases by more than 0.5 percentage points relative to the previous year's minimum. Historically, this trigger has occurred in the early months of every recession since 1950. Because recessions are declared retroactively, this can be a useful tool to indicate in real time that a recession has begun.

Figure 3. Unemployment Rate vs. Nominal GDP YoY Growth, 2000-2024



Source: Bureau of Labor Statistics, FRED.
Note: Shaded areas indicate recessions. Blue vertical lines indicate the month the Sahm Rule was triggered.

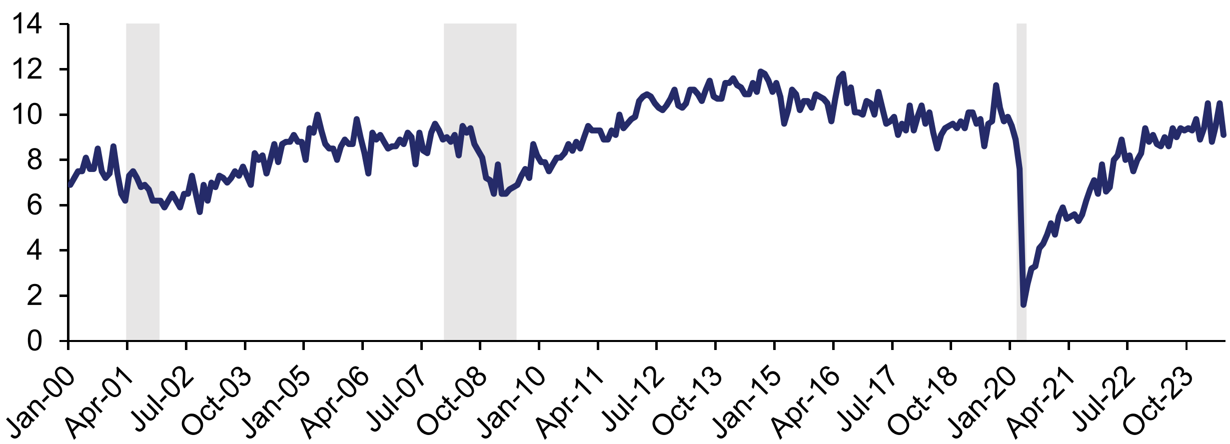
The Sahm Rule was triggered in July; however, other economic indicators suggest that this is likely a false positive, which has happened twice before. As shown in Figure 3, another pattern that has indicated the last few recessions is when the year-over-year nominal GDP growth rate[2] falls below the unemployment rate. This occurred in April 2001, the first month of the 2001 recession, and in December 2007, one month before the Great Recession began. For the time being, the nominal GDP growth rate is currently still well above the unemployment rate at 5.8 percent in the second quarter of 2024, compared to an average unemployment rate of 4.0 percent during the same period. OSPB does expect slowing but positive nominal GDP growth that might indeed fall below the unemployment rate 12 months from now, but does not consider this evidence of a recession as GDP and unemployment are still expected to be relatively healthy.

[2] Due to high inflation over the last few years, nominal GDP growth is an imperfect measure, but the overall trend – that unemployment and GDP growth diverge before the Sahm Rule triggers – is consistent when using real GDP as well.

While the unemployment rate may have risen relatively quickly enough in recent months to trigger the Sahm Rule, the base effect of low unemployment in recent years may overstate the significance of the trigger. Last year, unemployment was the lowest it has been in over 50 years, with April 2023's unemployment rate of 3.4 percent the lowest since May 1969. As such, even a fairly large increase of half a percentage point from that point still results in a healthy unemployment rate. Specifically, as GDP growth is starting to move back to its potential, which economists estimate at about 1.9 percent, theory suggests that the unemployment rate should move back towards the non-accelerating inflation rate of unemployment (NAIRU). NAIRU is the unemployment rate, as measured by economists, that is aligned with full employment under more normal inflationary conditions. Currently, the U.S. Congressional Budget Office estimates that an unemployment rate of 4.4 percent is aligned with full employment under normal economic growth and inflationary conditions. Thus, the current unemployment rate is representative of a healthy labor market.

Additionally, the underlying data indicates that the increase in unemployment has more to do with the makeup of the labor force than it does with individuals simply losing their jobs. An analysis of employment flows indicates that the labor force participation rate has risen steadily over this time, suggesting that part of the increase in unemployment is due to individuals entering or re-entering the labor market in search of jobs, which is historically a sign of a strong economy, as shown in Figure 4. New entrants in particular make up a greater share of the unemployed population than they have since 2019. In 2024, new entrants have made up 9.5 percent of the unemployed on average, compared to the 2021-2023 average of 7.8 percent.

Figure 4. New Entrants to the Labor Market as a Percentage of Unemployed, 2000-2024



Source: Bureau of Labor Statistics.
Note: Shaded areas indicate recessions.

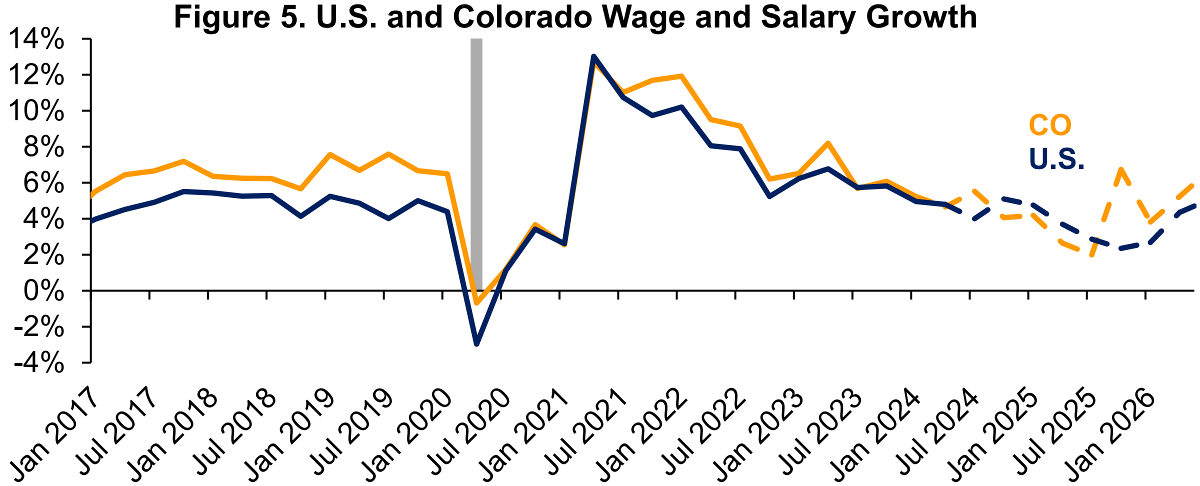
Finally, OSPB would like to highlight that the current jobs and unemployment data reflects the estimates from the corresponding establishment and household surveys. However, the U.S.

Bureau of Labor Statistics (BLS) undergoes a series of revisions based on updated data from the Quarter Census of Employment and Wages (QCEW). QCEW data is lagged, currently only available through the first quarter of 2024, but the data covers more than 95 percent of jobs available at the county, state and national level by industry whereas the establishment survey includes only about 119,000 establishments. Every March, the past year's data is officially revised to align the survey data with the QCEW data, but in August, BLS also publishes preliminary findings without adjusting the recently published data. This August, the BLS announced that the existing published survey data is likely overcounting jobs growth by a more significant margin than usual in both the U.S. and Colorado. For the U.S., this represents a reduction in jobs growth of 818,000 or -0.5 percent, but in Colorado the loss is much higher at -2.5 percent. OSPB is in conversations with the relevant state and national agencies to get a better grasp on the causes, but if this data holds through next March, it would indicate approximately flat jobs growth in the state in 2024. OSPB's current forecast does not incorporate the impacts of the aforementioned QCEW data at this point, but will continue to monitor the situation and adjust future forecasts accordingly.

Wages and Income

Over 2024, wage and salary growth at the national and state level has decelerated at a quicker pace than previous forecast expectations, although it remains healthy at normalizing, long-term average annual growth rates. Average hourly earnings growth at the national and state level are also decelerating but remain at above-average growth rates. Personal income growth has also begun normalizing over the prior two years and into 2024, after recording significant gains over 2020 and 2021 boosted by both wage and non-wage income growth. With wage and salary growth projected to continue to decelerate into 2025, non-wage income – largely comprising asset income, proprietor income, government transfers, supplements to wages, and rental income – is expected to bolster overall personal income growth during the forecast period.

Figure 5. U.S. and Colorado Wage and Salary Growth

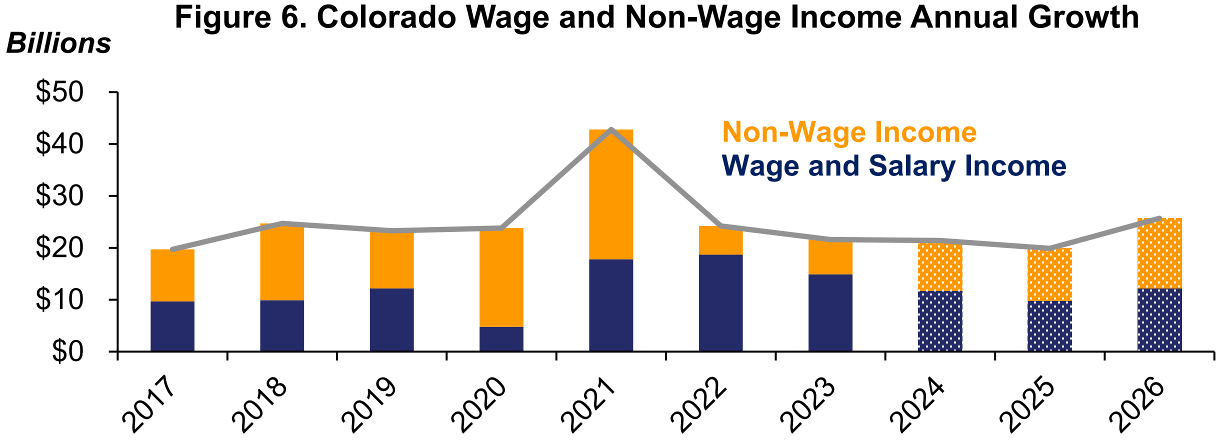


Source: Bureau of Economic Analysis
Note: Shaded area denotes recession. Dotted line indicates OSPB forecast.

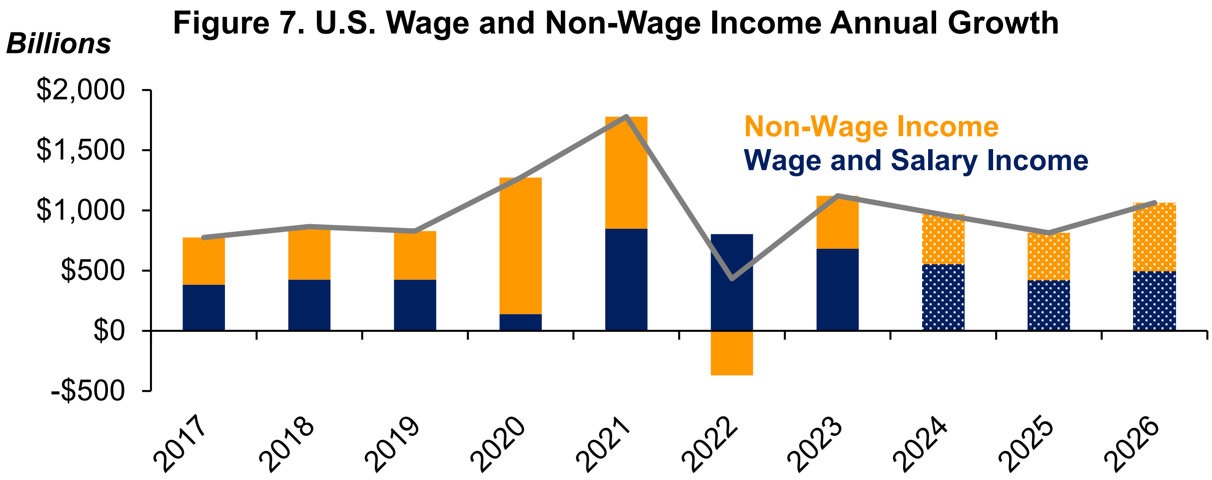
Following a precipitous decline in wage and salary growth at the onset of the pandemic-induced recession, growth reached historic levels over 2021 in both the U.S. and Colorado as the economy re-opened and began recovering alongside unprecedented federal fiscal stimulus. Since then, wage and salary growth has decelerated as the economy has continued to normalize with slowing consumer spending, broad-based disinflation, and a cooling labor market following the Federal Reserve's interest rate hikes and quantitative tightening. Despite those dynamics, wage and salary growth generally exceeded expectations in 2022 and 2023 as the overall economy's resilience contributed to continued elevated wage growth. However, wage and salary growth has decelerated at a more rapid pace than previous forecast expectations in 2024. Since the June 2024 forecast, OSPB has revised down U.S. salary and wage growth expectations for 2024 from 5.2 percent to 4.7 percent following softer jobs reports and an uptick in the unemployment rate. Wage and salary growth projections in Colorado are also revised down for 2024 from 5.6 percent to 4.9 percent due to similar assumptions. Over the forecast period, aggregate wage and salary growth is expected to reach a trough in 2025 at 3.4 percent for the U.S. and 3.9 percent in Colorado due to slow job growth projections, before rebounding in 2026 to 3.9 percent and 4.7 percent, respectively. For comparison, the 20-year average for aggregate wage and salary growth is 4.3 percent in the U.S., and 5.1 percent in Colorado. Thus far in 2024, U.S. average hourly earnings growth remains at above-average annual rates of 4.0 percent and a total of $34.78 per hour, while Colorado's year-over-year growth remains elevated at 6.0 percent and a total of $37.68 per hour.

In 2022 and 2023, personal income growth at the national and state level was driven by strength in wage and salary growth, however, in 2024 there is now more balance with non-wage income as wage growth decelerates. Figures 6 and 7 illustrate this for the U.S. and Colorado.

Figure 6. Colorado Wage and Non-Wage Income Annual Growth



Source: Bureau of Economic Analysis.
Note: Chart depicts annual growth of nominal personal income. Dotted bars indicate forecast.



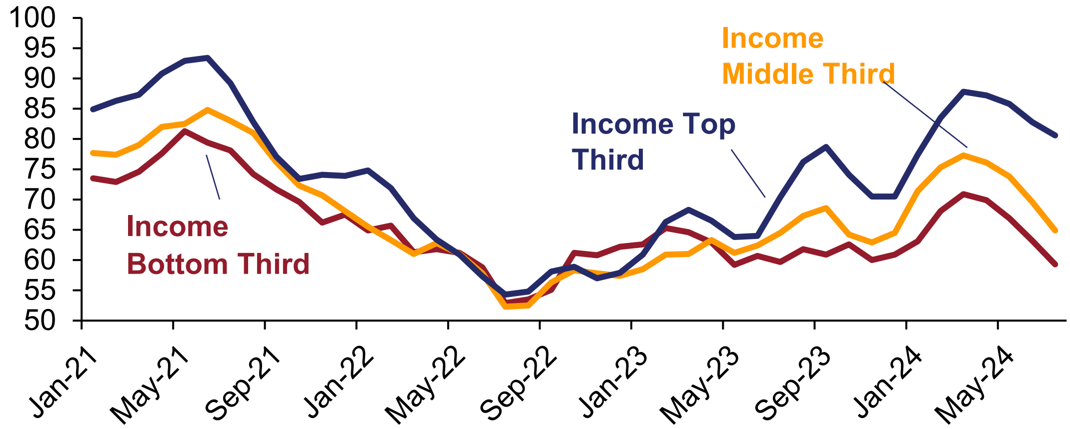
Source: Bureau of Economic Analysis.
Note: Chart depicts annual growth of nominal personal income. Dotted bars indicate forecast.

Colorado non-wage income growth fared much better than the U.S. in 2022, with likely contributions from a stronger business environment and rental income strength. In 2023, non-wage income growth of 4.1 percent at the national level outpaced Colorado's 3.1 percent. U.S. non-wage income growth for 2024 is estimated at 3.7 percent, compared to Colorado at 4.3 percent coming off slower statewide growth in 2023. Personal income growth is projected to soften in 2025, yet largely remain stable. Over the forecast period, national personal income growth is anticipated to remain slightly below the 20-year average of 4.6 percent, and Colorado is expected to remain below its 20-year average of 5.6 percent as the national and state economies normalize following above-average personal income growth over the preceding five years.

Consumer Spending

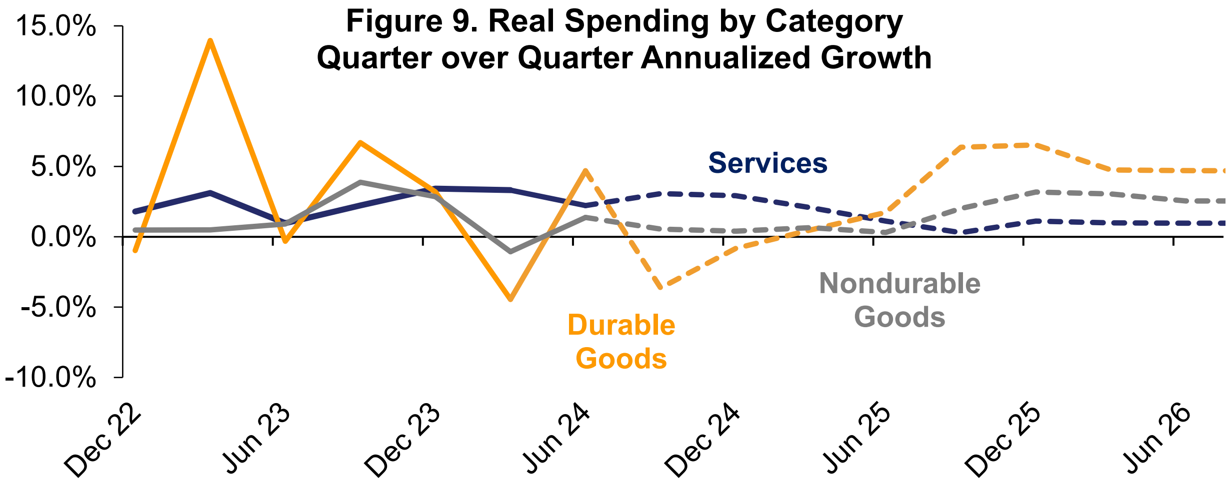
Consumer spending remained strong throughout 2023, primarily driven by increasing real disposable income, a strong labor market, increased credit usage, and increased surplus savings, specifically among higher earners. Previous OSPB projections anticipated continued strength in consumer spending in 2024, however that strength is now appearing to be less broad based but, instead, driven by wealthier consumers. The University of Michigan's Consumer Sentiment, while a volatile data series, can provide further insight to consumers and hint at future spending. While consumer sentiment overall showed steady improvement over 2023, there have been minor declines as consumers may be getting more concerned about economic conditions such as the compounding effects of price inflation, a softening labor market, and dwindling savings. The sustained inflationary pressure in particular is the most readily experienced indicator, as individuals buy goods regularly at their local grocery store or other establishments. However, these conditions are not experienced the same across income groups. In Figure 8, the Income Top Third of consumers are significantly more optimistic as this group is over 20 percentage points higher than those of the Bottom Income Third category in the most recent survey. This is because higher income consumers have higher savings rates and rising asset holdings, and are more easily able to cover monthly expenses relative to lower income households.

Figure 8. Consumer Sentiment by Income Group



Source: University of Michigan.

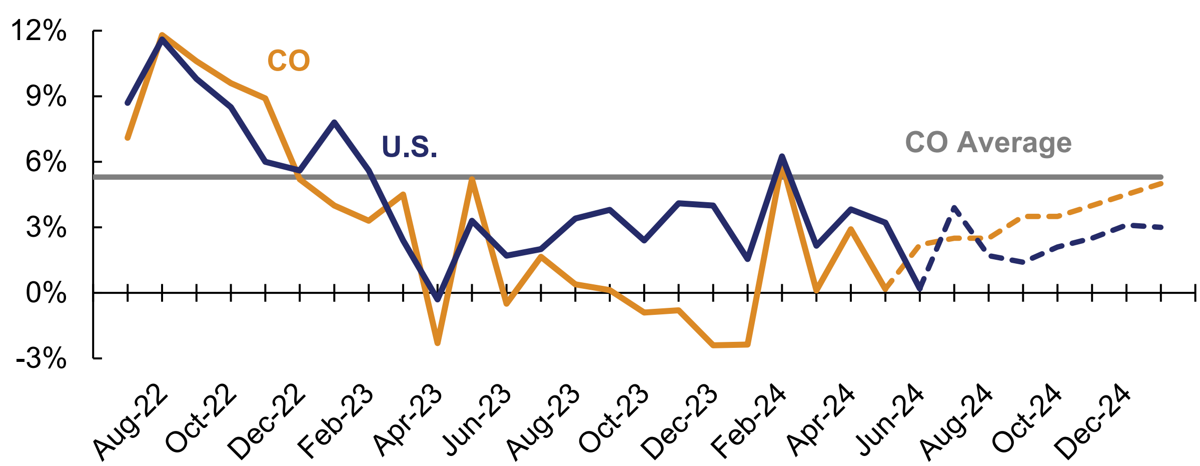
Slowing overall sentiment can indicate lower spending from consumers as a result of shedding unnecessary spending for those with lower incomes, while consistent strength in spending from high income populations can look more muted. While growth has been minimal, real personal consumption expenditures (PCE) has been steadily climbing and is expected to remain positive for the remainder of the forecast period. Diminishing real PCE growth can be attributed to slowing spending on goods, both durable and nondurable. The portion of PCE related to durable goods may see continued declines from current levels, although the anticipated rate cuts from the Federal Reserve may provide some relief from downward growth pressures. Durable goods had a turbulent 4.4 percent year-over-year losses in March followed by a 4.9 percent rebound in June. Nondurable goods and services have been considerably more stable over recent months of PCE data. OSPB anticipates wealthier consumers have shifted their spending from goods to services, as the past few years of strong PCE data related to goods could indicate no further need for additional good purchases beyond their typical basket of goods. OSPB forecasts downward pressure in services as the wealthier consumers get spending fatigue later in the forecast window.



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

Weakening goods demand will likely tighten retail sales spending in the near term. U.S. retail trade grew 3.4 percent in 2023, compared to just 0.9 percent for Colorado over the same period. After strong retail trade in 2021 and 2022 at 17.3 percent and 11.8 percent growth, respectively, Colorado retail trade has fallen well below historic average of 5.3 percent in 2023 and 2024. OSPB forecasts a small rebound in Colorado growth to 2.5 percent in 2024, accelerating to 3.7 percent in 2025 and 4.7 percent in 2026. OSPB anticipates a similar growth trajectory for the U.S. with 2.6 percent growth in 2024. However, after outpacing Colorado in 2023 and 2024, national retail trade growth is expected to be slower than Colorado in 2025 and 2026.

Figure 10. U.S. and Colorado Retail Sales Growth

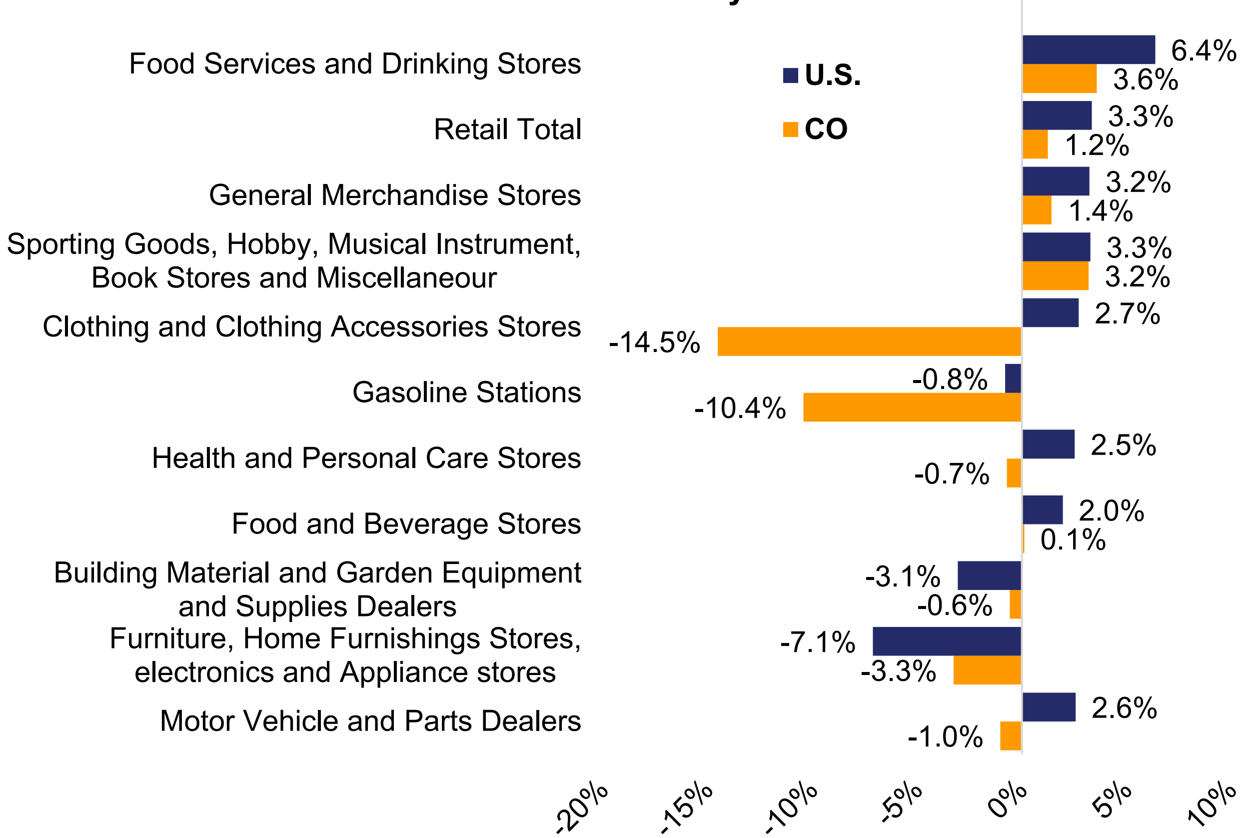


Source: U.S. Census Bureau, CO Department of Revenue, OSPB Forecast.
Note: Dotted line indicates forecast.

Consumer spending in Colorado remains relatively weak compared to the U.S. Year-to-date data in Figure 11 show that there are very few retail industries in Colorado that have outperformed the U.S. so far in 2024 growth. The Food Services and Drinking Places category, which represents the largest sector of the services industry, largely outpaced the goods economy in 2023. In Colorado, this sector leads retail sales with 3.6 percent growth year-to-date, compared to 6.4 percent for the U.S.

Colorado's most pronounced declines in 2024 year-to-date retail sales growth were Clothing and Clothing Accessory Stores (14.5 percent decrease) and gasoline stations (10.4 percent decrease). These losses can be largely attributed to base effects as January through May of 2023 was a record period for Clothing Stores sales. During this period, Suncor also experienced a brief shutdown, inflating local gasoline prices. While the negative growth rates in these industries appear to indicate significant growth declines, it is more likely that they represent a return to trend from these anomalous periods. The Building Materials and Home Furnishings industries also saw year-to-date retail sales growth declines, potentially due to the challenges associated with the current high interest rate environment. With potential rate cuts on the horizon, these industries could provide upward pressure on retail sales growth in the future.

Figure 11. 2024 Year-to-Date (Jan-May) Retail Sales Growth by Industry

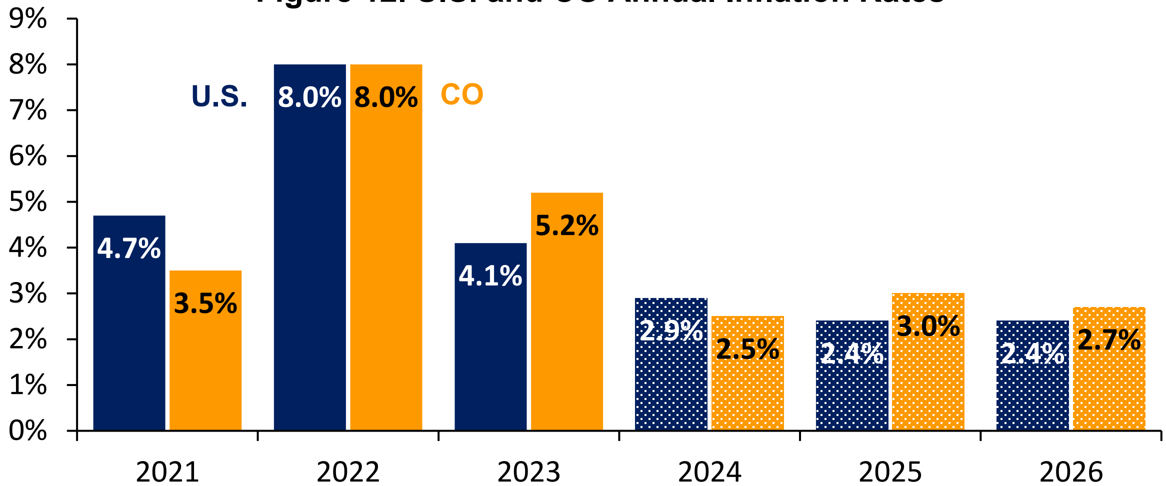


Source: U.S. Census Bureau, Colorado Department of Revenue.
Note: Year over Year Percentage Change.

Inflation

The Consumer Price Index (CPI) for both the U.S. and Denver show that inflation continues to cool. U.S. inflation rates continue to tick down after the disinflationary path briefly stalled out in early 2024 due to service price growth and stubborn shelter inflation. In recent months, negative goods inflation and low energy inflation growth combined with improving service and shelter inflation for the lowest national monthly inflation figures seen since 2021, reaching 2.5 percent year over year in August after 2.9 percent growth in July.

Figure 12. U.S. and CO Annual Inflation Rates

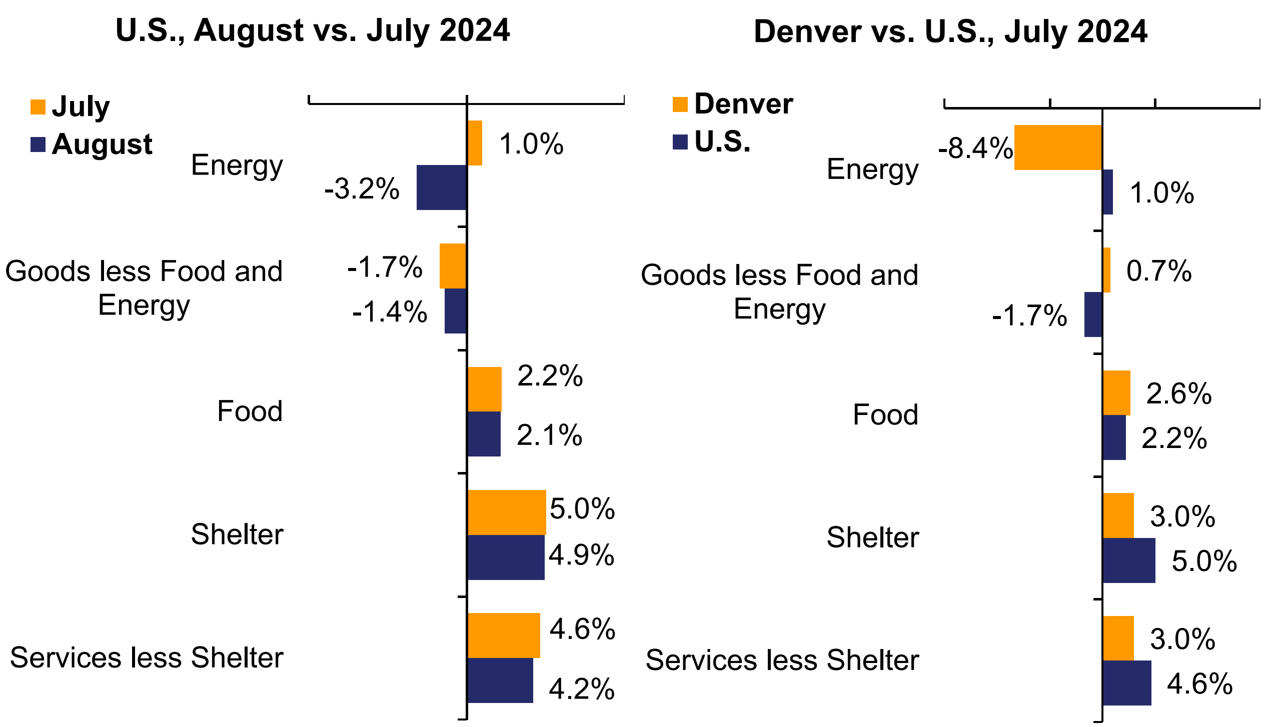


Source: U.S. Bureau of Labor Statistics
Note: Shaded bars indicate forecast.

Meanwhile, Denver inflation has taken a steeper downward trajectory. Local inflation dipped below the U.S. in March for the first time since November 2022 and has continued to fall below national levels with Denver inflation at 1.9 percent year over year in July. The recent reversal of the relationship between national and local inflationary trends stems largely from a quicker-than-anticipated slowdown in shelter and services categories, as well as some seasonal, local-specific effects on energy. Local energy inflation is experiencing sharp year-over-year declines from base effects due to energy price spikes in early 2023 from extreme winter weather and the Suncor refinery temporary shutdown. Note that Denver CPI readings are published every other month, so the most recent headline reading is from July whereas more recent national data exists.

Overall, as shown in Figure 12, expectations for U.S. CPI are revised down in the near term given the trends discussed above, at 2.9 percent in 2024, 2.4 percent in 2025, and 2.4 percent in 2026. The downward trends in inflation are likely to trigger cuts in Federal Funds Rate in September. Meanwhile, Denver CPI expectations for 2024 are changed incrementally from June, down 0.1 percentage points to 2.5 percent in 2024 and no revision to 3.0 percent in 2025 and 2.7 percent in 2026. The long-term relationship between U.S. and Denver CPI is expected to return in line with historical trends starting in 2025, where a larger share of shelter and services and stronger price growth in those categories propel Denver inflation above national levels after a dip in 2024.

Figure 13. Year-over-Year Inflation by Major Component



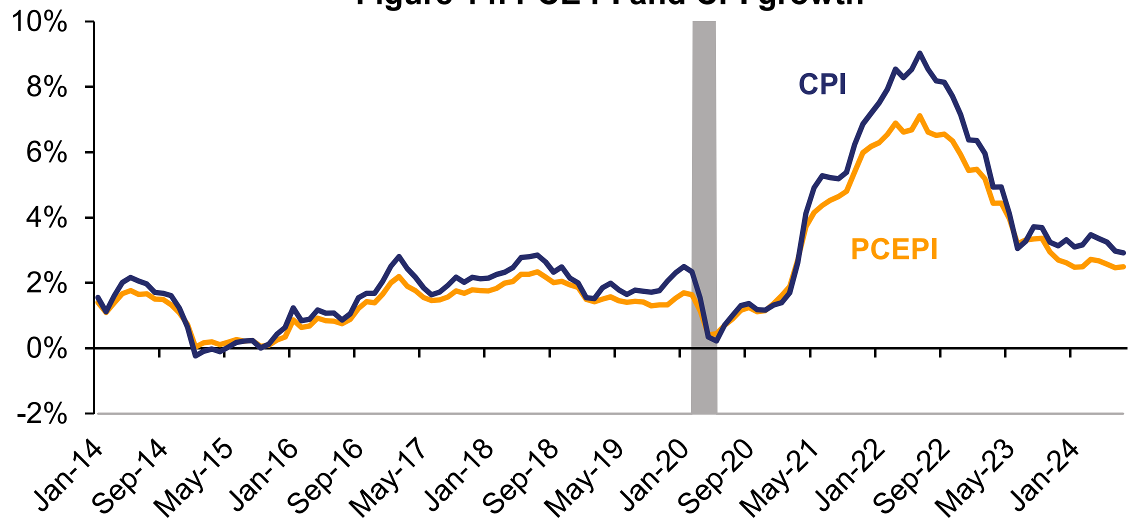
Source: Bureau of Labor Statistics; OSPB Calculations.

Financial Conditions

U.S. inflation has continued its disinflationary path despite a slow recovery of shelter inflation and stronger than previously expected consumer demand. The Federal Reserve's Federal Open Market Committee (FOMC), which sets U.S. monetary policy, has now turned 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 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 4.2 percent unemployment to be a sustainable long term unemployment rate per the September 2024 Summary of Economic Projections.

It is important to note that PCEPI is a different inflationary metric than CPI. Generally, PCEPI growth is lower due to the fact that CPI focuses on spending by urban households and urban areas tend to experience higher inflation. Additionally, 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. Below, find the year over year inflationary path of PCEPI compared with CPI for the U.S. In July, PCEPI was 2.5 percent compared with 2.9 percent CPI inflation. While August CPI inflation has already been released, August PCEPI will not be published until after this forecast is published.

Figure 14. PCE PI and CPI growth



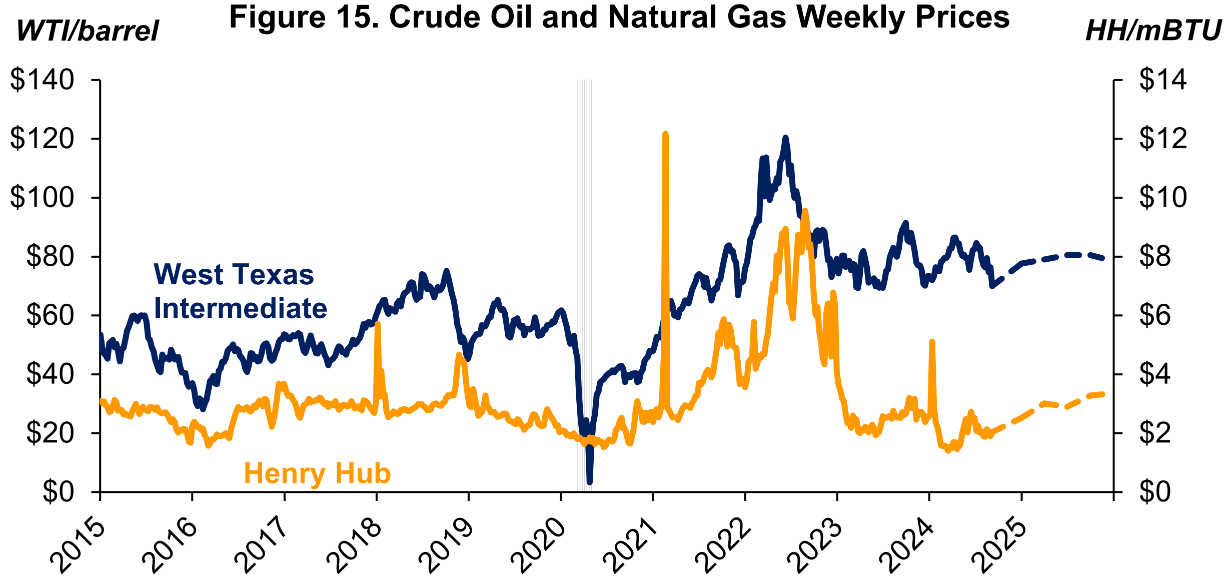
Source: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis

In the most recent September Summary of Economic Projections (SEP), FOMC members expected 4.4 percent unemployment and 2.3 percent PCEPI by the end of 2024, a significant shift from the June SEP when 4.0 percent unemployment and 2.6 percent PCEPI were expected. With lower inflation and a weaker labor market, the FOMC now anticipates 100 basis points (bps) of cuts in 2024, rather than 25 bps in 2024 expected in the June SEP under stronger market conditions. OSPB is in line with the FOMC projections on both unemployment and PCEPI by the end of 2024, but expects a slightly weaker labor market by the end of 2025 than the current SEP. Therefore, while OSPB anticipates 100 bps of cuts in 2024, in line with the Fed, OSPB anticipates 125 bps of cuts in 2025 rather than the September SEP's expectation of 100 bps. Overall, the disinflation and jobs growth trajectories will be determining factors in monetary policy, with weaker growth than the Federal Reserve's expectations leading to more rate cuts than they've currently stated in the SEP.

Energy

Oil and gas energy markets remain largely stable in the third quarter of 2024 with crude oil prices relatively steady, despite upside price risks from geopolitical turmoil and OPEC-Plus production uncertainty. Weaker global demand, healthy global inventories, strong non-OPEC global production have offset these risks, providing a relative equilibrium. Domestically, crude oil and natural gas production is incrementally increasing off record 2023 levels, with production in Colorado also rising year-over-year. However, Colorado oil and gas production remains below pre-pandemic production levels, while overall U.S. production has fully recovered. Over the forecast period, crude oil prices are expected to remain stable at above-average levels, while natural gas prices are projected to gradually increase to historical average levels following their recent trough in early 2024.

Figure 15. Crude Oil and Natural Gas Weekly Prices

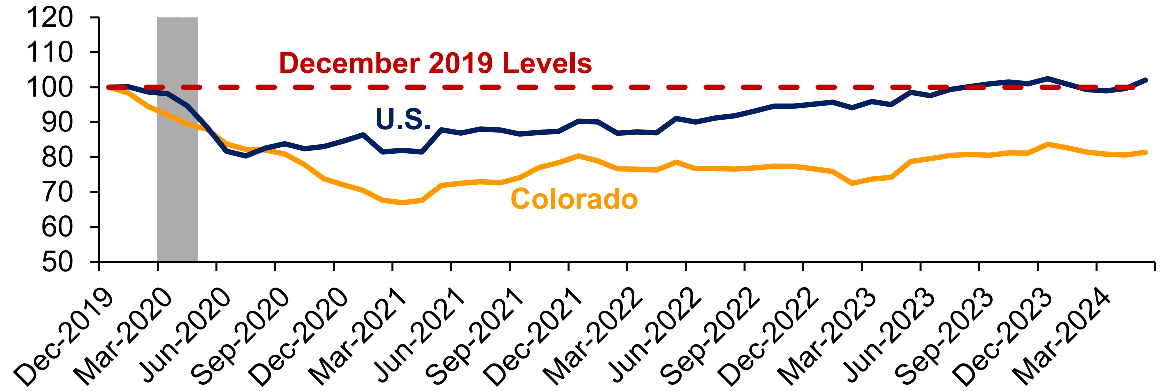


Note: Shaded area denotes recession. Dotted line indicates Energy Information Administration forecast. Axis on the left is the West Texas Intermediate price per barrel of oil, and axis on the right is the Henry Hub price per million BTU of natural gas.
Source: Energy Information Administration

Through mid-August, West Texas Intermediate crude oil prices have averaged $79.81 per barrel on a weekly basis year-to-date – above the ten-year average of $63 per barrel but well below the recent peak of $120 reached in summer 2022. Through the end of 2025, the U.S. Energy Information Administration (EIA) forecasts that prices will range from $78 to $81 per barrel, however, crude oil prices fell to below $70 per barrel in early September on a lower global demand forecast. Henry Hub natural gas prices have averaged $2.09 per million BTU on a weekly basis year-to-date through mid-August, which is below the ten-year average of $3.16. The EIA projects that Henry Hub prices will range from approximately $2.20 to $3.40 through 2025. Through mid-August, U.S. regular retail gasoline prices have averaged $3.41 per gallon, which is a 3.1 percent reduction compared to the same period in 2023. Colorado has experienced a 15.9 percent decline in regular retail gasoline prices in 2024 compared to last year, averaging $3.03 per gallon through mid-August. The more significant decline in Colorado retail gasoline prices year-over-year is partially attributed to the Suncor refinery temporary shutdown in the first quarter of 2023 which increased prices at the time.

Figure 16. U.S. and Colorado Indexed Crude Oil Production Growth (3-Month Rolling Average from December 2019)

Dec. 2019 = 100

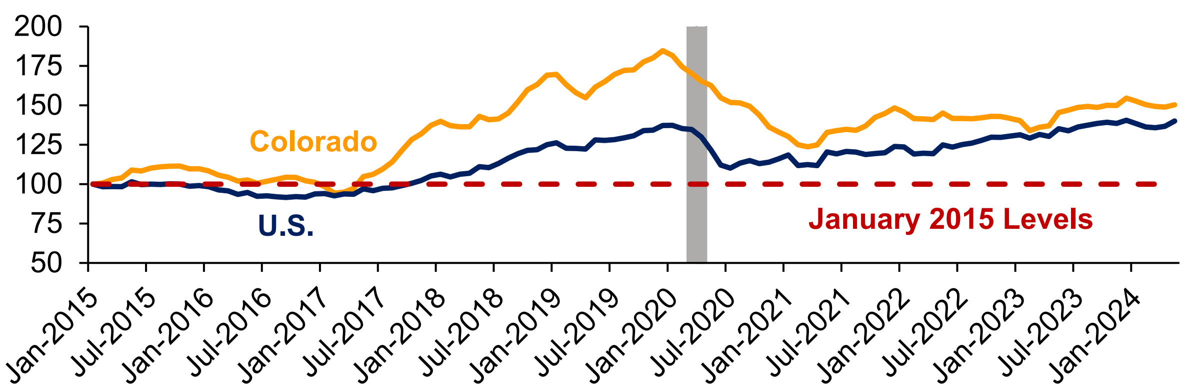


Source: Energy Information Administration.
Note: Shaded area denotes recession. Chart depicts U.S. and Colorado crude oil production growth on 3-month rolling average from December 2019.

With crude oil prices remaining above long-term averages over the past three years, U.S. crude oil production fully recovered beyond pre-pandemic levels in 2023, while breaking the annual domestic production record for both crude oil and natural gas. Through May, U.S. production has grown 3.5 percent over 2023 levels, and the EIA projects that domestic production will once again break the annual record in 2024.

Figure 17. U.S. and Colorado Indexed Crude Oil Production Growth (3-Month Rolling Average from January 2015)

Jan. 2015 = 100



Source: Energy Information Administration.
Note: Shaded area denotes recession. Chart depicts U.S. and Colorado crude oil production growth on 3-month rolling average from January 2015.

Statewide crude oil production has still not recovered to pre-pandemic levels, however. Although crude oil production has increased in Colorado over the past three years, production in 2023 lagged 2019 levels by 13.8 percent. The full U.S. recovery and lagging Colorado recovery is illustrated in Figure 16. Strong production in the Permian Basin has been a main contributor to the full U.S. recovery while most other oil basins have lagged comparatively. However, if the timeline is expanded to the past ten years, Colorado crude oil production growth has outpaced the U.S. due to significant expansion over the latter half of the 2010s as depicted in Figure 17. Thus far in 2024, Colorado crude oil production has grown at a faster pace compared to the U.S., recording 5.8 percent growth compared to 3.5 percent for the U.S.

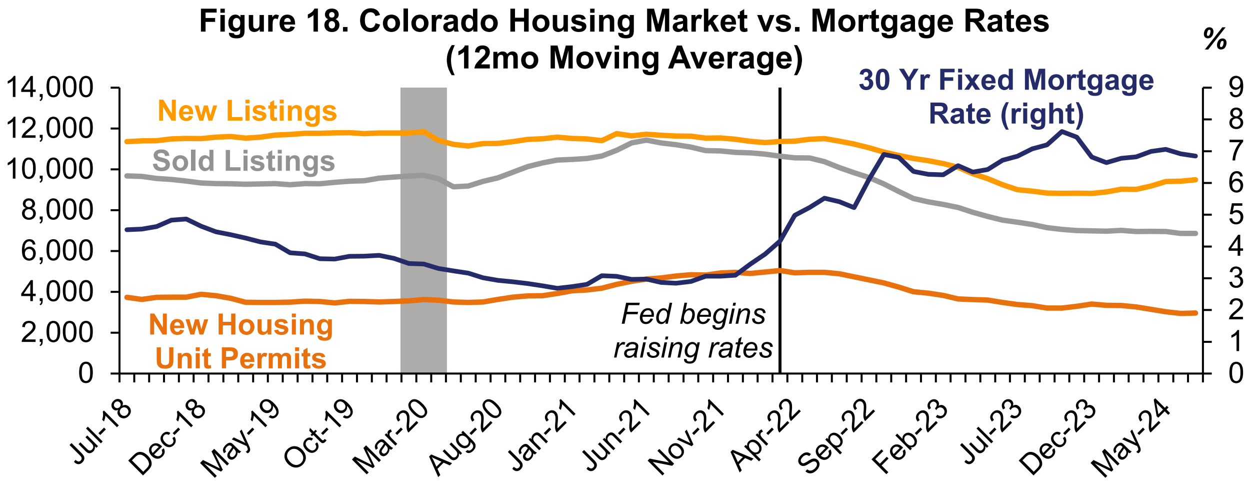
Similar to crude oil, U.S. natural gas production has recorded a full recovery to pre-pandemic levels while Colorado has not recovered to pre-pandemic levels with 2023 production 8.3 percent below 2019 levels. Through May 2024, however, Colorado has recorded 5.2 percent growth over 2023 levels. Moving forward, slow statewide crude oil and natural gas production growth is projected, with potential for a full recovery to pre-pandemic levels of production in the latter portion of the forecast period if recent trends hold.

Housing

When the Federal Reserve first began raising its prime lending rate in March 2022 in response to persistent inflation, the cost of borrowing increased for home buyers and builders alike. Colorado's housing market cooled significantly as a result, seen in Figure 18 below as a decrease in New Listings (sellers), Sold Listings (buyers), and New Housing Unit Permits (builders).

Cumulative data through the first half of 2024 show that new housing construction permits are down 23.0 percent from 2023, and national data from July suggests a continued slowdown in the second half of the year. In Colorado, a slight rebound is expected later in the year as the Fed is poised to lower rates, resulting in a forecasted growth rate of -18.0 percent for 2024. As interest rates are projected to fall in 2025 and beyond, OSPB expects new housing construction permits to pick back up to 3.0 percent growth in 2025 and 6.1 percent in 2026.

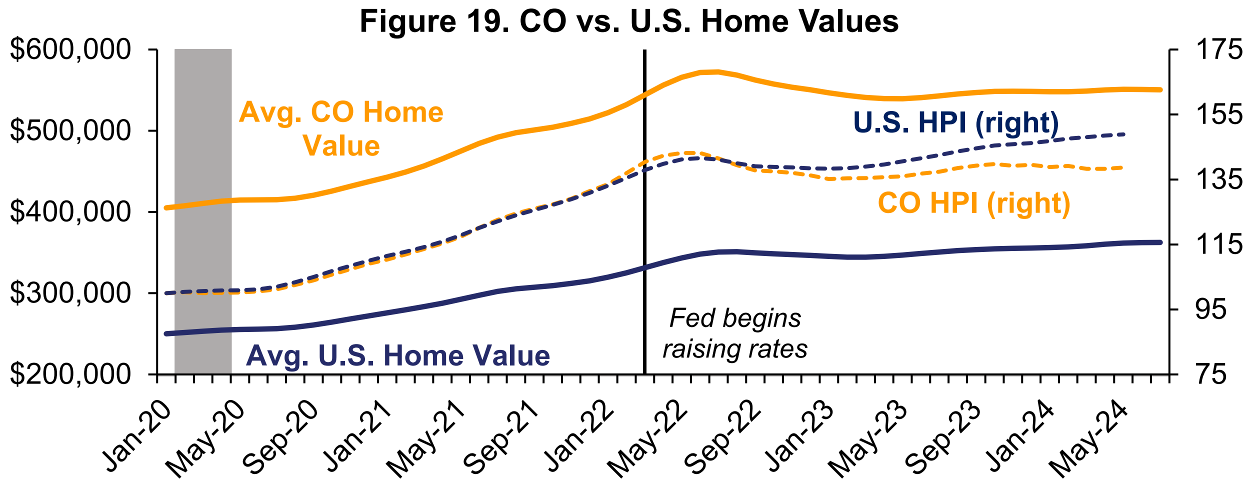
New Listings started to trend upwards in the first half of 2024, suggesting that sellers may anticipate more demand side buyers in the near term. Alternatively, on the supply side, household economic conditions associated with inflation, debt, and higher property taxes on increasing home valuations may encourage some homeowners to cash out their equity. While New Listings are increasing, so is their average length of time on the market: 32 days in the Denver region (up from 25 days in 2023), and 43 days statewide (38 days), further indicating an imbalance of buyers and sellers.



Source: Colorado Association of Realtors; Freddie Mac; U.S. Census Bureau.
Note: Shaded area indicates recession.

While sellers may perceive better chances of selling their homes, Sold Listings continue a downward trend. The sentiment for buying a house is hovering around all-time lows according to Fannie Mae's Home Purchase Sentiment Index (HPSI). Since mid-2022, only 20 percent of survey respondents feel like it has been a good or very good time to buy a house, compared to an average of 55 percent in 2020. This sentiment stems from a combination of rising insurance premiums, Homeowners Association dues, and mortgage rates that remain above 6 percent.

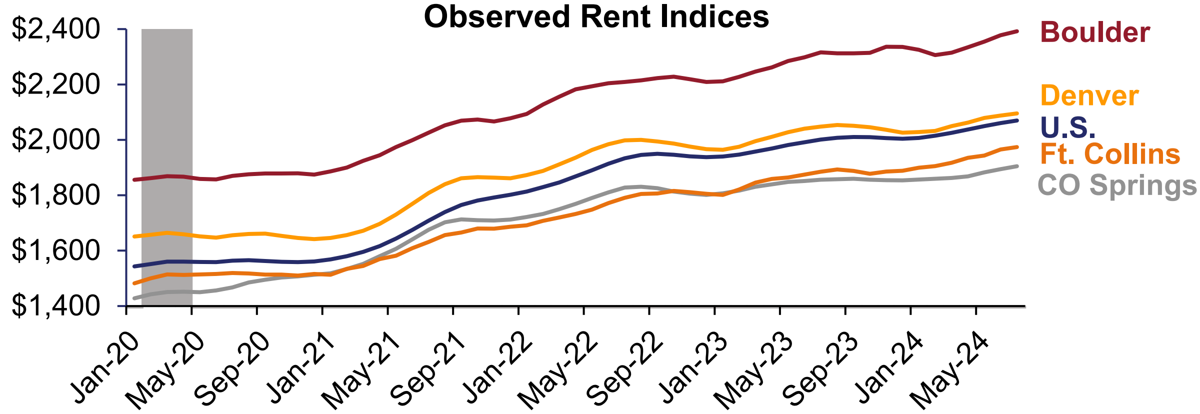
Despite the uptick in New Listings and low buying sentiment, home values remain resilient near all-time highs, with an average monthly increase of 1.4 percent in the first half of 2024 and an average value of $550,511 in July, shown in Figure 19. The Home Price Index (HPI) illustrates that Colorado prices have flattened since late 2022 compared to continued U.S. price growth.



Source: Zillow Typical Home Value Index; S&P CoreLogic Case-Shiller Home Price Index.
Note: Solid lines represent Zillow's average home prices. Dashed lines represent Case-Shiller Home Price indices, January 2020 = 100. Shaded area indicates recession.

Residential rent prices have also maintained an upward trend. Figure 20 below shows Zillow's Observed Rent Indices (ZORI) for four Colorado metro areas and the U.S. The average annual price increase for each has been around 5-6 percent from January 2020 through June 2024.

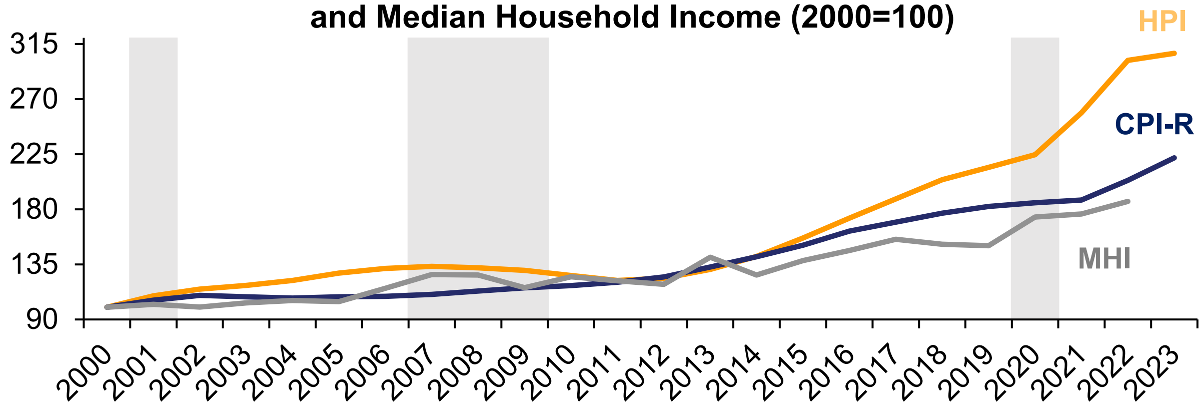
Figure 20. U.S. and Colorado Metro Areas Observed Rent Indices



Source: Zillow.
Note: Zillow's Observed Rent Index measures changes in asking rents over time, controlling for the quality of available rental stock. Shaded area indicates recession.

In a 2024 Colorado Health Foundation Pulse Poll, 89 percent of respondents rated housing affordability as a very serious problem, and 71 percent worried about being able to afford living in Colorado in the future – the highest in the survey's five-year history. These concerns are clearly illustrated by the widening gap between household incomes and steadily increasing home and rent prices since 2013, shown in Figure 21.

Figure 21. CO Home Price Index, Consumer Price Index of Rent, and Median Household Income (2000=100)



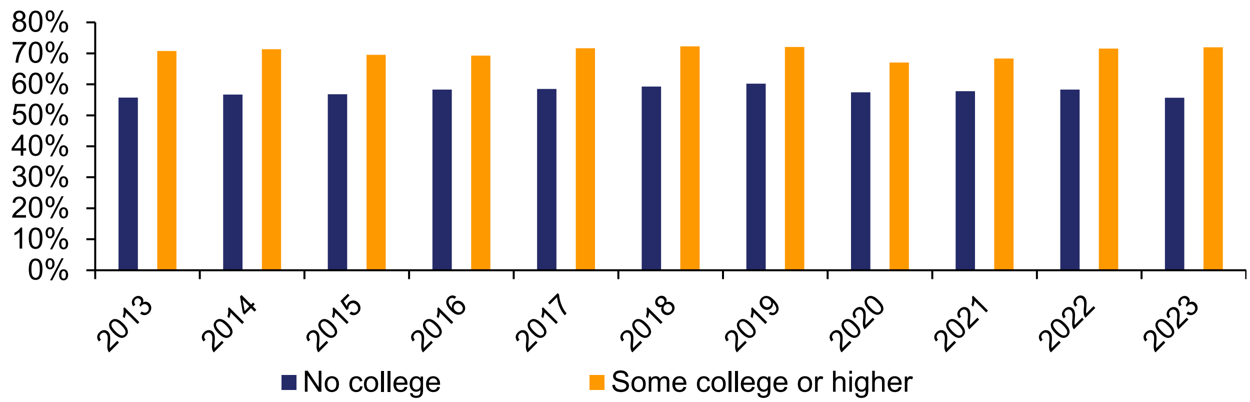
Source: U.S. Census Bureau; U.S. Federal Housing Finance Agency; U.S. Bureau of Labor Statistics.
Note: Shaded areas indicate recession.

Persistently high shelter prices are likely related to the ongoing impacts of a long-standing supply and demand imbalance in the housing markets. However, an average of nearly 19,000 more housing units were built than new households formed each year since 2020, alleviating some of the pressure on a limited housing supply. Data from the State Demography Office suggests that if population growth continues to slow and new housing construction remains steady, the structural housing shortage may be addressed by 2028-29.

Higher Education and the Workforce

Over the past decade, the higher education landscape has faced financial and demographic challenges. The sector anticipates a decline in student numbers following the projected 2025 peak in national high school enrollment, while a recent Gallup poll[3] suggests that the rising costs of a postsecondary education have caused students to question the monetary value of higher education. Given these trends, universities have tried to address these concerns by evaluating the return on investment (ROI) of a college degree. The U.S. Department of Education's College Scorecard highlights that bachelor's degree programs have a median ROI of $160,000, but the payoff varies by field of study, where fields like engineering, computer science, and nursing can reach $500,000 or more. Employment is also consistently higher for people with any higher education compared to those without. Nationally, 1.1 million 20–29-year-olds earned a bachelor's degree between January and October of 2023, 70.2 percent of which were employed in October of 2023.[4] This is consistent with historical data from Colorado, where the employment rate for the past ten years has been 10-15 percentage points higher for people with a college education than those without. Figure 22 illustrates the employment rate gap by educational attainment.

Figure 22. Colorado Employment Rate by Educational Attainment

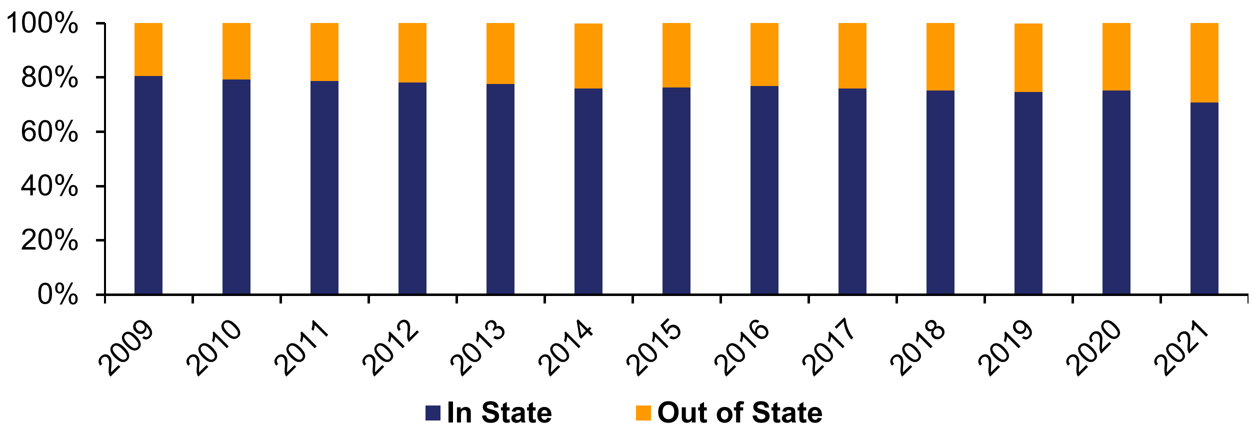


Source: Colorado Department of Labor and Employment, Current Population Survey.

[3] Megan Brenan, *Americans' Confidence in Higher Education Down Sharply,* Gallup, July 2023.
[4] *College Enrollment and Work Activity of High School Graduates News Release*, Economics News Release, U.S. Bureau of Labor Statistics.

A 2022 national study found that 54 percent of all college-bound students attend an in-state public college, while 15 percent attend an in-state private college[5]. The remaining 31 percent attend college out of state. At 29.2 percent, Colorado is slightly below that average. However, that proportion has increased from 19.5 percent in 2009. This increase may have accelerated since the pandemic: while 24.9 percent of 2020 graduates attended college out of state, 29.2 percent of 2021 graduates did, an increase of 4.3 percentage points in just one year.

Figure 23. In-State vs. Out-of-State College Enrollment for CO High School Graduates, 2009-2021



Source: Colorado Department of Higher Education.

Yet, despite lagging college enrollment rates in Colorado and nationally, Colorado has the second most highly-educated state population in the U.S., behind Massachusetts.[6] As such, there is still a supply of labor for the high-skill jobs that are in demand in the state economy, helping keep afloat a labor market that has been struggling with a skills mismatch in recent years, with demand for high-skill workers outpacing the supply. Evidence suggests that this trend is primarily due to in-migration of highly-educated individuals from other states, drawn to Colorado for its natural amenities and strong jobs market.

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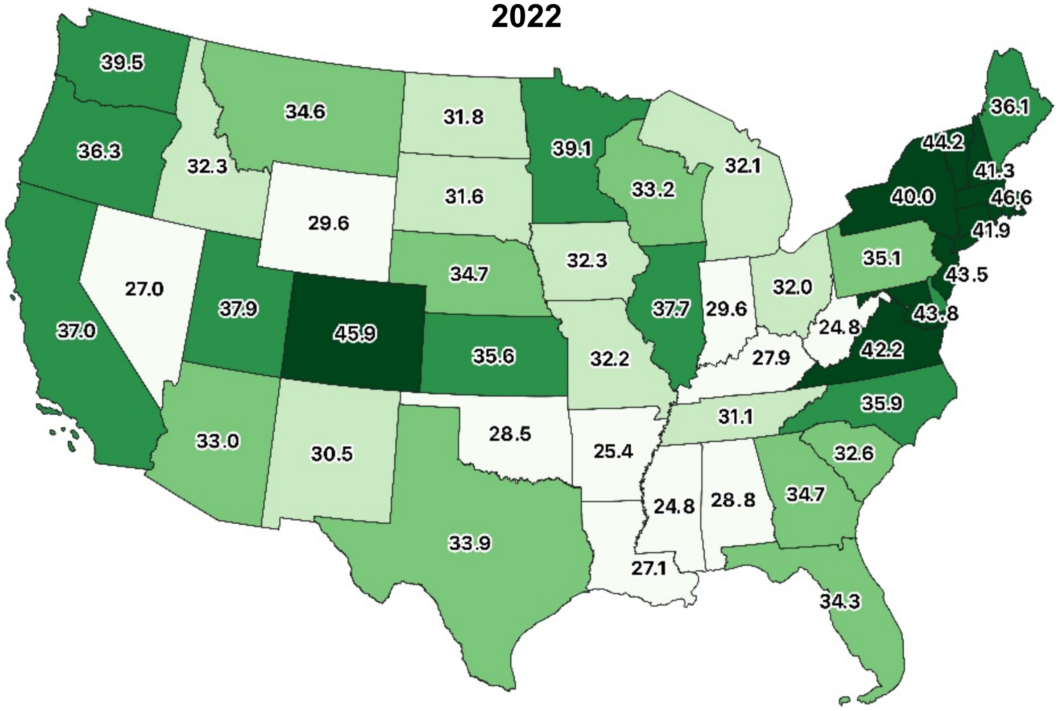
[5] Wills, C. E., & Sandoval-Williams, C. (n.d.). *Migration of American college students*. Computer Science Department, Worcester Polytechnic Institute, May 2022.

[6] Though not shown in the map in Figure 24, 30.6 percent of Alaska's and 34.5 percent of Hawaii's populations are college educated.

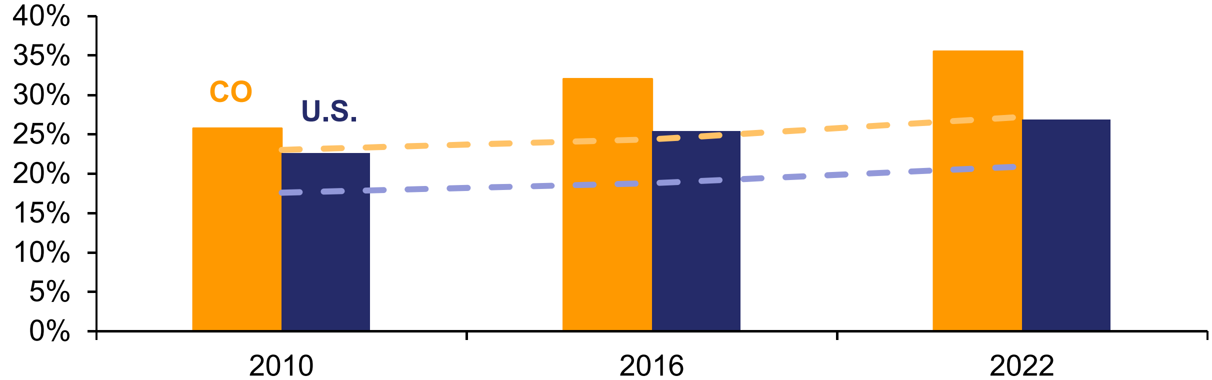
Figure 24. Proportion of State Populations with a Bachelor's Degree, 2022



Source: U.S. Census Bureau.

Taken together, these college enrollment and graduation trends provide evidence to suggest that the Colorado Paradox may be intensifying. The Colorado Paradox is the phenomenon in which Colorado has a much more highly-educated population than the national average, but that trend is driven by people moving into Colorado from other states, rather than education of the in-state population. As shown in Figure 25, the share of people moving to Colorado from another state with at least a bachelor's degree has grown at a rate much faster than the population of interstate movers nationwide. In 2010, 25.7 percent of people aged 25 and up who had moved to Colorado in the previous year had a bachelor's degree, compared to 22.6 percent of people that moved between states nationally. In 2022, that number had increased to 35.5 percent in Colorado and 26.9 percent in the U.S., an 8.6 percentage point gap. This discrepancy has grown despite the overall percentage of each population with a bachelor's degree increasing at roughly the same rate over this time period. As such, movers from other states appear to be making up the difference for high-demand jobs at an increasing rate.

Figure 25. Percent of Interstate Movers from the Previous Year with a Bachelor's Degree, CO vs. US



Source: U.S. Census Bureau, ACS five-year averages.
Note: Dotted lines indicate percentage of total population with a bachelor's degree.
CO data indicates in-migration from other states only, while U.S. data reflects anyone who has moved between states in the previous year

Forecast Risks

Short-Term Risks

There are economic risks on both sides of the potential Federal Reserve interest rate decisions in coming months. If rates remain elevated, continued cooling in the labor market and economic growth would negatively affect the state budget. If rate reductions come too late or too slowly, there is also an increasing risk of recessionary conditions. However, cutting rates too soon or too drastically could result in returning inflationary pressures. Ongoing geopolitical turmoil in the Middle East and Ukraine continue to threaten energy price stability. The commercial real estate market remains depressed in the high-interest rate environment, placing strain on investor and lender balance sheets. Residential real estate values have been resilient, but a decrease in Fed rates could reignite demand and push prices further upward.

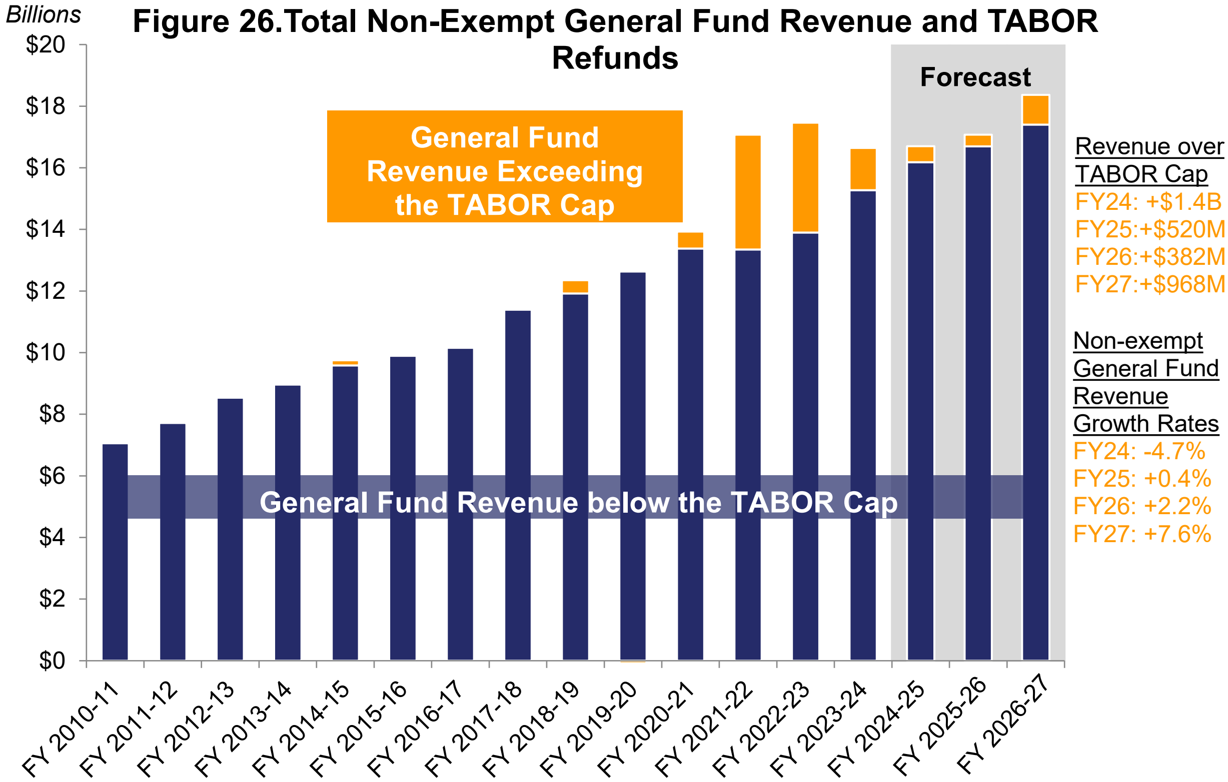
Long-Term Risks

Demographic shifts towards a rapidly growing retirement-age population and slowing population growth threatens job replacement rates for those retiring seniors. Climate risks continue to intensify, raising the anticipated frequency and costs of drought and wildfire via mitigation, response, and insurance. Increasing demands for water also interact with climate change as drought conditions strain Colorado’s own usage and obligations to other states.

General Fund Outlook

In FY 2023-24, General Fund revenue declined by 4.1 percent to $17,251.4 million ($17.25 billion) primarily from individual income revenue falling by 8.3 percent due to increased individual income refunds and tax policy changes reducing revenue. General Fund revenue recorded in FY 2023-24 ended $85.9 million below June forecast expectations. General Fund revenue in FY 2024-25 is expected to decline again by 0.3 percent to $17,202.6 million largely from tax policy changes and projected corporate income tax revenue declines. This represents a $210.5 million downward revision from June primarily from decelerating salaries and wage growth weighing on expectations. In FY 2025-26, General Fund revenue is projected to grow by 2.2 percent to $17,588.1 million from slow growth in individual income tax revenue and average growth in sales and use tax. This is a downward revision from the June forecast of $502.0 million due to a combination of lower expectations for salaries and wage growth alongside weaker expectations for corporate income tax revenue. General Fund revenue growth in FY 2026-27 is projected to accelerate by 7.4 percent to $18,883.5 million following four consecutive years of projected negative to slow growth.

Figure 26.Total Non-Exempt General Fund Revenue and TABOR Refunds



Note: Non-exempt General Fund revenue differs from gross General Fund revenue described in the paragraph above. Non-exempt revenue is subject to TABOR while gross revenue also includes revenue exempt from TABOR.

General Fund revenue exceeded the TABOR cap by $1.37 billion in FY 2023-24 and is projected to exceed the TABOR cap throughout the forecast period, including by $520.3 million in FY 2024-25, $381.6 million in FY 2025-26, and $968.3 million in FY 2026-27. This is a downward revision of $41.5 million, $174.7 million, and $485.7 million from the June forecast for FY 2023-24, FY 2024-25, and FY 2025-26, respectively.

Overview of General Fund Revenue Streams

Individual Income Tax: Revenue from individual income tax in FY 2023-24 declined by 8.3 percent to $10,044.2 million as a result of elevated refunds and tax policy changes. Growth is projected to rebound to 3.6 percent in FY 2024-25 to $10,407.8 million before growing by 2.6 percent to $10,674.6 million in FY 2025-26. Accelerating growth of 8.3 percent to $11,561.4 million is projected in FY 2026-27. Despite year-over-year increases, FY 2024-25 and FY 2025-26 revenue is revised down on decelerating salaries and wage growth weighing on expectations.

Corporate Income Tax: Revenue from corporate income tax in FY 2023-24 grew by 18.2 percent to a new fiscal year record of $2,796.6 million. Revenue is expected to fall from this peak in FY 2024-25 by 21.1 percent to $2,205.8 million in FY 2024-25 on slowing consumer demand and corporate profits with a decline of 4.2 percent expected again in FY 2025-26 to $2,113.5 million. Growth of 12.1 percent is projected in FY 2026-27. Despite expected declines in FY 2024-25 and FY 2025-26, corporate income tax revenue across the forecast period is revised up from June.

Sales and Use Tax: Revenue from sales and use tax in FY 2023-24 slowly increased by 0.9 percent to $4,595.8 million on softening retail sales. Revenue growth is projected to rebound from the current trough and grow by 3.0 percent in FY 2024-25 to $4,735.4 million before increasing by 5.1 percent in FY 2025-26 to $4,976.5 million. Stable growth of 5.0 percent is expected in FY 2026-27. For the full forecast period, sales and use tax revenue is revised down from the prior forecast caused by weaker than expected statewide retail sales.

Proposition EE Tax and Other Excise Tax: Revenue from Proposition EE declined by 11.6 percent in FY 2023-24 on falling cigarette tax revenue to $207.8 million. Revenue is expected to increase over the forecast period to $236.8 million in FY 2024-25, $236.0 million in FY 2025-26, and $234.7 million in FY 2026-27.

Other General Fund Revenue: Other General Fund revenue grew by 7.2 percent in FY 2023-24 to $850.1 million even after elevated growth of 56.2 percent in the prior year, as interest earnings revenue reached historically high levels. In FY 2024-25, this revenue is projected to increase by 2.1 percent as insurance revenue grows and interest earnings decline on falling interest rates. In FY 2025-26, a lower interest rate environment is expected to result in a 4.2 percent revenue decline to $831.7 million. In FY 2026-27, revenue is projected to fall by 0.3 percent.

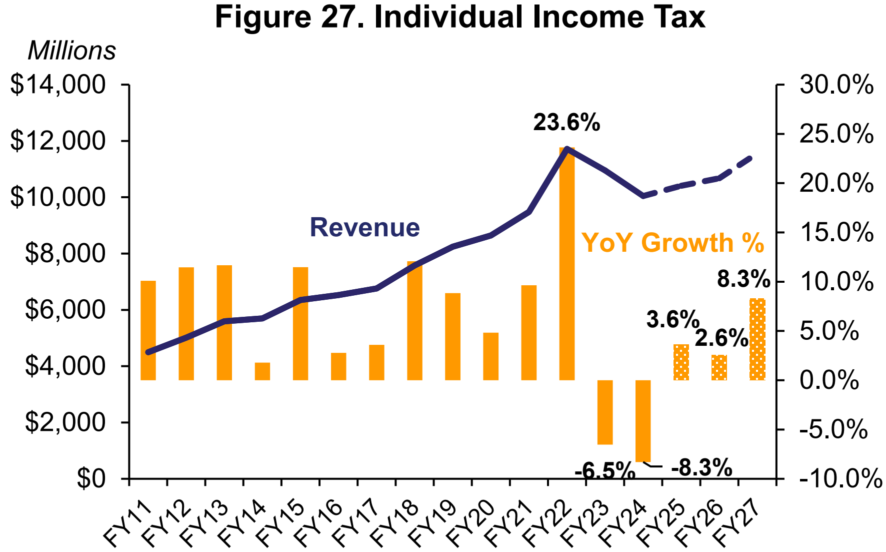
State Education Fund Revenue: Income tax revenue to the State Education Fund grew by 13.4 percent to $1,209.0 million largely due to a one-time prior-year correction of $135.1 million. In FY 2024-25, the diversion is expected to fall by 8.7 percent to $1,103.7 million due to base effects from the one-time correction in FY 2023-24. Slow growth of 0.8 percent to $1,112.6 million in FY 2025-26 is projected before growth accelerates in FY 2026-27 to 8.3 percent and $1,204.9 million.

Individual Income Tax

<u>Overall Forecast Trends</u>

Individual income tax revenue in FY 2023-24 decreased by 8.3 percent to $10,044.2 million ($10.04 billion) following a decline in FY 2022-23 of 6.5 percent. Tax policy adjustments and higher refunds were the main contributors to year-over-year revenue declines in FY 2023-24 with tax policy adjustments resulting in an estimated $348.2 million reduction in revenue. Additionally, the final four months (March to June) of collections included $2,139.0 million in refunds, compared to $1,587.4 million collected over the same period in FY 2022-23 – a $551.6 million difference. Combined between tax policy adjustments and higher refunds over the final months of the fiscal year, they make up $899.8 million of the total $908.5 million year-over-year decline within individual income tax revenue. OSPB expects elevated refunds for the full forecast period based on Tax Year (TY) 2023 returns thus far, as it appears that refunds in recent months are driven by an increased volume of filers in addition to the proportion of filers that are getting refunds with their return. This is potentially tied to higher TABOR refunds increasing the number of filings, as estimated payments have decreased significantly from TY 2022 collections, thus refunds are likely not the result of overpayments. There is additional upward pressure on refunds throughout the forecast period from the Family Affordability Tax Credit and Earned Income Tax Credit passed during the 2024 regular legislative session. More information regarding those tax credits is in the Policy Adjustments sub-section below.

Figure 27. Individual Income Tax



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

In FY 2024-25, individual income tax revenue is projected to rebound by 3.6 percent to $10,407.8 million despite tax policy adjustments weighing on revenue, including an estimated $652.3 million impact from the Family Affordability Tax Credit and Earned Income Tax Credits, which are assumed to be fully turned on in Tax Year 2025 and 2026 due to revenue growth expectations, as discussed later in this section. Despite the year-over-year growth in FY 2024-25, this is a downward revenue revision of $200.1 million from the June forecast primarily from salary and wage growth in the state decelerating at a faster pace than previous expectations. In FY 2025-26, slow growth of 2.6 percent to $10,674.6 million is expected, a downward revision of $312.6 million due to both base effects from a weaker FY 2024-25 as well as downwardly revised statewide salary and wage growth compared to the June forecast. In FY 2026-27, revenue growth is projected to accelerate by 8.3 percent to $11,561.4 million as salary and wage growth is forecasted to accelerate after a slower period in the preceding two fiscal years.

While refunds and tax policy have had significant impacts on the individual income revenue forecast, withholdings remain the largest long-term driver of collections, which make up over 90 percent of total collections. Withholdings are largely linked to wages and salaries growth, which OSPB has revised down in the current forecast. As such, withholdings have been revised down by $131.2 million in FY 2024-25 and $162.3 million in FY 2025-26. These changes make up the majority of the overall downward revision to individual income tax revenue. In FY 2024-25, tepid growth of 1.9 percent in withholdings is projected, which would be the slowest growth since FY 2009-10. This deceleration comes after five years of elevated growth rates averaging 8.5 percent. Accelerating growth of 4.5 percent and 7.2 percent is expected in FY 2025-26 and FY 2026-27, respectively. Aggregate wages and salaries growth is revised down by 0.7 percentage points to 4.9 percent in 2024, which is the main contributor to the revision down in revenue, although further downward revisions of 0.3 percentage points and 0.2 percentage points in 2025 and 2026 to 3.9 percent and 4.7 percent, respectively are also drags on revenue during the forecast period.

Note, while Proposition FF revenue has historically been discussed in this section, the most recent legislative session created an exempt cash fund for Healthy School Meals for All beginning in FY 2024-25. Please refer to the Cash Fund section for more information on those revenue expectations.

Impact from Tax Policy Changes

Changes to tax policy in the 2024 regular legislative session are impacting future projections. At the federal level, there are no recent significant changes to tax policy. OSPB continues to monitor the anticipated expiration of certain Tax Cut and Jobs Act (TCJA) provisions after 2025. At the state level in Colorado, the General Assembly added a significant amount of tax expenditures in the 2024 session, in addition to the continued maturation of previous session tax credits which will see growing revenue impacts.

Tax credits implemented from previous sessions will continue to have impacts. Credits authorized in HB23-1272 Tax Policy that Advances Decarbonization will see an increased revenue impact from the estimated $53 million revenue loss in FY 2023-2024 up to $76.3 million revenue loss in FY 2024-2025 tied to full-year impacts of the Industrial Clean Energy, Geothermal Energy, Heat Pump, and Electric Bicycle credits in TY 2024 and TY 2025, affecting corporate and individual income streams. Elevated levels of credit will continue for several years thereafter. HB23-1091 extended the Child Care Contribution credit, which was set to expire after TY 2024, but will now continue to be available through TY 2027, resulting in nearly $40 million of revenue loss through that period. HB23-1112 reformed the state Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). The 2024 legislative session saw further adjustments to the EITC, outlined below, while the adjustments to the CTC decoupled the state credit from the federal credit, setting specific dollar amounts instead of percentages of the federal credit, which increases the state cost by around $46 million in TY 2024.

In the 2024 legislative session, the legislature added or adjusted over 30 tax expenditures, many affecting individual income. The impacts of these new or adjusted tax expenditures increase over the course of the tax years in the forecast period. Some of the larger expenditures affecting individual income are outlined in Figure 28 below, including a further expanded EITC of 50 percent of the federal credit in TY 2024, 35 percent in TY 2025, and 25 percent in years thereafter. Further expansions of up to 50% of the federal credit are authorized when state revenue growth meets specific thresholds, as outlined at the end of this section. The expansion to the base will reduce revenue by around $93 million in TY 2024, $78 million in TY 2025, and around $40 million in the following years. Other significant credits include a means-tested tax credit for certain care workers, established in HB24-1312, which is expected to reduce revenue by around $45 million per year beginning in TY 2025 for those employed in child care and direct care, and a means-tested tax credit for high school graduates from Colorado to offset out-of-pocket costs for attending the first two years of higher education at public institutions in Colorado, established in HB24-1340. This credit is expected to reduce state revenue by around $37 million per year beginning in TY 2025.

In total, these new income tax credits are expected to reduce individual income revenue to the state by $161.7 million in TY 2024, $169.3 million in TY 2025, and $134.7 million in TY 2026. These changes will increase refunds to taxpayers alongside reductions in cash with returns. OSPB uses historical data to approximate monthly impacts of these credits throughout the tax year, and then the cash basis revenue forecast is adjusted to the fiscal year through its accrual methodology.

Additionally, two larger tax expenditures were constructed to vary in size depending on the growth of state revenues. The Family Affordability Tax Credit (FATC), and an incremental state EITC of up to 50 percent of the federal credit. OSPB ran iterative forecasts to determine if these credits would be turned on and, if so, to what extent. Including all tax expenditures with the exception of the implementation of the FATC and EITC, overall TABOR revenue is expected to grow by 3.0 percent in FY 2025-26 and 7.6 percent in FY 2026-27. OSPB assumes then that these triggers will be fully turned on during TY 2025 and TY 2026 per the triggers laid out in Figure 28 and 29 below, via HB24-1134 and HB24-1311. As can be seen in Figure 28, OSPB projects the full amount of both credits will be offered through TY 2026, raising the total revenue reduction from credits claimed by individuals to approximately $1 billion.

Figure 28. New Tax Credits Impacting Individual Income by Tax Year ($M)

Bill Number	Tax Credit Name	TY 2024	TY 2025	TY 2026
HB24-1134	Earned Income Tax Credit Expansion	-$93.6	-$78.0	-$39.0
HB24-1052	Senior Housing Income Tax Credit	-$67.6	$0.0	$0.0
HB24-1312	Tax Credit for Careworkers	$0.0	-$42.4	-$43.4
HB24-1340	Incentives for Post-Secondary Education Tax Credit	$0.0	-$36.2	-$37.2
HB24-1268	PTC Income Tax Credit		-$6.5	-$6.6
	All other	-$0.5	-$6.2	-$8.5
	Total	**-$161.7**	**-$169.3**	**-$134.7**
HB24-1311	Family Affordability Tax Credit	-$654.0	-$673.6	-$693.8
HB24-1134	Expanded ETIC	$0.0	-$117.0	-$195.0
	Total with Trigger Credits	**-$815.7**	**-$959.9**	**-$1,023.5**

Figure 29. Family Affordability Trigger Levels (beginning TY26)

Annual Revenue Growth over FY25	Base Credit Amount (Children under 6)	Decrease for each add'l $5,000 of income	Est. Credit Cost ($M)
Over 3.75%	$3,200	6.875%	$655
Over 3.56%	$3,200	9.06%	$539
Over 3.37%	$3,200	13.59%	$430
Over 3.18%	$2,600	19.23%	$297
Over 3%	$1,650	30.30%	$183
Less than 3%	$0	0%	$0

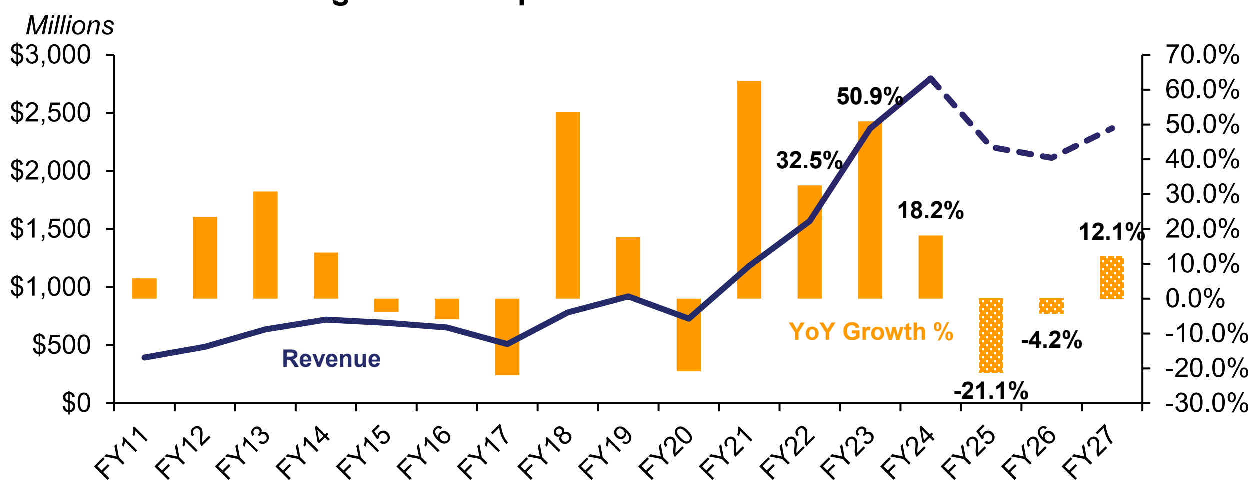
Figure 30. Earned Income Tax Credit Trigger Levels (beginning TY26)

Annual Revenue Growth over FY25	Size of EITC (as share of federal credit amount)	Est. Credit Cost over base 25% credit value ($M)
Over 3.75%	50%	$195
Over 3.56%	45%	$156
Over 3.37%	40%	$117
Over 3.18%	35%	$78
Over 3%	30%	$39
Less than 3%	25%	$0

Corporate Income Tax

Corporate income tax revenue grew by 18.2 percent in FY 2023-24 to a record $2,796.6 million ($2.80 billion), surpassing the record set in FY 2022-23 of $2,366.7 million. The continued growth in corporate income tax revenue in recent fiscal years is largely due to U.S. corporate profits growing to elevated levels above $3 trillion throughout 2022 and 2023 and continuing to grow in 2024. Subsequently, elevated profits are also being recorded at the state level. Compared to the June forecast, preliminary year-end FY 2023-24 corporate income tax revenue was $160.3 million above forecast expectations. In FY 2024-25, corporate income tax revenue is forecast to decline by 21.1 percent to $2,205.8 million, which is a $75.1 million upward revision from June due to higher-than-expected revenue collections in the first two months of the fiscal year. Corporate income tax revenue is projected to decline further by 4.2 percent to $2,113.5 million in FY 2025-26, reflecting a $153.5 million downward revision from the June forecast. Corporate profits are expected to decline in 2025, which will weigh on revenue both in FY 2024-25 and FY 2025-26 leading to year-over-year declines. Growth of 12.1 percent is projected to return in FY 2026-27. Tax policy adjustments from the 2024 regular legislative session are included within this forecast and result in an estimated $12.3 million reduction in corporate income tax revenue in FY 2024-25 and $79.9 million in FY 2025-26. These tax policy adjustments are discussed in more detail below.

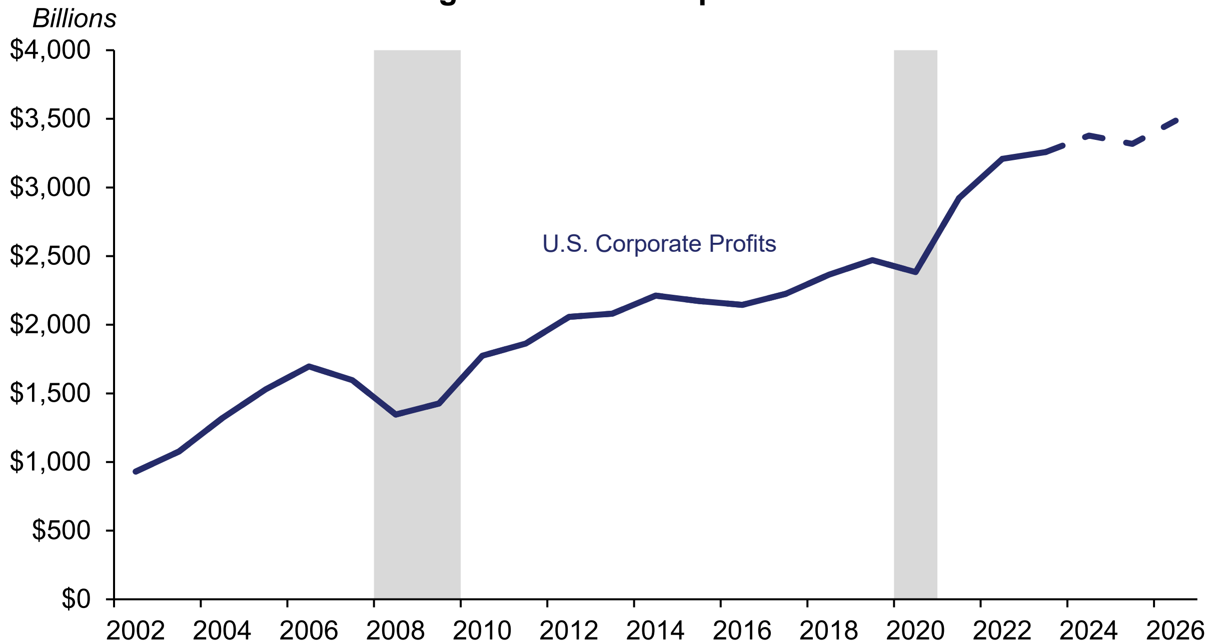
Figure 31. Corporate Income Tax Revenue



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

When developing expectations on 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 1.5 percent to a new record annual level of $3.3 trillion. In 2024, corporate profits are forecast to grow again by 3.7 percent, as businesses navigate a restrictive monetary environment. Corporate profits are projected to decline by -1.8 percent in 2025 before accelerating to 5.1 percent in 2026 as the economy is expected to positively respond to a less-restrictive monetary environment.

Figure 32: U.S. Corporate Profits



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

<u>Impact from Tax Policy Changes</u>

Changes to tax policy during the 2024 regular legislative session are impacting future projections. At the federal level, there are no significant changes to tax policy since the last forecast. OSPB continues to monitor the anticipated expiration of certain Tax Cut and Jobs Act (TCJA) provisions in 2025. At the state level in Colorado, the General Assembly added a number of tax expenditures in the 2024 session, in addition to the continued maturation of previous session tax credits, which will see growing revenue impacts.

The primary impacts from previous sessions impacting the corporate income forecast were contained in HB23-1272 Tax Policy that Advances Decarbonization. Several tax credits included in this bill were aimed at corporate entities including for geothermal energy and other clean energy development, sustainable aviation fuel, and electric vehicles. These tax credits largely began in Tax Year (TY) 2024, so the full revenue impacts will be seen in FY 2024-2025.

In the 2024 legislative session, the General Assembly created new tax expenditures affecting corporate income. The largest of these was the expansion of the Affordable Housing Tax Credit and the creation of the Transit Oriented Communities tax credit in HB24-1434. These credits support the development of affordable housing, and are often sold to corporate entities by the original claimants to help raise capital for housing developments. Other notable tax credits focus on workforce and economic development including one established in HB24-1365 Opportunity Now Grants and Tax Credit which offsets eligible costs in facility improvement and equipment acquisition for training programs to address workforce shortage issues. This credit begins in TY 2026 and will be worth $15 million per year until it sunsets. Additionally, HB24-1439 established an Apprenticeship Tax Credit for the employment of an apprentice. This credit is additionally worth $15 million per year beginning in TY 2025, a portion of which may be claimed by those filing individual returns. SB24-190 established two freight rail credits to support the continued use of rail through Coal Just Transition communities. They combine to have a revenue impact of $10 million per year once fully implemented outside of the horizon of this forecast.

In total, income tax credits claimed by corporate entities are anticipated to reduce revenue by $42.4 million in TY 2025 and increase to $162 million in TY 2026, largely due to the shape of housing tax credit claims over time. These impacts will affect both refunds and cash with returns, which OSPB has projected and integrated into the forecast, as well as accrual of revenue impacts into proper fiscal years. Based on OSPB's accrual methodology, the impacts are estimated to reduce revenue by $12.3 million in FY 2024-25 and $79.9 million in FY 2025-26.

Figure 33. New Tax Credits Impacting Corporate Revenue by Tax Year

Bill Number	Tax Credit Name	TY 2024	TY 2025	TY 2026
HB24-1434	Affordable Housing and Transit Oriented Communities Tax Credits	0.0	-12.6	-92.6
HB24-1365	Opportunity Now	0.0	0.0	-15.0
HB24-1439	Expand Apprenticeships	0.0	-12.0	-12.0
HB24-1295	Creative Industry Revitalization	0.0	0.0	-10.0
SB24-190	Rail and Coal Transition Communities	0.0	0.0	-3.0
	All other Tax Credits	0.0	-17.8	-29.4
	Total	**0.0**	**-42.4**	**-162.0**

Sales and Use Taxes

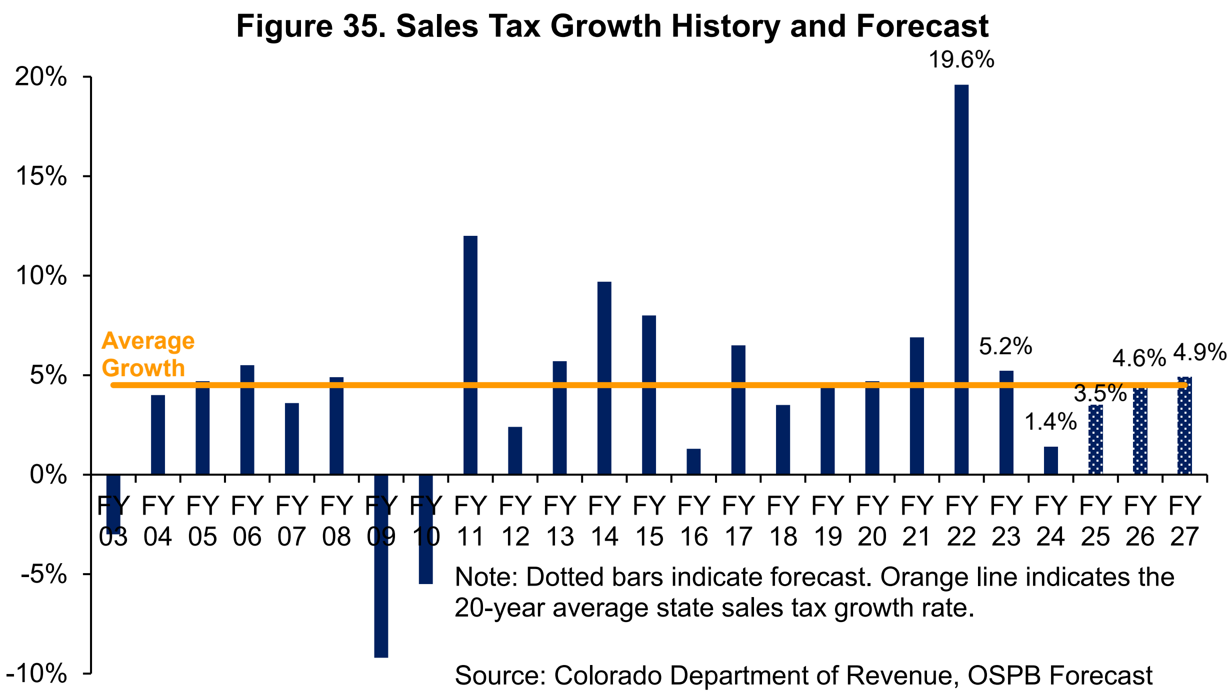
Sales Tax

Sales tax revenue in FY 2023-24 recorded 1.4 percent growth, reaching $4,362.6 million following 5.2 percent growth in FY 2022-23. Year-end sales tax revenue exceeded OSPB's June forecast estimates by $23.5 million. Despite some strength to end the fiscal year, 1.4 percent growth represents the slowest sales tax growth since FY 2015-16. While an uptick in growth is expected during the forecast period, statewide retail sales expectations have declined compared to the June forecast. Previously, OSPB expected a stronger rebound in sales tax revenue through the forecast window, but continued softness in retail trade has led to downward forecast revisions. With these assumptions, OSPB has revised sales tax revenue in FY 2024-25 down by $53.8 million, resulting in total collection expectations of $4,513.4 million, which is a 3.5 percent growth from the prior year. For FY 2025-26, growth is projected to increase to 4.6 percent, but this is a downward revision of $92.1 million from the previous forecast, resulting in total sales revenue of $4,721.7 million. In FY 2026-27, growth is projected to accelerate by 4.9 percent, leading to a total of $4,951.7 million collected.

Figure 34. Sales and Use Tax Revenue Forecast

Fiscal Year	Sales Revenue (millions)	Growth	Use Revenue (millions)	Growth	Total Revenue (millions)	Growth
FY 2023-24	$4,362.6	1.4%	$233.2	-7.2%	$4,595.8	0.9%
FY 2024-25	$4,513.4	3.5%	$221.9	-4.9%	$4,735.4	3.0%
FY 2025-26	$4,721.7	4.6%	$254.7	14.8%	$4,976.5	5.1%
FY 2026-27	$4,951.7	4.9%	$272.3	6.9%	$5,224.1	5.0%

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 lower than they have been in previous years with the most notable adjustment being a decrease of $4.5 million in FY 2024-25 and $1.6 million in FY 2025-26. In the 2024 regular legislative session, the only bill estimated to impact sales tax revenue is HB24-1036 Adjusting Certain Tax Expenditures. The bill is estimated to reduce revenue by approximately $1 million in FY 2024-25 and FY 2025-26, due to the modular and panel-built home sales tax exemption. Within the 2023 regular legislative session, two bills were enacted that will have an impact on sales and use tax revenue. The most significant fiscal impact of the two bills comes from HB 23-140, 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 $4.4 million in FY 2024-25. The other bill passed during the 2023 legislative session with a sales and use revenue impact is HB 23-1272, Tax Policy that Advances Decarbonization, though its fiscal impact on sales and use revenue is relatively minimal.



Vendor Fees

In accordance with HB 19-1245, 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 a new net revenue of $49.4 million in FY 2021-22, the actual collection exceeded expectations. This was attributed to subsequent legislation (HB 21-1312) 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 increased to $71.0 million in FY 2022-23. Preliminary Vendor Fee collections for FY 2023-24 are $71.3 million. FY 2024-25 is forecast to be $36.4 million ($3.5 million downward revision) and for FY 2025-26 is $40.8 million ($3.4 million downward revision). The significant year-over-year revenue decline in FY 2024-25 is due to recent legislation passed in the 2024 regular legislative session. HB24-1434 Expand Affordable Housing Tax Credit, reduced vendor fees allocated to the Housing Development Grant Fund (HDGF) by $35 million and replaced them with an annual allocation of tax credits of the same amount.

Figure 36. Vendor Fee Revenue Forecast	FY 2023-24 Preliminary	FY 2024-25 Forecast	FY 2025-26 Forecast	FY 2026-27 Forecast
Vendor Fee Revenue (millions)	**$71.3**	**$36.4**	**$38.2**	**$40.8**
Change	**0.4%**	**-48.9%**	**4.9%**	**6.7%**

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.

Use Tax

Use tax revenue was $233.2 million in FY 2023-24, translating into a 7.2 percent decline from the previous fiscal year. In FY 2024-25, revenue is expected to fall further by 4.9 percent to $221.9, which is a $34.8 million downward revision from the previous forecast. This downward revision is primarily due to use tax revenue collections coming in lower than expected, as well as the anticipated declines in broader sales tax activity as well as a slowdown in residential construction in Colorado. For FY 2025-26, use tax collections are revised down by $17.4 million from the previous forecast, resulting in total expected revenue of $254.7 million, however, OSPB projects use revenue in FY 2025-26 will accelerate by 14.4 percent.

Marijuana Sales

The 15 percent special sales tax on marijuana retail sales declined by 11.3 percent to $195.0 million in FY 2023-24. Revenue is expected to rebound in FY 2024-25 by 9.5 percent to $213.6 million and resume continued growth of 6.0 percent to $226.4 million in FY 2025-26. In FY 2026-27, slow growth of 1.3 percent to $229.4 million is projected. 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. Beginning in FY 2023-24, revenue will be transferred almost entirely into the Preschool Programs Cash Fund, aside from proportionally small transfers of $10.95 million and $4.1 million to the Tobacco Tax Cash Fund and General Fund, respectively.

Figure 37. Proposition EE Revenue

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Total	**$235.0**	**$207.8**	**$236.8**	**$236.0**	**$234.7**
Other Transfers	$233.6	$15.0	$35.0	$35.0	$35.0
Preschool Programs Cash Fund	$1.4	$192.8	$201.8	$201.0	$199.7

The September forecast has been revised down by $2.7 million to $207.8 million in FY 2023-24 on lower year-end revenue collections that previously expected. The Propostion EE revenue forecast is revised up by $3.7 million to $236.8 million in FY 2024-25 and up by $3.3 million to $236.0 million in FY 2025-26. The specific distributions are summarized in Figure 37. As shown in Figure 38, taxes on all three types of products increased on July 1, 2024 and will again to the maximum rate on July 1, 2027.

Figure 38. 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 bulk of Proposition EE revenue (57.6 percent in FY 2023-24) currently comes from taxes on cigarettes, for which the long-term consumption trends are negative. Cigarette sales dropped from FY 2021-22 to FY 2023-24 and are expected to decline in FY 2024-25. The percentage of revenue coming from cigarette taxes will average 56.3 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, and OSPB estimates an increase in revenue across the forecast period with a sharp increase in FY 2024-25, and then leveling off at a healthy growth rate in FY 2025-26 and FY 2026-27 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 year-over-year growth from FY 2023-2024 to FY 2024-25 is very 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[7]. 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 6.7 percent and electronic cigarette (nicotine) consumption increase from 8.1 percent to 13.8 percent.

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 are each charged as a percentage rate while cigarette taxes are charged at a flat per pack amount. Liquor revenues had been increasing slowly over time, but tobacco revenues have trended in line with cigarette revenue, which have been slowly decreasing over time. Across the forecast period, continued weakness is expected among the other excise tax category, as general usage trends of such products are starting to plateau or decrease. Revenue for liquor fell 0.6 percent in FY 2023-24 to $56.0 million, and is forecast to fall again by 0.6 percent to $55.7 million in FY 2024-25, then grow by 2.6 percent to $57.1 million in FY 2025-26, and grow by 1.5 percent to $58.0 in FY 2026-27. Tobacco revenue dropped 8.9 percent to $21.6 million in FY 2023-24, then is forecast to increase by 15.1 percent to $24.9 million in FY 2024-25, drop by 7.2 percent to $23.1 million in FY 2025-26, and fall 1.5 percent to $22.7 million in FY 2026-27. Cigarette revenue declined 14.4 percent to $20.5 million in FY 2023-24, and is forecast to fall by 1.6 percent to $20.2 million in FY 2024-25, decline by 7.9 percent to $18.6 million in FY 2025-26, and drop 5.6 percent to $17.5 million in FY 2026-27.

Other General Fund Revenue

Other General Fund revenue includes insurance premium tax revenue, interest and investment income, and court receipts. In FY 2023-24, Other General Fund revenue increased by 7.2 percent to $850.1 million following significantly elevated growth of 56.2 percent in FY 2022-23. The growth in FY 2023-24 was impacted by changes to insurance tax policy becoming fully integrated, interest income continuing its strong growth, while the category of other income applied downward pressure to trend after a one-time jump. For FY 2024-25 and FY 2025-26, projections are revised down by $16.5 million and $6.9 million respectively, primarily driven by interest income likely having found its peak with the potential for accelerated rate cuts from the Federal Reserve on the horizon.

Interest income closed FY 2023-24 with an increase of 33.5 percent to $251.6 million, $11.8 million lower than anticipated in the June forecast. On average, General Fund investment income earned interest at 1.1 percent in FY 2021-22. Comparatively, General Fund investment

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

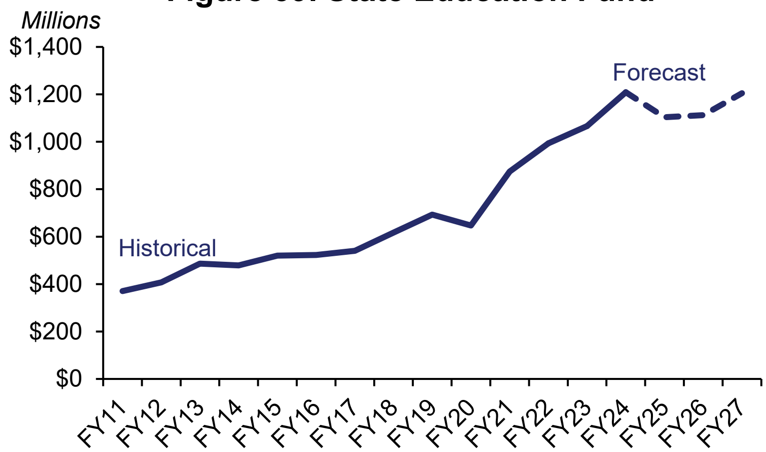
income earned an average interest rate of 2.8 percent in FY 2022-23 and the yield for FY 2023-24 was 3.7 percent. Continued increases in the average percentage of interest earned has added continual upward pressure to this revenue stream. However, with the Federal Reserve expected to begin a rate cut cycle, it is likely that General Fund investment income has peaked. Paired with lower than anticipated revenue received in the last few months of FY 2023-24 and a lower level of TABOR refunds relative to previous fiscal years, revenue has been revised down through the forecast window. For FY 2024-25 interest income is revised down by $16.2 million to $181.3 million and is expected to decrease 27.9 percent year-over-year. While Federal Funds rate cuts were previously anticipated, they are expected to be faster than anticipated in previous forecasts, leading to the downward revenue revision. Additionally, OSPB anticipates this downward trend to continue into FY 2025-26 with a 28.9 percent decrease in interest income to $128.8 million due to falling interest rates as monetary policy is expected to ease. This forecast is expected to stabilize in FY 2026-27 with a 5.9 percent decline in interest income to $121.2 million.

During FY 2023-24, insurance revenue grew by 4.9 percent from the prior year to $541.9 million, strengthening its pace during the second half of the fiscal year. OSPB is forecasting 15.8 percent growth in FY 2024-25 to $627.6 million with this growth being driven by new fiscal impacts from numerous bills passed in the 2024 Legislative Session, with the largest impact coming from HB24-1470 Eliminate Premium Tax to Health Insurance Affordability Fund. The bill ends the annual diversion from the General Fund to the Health Insurance Affordability Enterprise and instead the collections pass through to Insurance Premium revenues within the General Fund. The September forecast for insurance revenue in FY 2024-25 has been revised down by $2.5 million, and FY 2025-26 has been revised down $4.8 million. Colorado has been experiencing large year-over-year growth in insurance costs, but over the forecast period insurance revenue is expected to moderate. In FY 2025-26 and FY 2026-27, insurance revenue is forecast to grow 2.2 percent and 0.5 percent respectively, with revenue of $641.3 million and $644.3 million.

State Education Fund

Revenue diverted to the State Education Fund (SEF) from income taxes reached $1,209.0 million (or $1.21 billion) in FY 2023-24, reflecting 13.4 percent growth from FY 2022-23. In FY 2024-25, income tax revenue to the SEF is expected to decrease by $105.3 million, or 8.7 percent, to $1,103.7 million. In FY 2023-24, Legislative Council Staff corrected prior-year diversions, leading to a $135.1 million upward adjustment to comply with constitutional requirements. Consequently, the revenue decrease observed in FY 2024-25 is partially due to this one-time. However, this is a still a downward revision of $12.8 million from our June forecast. This revision down is primarily due to lower expectations for salaries and wages growth leading to lower individual income tax revenue. In FY 2025-26, growth is forecast to grow slightly by 0.8 percent, leading to SEF revenue of $1,112.6 million. This is a downward revision of $63.1 million from the June forecast due to lower individual income tax revenue alongside weaker corporate income tax revenue on an expected decline in corporate profits. Finally, in FY 2026-27 OSPB forecasts SEF revenue to grow by 8.3 percent to $1,204.9 million.

Figure 39. State Education Fund



Source: Colorado Department of Revenue, OSPB Forecast

The Colorado Constitution requires that one-third of one percent of Colorado taxable income is credited to the State Education Fund. As the State Education Fund revenue is derived from taxable income, it generally follows the trends in individual income and corporate income tax revenue collections. Tax credits do not impact taxable income. Consequently, any legislation related to tax expenditures will not affect the diversion amount, as the Office of State Planning and Budgeting (OSPB) methodology excludes these impacts when calculating taxable income.

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 include adjustments based on legislation passed within the most recent regular and special legislative session, some of which either increase or decrease expected revenue.

In FY 2023-24, preliminary actual cash fund revenue increased by 1.6 percent to $2,802.2 million ($2.80 billion), which was $75.1 million above the June forecast estimates largely driven by top 25 revenue cash funds within miscellaneous cash funds. In FY 2024-25, cash fund revenue is projected to grow by 4.9 percent to $2,938.7 million. This is an upward revision from June of $49.5 million led by miscellaneous cash fund and severance revenue. Continued cash fund growth of 3.4 percent to $3,038.3 million in FY 2025-26 is projected, and this is an upward revision of $14.4 million almost entirely driven by miscellaneous cash funds. Slower growth of 2.1 percent to $3,101.9 million in FY 2026-27 is estimated.

Overview of Cash Funds

Transportation: Transportation revenue concluded the year with strong 12.5 percent growth in FY 2023-24 from the previous fiscal year. Each individual transportation revenue stream grew except for motor and special fuel taxes which saw year over year losses driven by lower gasoline demand. Gains in registration and other revenue streams helped make up for the losses within the fuel revenue. OSPB anticipates slowing but steady growth through the forecast window with upward pressure from a growing Road Usage Fee and strong registration-related revenues. FY 2024-25 is anticipated to bring in $1,510.2 million in revenue which is 6.0 percent growth from the prior year. The following two fiscal years are anticipated to grow at 4.2 percent and 3.9 percent, respectively.

Limited Gaming: FY 2023-24 recorded $92.9 million in TABOR non-exempt limited gaming revenue. Adjusted Gross Proceeds were up 1.1 percent on the previous fiscal year, indicating underlying strength in casinos and gaming throughout the state. Limited gaming revenue is expected to flatten over the coming fiscal years as demand may struggle to continue to grow at the pace seen in recent fiscal years. FY 2024-25 is forecast to bring in $93.6 million in limited gaming revenues, followed by $95.5 million in FY 2025-26, and $97.7 million in FY 2026-27.

Severance: Severance tax revenue ended FY 2023-24 at $217.3 million, falling 42.0% from the $374.7 million peak in FY 2022-23. Revenue is expected to increase to $251.5 million FY 2024-25, largely from this being the first full fiscal year of the reduced ad valorem credit alongside less of an overall drag from ad valorem credits compared to FY 2023-24. Oil prices in FY 2024-25 are expected to remain stable in the $75-$85/barrel range. Expectations for FY 2025-26 are in line with June revenue expectations, increasing by 2.6% year-over-year to $258.2 million. Revenue in FY 2026-27 is projected to fall to $214.6 million as the expiration of the reduced AV credit in TY 2027 results in a revenue drag for the second half of the fiscal year.

Other Cash Funds Subject to TABOR: Miscellaneous Cash Funds are revised up in all forecast years. Upward forecast revisions are mostly tied to fee increases, continued strength in interest income, as well as some movements within the larger cash funds subject to TABOR, which can be found in Table 6b. Miscellaneous cash fund revenue is forecast to grow by 0.9 percent in FY 2024-25 to $952.5 million, followed by stronger 2.5 and 3.9 percent growth in FY 2025-26 and FY 2026-27, respectively.

Notable Cash Funds Not Subject to TABOR: OSPB continues to revise marijuana revenue forecasts down due to decreases in quantity sold for medical and wholesale marijuana, though retail sales volume remained relatively in line with June expectations. Going forward, prices are expected to increase slowly while the decline in sales volume slows, then reverses in mid-2025. Federal Mineral Lease revenue is projected to increase to $108.2 million in FY 2024-25 as natural gas prices are projected to recover. Revenue is expected to continue to grow in FY 2025-26 and FY 2026-27 to $116.7 million and $118.1 million respectively, with long-term average natural gas prices expected over those full fiscal years. Sports betting had a strong conclusion to exceed the $29 million threshold of allowable State collections in FY 2023-24, with a total of $30.4 million tax revenue collected. Hold percentage continues to rise, as does the effective tax rate, driving overall revenue growth. OSPB has also added a forecast for the Healthy School Meals for All (HSMA) Cash Fund to the list of exempt cash funds, given recent legislative action to create the fund in HB24-1390. Compared to the June forecast, OSPB is revising down Proposition FF revenue estimates in FY 2024-25 by $3.3 million to $127.2 million and in FY 2025-26 by $1.2 million to $119.8 million.

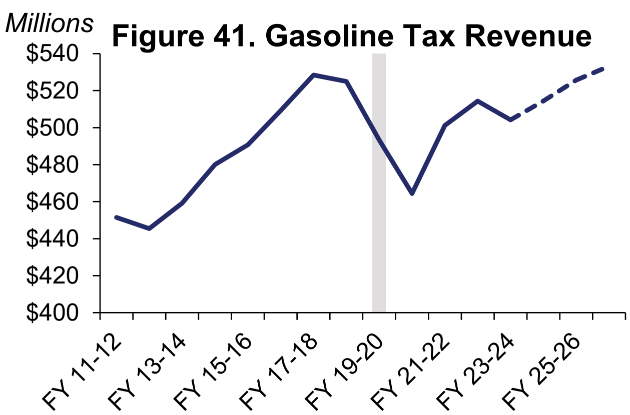
Transportation

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a handful of smaller cash funds. Total Transportation revenue grew by a total of 12.5 percent in FY 2023-24. Going forward, the expectation for transportation revenue is stabilization and steady growth in the out-years with 6.0 percent growth in FY 2024-25, 4.2 percent growth in FY 2025-26, and 3.9 percent growth in FY 2026-27. OSPB has revised up Transportation revenue estimates by $7.2 million in FY 2024-25 and $3.4 million in FY 2025-26. These revisions up from the June 2024 forecast are driven by continued strength in registration related revenue, while fuel revenue has come in below expectations and gasoline tax showed declines from the previous fiscal year.

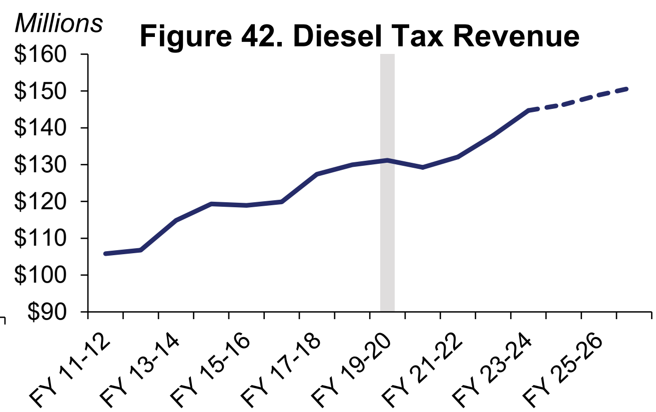
Figure 40. Detailed Transportation Cash Fund Forecast

	Actual FY 23-24	Forecast FY 24-25	Forecast FY 25-26	Forecast FY 26-27
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	$648.9	$660.7	$675.6	$684.0
Percent Change	*-0.5%*	*1.8%*	*2.3%*	*1.2%*
Road Usage Fees	$92.9	$122.1	$158.8	$189.6
Percent Change	*631.5%*	*31.4%*	*30.1%*	*19.4%*
Total Registrations	**$389.6**	**$432.9**	**$437.5**	**$449.6**
Percent Change	***18.6%***	***11.1%***	***1.1%***	***2.8%***
Registrations	$242.1	$245.3	$246.0	$251.7
Road Safety Surcharge	$104.0	$143.5	$146.4	$149.8
Late Registration Fees	$43.5	$44.1	$45.1	$48.1
Other HUTF	$86.5	$87.1	$91.3	$94.8
Percent Change	*19.5%*	*0.7%*	*4.8%*	*3.8%*
Total HUTF	**$1,218.0**	**$1,302.8**	**$1,363.2**	**$1,418.0**
Percent Change	***14.3%***	***7.0%***	***4.6%***	***4.0%***
Non-HUTF				
State Highway Fund	$27.8	$26.5	$26.5	$28.8
Percent Change	*1.1%*	*-4.7%*	*0.0%*	*8.7%*
Other Transportation Funds	$179.3	$180.9	$184.4	$189.1
Percent Change	*3.5%*	*0.9%*	*1.9%*	*2.5%*
Total Transportation Revenue				
Total Transportation	**$1,425.1**	**$1,510.2**	**$1,574.1**	**$1,635.9**
Percent Change	***12.5%***	***6.0%***	***4.2%***	***3.9%***

The Highway Users Tax Fund is the largest transportation-related cash fund, with revenues primarily coming from motor fuel taxes and motor vehicle registrations. Motor fuel taxes make up over half of the HUTF and comprise both gas and diesel tax revenue. OSPB has made a revision upward from June for the HUTF for FY 2024-25 by $6.6 million and downward by $0.2 million in FY 2025-26. Colorado has begun to show weakness in fuel revenue with gasoline revenue declining 2.0 percent year over year, however, diesel tax revenue has continued to maintain a growth trajectory with 4.9 percent growth year over year comparatively. Decreasing gasoline tax revenue could be the result of declining vehicle-miles-traveled throughout the State, increasing fuel efficiency, and increasing adoption of electric vehicles. OSPB forecasts a stabilization of fuel revenue into the HUTF, and minimal growth through the forecast window.



Note: Dotted line indicates forecast; shading denotes recession.



Note: Dotted line indicates forecast; shading denotes recession.

Additionally, HUTF growth is buoyed by the Road Usage Fee, which increases until it hits 8 cents in FY 2028-29 and begins growing in FY 2031-32 thereafter at the pace of inflation. Registration-related revenue is expected to remain strong as FY 2024-25 will be the first fiscal year with all registration fees being applied in full after the previous legislative limits and reductions. Lastly, the "Other HUTF" category shown in the table above increased 10.4 percent from the prior fiscal year. This growth was driven by strength in the Retail Delivery Fee, the Daily Rental Fee, as well as some miscellaneous fines, charges, and fees.

Figure 43. HUTF Distributions

	Actual FY 23-24	Forecast FY 24-25	Forecast FY 25-26	Forecast FY 26-27
First Stream				
Off-the-Top Deductions	$165.8	$181.2	$223.1	$223.1
CDOT - State Highway Fund (65%)	$212.1	$207.0	$183.7	$191.4
Counties (26%)	$84.8	$82.8	$73.5	$76.5
Cities (9%)	$29.4	$28.7	$25.4	$26.5
Total First Stream	**$492.1**	**$499.6**	**$505.7**	**$517.5**
Second Stream				
CDOT - State Highway Fund (60%)	$435.6	$481.9	$514.5	$540.3
Counties (22%)	$159.7	$176.7	$188.6	$198.1
Cities (18%)	$130.7	$144.6	$154.3	$162.1
Total Second Stream	**$726.0**	**$803.2**	**$857.5**	**$900.5**
Total HUTF Distributions				
Total HUTF	**$1,218.0**	**$1,302.8**	**$1,363.2**	**$1,418.0**

Other transportation-related funds include the State Highway Fund (SHF) and other miscellaneous revenue. Revenue to the SHF is made up of various smaller revenue streams including sales of state property, special transport permits, and earned interest. OSPB forecasts the stabilization of the SHF, followed by a slight decline for the out-years driven by special transport permits and other services returning to historical norms. Other miscellaneous transportation revenue is driven by strong revenue collections in the DRIVES account, Multimodal Transportation fund, and Aviation funds.

Limited Gaming

Limited gaming revenue maintained its strength in demand as FY 2023-24 revenue exceeded the prior fiscal year of record gaming revenues. Adjusted gross proceeds (AGP) grew 1.1 percent above the AGP of the previous fiscal year. OSPB anticipates 1.4 percent growth in total limited gaming revenues by the end of FY 2024-25, followed by increasing 2.1 and 2.3 percent growth rates in the out-years respectively. Limited gaming revenue subject to TABOR is expected to grow by 0.8 and 2.0 percent in FY 2024-25 and FY 2025-26 respectively. While revenue growth is expected to be slow, OSPB anticipates FY 2024-25 gaming revenues will be driven by operators' effort to meet a threshold for an Electronic Player Credits refund rule to go into permanent effect. This revenue data and distributions are shown in Figure 44 below.

Figure 44. Limited Gaming Distributions

Distribution of Limited Gaming Revenues	Prelim. FY 23-24	Forecast FY 24-25	Forecast FY 25-26	Forecast FY 26-27
A. Total Limited Gaming Revenues (Includes Fees and Interest)	**$179.3**	**$181.9**	**$185.7**	**$189.9**
Annual Percent Change	1.9%	1.4%	2.1%	2.3%
B. Gaming Revenue Exempt from TABOR (Extended Limited)	**$54.8**	**$56.5**	**$57.7**	**$59.0**
Annual Percent Change	5.2%	3.1%	2.1%	2.3%
C. Gaming Revenue Subject to TABOR (Limited)	**$92.9**	**$93.6**	**$95.5**	**$97.7**
Annual Percent Change	-23.4%	0.8%	2.0%	2.2%
D. Total Amount to Counties and Cities Originally From Limited Gaming	**$31.6**	**$31.8**	**$32.5**	**$33.3**
Amount to Counties (12%)	$13.7	$13.8	$14.1	$14.5
Amount to Cities (10%)	$11.5	$11.5	$11.8	$12.1
Grants to Cities for Historical Preservation (20% of 28%)	$6.4	$6.4	$6.6	$6.8
E. Total Amount to Base Revenue Recipients	**$114.6**	**$115.1**	**$117.7**	**$120.6**
Amount to State Historical Society (28%)	$32.1	$32.2	$33.0	$33.8
History Colorado (80% of 28%)	$25.7	$25.8	$26.4	$27.0
Grants to Cities for Historical Preservation (20% of 28%)	$6.4	$6.4	$6.6	$6.8
Amount to Counties (12%)	$13.7	$13.8	$14.1	$14.5
Amount to Cities (10%)	$11.5	$11.5	$11.8	$12.1
Amount to Distribute to Remaining Programs (State Share) (50%)	$57.3	$57.6	$58.8	$60.3

Local Government Impact Fund	$6.0	$6.1	$6.2	$6.4
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
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
Transfer to the General Fund	$23.6	$23.9	$25.0	$26.3
F. Total Amount to Amendment 50 Revenue Recipients	**$46.4**	**$51.9**	**$53.0**	**$54.3**
Community Colleges, Mesa and Adams State (78%)	$36.2	$40.5	$41.4	$42.4
Counties (12%)	$5.6	$6.2	$6.4	$6.5
Cities (10%)	$4.6	$5.2	$5.3	$5.4

Severance

In FY 2023-24, severance tax revenue declined by 42.0 percent to $217.3 million following a record collection in FY 2022-23 of $374.7 million as similar average oil prices over both fiscal years were more than offset by higher taxpayer usage of ad valorem credit claims and lower natural gas prices dragging on revenue collections. Preliminary year-end revenue collections came in $3.1 million below expectations from the June forecast. In FY 2024-25, collections are estimated to increase by 15.7 percent to $251.5 million, driven by the first full fiscal year of implementation for the reduced ad valorem credit enacted by HB23-1272 alongside natural gas prices recovering. This is an $11.3 million upward revision from the June forecast after a stronger than expected July collection to begin the fiscal year. In FY 2025-26, revenue is forecast to remain largely stable, growing by 2.6 percent to $258.2 million. This represents a $1.3 million downward revision from June. Finally, in FY 2026-27, revenue is projected to fall by 16.9 percent to $214.6 million, primarily due to the sunset of the reduced ad valorem credit beginning in Tax Year 2027, which results in a half-fiscal year negative revenue impact. Throughout the forecast period, revenue is forecast to remain above the ten-year average of $174.4 million. Economic assumptions underpinning this revenue forecast can be found in the Energy section of this document.

Figure 45. Severance Tax Revenue

	Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Oil & Gas	$178.1	$217.6	$229.7	$191.4
Coal	$6.6	$6.4	$6.1	$6.0
Moly & Metals	$1.7	$2.0	$1.9	$1.9
Interest	$30.9	$25.5	$20.4	$15.3
Total	**$217.3**	**$251.5**	**$258.2**	**$214.6**
Change	***-42.0%***	***15.7%***	***2.6%***	***-16.9%***

In January 2024, the distribution for severance tax revenue changed due to provisions within HB23-1272, Tax Policy that Advances Decarbonization, which reduced 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 will continue the reduced ad valorem credit, however, the claims will largely shift to the current taxable year instead of the prior year. In Tax Year 2027, the reduced level of the ad valorem credit ends. Any funds above $100,000 remaining in the Decarbonization Tax Credits Administration Cash Fund at the end of FY 2023-24, FY 2024-25, and FY 2025-26 are transferred to the General Fund. 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 of the real property taxes they most recently paid to their local governments, school districts, and special districts.

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 46.

Figure 46. Severance Tax Forecast Distribution Table	**Preliminary FY 2023-24**	**Forecast FY 2024-25**	**Forecast FY 2025-26**	**Forecast FY 2026-27**
Total Severance Tax Revenue (excluding interest, in millions)	**$186.4**	**$226.0**	**$237.8**	**$199.3**
Distribution				
Decarbonization Tax Credits Administration	$13.7	$28.2	$30.3	$14.9
Department of Natural Resources	$86.4	$98.9	$103.8	$92.2
Department of Local Affairs	$86.4	$98.9	$103.8	$92.2

Other Cash Funds Subject to TABOR

The State receives revenue from a variety of other, smaller cash funds. This includes non-exempt cash fund revenue to the Department of Regulatory Agencies (DORA), which is made up of revenue from professional and occupational licensing, the Public Utilities Commission, and other sources. DORA's revenue in FY 2023-24 was $96.1 million, which was more than OSPB had been expecting in previous forecasts. In previous forecasts, OSPB expected a year-over-year decline as a result of HB22-1298 Fee Relief Nurses Nurse Aides and Technicians, and HB22-1299 License Registration Fee Relief for Mental Health Professionals, and there has been reduced licensing revenue to the Division of Professions and Occupations Cash Fund in line with expectations. However, increased pressures in the Division of Insurance Cash Fund, Division of Real Estate Cash Fund, Division of Securities Cash Fund, and Public Utilities Commission Fixed Utility Fund have resulted in increased year over year revenue for DORA Cash Funds. As a result of legislative impacts and a reversion to trend fee collections, FY 2024-25 revenue is expected to continue growing by 8.3 percent to $104.1 million, followed by a more moderate 2.9 percent increase in revenue in FY 2025-26 to $107.2 million, then picking up slightly in FY 2026-27 to 3.8 percent.

The category of "Other Miscellaneous Cash Funds" includes revenue from over 300 cash fund programs that collect revenue from fees, fines, and interest earnings. OSPB breaks down this forecast into a list of 25 funds that had the most revenue in FY 2022-23 and separates out the rest of the smaller cash funds. The 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. Once FY 2023-24 is officially closed on an accounting basis, the list of Top 25 Funds will be updated for the December 2024 Forecast. Legislation from the 2024 Session in the forecast include: (1) modifications to the Employment Support Fund (HB24-1409), (2) reductions in the Housing Development Grant Fund Vendor Fee (HB24-1434), (3) reductions to the Recycling Resources Program Fee (HB24-1449), and (4) other various fee increases. Compared to the June 2024 Forecast, FY 2023-24 preliminary collections were $59.7 million above expectations. Additionally, FY 2024-25 is revised up 2.7 percent and $25.0 million, and FY 2025-26 is revised up by 0.9 percent and $8.2 million. The below table details the forecasted revenue through FY 2026-27.

Figure 47. Miscellaneous Cash Funds Revenue Estimates (Millions)

Fiscal Year	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Top 25	$619.9	$617.2	$588.6	$590.2	$616.0
Other	$258.6	$326.7	$363.8	$386.3	$398.3
Total	$878.4	$943.8	$952.5	$976.5	$1,014.3

Figure 48. Miscellaneous Cash Funds Revenue Estimates (Growth)

Fiscal Year	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Top 25	4.8%	-0.4%	-4.6%	0.3%	4.4%
Other	-6.9%	26.3%	11.4%	6.2%	3.1%
Total	1.0%	7.4%	0.9%	2.5%	3.9%

As highlighted in the March and June OSPB forecast, interest income has quickly become a driving force in Miscellaneous Cash Fund forecast and the forecast as a whole. This has been driven by increased interest rates in 2023 and 2024, as well as the State managing higher average cash portfolios throughout those fiscal years. Revisions to Miscellaneous Cash Funds for FY 2023-24 were driven by continued elevated interest earnings across all funds. Another important revision is related to HB24-1409 Employment-Related Funding & Workforce Enterprise and its impacts to revenue in the Employment Support Fund (ESF) and the Benefit Recovery Fund (BRF). In collaboration with the CDLE and the Office of the State Controller (OSC), OSPB have revised revenue totals for FY 2024-25 and all forecast years for the ESF and the BRF based on a clarified interpretation of the fund caps defined in the legislation. OSPB thanks our counterparts at CDLE and OSC for their dedicated work related to this legislation. Once OSPB receives a finalized period 16 cash fund data from OSC, there are likely to be adjusted revenues for FY 2023-24 through FY 2025-26. Additionally, for broad revisions to out-year forecast revenues, we have revised up our expectations for necessary cash fund fee increases expected as a result of possible insolvency issues.

TABOR Exempt Funds with Significant Fiscal Implications

Outside of the cash funds subject to TABOR discussed above, OSPB also forecasts Healthy School Meals for All (HSMA), 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 State Public School Fund, and the Water Plan Implementation Cash Fund, each of which is shown in more detail below.

Healthy School Meals for All (HSMA) Cash Fund

Proposition FF created the Healthy School Meals for All (HSMA) Program to provide access to free meals for all public school students in Colorado. Proposition FF funds the HSMA program by limiting the amount of tax deductions on tax filers earning over $300,000 beginning in Tax Year (TY) 2023 and by securing additional federal funding for school meals. Until FY 2023-24, revenue attributable to the income tax addition under Proposition FF was deposited into a TABOR-exempt General Fund account. HB24-1390 created the HSMA Cash Fund and required the balance from the exempt account to be transferred into the cash fund in FY 2024-25. HB24-1390 also allocated additional funding from the State Education Fund to the HSMA program, as projected meal reimbursement expenses were expected to exceed initial appropriation levels and were expected to outstrip revenue derived from Proposition FF in previous OSPB forecasts.

Figure 49. HSMA Revenue Forecast

	FY 2022-23 Actual	FY 2023-24 Preliminary	FY 2024-25 Forecast	FY 2025-26 Forecast	FY 2026-27 Forecast
Revenue (Millions)	$42.7	$127.0	$127.2	$119.8	$91.5
Growth	N/A	197.4%	0.2%	-5.8%	-23.6%

Preliminary revenue actuals in FY 2023-24 for HSMA were $127.0 million, which were closely aligned to $127.1 million projected in the June forecast. In FY 2024-25, revenue is expected to grow slowly by 0.2 percent to $127.2 million, which is a $3.3 million downward revision from the previous forecast due to lower personal income growth expectations. Originally, Proposition FF was estimated to impact 113,988 TY 2023 returns according to Blue Book estimates. In Tax Year 2022, however, there were 201,910 tax returns with an Adjusted Gross Income (AGI) of $300,000 or above. As of September 1, 2024, the most recent Tax Year 2023 data from the Department of Revenue indicates that 125,756 qualifying returns have been filed, and OSPB forecasts that the number of tax returns in this bracket for Tax Year 2023 will be close to the previous year's figure, estimated at 202,092 returns, indicating relatively flat year-over-year growth.

In FY 2025-26, OSPB projects HSMA revenue to decline by 5.8 percent to $119.8 million (a downward revision of $1.2 million from June), while in FY 2026-27 revenue is expected to sharply decline by 23.6 percent to $91.5 million. This decline in revenue is due to the federal Tax Cuts and Jobs Act (TCJA) standard deduction provisions sunsetting on December 31, 2025, which would negatively impact HSMA revenue beginning in TY 2026. This results in a half-year negative revenue impact in FY 2025-26 and a full-year impact in FY 2026-27. TCJA initially increased the standard deduction to $12,000 for single filers and $24,000 for joint filers with inflationary increases, but these amounts are expected to decrease after this provision expires. Without an extension of these TCJA provisions, on January 1st, 2026, the standard deduction amounts will return to 2017 levels indexed for inflation. This negatively impacts HSMA revenue, because tax revenue derived from Proposition FF tax policy changes come from limiting state deductions on qualifying tax filers to $12,000 for individual filers and $16,000 for joint filers. In TY 2023, the individual standard deduction is $13,850 and the joint standard deduction is $27,700. As illustrated in Figure 50, standard deduction amounts are expected to decline to $8,300 and $16,600, respectively following the TCJA standard deduction provisions expiring. This would result in very little revenue that could be directed to HSMA from filers choosing the standard deduction since the standard deductions would fall below or near the Proposition FF limits, and the vast majority of revenue allocated to HSMA would have to come from qualifying filers utilizing itemized deductions above the Proposition FF limits.

Figure 50. Federal Standard Deduction Expectations

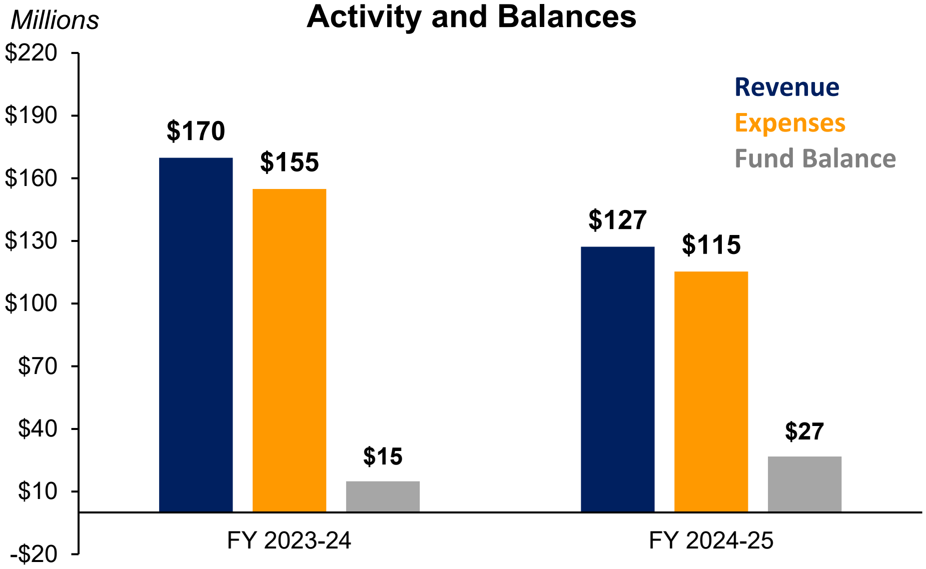
	Tax Year 2023	Tax Year 2024	Tax Year 2025	Tax Year 2026
Individual Standard Deduction	$13,850	$14,600	$14,900	$8,300
Joint Standard Deduction	$27,700	$29,200	$29,800	$16,600
Proposition FF Individual/Joint Standard Deduction Limit		$12,000/$16,000		

Note: Tax Year 2025 standard deductions are OSPB estimates. Tax Year 2026 standard deductions are Tax Foundation estimates of standard deductions if TCJA provisions expire.

According to the Congressional Budget Office, in 2017 (prior to TCJA), approximately 47 million tax returns utilized itemized deductions, however, in 2019 (post-TCJA implementation), fewer than 18 million tax returns used itemized deductions. Hence, OSPB expects when the TCJA standard deduction provisions expire, under current law, the majority of the revenue allocated to Proposition FF from filers using the standard deduction is projected to be lost, with nearly all the revenue then coming from filers using itemized deductions in the out-years. Currently, OSPB assumes that filers with an AGI of $300,000 or above choose to file using standard deductions and itemized deductions equally. However, if the higher standard deduction provisions expire in TY 2026, OSPB anticipates that taxpayers with an AGI of $300,000 or more will begin to shift towards itemizing their deductions with the lowered standard deduction. This is expected to mitigate the projected revenue loss, but significant revenue declines are still forecasted since very little revenue will be derived from filers using the standard deduction. Expectations for HSMA revenue from FY 2025-26 onward are based on the assumption that federal tax policy changes will proceed according to current law. If the TCJA standard deduction provisions are extended, OSPB anticipates that HSMA revenue will increase year-over-year in FY 2025-26 and FY 2026-27.

In FY 2023-24, the Colorado Department of Education (CDE) utilized the full $155.6 million spending authority from the HSMA General Fund exempt revenue account for meal reimbursements. Following this, HB24-1390 provided additional funding from the State Education Fund (SEF) to support the HSMA program. The department used $6.5 million from the SEF to cover meal reimbursement costs exceeding the $155.6 million allocated from the exempt account. Consequently, the remaining balance in the exempt account, which has been transferred to the newly established HSMA fund under HB24-1390, is $14.9 million. In 2024-25, CDE expects the costs for covering meal reimbursements to be $137.5 million, of which CDE has a spending authority of $115.3 million from HSMA revenue while the remaining $22.2 million is expected to be spent out of the SEF. Assuming these expenditures, as shown in Figure 51, OSPB forecasts the fund balance of the HSMA Cash Fund in FY 2024-25 to be approximately $27 million.

Figure 51. Healthy School Meals for All Fund Activity and Balances



Marijuana

Marijuana revenue continues to fall, largely as a function of stable prices and a decrease in the quantity of wholesale flower sold. The overall decline is expected to continue before returning to positive growth. Preliminary figures for FY 2023-24 indicate a year-over-year decline of 12.8 percent, and OSPB anticipates year-over-year growth of 7.8 percent in FY 2024-25, 6.6 percent in FY 2025-26, and 2.7 percent in FY 2026-27.

Figure 52: Marijuana Tax Revenue through FY 2026-27

Marijuana Tax Revenue	Preliminary FY 23-24	Forecast FY 24-25	Forecast FY 25-26	Forecast FY 26-27
Proposition AA Taxes (Not Subject to TABOR)				
Retail Marijuana 15% Special Sales Tax	$195.0	$213.6	$226.5	$229.4
Retail Marijuana 15% Excise Tax	$47.9	$51.9	$51.9	$56.7
Total Proposition AA Taxes	**$242.9**	**$260.7**	**$278.3**	**$286.2**
2.9% Sales Tax & Interest (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	$3.9	$5.3	$5.6	$5.6
Retail Marijuana 2.9% State Sales Tax	$1.2	$1.3	$1.1	$1.1
Interest Earnings	$0.2	$0.2	$0.2	$0.2
Total 2.9% Sales Taxes & Interest	**$5.3**	**$6.8**	**$6.9**	**$6.8**
Total Marijuana Taxes	**$248.2**	**$267.5**	**$285.3**	**$293.0**

Retail prices as a whole have declined over the past year, as the Average Market Rates (AMR) for wholesale flower was stable for three quarters ($750 per pound for Q4 2023 and Q1 2024, and $749 per pound for Q2 2024) before dropping to $699 per pound in Q3 2024. Despite this price decline, the quantity of wholesale flower demanded has continued to fall. While part of this can be attributed to the increase in market share of shelf-stable, high-value-added products (as discussed in the June forecast), the Department of Revenue's Marijuana Enforcement Division (MED) also points to the proliferation of chemically converted THC products crowding out the state-regulated traditional marijuana market. These products are chemically derived from hemp or CBD and produced outside of the regulated market. While hemp products are legal in Colorado, chemically converted THC derived from hemp does not meet the criteria for legality – namely, these are products that contain more than 1.75 milligrams of THC per serving and contain a CBD to THC ratio of less than 15:1, sales of which are prohibited under Colorado law.[8] However, the legality and regulatory framework of chemically converted THC products is inconsistent state-by-state, and as a result of a loophole in the 2018 federal Farm Bill, this market has proliferated relatively unchecked.[9] Most notably, these products are widely available online and can be purchased outside of the purview of Colorado's (or any state's) marijuana health regulations or taxation structures. Consumers may appreciate the convenience of online purchases (particularly when they can be purchased in bulk at a discount), and may be choosing to purchase these products instead of going to a licensed marijuana retailer, depressing Colorado's marijuana sales and tax revenue.

[8] Colorado Department of Revenue, April 2024 Notice to Licensees RE: Use of Chemically Derived THC in the Manufacture of Regulated Marijuana Prohibition

[9] Skodzinski 2024, "Farmbill 2024: 'The Sky Isn't falling... Yet' for Hemp Industry", Cannabis Business Times

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 53 below in addition to the revisions downward from the previous forecast.

Figure 53: Forecast-Over-Forecast Revisions by Fund

Marijuana Tax Revenue (September)	Total Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund
Preliminary FY 2023-24	$249.4	$19.5	$27.4	$48.8	$22.1	$131.5
Forecast FY 2024-25	$268.7	$21.4	$29.9	$57.1	$24.2	$144.7
Forecast FY 2025-26	$285.1	$22.6	$31.7	$51.9	$25.7	$153.2
Forecast FY 2026-27	$292.8	$22.9	$32.1	$56.7	$26.0	$155.0

Change from June	Total Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Fund	Marijuana Tax Cash Fund
Preliminary FY 2023-24	-$4.1	-$0.4	-$0.5	-$0.3	-$0.4	-$2.5
Forecast FY 2024-25	-$6.5	-$0.2	-$0.3	-$5.8	-$0.2	-$1.5
Forecast FY 2025-26	-$8.8	-$0.2	-$0.3	-$6.8	-$0.2	-$1.3

These revisions down are much smaller than in previous forecasts, indicating that the current trend is relatively stable. The revisions are primarily attributed to the decline in wholesale sales, for which OSPB expects continued weakness over the forecast period. To a lesser extent, MTCF revenue is revised down, as prices are anticipated to increase slowly while the decline in sales volume is expected to slow, then reverse in mid-2025.

Federal Mineral Lease

In FY 2023-24, $96.9 million in Federal Mineral Lease (FML) revenue was collected, reflecting a sharp decline of 44.2 percent from FY 2022-23 when $173.6 million was recorded. This decline in revenue is primarily attributed to lower natural gas prices over FY 2023-24 compared to the elevated price levels reached in FY 2022-23. 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, compared to an average of $2.39 in FY 2023-24, which reached a recent trough of $1.40 in mid-March. This $2.24 (-48.5 percent) average price decline year-over-year is closely correlated with the 44.2 percent decrease in FML revenue. 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. Crude oil prices have remained at above-average levels over 2023 and 2024, providing a buoy to overall FML revenue. Through the end of 2024, the Energy

Information Administration forecasts that natural gas prices will remain below average before reaching average levels over 2025. Energy price assumptions are discussed in more detail in the energy section of the economic outlook.

Following the revenue decline in FY 2023-24, FML revenue in FY 2024-25 is projected to grow by 11.7 percent to $108.2 million as natural gas prices are forecast to rebound above FY 2023-24 levels. However, compared to the June forecast, this is a $6.8 million downward revenue revision as lower natural gas prices are expected to continue throughout the first half of the fiscal year. In FY 2025-26, FML revenue is estimated to grow by an additional 7.8 percent to $116.7 million with natural gas prices expected to recover to average levels over the full fiscal year. This represents a stable, $1.3 million upward revision from June. Finally, revenue is projected to grow slowly by 1.2 percent to $118.1 million in FY 2026-27, largely reflecting a steady sector from the year prior. Since FY 2016-17, annual FML revenue collections have averaged $103.9 million. Detailed FML revenue and distribution forecast expectations can be found in Figure 54.

Figure 54: FML Forecast Distribution Table

	Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Total FML Revenue	**$96.9**	**$108.2**	**$116.7**	**$118.1**
Change	-44.2%	11.7%	7.8%	1.2%
Bonus Payments (portion of total FML revenue)	$0.4	$0.5	$0.6	$0.6
Local Government Perm Fund	$0.2	$0.2	$0.3	$0.3
Higher Ed FML Revenues Fund	$0.2	$0.2	$0.3	$0.3
Non-Bonus FML Revenue	$96.5	$107.7	$116.1	$117.5
State Public School Fund	$46.6	$52.0	$56.1	$56.8
Colorado Water Conservation Board	$9.6	$10.8	$11.6	$11.8
DOLA Grants	$19.3	$21.5	$23.2	$23.5
DOLA Direct Distribution	$19.3	$21.5	$23.2	$23.5
School Districts	$1.6	$1.8	$2.0	$2.0

Sports Betting

FY 2023-24 concluded with multiple months of strong wagers driven by baseball, basketball and parlay/combination bets making up the majority. While FY 2022-23 had a substantial $5.2 billion in wagers across Colorado, FY 2023-24 managed sustained strong growth to reach over $6.0 billion in wagers. Large gains in wagers have translated to increased sports betting tax revenue for the State; however, it is not the only factor driving growth. Sports betting operators have also been steadily increasing their hold or win percentage against Colorado players. In the last two fiscal years, the average win percentage of operators has been 7.6 percent, compared to the average of the two preceding fiscal years which was 6.3 percent. Lastly, the effective tax rate has been increasing which has been influenced by statutory limits to free bets in terms of wagers. The effective tax rate in FY 2022-23 was 6.9 percent, while the FY 2023-24 effective tax rate was 7.1 percent. With increasing wagers, win percentages from operators, and effective tax rates, OSPB anticipates upward pressure and growth in Colorado's sports betting revenue. Figure 55 below details OSPB forecast estimates for this revenue in the next three fiscal years.

Figure 55. Colorado Sports Betting Taxation Revenue Distribution

Distribution Formula	Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Total Sports Betting Tax Revenue	$30.44	$35.11	$36.55	$38.35
Change	19.0%	15.3%	4.1%	4.9%
Maximum State Collections	$29.00	$29.00	$29.00	$29.00
Hold-Harmless Fund (6%)	$1.74	$1.74	$1.74	$1.74
Behavioral Health Administration	$0.13			
Water Plan Implementation Cash Fund	$27.13	$27.26	$27.26	$27.26

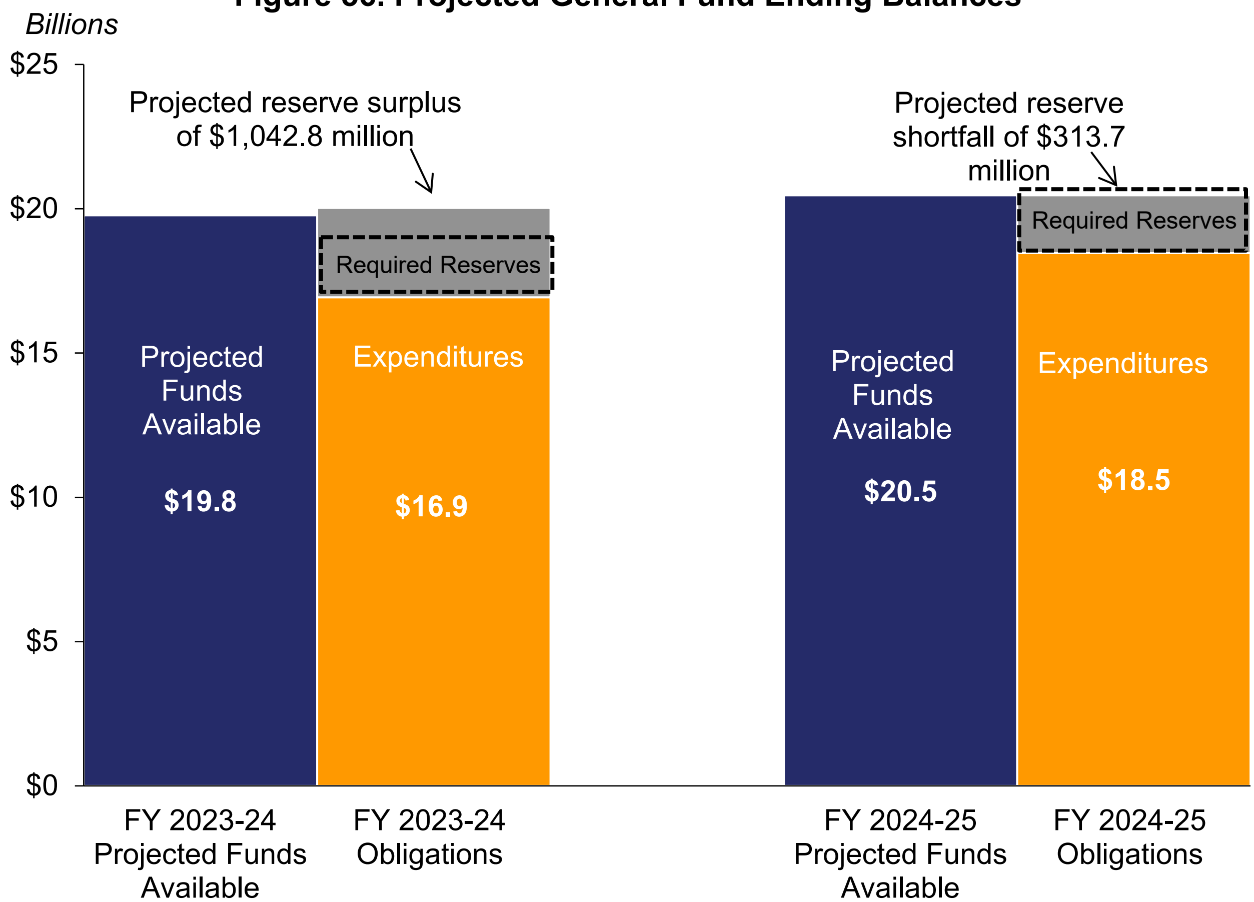
As shown in Figure 55 above, sports betting revenues are distributed by a formula. Under current state law as approved by the voters within Proposition DD, Colorado is limited to collecting up to $29 million. However, with the passage of HB24-1436 *Sports Betting Tax Revenue Voter Approval,* this bill refers a measure to the upcoming ballot in November for the state to retain the excess revenue above $29 million. 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. Typically, over 90 percent of sports betting revenues go to the Water Plan Implementation Cash Fund.

Budget Outlook

General Fund

Preliminary estimates suggest that in FY 2023-24, revenue declined by 4.1 percent off of the previous year's record, a steeper decline than the 3.7 percent expected in June. This is a downward revision of $85.9 million compared to June, as lower withholdings revenue and increased individual refunds contribute to the decline. A continuation of moderating aggregate wages and salaries and a corresponding slowdown in consumer demand as a result translate to revisions down for income and sales revenue in FY 2024-25. Therefore, in the current fiscal year, OSPB now expects a decline in General Fund growth of 0.3 percent rather than a 0.5 percent increase expected in June. However, OSPB still expects to remain above the TABOR cap.

Figure 56. Projected General Fund Ending Balances



In Figure 56 above, OSPB presents the budgetary outcomes resulting from the revenue projections included in this forecast combined with all bills passed in the 2024 state legislative session. First, a few pieces of legislation additionally made small, temporary adjustments to the 15 percent reserve. In HB24-1231, $41.3 million in General Fund is transferred into an escrow account to support capital construction costs related to health care education. The 15 percent reserve is temporarily adjusted downward by this amount until the money is released from escrow, at which point the reserve moves back as the state will recoup the money. Also, in the current fiscal year, HB24-1466 adjusted the reserve up to avoid a fiscal cliff when making a one-time swap between General Fund and ARPA funds.

In the current forecast, OSPB's September preliminary estimate is that the state was $1,042.8 million above the statutory reserve limit for FY 2023-24. The difference in expectations between June and the current forecast is largely a result of HB24-1466, which increases the ending balance by $1,394.6 million as a result of an error in June which stated that the transfer would take place in that fiscal year instead of FY 2024-25. See below for the individual drivers that have increased the balance by $1,156.6 from the $113.9 million below the reserve in June. In FY 2024-25, the forecasted reserve is now $313.7 million below the reserve. The figure below shows the largest driver moving the balance down by $278.4 million was the impact to the beginning balance from the FY 2023-24 Department of Health Care Policy and Financing (HCPF) over-expenditure, which was not known in June.

Figure 57. Crosswalk between June and September Ending Balances

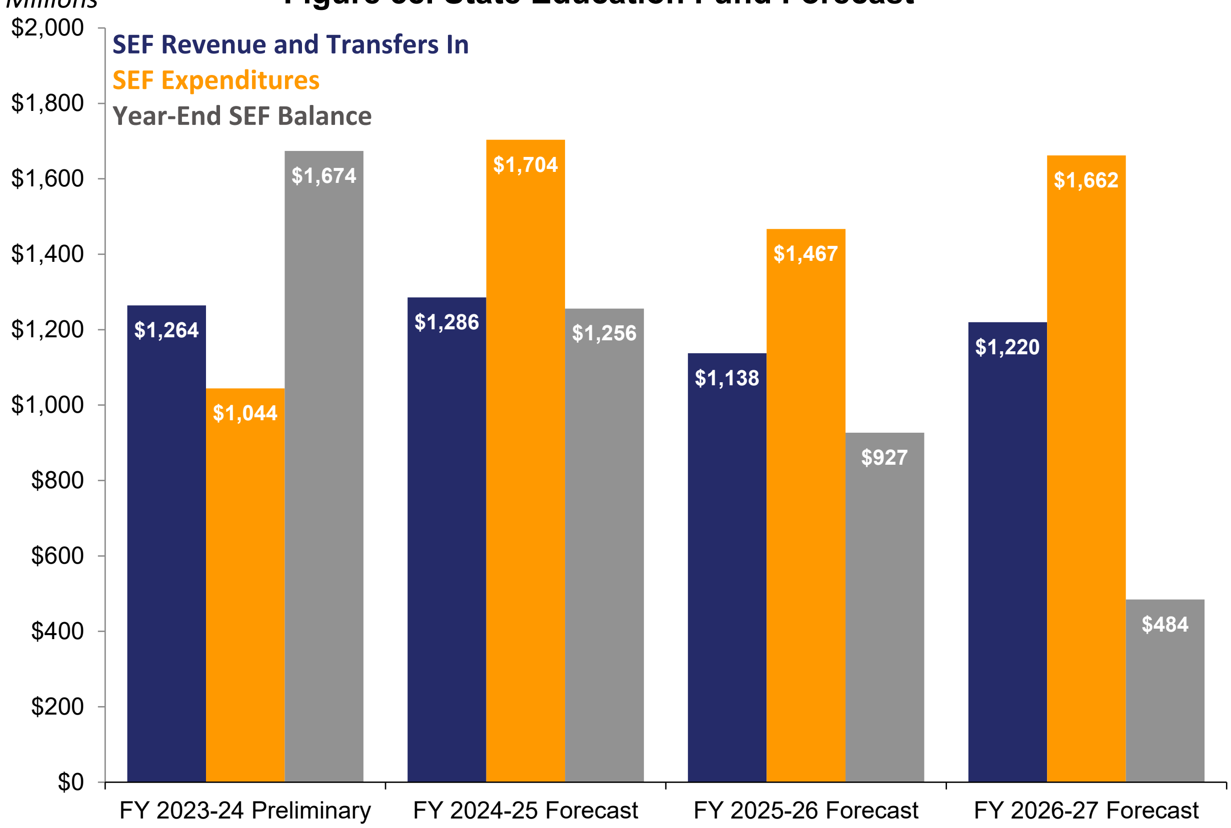
Budget Impacts of Forecast Changes (Millions)	
June Forecast FY 2023-24 Balance Above/Below Reserve	**($114)**
(+) Net higher transfers from timing of HB24-1466 ARPA swap	$1,395
(+) Increased forecasted transfers	$2
(-) Pd 14 CF revenue close	($75)
(-) Pd 14 Rebates revenue	($16)
(+) Pd 14 GF exempt revenue	$31
(-) HCPF Overexpenditure	($154)
(-) 15% Reserve on HCPF	($29)
Sept Forecast FY 2023-24 Balance Above/Below Reserve	**$1,043**
June Forecast FY 2024-25 Balance Above/Below Reserve	**($35)**
(-) CF revenue revisions	($49)
(+) GF exempt revenue	$14
(-) Rebates forecast revision	($14)
(-) Transfers forecast revision	($18)
(-) Beginning balance from CF/Rebates/Transfers/exempt revenue	($58)
(-) Beginning balance from HCPF Overexpenditure	($154)
Sept Forecast FY 2024-25 Balance Above/Below Reserve	**($314)**

For the current fiscal year, the amount below the reserve will be addressed in the supplemental budget submission process, in order to balance the budget as statutorily required.

State Education Fund

The State Education Fund (SEF) ended FY 2023-24 with a robust balance of $1,674.1 million ($1.67 billion), placing the fund in a strong fiscal position moving forward over the forecast period. This is a $25.7 million upward revision from the June forecast from higher interest earnings than expected and year-end expenditure reversions. However, recent legislation will place additional pressure on the fund, and the fund projections throughout the forecast period described in this section take into account all SEF appropriations and legislative changes enacted in the 2024 regular and special legislative session, including bills with the highest fiscal impact, which include HB24-1448 *New Public School Finance Formula*, SB24-233 *Property Tax,* and HB24b-1001 *Property Tax*.

Figure 58. State Education Fund Forecast



In FY 2024-25, the SEF balance is forecast to decrease to $1,256.1 million, a drop of $418.1 million from the previous year. This is an upward revision of $141.9 million from the June forecast, due to lower expected expenditures driven by higher local share contributions from upwardly revised estimates on assessed value growth. In FY 2025-26, the SEF balance is projected to decrease to $926.8 million and further decline to $484 million in FY 2026-27. For

FY 2025-26, this is an upward revision of $46.0 million from the June forecast because of base effects from higher expected local share revenue in the previous year flowing into the next year. Over the two-year period, the reduction in the SEF balance is due to anticipated expenditures exceeding SEF revenue as illustrated in Figure 58. This forecast also assumes additional General Fund contributions of approximately 2.5 percent of Total Program costs in FY 2025-26 and FY 2026-27.

As previously noted, state share requirements for school finance are expected to increase from FY 2024-25 through FY 2026-27, primarily due to three bills: HB24-1448, SB24-233, and HB24B-1001. HB24-1448 modifies the school finance formula, with full implementation occurring over six years. It is estimated to increase cumulative Total Program requirements by approximately $284 million in the first two years of implementation, from FY 2025-26 through FY 2026-27 with growing costs in the out-years. SB24-233 is projected to increase state share requirements by $378.9 million in FY 2024-25 and an estimated $76.8 million in FY 2025-26 according to fiscal note estimates. Lastly, HB24B-1001 is expected to further increase state share requirements by $4.9 million in FY 2024-25, $83.2 million in FY 2025-26, and $99.8 million in FY 2026-27. Combined, these bills increase state share requirements for school finance by $833.2 million over a three-year period, including an estimated $383.8 million in FY 2024-25, $254.8 million in FY 2025-26, and $194.6 million in FY 2026-27. Due to these fiscal impacts from recent legislation, the current elevated balance in the SEF is expected to decline over the forecast period even with significant General Fund contributions to school finance.

Although state share costs are still expected to increase, the anticipated impacts of HB24B-1001 are likely muted by recent data collected by the Department of Local Affairs Division of Property Tax, which anticipates higher assessed value growth than previously projected during the 2024 legislative session. Furthermore, the impacts are significantly less than Proposition 108, recently removed from the ballot in November, which would have increased the state share of school finance by an approximate $630 million in FY 2025-26, with larger impacts in the out-years. Additionally, in forecasts prior to June 2024, OSPB projected that certain property tax reductions were likely to be made in the 2024 regular legislative session, and while local share revenue reductions ended up higher than those projections, the majority was accounted for in budget estimates.

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, though risks are weighted to the downside.

The state budget faces near-term risks resulting from cumulative inflationary impacts and uncertainty around the economic response to Federal Reserve interest rate policy decisions that could further negatively impact consumer and labor demand in ways that would put downward pressure on income and sales tax revenue. Longer-term risks include the tax revenue and state expenditure impacts of a growing retirement-age population combined with slowing population growth among working age adults and climate change risks that increase the frequency and costs of drought and wildfire.

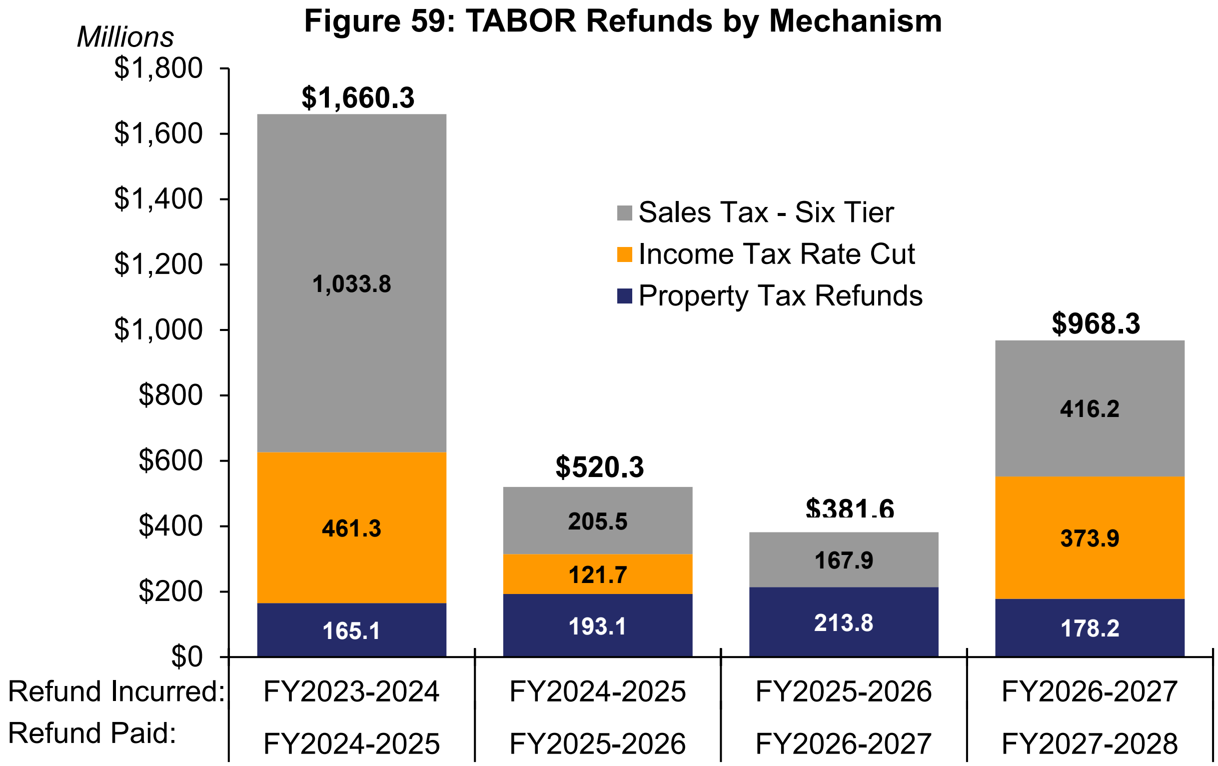
Supplemental Materials

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. This forecast includes an upward revision to refunds paid out for FY 2023-2024 of $219.5 million largely due to $254.9 million in past years refunds (besides the previously known under-refunded amounts related to the Health Insurance Affordability Enterprise diversions) that were reported in the Office of the State Controller's September 1st TABOR Certification letter. The rest of the difference was a result of differences between forecasted and actual TABOR revenue in FY2023-24. In FY 2024-25, the amount above the cap is expected to fall to $520.3 million, a $174.7 million decrease from the June forecast as the labor market and consumer demand weakens in the updated forecast. In FY 2025-26, refunds are expected to decline again to $381.6 million as OSPB projects declining corporate revenue and slow growth in individual income and sales tax revenue. This forecast also includes the first projection of FY 2026-2027, which suggests a rebound to $968.3 million over the cap as OSPB expects a rebound in the labor market alongside a healthy business and spending environment as monetary policy loosens. While OSPB does not forecast the State to fall below the TABOR cap, refunds amounts are declining significantly from their recent highs, and modest forecast error could put the State below the TABOR cap over the next several years.

During the 2024 legislative session, the General Assembly reformed the TABOR refund mechanisms through SB24-228. This bill expanded the refund mechanisms from the dual mechanisms of the Senior Homestead Exemption and the Six Tier Sales Tax refund, to a structure of up to 4 mechanisms, which are activated or not depending on the amount of refunds. Now, in addition to the established mechanisms above, refund mechanisms may now include an income tax cut of between .04 percent to .15 percent, beginning if refunds are expected to exceed at least $300 million after the senior homestead exemption, and a sales tax rate cut of .13 percent if refunds exceed $1.5 billion, again after accounting for homestead expenditures.



OSPB expects the value of the homestead exemption to grow steadily over the forecast period, but with spikes up for Property Tax Year (PTY) 2025 and PTY 2026 when portability is allowed under SB24-111. Overall estimates, however, are expected to be below the June forecast due to the passage of HB24b-1001, which included additional property tax cuts beyond SB24-233, decreasing the value of the exemption. The portability exemption as currently in law expires after PTY 2026, but it is possible that future legislative sessions may extend this provision. With the expected expiration of the portability provision, the value of the Homestead exemption declines between FY 2025-2026 and FY 2026-2027.

TABOR refunds incurred in FY 2023-24 are revised up as noted above. In addition to the $165.1 million in the Senior Homestead and Disabled Veteran property tax exemption expenditures, OSPB expects $1.03 billion to be refunded million via the six-tier sales tax refund, and $461.3 million be refunded through an income tax rate cut of .15 percent to 4.25 percent, per SB24-228.

In FY 2024-25, with the economy continuing its slowdown, refunds decline resulting in a $205.5 million sales tax refund after accounting for the projected $193.1 million in Homestead exemptions, the first year of the portability provision. Lastly, the amount of refund triggers an income tax rate cut of .04 percent, refunding $121.7 million of surplus.

In FY 2025-26, OSPB projects a continuation of economic rebalancing, leading to the smallest TABOR refund year in the forecast period of $381.6 million. After accounting for the combined $213.8 million of projected Homestead and Homestead portability refunds, OSPB projects $167.9 million to be refunded through the six-tier sales tax mechanism, with no income tax rate reduction triggered. Additionally, the TABOR cap in this fiscal year is anticipated to be shifted as a result of SB24-123 Waste Tire Management Enterprise, which establishes a new enterprise and folds an existing cash fund and fee revenue into the enterprise. This action requires a commensurate downward adjustment to the cap, which OSPB projects at around $1.7 million.

OSPB forecasts a rebound in TABOR refunds in FY 2026-2027, rising to $968.3 million, as the economy strengthens again after its period of weakness. Homestead refunds decrease to $178.2 million as the portability provision is set to expire, and the remaining amounts trigger a 0.11% income tax rate reduction, returning $373.9 million of the surplus and the remaining $416.2 million being allocated through the six-tier sales tax mechanism.

Reference Tables

Table 1: Colorado Economic Variables – History and Forecast

		Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Forecast 2024	Forecast 2025	Forecast 2026
	Income									
1	Personal Income (Billions) /A	$328.1	$351.4	$375.2	$418.0	$442.2	$463.8	$485.2	$505.1	$530.8
2	Change	8.2%	7.1%	6.8%	11.4%	5.8%	4.9%	4.6%	4.1%	5.1%
3	Wage and Salary Income (Billions)	$170.8	$183.0	$187.8	$205.6	$224.3	$239.2	$250.9	$260.7	$272.9
4	Change	6.1%	7.1%	2.7%	9.4%	9.1%	6.6%	4.9%	3.9%	4.7%
5	Per-Capita Income ($/person) /A	$57,798.0	$61,269.0	$64,855.0	$71,927.0	$75,738.0	$78,946.0	$81,964.0	$84,598.0	$88,167.0
6	Change	6.7%	6.0%	5.9%	10.9%	5.3%	4.2%	3.8%	3.2%	4.2%
	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%	3.1%	3.2%	3.8%	4.4%	4.1%
11	Total Nonagricultural Employment (Thousands)	2,727.3	2,790.1	2,652.7	2,750.9	2,869.7	2,942.0	2,992.0	3,024.9	3,070.3
12	Change	2.5%	2.3%	-4.9%	3.7%	4.3%	2.5%	1.7%	1.1%	1.5%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	42.6	38.6	40.5	56.5	48.8	39.4	32.3	33.3	35.3
14	Change	4.8%	-9.4%	4.8%	39.7%	-13.6%	-19.3%	-18.0%	3.0%	6.1%
15	Nonresidential Construction Value (Millions) /B	$8,132.0	$5,161.5	$5,607.4	$5,664.1	$6,653.8	$6,660.4	$5,759.7	$5,702.1	$5,867.5
16	Change	32.2%	-36.5%	8.6%	1.0%	17.5%	0.1%	-13.1%	-1.0%	2.9%
	Price Variables									
17	Retail Trade (Billions) /C	$206.1	$224.6	$228.8	$268.3	$299.9	$302.6	$310.1	$321.6	$336.7
18	Change	5.9%	9.0%	1.9%	17.3%	11.8%	0.9%	2.5%	3.7%	4.7%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100)	262.0	267.0	272.2	281.8	304.4	320.3	328.3	338.2	347.3
20	Change	2.7%	1.9%	2.0%	3.5%	8.0%	5.2%	2.5%	3.0%	2.7%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.
/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways)
/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	Actual 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	$22,376.9	$22,936.3	$23,326.2	$23,746.1
2	Change	3.0%	2.5%	-2.2%	5.8%	1.9%	2.5%	2.5%	1.7%	1.8%
3	Personal Income (Billions) /B	$17,528.2	$18,356.2	$19,629.0	$21,407.7	$21,840.8	$22,961.3	$23,925.7	$24,739.1	$25,802.9
4	Change	5.2%	4.7%	6.9%	9.1%	2.0%	5.1%	4.2%	3.4%	4.3%
5	Per-Capita Income ($/person) /B	$53,586	$55,743	$59,213	$64,475	$65,531	$68,687	$71,287	$73,417	$76,269
6	Change	4.5%	4.0%	6.2%	8.9%	1.6%	4.8%	3.8%	3.0%	3.9%
7	Wage and Salary Income (Billions)	$8,899.8	$9,325.0	$9,464.6	$10,312.6	$11,116.0	$11,798.1	$12,352.6	$12,772.6	$13,270.7
8	Change	5.0%	4.8%	1.5%	9.0%	7.8%	6.1%	4.7%	3.4%	3.9%
	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%	4.1%	4.6%	4.4%
12	Total Nonagricultural Employment (Millions)	148.9	150.9	142.2	146.3	152.5	156.1	158.5	159.8	161.6
13	Change	1.6%	1.3%	-5.8%	2.9%	4.3%	2.3%	1.6%	0.8%	1.1%
	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	328.8
15	Change	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	2.9%	2.4%	2.4%
16	Corporate Profits (Billions)	$2,365.2	$2,470.3	$2,383.3	$2,922.8	$3,208.7	$3,258.0	$3,378.6	$3,317.8	$3,487.0
17	Change	6.3%	4.4%	-3.5%	22.6%	9.8%	1.5%	3.7%	-1.8%	5.1%
18	Housing Permits (Millions)	1.33	1.39	1.47	1.74	1.68	1.51	1.48	1.51	1.57
19	Change	3.6%	4.3%	6.1%	18.1%	-3.3%	-10.1%	-1.8%	1.8%	4.1%
20	Retail Trade (Billions)	$5,984.5	$6,173.8	$6,219.7	$7,364.5	$8,021.1	$8,294.2	$8,509.9	$8,722.6	$9,071.5
21	Change	4.4%	3.2%	0.7%	18.4%	8.9%	3.4%	2.6%	2.5%	4.0%

/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	Preliminary FY 2023-24	Percent Change	Forecast FY 2024-25	Percent Change	Forecast FY 2025-26	Percent Change	Forecast FY 2026-27	Percent Change
	Excise Taxes								
1	Sales	$4,362.6	1.4%	$4,513.4	3.5%	$4,721.7	4.6%	$4,951.7	4.9%
2	Use	$233.2	-7.2%	$221.9	-4.8%	$254.7	14.8%	$272.3	6.9%
3	Retail Marijuana Sales - Special Sales Tax	$195.0	-11.3%	$213.6	9.5%	$226.4	6.0%	$229.4	1.3%
4	Cigarette	$20.5	-14.4%	$20.2	-1.6%	$18.6	-7.9%	$17.5	-5.6%
5	Tobacco Products	$21.6	-8.9%	$24.9	15.1%	$23.1	-7.2%	$22.7	-1.5%
6	Liquor	$56.0	-0.6%	$55.7	-0.6%	$57.1	2.6%	$58.0	1.5%
7	Total Proposition EE	$207.8	-11.6%	$236.8	13.9%	$236.0	-0.3%	$234.7	-0.6%
8	**Total Excise**	**$5,096.7**	**-0.3%**	**$5,286.4**	**3.7%**	**$5,537.7**	**4.8%**	**$5,786.3**	**4.5%**
	Income Taxes								
9	Net Individual Income	$10,044.2	-8.3%	$10,407.8	3.6%	$10,674.6	2.6%	$11,561.4	8.3%
10	Net Corporate Income	$2,796.6	18.2%	$2,205.8	-21.1%	$2,113.5	-4.2%	$2,368.3	12.1%
11	**Total Income**	**$12,840.8**	**-3.6%**	**$12,613.6**	**-1.8%**	**$12,788.2**	**1.4%**	**$13,929.7**	**8.9%**
12	*Less: State Education Fund Diversion*	*$1,209.0*	*13.4%*	*$1,103.7*	*-8.7%*	*$1,112.6*	*0.8%*	*$1,204.9*	*8.3%*
13	*Less: Proposition 123 Diversion*	*$327.0*	*104.4%*	*$334.5*	*2.3%*	*$337.1*	*0.8%*	*$365.1*	*8.3%*
14	*Less: Healthy School Meals*	*$0.0*	*NA*	*$127.2*	*NA*	*$119.8*	*-5.8%*	*$91.5*	*-23.6%*
15	**Total Income to General Fund**	**$11,304.7**	**-6.5%**	**$11,048.2**	**-2.3%**	**$11,218.7**	**1.5%**	**$12,268.2**	**9.4%**
	Other Revenue								
16	Insurance	$541.9	4.9%	$627.6	15.8%	$641.3	2.2%	$644.3	0.5%
17	Interest Income	$251.6	33.5%	$181.3	-27.9%	$128.8	-28.9%	$121.2	-5.9%
18	Pari-Mutuel	$0.3	4.9%	$0.3	1.1%	$0.4	3.0%	$0.4	-1.1%
19	Court Receipts	$3.2	1.4%	$3.1	-1.2%	$3.1	0.2%	$3.1	-0.5%
20	Other Income	$53.1	-37.4%	$55.6	4.8%	$58.1	4.4%	$60.0	3.3%
21	**Total Other**	**$850.1**	**7.2%**	**$868.0**	**2.1%**	**$831.7**	**-4.2%**	**$829.0**	**-0.3%**
22	**GROSS GENERAL FUND**	**$17,251.4**	**-4.1%**	**$17,202.6**	**-0.3%**	**$17,588.1**	**2.2%**	**$18,883.5**	**7.4%**

/A Dollars in Millions

Table 4: General Fund Overview /A

		Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Revenue					
1	**Beginning Reserve**	**$2,427.4**	**$3,097.4**	**$2,001.0**	**$2,374.5**
2	**Gross General Fund Revenue**	**$17,251.4**	**$17,202.6**	**$17,588.1**	**$18,883.5**
3	*Transfers to the General Fund*	$95.1	$165.1	$58.4	$29.8
4	**TOTAL GENERAL FUND AVAILABLE**	**$19,773.9**	**$20,465.1**	**$19,647.5**	**$21,287.8**
Expenditures					
5	**Appropriation Subject to Limit**	**$14,087.7**	**$15,330.2**	**$16,105.0**	**$17,016.7**
6	*Dollar Change (from prior year)*	$779.6	$1,242.5	$774.9	$911.6
7	*Percent Change (from prior year)*	5.9%	8.8%	5.1%	5.7%
8	**Spending Outside Limit**	**$2,843.7**	**$3,133.9**	**$1,168.0**	**$1,759.9**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$1,660.3	$520.3	$381.6	$968.3
10	*Homestead Exemption (Net of TABOR Refund)*	$0.0	$0.0	$0.0	$0.0
11	*Other Rebates and Expenditures*	$241.9	$194.8	$191.1	$188.9
12	*Transfers for Capital Construction*	$392.6	$254.1	$50.0	$50.0
13	*Transfers for Transportation*	$5.0	$117.5	$117.5	$117.5
14	*Transfers to State Education Fund*	$0.0	$146.0	$0.0	$0.0
15	*Transfers to Other Funds*	$543.9	$1,901.2	$427.8	$435.2
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$16,931.4**	**$18,464.1**	**$17,273.0**	**$18,776.6**
17	*Percent Change (from prior year)*	-11.0%	9.1%	-6.5%	8.7%
18	Reversions and Accounting Adjustments	-$254.9	$0.0	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$3,097.4**	**$2,001.0**	**$2,374.5**	**$2,511.2**
20	*Year-End General Fund as a % of Appropriations*	22.2%	13.1%	14.7%	14.8%
21	*General Fund Statutory Reserve /B*	$2,054.6	$2,314.8	$2,374.5	$2,511.3
22	*Statutory Reserve %*	14.7%	15.1%	14.7%	14.8%
23	***Above/Below Statutory Reserve***	**$1,042.8**	**-$313.7**	**$0.0**	**$0.0**

/A. FY 2023-24 and FY 2024-25 expenditures and transfers reflect all bills signed by the Governor through the end of the 2024 legislative session. Reversions and accounting adjustments for FY 2023-24 reflect under-refunded amounts from prior years. FY 2025-26 and FY 2026-27 expenditures and fund balance projections are intended to be illustrative. The statutory reserve is no longer simply 15 percent of General Fund appropriations, but is adjusted slightly for HB24-1231 and HB24-1466, as described in the budget section. Dollars in millions.

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

		Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
	Revenue				
1	**Beginning Reserves**	**$3,881.5**	**$4,771.5**	**$3,257.1**	**$3,301.2**
2	*State Education Fund*	$1,454.1	$1,674.1	$1,256.1	$926.8
3	*General Fund*	$2,427.4	$3,097.4	$2,001.0	$2,374.5
4	**Gross State Education Fund Revenue**	**$1,264.2**	**$1,139.6**	**$1,137.6**	**$1,220.0**
5	Transfer to State Education Fund	$0.0	$146.0	$0.0	$0.0
6	**Gross General Fund Revenue /B**	**$17,346.5**	**$17,367.7**	**$17,646.5**	**$18,913.3**
7	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$22,492.2**	**$23,278.8**	**$22,041.2**	**$23,434.5**
	Expenditures				
8	General Fund Expenditures /C	$16,931.4	$18,464.1	$17,273.0	$18,776.6
9	State Education Fund Expenditures	$1,057.1	$1,703.7	$1,466.9	$1,662.3
10	**TOTAL OBLIGATIONS**	**$17,988.5**	**$20,167.7**	**$18,739.9**	**$20,438.9**
11	*Percent Change (from prior year)*	-10.4%	12.1%	-7.1%	9.1%
12	*Reversions and Accounting Adjustments*	-$12.9	$0.0	$0.0	$0.0
	Reserves				
13	**Year-End Balance**	**$4,771.5**	**$3,257.1**	**$3,301.3**	**$2,995.7**
14	State Education Fund	$1,674.1	$1,256.1	$926.8	$484.4
15	General Fund	$3,097.4	$2,001.0	$2,374.5	$2,511.2

/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 4.
/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4. Combined Reserves include GF in excess of the 15% GF appropriations reserve.

Table 6: Cash Fund Revenue Subject to TABOR /A

	Category	Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
1	**Transportation-Related /A**	**$1,425.1**	**$1,510.2**	**$1,574.1**	**$1,635.9**
2	Change	12.5%	6.0%	4.2%	3.9%
3	**Limited Gaming Fund /B**	**$92.9**	**$93.6**	**$95.5**	**$97.7**
4	Change	-23.4%	0.8%	2.0%	2.2%
5	**Regulatory Agencies**	**$96.1**	**$104.1**	**$107.2**	**$111.3**
6	Change	7.5%	8.3%	2.9%	3.8%
7	**Insurance-Related**	**$26.9**	**$26.8**	**$26.9**	**$28.2**
8	Change	1.4%	-0.4%	0.4%	4.7%
9	**Severance Tax**	**$217.3**	**$251.5**	**$258.2**	**$214.6**
10	Change	-42.0%	15.7%	2.6%	-16.9%
11	**Other Miscellaneous Cash Funds**	**$943.8**	**$952.5**	**$976.5**	**$1,014.3**
12	Change	7.4%	0.9%	2.5%	3.9%
13	**TOTAL CASH FUND REVENUE**	**$2,802.2**	**$2,938.7**	**$3,038.3**	**$3,101.9**
14	Change	1.6%	4.9%	3.4%	2.1%

/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 HB09-1272 and updated for HB24-1469.

Table 6b: Top 25 Miscellaneous Cash Funds - Individual Fund Estimates of Revenue Subject to TABOR

	Fund Name	Fund Code	Preliminary FY 2023-24	Estimate FY 2024-25	Estimate FY 2025-26	Estimate FY 2026-27
1	Housing Development Grant Fund	23V0	$76.9	$40.8	$41.7	$43.7
2	Medicaid Nursing Facility Cash Fund	22X0	$54.4	$55.3	$55.2	$55.4
3	General Fund - Unrestricted	1000	$51.3	$49.4	$50.5	$50.0
4	Employment Support Fund	2320	$15.2	$0.0	$2.0	$25.6
5	Oil and Gas Conservation Fund	1700	$30.6	$32.1	$34.0	$31.8
6	Judicial Stabilization Cash Fund	16D0	$33.1	$36.0	$35.3	$35.6
7	School Fund	7050	$41.0	$38.8	$39.0	$39.1
8	Auraria Higher Education Center - Nonenterprise Activities	305M	$36.0	$37.9	$37.5	$37.7
9	Information Technology Revolving Fund	6130	$19.7	$10.4	$9.4	$9.7
10	Judicial Information Technology Cash Fund	21X0	$29.0	$29.5	$29.4	$29.5
11	Adult Dental Fund	28C0	$37.4	$54.9	$53.8	$54.5
12	Offender Services Fund	1010	$19.9	$22.4	$21.8	$22.0
13	Department of State Cash Fund	2000	$29.5	$41.0	$41.2	$41.2
14	Colorado Water Conservation Board Construction Fund	4240	$18.4	$17.5	$17.7	$17.7
15	Victims Assistance Fund	7140	$12.9	$12.3	$12.3	$12.4
16	Supreme Court Committee Fund	7160	$16.3	$15.8	$15.9	$15.9
17	Fleet Management Fund	6070	$13.0	$13.6	$13.5	$13.5
18	Stationary Sources Fund	1190	$15.6	$15.3	$15.4	$15.4
19	Justice Center Cash Fund	21Y0	$12.0	$12.9	$12.7	$12.8
20	Victims Compensation Fund	7130	$9.6	$9.4	$9.3	$9.3
21	State Fair Authority Fund	5100	$11.5	$11.6	$11.5	$11.6
22	Judicial Collection Enhancement Fund	26J0	$7.8	$8.6	$8.4	$8.4
23	Colorado Bureau of Investigation Identification Unit Fund	22Q0	$13.8	$10.6	$10.5	$10.6
24	Correctional Treatment Cash Fund	2550	$6.1	$6.9	$6.7	$6.7
25	Perfluoroalkyl and Polyfluoroalkyl Substances Cash Fund	PPSF	$6.2	$5.7	$5.6	$5.7
26	**Total**		**$617.1**	**$588.6**	**$590.2**	**$616.0**

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

		Preliminary FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
	TABOR Revenues				
1	General Fund /A	$16,642.5	$16,702.9	$17,074.8	$18,367.5
2	Cash Funds /A	$2,802.2	$2,938.7	$3,038.3	$3,101.9
3	**Total TABOR Revenues**	**$19,444.7**	**$19,641.7**	**$20,113.2**	**$21,469.4**
	Revenue Limit Calculation				
4	Previous calendar year population growth	0.5%	0.6%	0.7%	0.9%
5	Previous calendar year inflation	8.0%	5.2%	2.5%	3.0%
6	**Allowable TABOR Growth Rate**	**8.5%**	**5.8%**	**3.2%**	**3.9%**
7	TABOR Limit /B	$14,588.1	$15,434.2	$15,926.3	$16,547.4
8	General Fund Exempt Revenue Under Ref. C /C	$3,485.1	$3,687.2	$3,805.2	$3,953.6
9	**Revenue Cap Under Ref. C /B /D**	**$18,073.2**	**$19,121.4**	**$19,731.5**	**$20,501.1**
10	***Amount Above/Below Cap***	**$1,371.5**	**$520.3**	**$381.6**	**$968.3**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$1,660.3**	**$520.3**	**$381.6**	**$968.3**
12	TABOR State Emergency Reserve Requirement	$542.2	$573.6	$591.9	$615.0

/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 8: List of Transfers to/from General Fund

Bill Number and Description	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Transfers from Other Funds				
12-47.1-701 (d) Ltd. Gaming Revenue Transfer to the General Fund	$23.6	$22.8	$23.9	$25.2
HB92-1126 Land and Water Management Fund	$0.1			
HB05-1262 A35 Tobacco Tax 24-22-117 (1)(c)(I)	$0.6	$0.6	$0.6	$0.6
HB08-1216 Consumer Outreach and Education Program	$0.0			
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	$4.1	$4.1	$4.1	$4.1
SB21-213 Use Of Increased Medicaid Match	$8.8	$7.8	$1.2	
SB21-251 General Fund Loan Family Medical Leave Program	$1.5			
HB23-1272 Tax Policy That Advances Decarbonization	$13.1	$25.1	$28.7	
Proposition II Passage Return Funds to General Fund	$5.6			
HB23-1304 Affordable Housing Financing Fund	$0.0			
SB23-215 State Employee Reserve Fund General Fund Transfer	$4.9			
HB24-1413 Severance Tax Transfers		$69.3		
HB24-1414 Repeal COVID Heroes Collaboration Fund		$3.4		
HB24-1415 State Employee Reserve Fund	$31.2			
HB24-1424 College Opportunity Fund Transfer to General Fund	$1.5			
HB24-1426 Controlled Maintenance Trust Fund Transfer		$32.0		
Transfers to Other Funds				
SB11-047/HB24-1396 Bioscience Income Tax Transfer to OEDIT	-$14.4	-$12.7	-$15.3	-$21.8
HB13-1318/SB 17-267 Transfers of Special Sales Tax to MTCF	-$126.1	-$138.1	-$146.4	-$148.3
SB17-267 Sustainability of Rural CO (Transfer MJ Special Sales Tax to Public School Fund)	-$22.1	-$24.2	-$25.7	-$26.0
HB20-1116/HB24-1398 Procurement Technical Assistance Program Extension	-$0.2	-$0.2	-$0.2	-$0.2
HB20-1427 (Prop EE) - 2020 Tax Holding Fund	-$207.8	-$236.8	-$236.0	-$234.7
SB22-191 Procurement Of Information Technology Resources				
SB22-195 Modifications To Conservation District Grant Fund	-$0.1	-$0.1	-$0.1	-$0.1
HB23-1041 Prohibit Wagering On Simulcast Greyhound Races		-$0.03	-$0.05	

HB23-1107 Crime Victim Services Funding	-$3.0			
HB23-1273 Creation of Wildfire Resilient Homes Grant Program	-$0.1			
HB23-1290 Proposition EE Funding Retention Rate Reduction	-$5.6			
HB23-1305 Continue Health Benefits in Work-related Death	-$0.2	-$0.2	-$0.2	
SB23-001 Authority Of Public-private Collaboration Unit For Housing	-$5.0			
SB23-005 Forestry And Wildfire Mitigation Workforce	-$1.0	-$1.0	-$1.0	-$1.0
SB23-044 Veterinary Education Loan Repayment Program	-$0.5			
SB23-056 Compensatory Direct Distribution to PERA	-$10.0			
SB23-166 Establishment of a Wildfire Resiliency Code Board	-$0.3			
SB23-199 Marijuana License Applications and Renewals	-$4.1			
SB23-205 Universal High School Scholarship Program	-$25.0			
SB23-255 Wolf Depredation Compensation Fund	-$0.2	-$0.4	-$0.4	-$0.4
SB23-257 Auto Theft Prevention Cash Fund	-$5.0			
SB23-283 Mechanisms For Federal Infrastructure Funding	-$84.0			
HB23B-1001: ERA Transfer	-$15.1			
HB24-1043 State Contribution to FPPA Death & Disability Fund			-$2.1	-$2.1
HB24-1152 Accessory Dwelling Units	-$5.0	-$8.0		
HB24-1176 Behavioral Health Grant for Capital Project		-$4.0		
HB24-1211 State Funding for Senior Services Contingency Fund	-$2.0			
HB24-1213 Gen Fund Transfer Judicial Collection Enhancement	-$2.5			
HB24-1214 Community Crime Victims Funding	-$4.0			
HB24-1237 Programs for the Development of Child Care Facilities		-$0.3		
HB24-1280 Welcome, Reception, & Integration Grant Program		-$2.5		
HB24-1313 Housing in Transit-Oriented Communities		-$35.0		
HB24-1364 Education-Based Workforce Readiness		-$5.0		
HB24-1365 Opportunity Now Grants & Tax Credit		-$4.0		
HB24-1379 Regulate Dredge & Fill Activities in State Waters				-$0.2
HB24-1386 Broadband Infrastructure Cash Fund for DOC		-$4.6		
HB24-1390 School Food Programs		-$14.9		

HB24-1397 Creative Industries Cash Fund Transfer		-$0.5		
HB24-1420 Transfer to Colorado Crime Victim Services Fund		-$4.0		
HB24-1421 Modifying Public Safety Program Funding		-$3.0		
HB24-1439 Financial Incentives Expand Apprenticeship Programs		-$4.0		
HB 24-1465 Program Changes Refinance Coronavirus Recovery Funds	-$0.4			
HB 24-1466 Refinance Federal Coronavirus Recovery Funds		-$1,394.6		
SB 24-170 America 250 - Colorado 150 Commission		-$0.3		
SB24-214 Implement State Climate Goals	-$0.1	-$0.4	-$0.4	-$0.4
SB24-218 Modernize Energy Distribution Systems		-$0.8		
SB24-221 Funding for Rural Health Care		-$1.7		
Transfers for Capital Construction				
Placeholder for Level 1 Controlled Maintenance			-$30.0	-$30.0
HB15-1344 Fund National Western Center and Capital Projects	-$20.0	-$20.0	-$20.0	-$20.0
SB23-243 General Fund Transfers to Capital Construction Fund	-$294.2			
SB23-294 Increase General Fund Transfers to Capital Construction Fund	-$18.2			
HB24-1215 Transfers to the Capital Construction Fund	-$19.0			
HB24-1231 State Funding for Higher Education Projects	-$41.3			
HB24-1425 Transfers for Capital Construction		-$232.2		
SB24-222 State Funding to Relocate Two State Entities		-$1.9		
Transfers for Transportation				
SB21-260 Sustainability of the Transportation System		-$117.5	-$117.5	-$117.5
SB23-283 Mechanisms for Federal Infrastructure Funding	-$5.0			
Transfers to the State Education Fund				
SB23B-001 SEF Transfer		-$146.0		

Total transfers into General Fund	**$95.1**	**$165.1**	**$58.5**	**$29.8**
Total transfers out of General Fund	**-$941.5**	**-$2,418.8**	**-$595.3**	**-$602.7**
(Subtotal) Transfers to Other Funds	**-$543.9**	**-$1,901.2**	**-$427.8**	**-$435.2**
(Subtotal) Transfers for Capital Construction	**-$392.6**	**-$254.1**	**-$50.0**	**-$50.0**
(Subtotal) Transfers for Transportation	**-$5.0**	**-$117.5**	**-$117.5**	**-$117.5**
(Subtotal) Transfers to the State Education Fund		**-$146.0**		
Total Net Transfers	**-$846.4**	**-$2,253.7**	**-$536.8**	**-$572.9**

Table 9: Rebates and Expenditures

Line No.	Category	FY 2023-24	% Chg	FY 2024-25	% Chg	FY 2025-26	% Chg	FY 2026-27	% Chg
	Rebates & Expenditures:								
1	Cigarette Rebate to Local Governments	$6.8	-10.9%	$6.4	-6.2%	$6.1	-4.0%	$5.8	-4.8%
2	Marijuana Rebate to Local Governments	$19.5	-11.0%	$21.4	9.5%	$22.6	6.0%	$22.9	1.3%
3	Old-Age Pension Fund/Older Coloradans Fund	$102.9	8.4%	$106.4	3.4%	$107.6	1.2%	$109.7	1.9%
4	Aged Property Tax & Heating Credit	$12.1	1.0%	$9.8	-19.3%	$8.1	-17.1%	$7.6	-5.9%
5	Homestead Exemption	$161.2	-1.5%	$165.1	2.4%	$162.0	-1.9%	$172.0	6.2%
6	*TABOR Refund Portion of Homestead Exemption*	*($161.2)*		*($165.1)*		*($162.0)*		*($172.0)*	
7	Property Tax Assessed Value Reductions from SB22-238, SB23b-001	$291.8	N/A	$0.0	-100.0%	$0.0	N/A	$0.0	N/A
8	*TABOR Refund Portion of Homestead Exemption*	*($238.6)*		*$0.0*		*$0.0*		*$0.0*	
9	Portable Homestead Exemption Expansion (SB24-111)	$0.0	N/A	$0.0	N/A	$31.1	N/A	$41.7	34.1%
10	*TABOR Refund Portion of Homestead Exemption*	*$0.0*		*$0.0*		*($31.1)*		*($41.7)*	
11	Debt Payment on Bonds for School Loans	$26.2	148.9%	$29.1	11.1%	$24.7	-15.2%	$20.9	-15.2%
12	Fire/Police Pensions	$4.1	-3.5%	$4.5	8.7%	$4.7	5.6%	$4.6	-2.6%
13	Amendment 35 General Fund Expenditure	$0.6	-8.7%	$0.6	-3.1%	$0.6	-3.7%	$0.6	-3.5%
14	Property Tax Exemption Reimbursement to Local Governments	$16.4	-1.2%	$16.9	2.9%	$17.0	0.6%	$17.1	0.5%
15	**Total Rebates & Expenditures (Excluding TABOR Refund)**	**$241.9**	**43.4%**	**$195.0**	**-19.4%**	**$191.5**	**-1.8%**	**$189.3**	**-1.1%**